

FEASIBILITY STUDY:

SYSTEMATIC DISCLOSURES OF EITI DATA IN MONGOLIA

EITI International Secretariat Oslo, March 2018

FEASIBILITY OF SYSTEMATIC EITI DISCLOSURES IN MONGOLIA

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1 Summary

The EITI International Secretariat has performed the following assessment of routine online disclosures in Mongolia's extractive sector to examine the country's readiness to mainstream EITI implementation. The assessment follows the *Terms of Reference for a mainstreaming feasibility study*¹ and reviews the extent to which there is: (1) routine disclosure of the data required by the EITI Standard in requisite detail, and (2) whether the financial data is subject to credible, independent audit, applying international standards. It is important to emphasize that this study is not a comprehensive assessment of all publicly available information about the sector in Mongolia. Rather, the goal has been to identify any potential gaps that need to be addressed in order to ensure fully mainstreamed disclosures of the data that is required to be disclosed in accordance with the EITI Standard².

The key finding is that most of the information required by the 2016 EITI Standard is routinely disclosed. Most of the "contextual information" is accessible via various government portals – specifically, those of Mineral Resources Authority of Mongolia (MRPAM), the Ministry of Finance, the Glass Accounts, National Statistics Office, Bank of Mongolia, Mongolian Stock Exchange, the EITI Mongolia (EITIM) Data Portal – and select company websites. There have been swift gains in revenue transparency, with daily updated and reliable information available for all transactions to and from the Central Treasury, disaggregated by company, budget level (regional or local) and revenue stream. For transition to mainstreaming, the National Council is recommended to follow the following phases:

(1) **Review and revise the scope of reconciliation**, with the aim to reduce the number of companies and revenue streams. Upon this revision, EITIM may wish to publish a short reconciliation report for fiscal year 2017 by 31 December 2018. The report would only cover the scope as defined in Recommendation #1, and be limited to focusing on revenue reconciliation; covering all applicable financial requirements of the EITI Standard. The reports should be prepared by an Independent Administrator and follow the relevant procedures as per Requirement 4.9. The National Council may wish to include in the Independent Administrator's ToRs an assessment of any deviations between company and government disclosures compiled as part of EITI reporting and other publicly-available company and government data.

(2) **The National Council should ensure that contextual information of the extractives sector is accessible** on, or referenced by, the EITIM Data Portal. This should involve the closer coordination of government open data policy, aligning implementation of government OGP and EITI objectives. Regardless of the channel of online dissemination, the government should ensure that its efforts are properly recognised through coordination under the EITI Standard.

(3) **Transition from reliance on an Independent Administrator to full EITI reporting through the eReporting system**, once robust quality assurance procedures have been implemented to ensure the reliability of data submitted through eReporting. In the interim, the National Council may wish to continue using an Independent Administrator for a limited reconciliation. The Independent Administrator's ToRs should be revised to ensure an

¹ <https://eiti.org/mainstreaming>.

² <https://eiti.org/document/standard>

assessment of discrepancies between company and government data reported through EITI and other publicly-available company and government payment and revenue data.

(4) The EITIM National Council should integrate the EITIM Data Portal into government systems by transferring responsibility for its maintenance to the Ministry of Mines and Heavy Industry, the entity statutorily responsible for collecting extractives companies' payments data in line with the Minerals Law. Several recommendations must be addressed for full mainstreaming of the EITI Standard to occur.

Additional recommendations and considerations are provided below in this report.

Section 2 provides a background to EITI implementation to date. Section 3 presents the main findings with regards to data availability, comprehensiveness and reliability, including recommendations to be addressed. Annex A provides a detailed list of findings, per EITI Requirement. Annex B provides a proposed timeline for implementing activities. Annex C includes tables justifying the revision of materiality threshold.

2 Background

Mongolia holds over 6000 deposits of around 80 minerals including coal, copper, gold, iron ore, zinc, uranium, fluorspar and oil. With over 4800 active mining licenses in 2018 and some 400 producing mines, the mining sector is highly fragmented. Highly dependent on the mining sector, which accounted for 20% of GDP, 19% of government revenue and 86% of exports in 2016, Mongolia has suffered a history of boom-bust cycles and resorted to IMF support six times since 1990.

Mongolia was one of the first countries to commit to the EITI in 2006, with a National Council and Multi-Stakeholder Working Group (MSWG) established by Government Resolution 1/2006. In September 2007, Mongolia was accepted as an EITI Candidate and became the fourth country designated by the EITI Board as compliant with the EITI Rules in October 2010.

Mongolia's early EITI work plans under the Standard (2014-15) were narrowly linked to EITI reporting procedures rather than broader governance reform objectives. Yet Mongolia has been a pioneer in extending EITI reporting beyond the minimum requirements in areas such as industry contributions to environmental funds, social expenditures and reporting by subnational governments. More recently, Mongolia's EITI work plans for 2016, 2017 and 2018 include objectives aligned with national priorities, notably in integrating extractives transparency across government systems. While the focus of EITI implementation to date has been preparation of EITI Reports, dissemination of the information to relevant regions, and regulatory reforms, the time is ripe to leverage the successful results of Mongolia's second Validation under the EITI Standard to embed disclosures of EITI data in routine government and company systems.

