



# **Mongolia EITI Annual Progress Report**

**2017**

Mongolia EITI National Council and Working group  
Secretariat of Mongolia Improved Governance Extractive Project/EITI

## Table of Contents

One. General assessment of activities .....	3
1.1. Highlight summary .....	3
1.2. Result, impact and progress of EITI in Mongolia .....	4
1.3. Core activities in 2017 .....	6
Two. Implementation of 2017 Work plan, status of achievement of objectives and results ....	8
2.1. Objective one: Upgrade the level of progress of EITI requirements which resulted “Inadequate and meaningful” category according to EITI International Validation and take follow up actions according to recommendations given by Independent Administrator within Mongolia EITI 2015 Report;- following activities were implemented to reach this objective:.....	8
2.2. Objective two: Produce and endorse Mongolia EITI 2016 Reconciliation Report; - following activities were implemented to reach this objective:.....	9
2.3. Objective three: Ensure EITI implementation at subnational level and strengthen subcouncils capacity; - following activities were implemented to reach this objective:.....	10
2.4. Objective four: Implement planned activities belong to 2017 of the Roadmap for Beneficial Owners Disclosure; s- following activities were implemented to reach this objective:.....	11
2.5. Objective five. Ensure contract transparency; - following activities were implemented to reach this objective: .....	12
Three. Status of meeting of each EITI Standard requirements .....	14
3.1. Assessment of Performance against EITI Requirements and Validation .....	14
Four. Status of implementation recommendations of Mongolia EITI Validation 2016 Report and Mongolia EITI 2015 Report .....	15
4.1. Summary remediation of requirements with non satisfactory assessment from Mongolia EITI Validation 2016: .....	15
4.2. Implementation of last year’s recommended actions (REQ 7.3).....	17
Five. Specific weaknesses, identified in the Mongolia EITI process .....	18
Six. Cost of implementation in 2017 .....	19
Seven. Meetings, decisions and experience sharing, attendance .....	20
7.1. Meetings of Mongolia EITI National Council .....	20
7.2. Meeting of Mongolia EITI Working Group.....	20
7.3. The resolution of Government of Mongolia No. 308, November 15th 2017.....	22
Eight. The Report was drafted no December 15 <sup>th</sup> , 2017 by EITI/MIGEP Secretariat.....	22
Nine. Attachments: .....	23

## **One. General assessment of activities**

### **1.1. Highlight summary**

It has a background to consider that Mongolia has implemented EITI sustainably on satisfied level, using given opportunities. The main product of transparency, which is Mongolia EITI 2016 Report was produced in timely manner, has become a public domain.

Mongolia EITI Working group initiated amendment to the existing Government resolution 222 and which took place. The amendment stated, that EITI standard, its requirements, recommendations, charter and protocol are accepted with existing legislation of Mongolia.

The decision of EITI Board of January 2017 that Mongolia has implemented EITI as with meaningful progress as result of Mongolia EITI Validation is a clear example of good implementation of EITI in Mongolia.

For the first time, inception seminar was organized in May, and the work of Independent Administrator launched at such early time. As result of such early beginning, good Mongolia EITI Report was produced and the most of recommendations of Validation had been executed.

1227 mineral license and petroleum contract holding companies and Government on receipt from 2086 companies reported for EITI electronically, Mongolia EITI 2016 Report was produced covering 213 leading companies of Mongolia in the sector.

A pilot project for better EITI promotion and creating mutual understanding in local areas has been implemented by Adam Smith Institute along with Mongolian company Interconsulting under EBRD funding, which is covering 5 soums in 5 different aimags like Yereu, Zaamar, Gurbantes, Bor-Undur and Delgerheh and is approaching to be completed.

The majority of planned activities for 2017 in Mongolia EITI Beneficial ownership transparency Road Map 2020 have been implemented in 2017, a relevant Government resolution on this issue passed this year.

To insure Contract disclosure Mongolia EITI through funding of Open society forum has created Open Contract portal, which has become a public domain.

## 1.2. Result, impact and progress of EITI in Mongolia

1. EITI reporting means real example of accountability of Companies is increasing.

For 2006 the number of companies, which was only 64, and this figure has reached 1227 for 2016, and increased 20 times. This evidences increase in number of accountable and responsible companies.

2. EITI reporting reveals an increase of accountability and leadership of Government, which reports without any obstacles.

The Government of Mongolia produced EITI, first time for 2006, which covered revenues of extractive industries from 134 companies, recently produced the report for 2016, which is covering revenues from 2086 companies. It is worth to note that Government has being produced EITI reports on revenues for past consecutive 5 years, covering almost companies having mineral licences. The number of companies presented in the Government has increased 15 times since 2006. This fact gives all ground to consider that accountability of the Government is increasing.

3. Availability of real information has increased, as EITI reporting has become electronic.

Companies and Government have reported in “paper” between 2006-2013, and since 2014 both are producing electronic EITI reports, which lead to saving valuable and papers of both Government and Companies, arrive at “Eco” reporting.

4. Knowledge and capacity of the Government, Companies and Civil society have increased and upgraded.

The capacity of Three parties have increased, as result annual reports have been produced in timely manner, a year before EITI bench timeline, and discussed, which has become quite as routine work since 2011.

5. The interanational reputation of Mongolia has increased..

Mongolia received awards of Cristall cup of EITI Chariman in 2011 and 2016. One was for sustainable reporting and other is for increasing of electronic availability of EITI

6. Investment grade of Mongolia has increased.

Mongolia has raised short-term bonds of Chinggis khan, Samurai and etc.from global markets and is using these funds to resolve various economic, investment and development issues.

7. Resource Governance index of Mongolia increased and reached 64.<sup>1</sup>

The cooperation between Government, Companies and Civil society activated extensively to implement EITI and at the same time the trust and envorinment improved, which all have led to cause to increase this index.

8. Donations handed to central and local state organizations, which are not disclosed previously are now disclosed since 2007.

---

<sup>1</sup> Previous index in 2013 was 51.

Parliament and Government of Mongolia are taking measures to regulate issues of messy donations and assistances through relevant legislative acts. In 2010 a Financial Ministerial Order No.45, in 2011 a Budget law, and its art. 25, and in 2012 a law on the prevention of conflict of interest and regulation of public and private interests in public service, and its art.17.1, 17.4 have been adopted and regulate issues related to donations, which are present great progress in this aspect..

9. Information on natural rehabilitation work and relevant deposits are disclosed on annual basis.

Mongolia is disclosing natural rehabilitation work since 2007 every year, which is not EITI standard and is implementing this very special requirement, which can be considered beyond EITI standard..

10. Subnational EITI branches are established in rural areas and capital cities and give opportunity to increase communication between companies and local areas..

Mongolia has implemented many activities of good practice in rural cooperations. Just one of them would establishment of subnational EITI councils in 20 aimags and 18 soums, capital city and 1 district..

11. As EITI has being implemented EITI became a tribune of consultations and discussions.

All media channels are discussing freely EITI, its benefits, impacts, results, implementation without any limitations.

12. There are some cases that EITI report and its information was used to resolve some constructive discussion.

There was discussion over whether Boroo gold company has paid any tax or not, so EITI report was used as reference tool to settle this dispute.

13. Mongolia EITI is charge companies which are not reporting for EITI.

14 companies, which have not reported for 2016 are fined and paid 58 million tugrgs in 2017.

Although, Mongolia is implementing EITI more than 10 years and considered as one of leading countries at global level, Mongolian community is still giving a mark that result is not satisfactory.

Therefore, it would fair to improve active involvement and responsibilities of stakeholders, which are participating in EITI implementation.

### **1.3. Core activities in 2017**

#### EITI Reporting for 2016 by Companies and Government

Mongolia EITI organized EITI reporting for 2016 by Companies and Government as work plan specified. As a result, totally 1227 mineral license and petroleum contract holding companies (642 companies with exploration license, 574 companies with production license, 11 companies with petroleum production sharing agreement) produced reports and Government entities like 7 agencies, gubernatorial offices of 17 aimags and 9 districts reported on revenues from 2086 companies electronically by July. Just some details about report by Government entities. Mineral and petroleum authorities reported on 1867, Taxation on 1274, General authorities of health and social insurance on 984, Customs office on 277, Bayangol district on 144, Chingeltei district on 116, Dornogovi aimag on 106, Sukhbaatar district on 105, Selenge aimag on 50 companies, and list of other entities attached. The number of companies which reported for 2016 is increased by 64% from previous year.

#### Implementation of 2016 EITI Validation findings and recommendations

EITI Board issued a final decision for Mongolia EITI Validation in January 2017, delivered recommendations, Mongolia EITI Working Group met in February, discussed, recognized all necessary remedial activities, agreed that the most of work should be carried out in cooperation with Independent Administrator and implemented since then. Issues related to procedure of Working group were finalized in November meeting, and National Council finalized in December meetings, approved all necessary amendments.

#### Deliberation of Terms of References for Mongolia EITI 2016 11<sup>th</sup> Report

At the beginning of 2017, draft selection and terms of references for Mongolia EITI 2016 11<sup>th</sup> Report was delivered to Members of Working group electronically, collected their comments and proposals, and then it was approved and published in the newspaper.

The selection committee under a law on procurement of goods, service and consultancy by state and local budget funds was established at Secretariat, which was chaired by senior officer of Mineral and Petroleum authorities Mr. Ts. Tsegst, composed of members: N. Nyamkhuu, officer of financial department of Ministry of Mining and Heavy industries, Mr. N. Alгаа, president of Mongolian National Mining Association, Mrs. B. Bolormaa, tax accountant of Boroo Gold company, Mr. B. Batbold, member of Governing body of Mongolian Natural Environment Civil Council, and Mr. B. Gansukh, officer of Zorig Foundation, Mrs. B. Delgermaa, officer of Secretariat, as secretary of Selection committee, which was established by order of first deputy chief of Government Secretariat and did the selection work. The Secretariat also received comments and proposals from EITI International Secretariat and included all necessary inputs and selection launched in January.

#### Result of selection and contract conclusion

Companies like KPMG Audit Mongolia, KPMG France, Ulaanbaatar audit corporation, Hart Nurse Co., Ltd, Od Burtgel audit LLC, Suld audit LLC, Latana audit LLC, Golden page audit LLC, SJMD audit LLC, Moors Stefens participated in the selection of independent administrator of 2016 Mongolia EITI 11<sup>th</sup> Report. At the end of selection process a consortium of Mongolian and French KPMG companies was selected as independent administrator, concluded contract in April, organized inception seminar in May, presented inception report in June to Working group, submitted a draft report to Working Group in November, and final report to National Council in December. The report is endorsed with some remarks on additional work of reediting, clarifications of recommendations by January 15<sup>th</sup>, 2018.

## Production of the 2016 EITI Report

KPMG consortium has produced 2016 EITI Report in compliance with EITI Standard, reconciled reports of 213 leading Mongolian companies with Government Reports, made relevant conclusions and recommendations. The reconciliation launched in June, continued till November overlapping with Mongolian traditional holiday Naadam and Vacation season, as result there was again a delay in receiving replies and clarifications from Government organizations and companies, affected on timely production of the Report.

## Discussions of the 2016 EITI Report

KPMG consortium submitted a draft report to Working Group in November, there was a relevant discussions, in the principle the Working Group agreed to the draft report and to submit to National Council. Also, EITI International Secretariat made extensive comments and proposals, which were also submitted to the Working Group. KPMG has submitted a final report to National Council including all proper amendments to the Report, and the National Council endorsed it but with remark on additional work of reediting, clarifications of recommendations by January 15<sup>th</sup>, 2018.

## Transparency of Beneficial ownership

In accordance with “Mongolia EITI Beneficial ownership Road 2020” 9 consultative meetings had been organized, in which 260 experts and officials participated, finalized Beneficial ownership definitions, and submitted to Working Group. The Working group approved definitions and submitted them officially to the Government Secretariat for drafting relevant legislative acts.

## Trainings

It has become quite routine to organize trainings to build up capacity of stakeholders. Following the recommendations of Mongolia EITI Validation, 2 trainings, one in January and other in May were organized for managers and accountants of State owned companies, which have got poor marks, and these trainings were conducted in cooperation with KPMG, which was Independent Administrator, Erdenes Mongol LLC, which is holding major State stakes in some companies.

With purpose to increase quality of initial reporting for 2016, better involvement, a series of training was organized for state organizations and companies in February, April, May and June, and there was in total 230 officials participated in these activities. The main trainers for these trainings were Mrs.B.Bolormaa, senior officer of accounting policy department of Ministry of Finance, who lectured on accounting standard to be applied in extractive industries, Mr.D.Ganbayar, chairman of National Council of Corporate Governance, Mrs.Ayuush, consultant, who lectured on Corporate Governance and transparency, Mrs.P.Tungalag, executive director of Academy of international standards, who lectured on Corporate Social Responsibility ISO MNS26000, Anti corruption standard ISO 37001, Mrs.B.Byarmaa, head of NGO Khubsugul lakers, who lectured on involvement of citizens, Mr.N.Erdenetsog, audit consultant of Ulaanbaatar Audit corporation, which was Independent administrator for Mongolia EITI 2015 Report who lectured on findings of that Report, and Mrs.Sh.Nomindari, manager of KPMG consortium, which was selected as Independent administrator for Mongolia EITI 2016 Report, who lectured on initial findings of the Report.

In May, a conference of Local planners was organized with National Development Agency, during which local workers had been trained and received substantial amount of capacity related knowledge and skills.

Capacity build up training was organized for media workers on aspect of how to use EITI reports and their data, how to prepare relevant program and reportage for public and viewers. In

cooperation with Mongolian Mining Journal, training for 40 journalists from 21 aimags was organized with some contest among participants, which all was co-funded by German GIZ, and contributed to advance their capacity and knowledge. Also, in cooperation with Mongolian Press institute another training was organized for 20 media workers from central media channels and contributed to update their knowledge and training.

## **Two. Implementation of 2017 Work plan, status of achievement of objectives and results**

### **2.1. Objective one: Upgrade the level of progress of EITI requirements which resulted “Inadequate and meaningful” category according to EITI International Validation and take follow up actions according to recommendations given by Independent Administrator within Mongolia EITI 2015 Report;- following activities were implemented to reach this objective:**

1. Two trainings dedicated to State owned companies, which have got poor assessment from Validation were organized for 45 managers and financial workers from Erdenes Mongol LLC, and 7 State owned companies, and contributors were Ulaanbaatar audit corporation, which produced Mongolia EITI 2015 Report, KPMG consortium, which was selected for Independent administrator of 2016 Report, relevant officials from Ministries of Finance and Natural Environment and Tourism, and improved their knowledge and capacity.
2. On the second training, along with KPMG consortium the directions of scoping 2016 report were given, received feedback, exchanged views, and agreed on terms of references. Consequently, terms of references and scoping were finalized at June meeting of Working Group.
3. To improve disclosure of quasi-fiscal expenditure and transfer of state owned companies, at the training examples from Erdenet mining companies similar expenditure for 2015 was presented.
4. Meeting of KPMG consortium with State property policy coordination agency and Erdenes Mongol was organized for better understanding and cooperating in reporting of some aspects of EITI Standard and exchange of views was carried and appropriate study work was done.
5. For Contract disclosure, coordinates of 24 Petroleum production sharing agreements were disclosed and included into Mongolia EITI 2016 Report.
6. Financial Ministerial order No.43 of 2016 allowed inclusion of information about natural environment into EITI reporting templates. 166 companies have reported for 2016 in this line.
7. As for better verification of data of Government EITI Report, National Audit Office of Mongolia defined activities such as procedure in their 2017 Work Plan, and a procedure was drafted and in the principle it is approved and will be applied in 2018.
8. As for better verification of data of Companies EITI 2016, KPMG consortium is elaborating new methodology, which was presented to Working Group in June, approved, and implemented this methodology and findings were presented to Working Group in November, and verification results were improved in comparing to data of 2014 and 2015.
9. Training for State administrative, district tax departments was organized in February where 32 top managers from 25 organizations participated and their capacity was improved.
10. Training for Aimag governors from central region was in December, 2017 where representatives from 6 aimags participated, and main product was a planning of activities of Aimag EITI Subnational Council for 2018.
11. Training for State organizations was organized in December, 2016, and several meetings with top managers of Mineral and Petroleum Authorities, General department of Taxation,



National Development agency and National audit office of Mongolia have been organized for better understanding and communications.

12. In June, Mongolia EITI Working Group agreed on amendments to Government Resolution No.222 of 2012,, which was later submitted to the Government Secretariat, and the resolution was amended by Government in September, became effective immediately.
13. EITI Standard and Beneficial ownership disclosure requirement are included into National Program to combat corruption for a period of 2017 to 2023 which was later approved by Government Resolution.
14. Ministry of Mining and Heavy industries drafted a new law on Mining, and included part of draft law of transparency in mineral resources sector about reporting requirements as one whole part, and organized several consultation work, which is still finalized yet.
15. Recommendation of Mongolia EITI 2015 report, No. 7.2.6/3 which required that Mongolia EITI electronic portal should get SSL certificate was implemented and relevant certificate is obtained.

#### **Results as achieved per each purpose:**

1. Knowledge and understanding of officers of State owned companies engaged in EITI report have increased, scope of transparent payments and transfers are defined, and recommendations and guidelines are ready for application.
2. Recommendations given by Mongolia EITI 2015 Report are implemented.
3. Transparency of license under EITI standard is fully achieved.
4. Recommendations given by Mongolia EITI 2015 Report are implemented
5. Rehabilitation data is now available as per each company.
6. Decision 6c of 15<sup>th</sup> meeting of National Council is achieved.
7. Reliability of data is increased.
8. Data processing of revenue allocations is much comprehensive.
9. Data processing is improved.
10. Details of work plan are coordinated to each other.
11. Attendance of representatives to meetings is increased and improved.
12. Obligations and functions of members are now clear.
13. As legislations is clear now, functions of executive governance and local authorities are also became clarified.
14. Knowledge and understanding of Anti Corruption Committee, National Audit of Office of Mongolia increased as they are working to resolve some clear issues.
15. Number of followers of social networks has increased.
16. Achievement rate of recommendations has increased.
17. Knowledge and understanding of EITI standard by Companies have increased.
18. Some recommendations of Mongolia EITI 2015 Report are implemented and some are in process of implementation.

#### **2.2. Objective two: Produce and endorse Mongolia EITI 2016 Reconciliation Report; - following activities were implemented to reach this objective:**

1. The selection of Independent Administrator for Mongolia EITI 2016 Reconciliation report was successfully conducted in February-March, and KPMG consortium was selected and contract was concluded in April. The work has begun immediately.
2. The contract was as standard as consultancy service contract and amount was 190 million MNT, the budget allocations had been saved. The payment was effected as followed 30% was paid in June, when Inception report is approved by Working Group, 60% was paid in Early December, when draft Report is approved by Working Group, and final 10% was paid in late December, when the national Council endorsed.

3. The Secretariat has used different tools like cell phone, e-mail, web site, daily newspaper to deliver requests to report for EITI. Also it published announcement to do so at information board of Mineral and Petroleum Authorities.
4. It tracked reporting status by Companies and listed up, informed Professional Inspectorate on non reporting companies.
5. Working Group at its June meeting agreed list up leading 213 companies for 2016 report, delivered necessary data for production of the Report.
6. Working Group at its November meeting discussed 2016 draft report and asked to improve and, agreed to submit to National Council for endorsement, which was made on December 21, 2017.0

**Results as achieved per each purpose:**

1. EITI Report is endorsed.
2. Capacity of reporting entities is improved and number of reporting companies has increased by 64%.
3. Some recommendations of Mongolia EITI 2015 Report are implemented and some are in process of implementation.
4. Recommendations given by Validation are implemented.

**2.3. Objective three: Ensure EITI implementation at subnational level and strengthen subcouncils capacity; - following activities were implemented to reach this objective:**

1. Since March, 2017 a pilot project on improving EITI information and communication in local area, which is funded by EBRD is under implementation, and the project started with assessment of soums to be a part to this projects, and assessment was based on several indicators, findings of which were presented to Working Group along with proposals of Project soums. The Pilot project is covering Zaamar soum of Tuv aimag, Gurvantes soum of Umnugovi aimag, Yeroo soum of Selenge aimag, Bou-Undur soum of Hentii aimag and Delgerekh soum of Dornogovi aimag.
2. The needs assessment in each soums had been carried in March, and relevant conclusions have been made, and based on them a Communication Strategy drafted and submitted to Working Group in June, starting from July, the Project implementation was activated. So, there are early results:
  - a. Four of them have established or re-established their subnational Council, which is represented equally from three parties, like local authorities, company and citizens, received necessary training and as result capacity is created. The most soums sees a Council as important to tool various issues. For example, Gurvantes soum of Umnugovi aimag uses this structure as cooperation mechanism, resolving local issues of misunderstanding, conducts capacity assessment to deliver local merchandise like meat, milk, vegetables, to increase local jobs, and to conclude contracts to have official cooperation.
  - b. Each soum has created information worker, created information cabinet/angle and works to disseminate information to citizens through centralized coordination, For example, each member of Bor-Undur soum council, works in the center as shift, receives proposals an comments, and deliver necessary information. Information workers are participating in meeting of Citizens hural of Bag, reporting meeting of Governor and promoting EITI.
  - c. Using communication innovative methods and technique, data disclosed under EITI report is delivered efficiently to citizens. For example, during livestock sensus newspapers are delivered and SMS sent to herders, other amusement such TV quiz, Sports event are organized, also delivering mining related complicated matters

in explanatory form, giving information to undergraduate pupils, conduct interview, increase knowledge and understanding of youngsters and children, contest on creation of logo and writing essay, using each soum facebook group to disseminate posters with infographics, information sharing on results of meeting of citizens hural of bagh.

3. Training on capacity build up for members of 5 soums subnational councils, and information was organized in Ulaanbaatar in October, all necessary information was given to them. Training was followed by workshop on which the work plan for 2018 were drafted and 2 month- race was announced among these soums for “best bench soum of transparency” during which many actions will take place to activate. It is planned that the best of best of subnational soums shall be awarded with Prime Ministerial cup.
4. In May, Mr.N.Algaa, president of Mongolian National Mining Association, Member of Mongolia EITI National Council participated in and addressed Uvs aimag extractive industries conference, made presentation about ongoing EITI relate central and local activies. Uvs aimag Subnational EITI Council has re-established and resumed its activities during this Conference.
5. In March, EITI conference of Ulziit soum of Dundgovi aimag was organized and shared local information and expertise, and later their findings had been presented to Training on capacity build up for members of 5 soums subnational councils, in October in Ulaanbaatar.
6. The Government accepted amendent proposals by Working Group to Resoltion No.222, and passed a resolutrion No.263, decided that starting from 2019 expenditure of local subnational EITI council shall be funded by the central and local budget.

#### **Results as achieved per each purpose:**

1. EITI implementation and communication are activtated in these pilot Project 5 soums.
2. EITI understanding increased and capacity consolidated on the aimag level.
3. Ways of funding sources were identified, starting from 2019 the central and local budgets shall fund subnational Council expenditure.

#### **2.4. Objective four: Implement planned activities belong to 2017 of the Roadmap for Beneficial Owners Disclosure; s- following activities were implemented to reach this objective:**

1. In June, Mongolia EITI activities on disclosing Beneficial ownership were presented to Open Government Partnership, and it was agreed all activities should be coordinated in the principle.
2. In June, jointly with Ministry of Mining and Heavy Industries workshop on Beneficial ownership was organied for about 10 State organizations and their 17 officials, shared all information and received their feedback on defintions, which are integrated to other findings.
3. Contract on technical assistance project on beneficial ownership between EBRD and EITI International Secretariat has been concluded and Mongolia would be one recipients under this agreement, and this agreement has presented to Working group in September and sub working group and agreed to implement in 2018, but some tasks should be reallocated to comfort obbjectives and realities in Mongolia .
4. The Ministry of Mining and Heavy industries drafted a new law on Mining, and included part of draft law of transparency in mineral resources sector about reporting requirements as one whole part, and established working group. Aspect of beneficial ownership is included into this draft and Ministry also established another sub group to assist in moving forward with this draft in September.
5. In December, Mongolia EITI Benefiial ownership has been createt at Mongolia EITI, which covers not only data of Mongolian context, also international data is collected.

6. In February, there was training of companies financial officers- 50 persons, in April there was training of directors and financial officers-24 persons was organized, and part of trainings was consultation over Beneficial ownership, definitions, they gave feedback and their comments and proposals were consolidated with others'.
7. In May, there was consultative meeting with 14 lawyers and directors of leading 30 companies, on Beneficial ownership, definitions, they gave feedback and their comments and proposals were consolidated with others'.
8. Also, there was training in February and June, for state organizations, their 52 officials participated, and part of training was consultation over Beneficial ownership, definitions, they gave feedback and their comments and proposals were consolidated with others'.
9. Consultation Working group, sub group, and Civil society representatives was organized in November on Beneficial ownership, definitions, they gave feedback and their comments and proposals were consolidated with others', and findings are submitted to Working group.
10. Working Group finalized consultation on November 15<sup>th</sup>, and submitted final versions to Government Secretariat for drafting legislative acts. The Government resolution 263 of 2017 requires Ministry of Mining and Heavy Industries and Ministry of Justice Interanl affairs to submit to Cabinet meeting not later than New Year.
11. A TV consultation through Mongolian National Broadcasting was made in late December, a broad auditorium has been reached.

**Results as achieved per each purpose:**

1. All works to be implemented now are clear.
2. Stake holders have the same understanding of the issues.
3. Definitions are finalized.
4. There is data base to study expertise.
5. Generally comments and proposals are consolidated, stake holders are ready to have consensus.
6. Companies aware of this issue and have constructive mutual understanding.
7. Public knowledge and awareness increased.

**2.5. Objective five. Ensure contract transparency; - following activities were implemented to reach this objective:**

1. In cooperation with and financing from Open Society Forum, the Contract transparency portal is commissioned, and official launch was organized at Ministry of Mining and Heavy Industries [www.iltodgereee.mn](http://www.iltodgereee.mn) .
2. During launch, memorandum of understanding between Ministry of Mining and Heavy industries, Open Society Forum and Secretariat had been concluded to update and operate Contract transparency portal, for this purpose all parties shall cooperate. The portal has now texts of 35 contracts with relevant notes and explanations, and any reader can access and get information.
3. NRCI organized series of training on capacity to monitor implementation of contract and during training 10 agreements were monitored and got respective conclusions.
4. As for disclosing Production Sharing Agreements, all concluded such agreements are in process to be in new contract template, and this process is ongoing. The template is open, publicly accessible.
5. With purpose to disclose contracting process the training in Gurbantes soum of Umnugovi aimag is organized before concluding various local development agreement, which improve capacity of contracting parties, know more about it, like hearing should be organized before concluding Contracts.

**Results as achieved per each purpose:**

1. Contract data base is created and portal is commissioned..
2. Capacity to conduct a monitoring over contracts is improved.
3. Contract are relatively and partly disclosed..

## Three. Status of meeting of each EITI Standard requirements

### 3.1. Assessment of Performance against EITI Requirements and Validation

Assessment of Performance against EITI Requirements and Validation							
EITI Requirements		level of progress					Assessment given in Mongolia EITI 11th 2016 Report
Categories	Requirements	No progress	inadequate	meaningful	satisfactory	Beyond	
MSG Oversight	Government engagement (#1.1)						Working procedure for Working Group and National Council amended as per recommendations <sup>6</sup>
	Industry engagement (#1.2)						
	Civil society engagement (#1.3)						
	MSG governance (#1.4)						
	Work plan (#1.5)						
Licences and Contracts	Legal framework (#2.1)						Explained in this part 5.2.1.1; 5.2.2.1
	License allocations (#2.2)						
	License register (#2.3)						Explained in this part: 5.2.1.2; 5.2.1.3; 5.2.2.2; 5.2.2.3
	Policy on contract disclosure (#2.4)						
	Beneficial ownership (#2.5)						
	State participation (#2.6)						Explained in this part: 5.4.2 - 5.4.4
Monitoring production	Exploration data (#3.1)						
	Production data (#3.2)						
	Export data (#3.3)						
Revenue collection	Comprehensiveness (#4.1)						
	In-kind revenues (#4.2)						
	Barter agreements (#4.3)						
	Transportation revenues (#4.4)						
	SOE transactions (#4.5)						Explained in this part: 5.4.5
	Direct subnational payments (#4.6)						
	Disaggregation (#4.7)						
	Data timeliness (#4.8)						
	Data quality (#4.9)						Explained in this part: 3.3.4
Revenue allocation	Revenue management & expenditures (#5.1)						
	Subnational transfers (#5.2)						Explained in this part 5.3.4
	Distribution of revenues (#5.3)						
Socio-economic contribution	Mandatory social expenditures (#6.1.a)						Explained in this part: 5.5.4
	Discretionary social expenditures (#6.1.b)						
	SOE quasi-fiscal expenditures (#6.2)						Explained in this part: 5.4.6
	Economic contribution (#6.3)						
Outcomes and impact	Public debate (#7.1)						
	Data accessibility (#7.2)						
	Follow up on recommendations (#7.3)						
	Outcomes & impact of implementation (#7.4)						Presented on page 3 of Annual Progress report

In order to improve implementation of requirements, which have got inadequate assessment Mongolia EITI National Council and Working Group have cooperated with Independent Administrator from the very beginning, to insure that additional work for requirements were included into terms of reference and when KPMG was selected Independent administrator, those works were included into Contract, cooperated from inception workshop.at the inception, and Independent Administrator considers sufficient.

As for additional work related to MSG governance, Working group and National Council amended working procedures, that at least 6 and more members from each constituency should attend

meeting, then the meeting becomes legitimate, and for case of of voting, 2/3 of members of each constituency should vote in favor, then it will be final decision.

## Four. Status of implementation recommendations of Mongolia EITI Validation 2016 Report and Mongolia EITI 2015 Report

### 4.1. Summary remediation of requirements with non satisfactory assessment from Mongolia EITI Validation 2016:

Mongolia EITI Validation- Assessment of requirements		Compliance status	
Category	EITI Standard/requirement- status	Ref	Not/Satisfied
<b>MSG Oversight</b>	MSG governance	1,4	Not satisfied
	<b>Working procedure of Working group and National Councils are amended as per recommendations; there are procedure of Company and Civil Society to nominate their Members updated- <u>SATISFIED</u></b>		
<b>Licences and Contracts</b>	License allocations	2,2	Not satisfied
	License register	2,3	Not satisfied
	State participation	2,6	Not satisfied
<b>Remediation was carried by KPMG and findings are included into Mongolia EITI 2016 Report - <u>SATISFIED</u></b>			
<b>Revenue collection</b>	Data quality	4,9	Not satisfied
	<b>Remediation was carried by KPMG and findings are included into Mongolia EITI 2016 Report - <u>SATISFIED</u></b>		
<b>Revenue allocation</b>	Subnational transfers	5,2	Not satisfied
	<b>Remediation was carried by KPMG and findings are included into Mongolia EITI 2016 Report - <u>SATISFIED</u></b>		
<b>Socio-economic contribution</b>	Mandatory social expenditures	6,1a	Not satisfied
	SOE quasi-fiscal expenditures	6,2	Not satisfied
<b>Remediation was carried by KPMG and findings are included into Mongolia EITI 2016 Report - <u>SATISFIED</u></b>			
<b>Outcomes and impact</b>	Outcomes & impact of implementation	7,4	Not satisfied
	<b>The impact assessment is specified at the page 3-4 of this Report<sup>2</sup> - <u>SATISFIED</u></b>		

<sup>2</sup> Энэ тайлангийн 3-4 дүгээр хуудас дээр байгаа болно.





## 4.2. Implementation of last year's recommended actions (REQ 7.3)

Recommendation	Reference , 2015 M.EITI report	Status in 2015 Report
Disclosure of product sharing agreements	7.2.1	Still applicable
Licence information: <ul style="list-style-type: none"> <li>- Compliance with minimum requirements of licence information disclosure</li> <li>- Consistent information from MRPAM cadastral department on licence statistics</li> </ul>	7.2.2	Partially implemented
SOEs to have an appropriate and complete rehabilitation plan in place	7.2.3	Partially implemented
MSG to discuss with MoF and SOEs about the qualifications on the SOEs audit reports	7.2.4	Partially implemented
Assurance: <ul style="list-style-type: none"> <li>- Government: involvement of MNAO on the EITI data assurance</li> <li>- Companies: to increase engagement with companies to secure better compliance in submitting audited financial statements</li> <li>- Management assurance: to increase engagement with companies to secure better compliance in submitting representation letters</li> </ul>	7.2.5	Partially implemented
E-Reporting system: <ul style="list-style-type: none"> <li>- Use of E-Reporting system by reporting entities: to increase companies and government entities' compliance in reporting their data in the system</li> <li>- Non-extractive companies: to review companies using the E-Reporting system and to remove any non-extractive companies</li> <li>- General IT Controls: specific recommendations on improvement of the General IT Controls over the E-Reporting system</li> </ul>	7.2.6	Still applicable
Early involvement of the Independent Administrator	7.2.7	Implemented
Reporting at project level	7.2.8	Still applicable

## **Five. Specific weaknesses, identified in the Mongolia EITI process**

1. Mongolia EITI has produced 11 Annual Reports and number of companies covered in the reports is increasing, but still number of companies which are not reporting stays high. It is estimated that at least 1.000 companies should report for EITI and under newly passed law on administrative violations, which is effective since July 1<sup>st</sup>, 2017, non complied Companies shall be fined by 10 million MNT. The most companies are agreeing to this fine, as result there are cases of mis-understanding between Professional Inspectorate and The Secretariat.
2. Some Government entities are still ignoring to answer to questions and not cooperating with Independent Administrator, example is about Customs Office. The issue needs to be resolved through clarification of legislative acts.
3. Usage of information produced by EITI Annual Report is not high enough. This should be improved through identifying and segmenting by focus group, and processing in easier and accessible language, with some printed materials and training packages, and promote and activate such activities.
4. Sufficient number of planned activities under Mongolia EITI Work Plan should be carried out by those Professional associations, and Civil Society organizations under principle of contracting. This shall create opportunities for improving involvement and contribution of professional organizations.
5. Relatively, contribution of the Government in implementation is high enough, but participation of high ranking Government officials is still not sufficient. Turnout of members of National Council and Working Group is not good, there is still delegating low ranking officials is taking place. Therefore to improve this situation, experience of other countries in this regard should studied and implemented into practice.
6. Participation of companies, their representative is passive, and not sufficient. Especially, participation of directors and legal managers, who can lead is still passive. There are a high portion of companies, which have not reported for EITI.
7. Need on aimag, capital, soum and district level to process new policy of EITI, information of the annual report and disseminate is still high, also it is necessary to improve capacity of local structure, improve their legal and financial surroundings, to provide with guidelines. After every elections, it is very usual to change officials engaged, which effects on linkage and leads to loss of time. Therefore, it is very important to insure with resources and opportunities for sustainability and hard linkage.

## Six. Cost of implementation in 2017

<b>TOTAL DISBURSEMENT OF IMPLEMENTATION MONGOLIA EITI under MIGEP and GoM funds</b>				
Item	Work plan	Disbursed	Funding source	
	MNT	MNT		
Regular MSG Meetings (including communications training for the MSG and reporting template enhancement workshop)	2 500 000	2 301 960	WB Grant	
Engagement of Independent Administrator for the 11th EITI Country Report	230 000 000	190 000 000	GOM	
Pre-Validation Workshop and Beneficial Ownership Workshop	10 000 000	7 236 053	WB Grant	
Workshop for company				
Engagement of Translators for the EITI documents	2 000 000	1 693 000	WB Grant	
Printing of 11th EITI Country Report and popular version	3 500 000	3 500 000	WB Grant	
Civil Society Organization (CSO) Conference and Action plan Workshop	10 000 000	8 277 400	WB Grant	
Participation in the EITI Implementing Countries in South-East Asia and the Pacific Manila	10 000 000	1 966 400	WB Grant	
EITI Membership fee	24 430 000	24 430 000	GOM	
Management of the Mongolia EITI Secretariat				
Annual Assessment and Planning workshop	45 000 000	33 008 033,73	WB Grant	
Salaries of the EITI Secretariat	208 191 600	208 191 600	WB Grant	
Operational Expenses (equipment, Rental, communications, representation and transportation)	55 000 000	48 131 835,66	WB Grant	
<b>TOTAL</b>	<b>600 621 600</b>	<b>528 736 282</b>		
	WB	314 306 282		
	GOM	214 430 000		

## **Seven. Meetings, decisions and experience sharing, attendance<sup>3</sup>**

### **7.1. Meetings of Mongolia EITI National Council**

Mongolia EITI National Council met once in December, 2017.

**Meeting of National Council No.16 at the House of Government, on December 21, 2017 and below decisions are listed:**

1. Mongolia EITI 11<sup>th</sup> 2016 Report produced by Mongolian French KPMG consortium is endorsed in the principle. All constituencies are be requested to post the report in the website and Secretariat is assigned to produce summary report and disclose to public, and advertise it. The Secretariat is assigned deliver Mongolia EITI 11<sup>th</sup> 2016 report, implementation report of Mongolia EITI 2017 Work plan, Mongolia EITI 2017 Annual Progress Report and Mongolia EITI 2018 Workplan to EITI International Secretariat before December 31<sup>st</sup>, 2017. KPMG is asked to clarify recommendations given by the Report and improve Mongolian version and submit to Secretariat before January 2018. The Secretariat is assigned along with Government Press unit to inform public about meeting of National Council meeting and its deliberations. The Secretariat is allowed to pay final sum under the contract to KPMG consortium. The Secretariat is assigned to submit Mongolia EITI 11<sup>th</sup> 2016 report to Standing committee on budgeet and Economic policy of State Greta Huarl and Cabinet meeting.
2. Report on implementation of Mongolia EITI 2017 Work plan and Mongolia EITI 2018 Work Plan is approved. Also Mongolia EITI Annual Progress Reports is endorsed and each constituency are requested to deliver a brief summary of their activities to the Secretariat, which shall integrate it to Annual Progress Report. The Secretariat is assigned to include all not implemented activities from 2017 work plan to 2018 Work Plan.
3. The updated Road map on disclosure of beneficial ownership 2020 is endorsed with proposals of Members given at the meeting. There shall be monitoring over implementation on quarter basis.
4. It was agreed to establish a working group led by chief of Mining department of Ministry of Mining and Heavy Industry, which shall elaborate recommendations for on better implementation of Government Resolution No.176 of 2016. Each Constituency shall have 2 persons and Mrs.Erdenechim, coordinator PWYP and Open society foruim, and Mrs.Bayarsaikhan, head of NGO Steps without border shall be included in this group.
5. The amendment to working procedure of Mongolian EITI National Council is adopted, and effective onward.

### **7.2. Meeting of Mongolia EITI Working Group**

Mongolia EITIO Working Group had three meetings in February, June and November, 2017.

**Working Group Meeting No.43 was organized at Ministry of Finance on February 23, 2017 and below decisions are listed:**

1. In accordance with proposal of Projiect implementing unit Adam Smith International, the below mentioned soums shall be soums for pilot project i.e. Zaamar soum, Tuv aimag, Gurvantes soum, Umnugovi aimag, Yeroo soum, Selenge aimag, Darkhan/Bor-Undur soum, Khentii aimag, and Delgereh soum, Dornogovi aimag.

---

<sup>3</sup> Attendance sheets of members of WG and NC for 2017 meetings attached.

2. It was recommended that Dalanjargalan soum, Dornogovi aimag, and its subnational Council could be included into the Project, which had also got higher points by Adam Smith International in assessment by several criteria, and is neighboring the soums of Project.
3. A sub group shall be established covering 3 members from each constituency, which shall work for monitoring over implementation of recommendations given by EITI Board following Mongolia EITI Validation 2016 Report, and Mongolia EITI 2015 Report. It shall overview whether recommendations presented by these 2 documents included into Mongolia EITI 2017 Work Plan and Terms of Reference for Independent Administrator of Mongolia EITI 2016 Report, if not some correctrions shall be included. The group shall overview again recommendations given by Mongolia EITI Report for 2012, 2013 and 2014.

**Working Group Meeting No.44 was organized at hotel Puma, June 16, 2017 and below decisions are listed:**

1. It was agreed that members shall give comments and proposals before June 23, on Communication strategy per 5 soums of a Pilot Project funded by EBRD, aafter comments and proposals shall be included and be approved. There shall be possibility to have another meeting, if necessary.
2. The inception report of Mongolia EITI 2016 Report is approved in the principle, and comments and proposals given by members shall be incorporated into the report. It was agreed final comments and proposals shall be presented latest 3 days onward after this meeting.
3. The Secretariat is assigned to finalize a draft amendment to Government Resolution No.222, incorporate comments and proposals of Members into draft, and submit to the Government secretariat. The Secretariat is assigned also to establish a sub group under objective 11 of Mongolia EITI 2017 Work Plan, which shall conduct funding study for subnational councils. Members are requested to deliver names for this sub group not later than June 30<sup>th</sup> to the Secretariat. The Secretariat was also assigned to report on implementation status of Mongolia EITI 2017 Work Plan by half year.
4. It was agreed to establish a sub group on renewing materialities and their thresholds and members are requested to deliver names by June 30<sup>th</sup>, to the Secretariat.

**Working Group Meeting No. 45 was organized at Hotal Puma, November 15, 2017 and below decisions are listed:**

1. The draft Mongolia EITI 2016 is approved in the principle. It was instructed that KPMG consortium and Secretariat should prepare the Report for meeting of National Council. In accordance with comments and proposals from EITI International Secretariat the Government Secretariat shall be requested to send official letters to those organizations, which have to give some clarifications, the Ministry of Natural Environment and Tourism shall be requested to answer to KPMG consortium. It was proposed to double check whether those companies engaged in common spread minerals are covered, also Professional inspectorate is requested to conduct more training activitie rather to penalize companies for not reporting, KPMG consortium is requested to complete what is missing in the Report, to improve Mongolian version, and produce summary report, which is not in the Terms of References. Civil Society Coalition PWYP to deliver their comments and proposals through the Secretarit, when it is agreed with other stakeholders, then they shall be delivered to KPMG consortium, and the Secretariat is allowed to pay scheduled payment, which 60% of contract sum.
2. It was agreed that all definitions, which should be in legislative acts related to disclosure of Beneficial ownership, and to be passed, are considered final, and they shall be submitted to Ministry of Mining and Heavy Industries and Ministry of Justice and Internal affairs, and implementation status of Road Map shall be updated in accordance with latest achievemnts and presented to the National Council for approval.
3. Amendment to working procedure of Working group is accepted and shall be posted at website of the Secretariat. Each constituency is requested to renovate their own procedure to nominate

their representatives to Working Group and National Council and deliver updated ones by December 1<sup>st</sup> to the Secretariat, and leaders of each constituencies are requested to do so.

4. All constituencies are called and the Secretariat is assigned to complete activities specified in the Mongolia EITI Work plan after hearing implementation status of 2017 Work plan. Prime Ministerial office proposed all parties to draft Mongolia EITI 2018 Work Plan as possible to deliver EITI to the public, for this purpose, the plan should be focused, and be active in this regard. The Secretariat is assigned to update implementation status of Mongolia EITI 2017 Work Plan, and draft of 2018 Work plan and submit to the National Council. Each constituency is requested to deliver brief introduction of own plan implementation to the Secretariat, which shall integrate them into whole Work plan before December 10<sup>th</sup>, and leaders of each constituencies are requested to do so. A draft Annual Progress report, which to be delivered to EITI International Secretariat shall be produced and presented to the National Council for endorsement.
5. Results of ongoing Pilot project for improving EITI communication in rural areas have been introduced to the Working Group.

### **7.3. The resolution of Government of Mongolia No. 308, November 15th 2017**

The Government of Mongolia issued a resolution No.308 on November 15<sup>th</sup> 2017 and decided to pay a membership every year onward, which is fixed at USD 10.000 per annum, and was paid in late December 2017 as membership fee for 2017 from the State budget.

#### **Study tour of Myanmar EITI Working Group, September 24-29, 2017 to Mongolia**

10 members of Myanmar EITI working visited Mongolia in September 24-29, were acquainted with achievement of Mongolia EITI, met members of Mongolia EITI working group, organized joint workshop, and also consultation meeting on disclosure of beneficial ownership, and travelled to Zaamar soum, Tuv aimag to see ongoing EITI pilot project, met members of subnational Council, and visited rehabilitated land by Monpolimet Company, which is one leading gold producers of Mongolia. The study was funded and organized Natural Resources Governance Institute.

#### **Regional East, South Asian and Pacific EITI Workshop, October 24-27, 2017 in Manila, Philippines**

Mongolian EITI 5 delegates participated in this workshop and attended EITI Board meeting. Mr.G.Ankhubayar, officer of Prime Ministerial office made a presentation about Mongolian EITI electronic reporting portal, Mrs.D.Erdenechime, coordinator of PWYP and manager of Open Society forum made a presentation on local revenues to EITI Board meeting, and Mr.Sh.Tsolmon has presentation on Mongolia EITI Validation to the Regional Workshop.

### **Eight. The Report was drafted no December 15<sup>th</sup>, 2017 by EITI/MIGEP Secretariat**

**Date of endorsement December 21<sup>st</sup> 2017**

## **Nine. Attachments:**

1. Implementation of Mongolia EITI 2017 Work Plan
2. Mongolia EITI 2018 Work plan
3. Updated Road map of Mongolia EITi Disclosure of Beneficial ownership 2020 with implementation status
4. Brief introductions by Constituencies.
5. Attendance sheets of members of WG and NC for 2017 meetings attached.

### **Attachment:**

#### **Attachment Four: Brief introduction about activities done by stakeholders**

##### **The government of Mongolia**

The government of Mongolia completed resolutions no.263 and 308 with its related decrees. The government has been providing full support to EITI implementation. Ministry of Mining and Heavy Industry prepared a draft law on Mining and organized related public discussions.

As stated in the law on legislation Article 9.5, that during drafting law, there should introduction of draft and then consultations, and comments and proposals should be collected from relevant state body, non- governmental organizations, professional and research organizations, experts, scientists, citizens, legal entities, and every opinion should be counted, a draft mining law was introduced and discussed with following organizations and companies:

Directors and engineers of “Erdenet Mines” LLC, representatives from Professional Mining associations’ council, EITIM secretariat, Institute of Mongolian professional geology and mining, Technological Engineers’ association on open pit mining, Institute of Mining, Surveyors’ association, Association of Mongolian fluorspar extraction, production and exports, Mongolian National Mining Association, Association on Mongolian mine design developers, Mongolian Exporters’ Association, Mongolian iron producers’ association, and Canadian SESMIM project, lecturers, academics and professors from Mining school of Mongolian University of Science and Technology, member companies of Mongolian Coal Association eg. Energy Resources LLC, Erdenes Tavantolgoi JSC, South Gobi Sand LLC, Shariin Gol JSC, Baganuur JSC, Shivee Ovoo JSC, two discussions were organized by Open Society Forum to get comments from civil society organizations.

The Embassy of Canada also arranged a discussion on the draft mining law to get recommendations from the U.S. Embassy, the Embassy of Australia, the British Embassy, International Monetary Fund, Korean KOICA, MIRECO projects, Canadian MERIT, SESMIM projects, Swiss Sustainable Artisanal Mining Project and other donor projects.

The draft mining law and law concept are placed on the Ministry’s website for public comments.

The draft mining law was also introduced at the “Mine Closure Procedure and number of abandoned areas” seminar organized by the Ministry of Environment and Tourism. The draft was presented to representatives from Professional Geological Association.