The early stages of the EITI in Mongolia were characterised by momentum and inclusiveness. More recently, particularly since 2012, attendance by designated MSWG and National Council members has been less consistent. In particular, civil society and government representatives have tended to designate alternates to attend meetings, with little consistency in the ad hoc nomination of alternates. Frequent political change has also impacted the holding of National Council meetings. Yet there are signs that stakeholder engagement is re-emerging since 2017.

EITI Mongolia has been a frontrunner in several areas of EITI implementation, most notably in environmental reporting, social expenditures and reporting by subnational governments. Provisions

requiring companies to disclose all payments to government were included in the 2006 Minerals Law, the 2009 Nuclear Energy Law, the 2014 Mining Law and the 2014 Petroleum Law, providing a sound legal basis for EITI reporting. The Ministry of Mining and Heavy Industry is preparing revisions to the Mining Law with support from the European Bank for Reconstruction and Development (EBRD) for submission to Parliament in 2018, with a chapter dedicated to transparency clauses.

Mongolia has produced EITI Reports covering 11 fiscal years (2006-2016). The number of reporting companies has risen sharply from an initial 64 in 2006 to 1227 in 2016, but has tended to fluctuate erratically with a peak of 1529 in 2012. The fluctuations in number of reporting companies have not been publicly explained to date. Based on relatively consistent materiality decisions, the number of companies whose reporting was reconciled with government disclosures has risen steadily from 25 in 2006 to 213 in 2016. The high number of reconciled companies reflects the low materiality threshold (roughly USD 100k payments to government) agreed by the National Council rather than the fragmented nature of the industry.

Figure 1: Number of reporting companies in EITIM Reports

Year	Companies reporting	Reconciled companies
2006	64	25
2007	1032	38
2008	115	46
2009	129	101
2010	274	150
2011	301	200
2012	1529	200
2013	1198	250
2014	992	236
2015	747	202
2016	1227	213

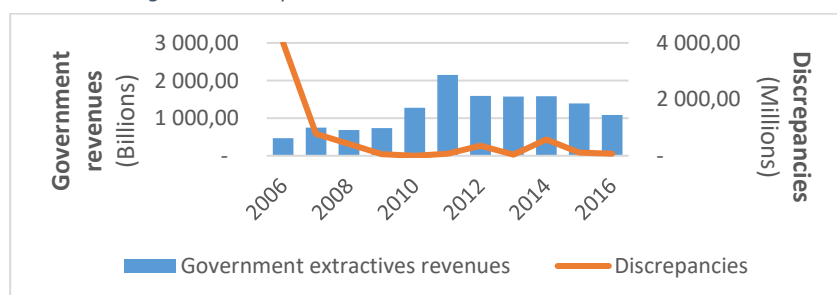
Source: EITIM eReporting portal

The National Statistics Office holds statutory responsibility for approving the EITIM reporting templates. The original four EITI reporting templates were endorsed by joint order of the Chairman of the National Statistical Committee and the Minister of Finance in April 2007, reviewed in March 2008 and subsequently updated and expanded to seven templates in January 2011. These templates were revised in January 2014 and December 2015 in order to cover all material payments and revenues in the extractives sector, and remain effective under the eReporting system.

At the 7th EITI Global Conference in Lima in February 2016, Mongolia received the Chair's award for its work for making data available through the eReporting portal. Until 2015, the EITIM Secretariat collected reporting templates in paper form or scanned copies of printed excel tables. In 2013 the EBRD commissioned Adam Smith International to develop a new electronic system for the EITI reporting process that would transform a large, paper-based dataset into a codified and accessible information portal.

Mongolia's EITI Reports have become timelier since it published two EITI Reports (covering 2010 and 2011) in 2012, moving from publication with a two-year delay in the 2008-11 period to a one-year delay thereafter. While the value of final unreconciled discrepancies has generally declined over time, from MNT 4bn (roughly USD 1.67m) in 2006 to MNT 74m (roughly USD 73k) in 2016, there have been fluctuations in 2012, and the 2014-15 period.

Figure 2: Discrepancies in EITIM reconciliations



Source: EITIM eReporting portal

Following two Validations under the EITI Standard in June 2016 and January 2018, the EITI Board agreed that Mongolia had made satisfactory progress overall in implementing the EITI Standard. While Mongolia's next Validation is currently set for February 2021, the two Validations to date have provided strong recommendations for mainstreaming:

The EITI Board was encouraged by the government's efforts to make government systems transparent and urged the MSWG to work towards further mainstreaming EITI disclosures.

Source: EITI (2017), Board Decision on Validation of Mongolia³

The Board welcomes ongoing efforts to ensure systematic disclosure of requirements 2-6 on EITI reporting. The Board takes note of these developments and looks forward to working together with Mongolian stakeholders on these issues.

Source: EITI (2018), Board Decision on second Validation of Mongolia⁴

Mongolia's online EITI reporting efforts to date have focused on gains in efficiency of reporting and accessibility through the Data Portal interface. While the second phase of the eReporting project has involved work on integrating the EITI Data Portal into revenue-collecting government agencies' systems, as it is piloting with the General Department of Taxation. There are a number of online government portals that provide some information required by the EITI Standard. These include:

- The **EITIM Data Portal**⁵ provides front-end integration of data from government entities and mining companies. Un-audited payments from all companies are available online within three months of the year's end, while reconciled data for material companies is uploaded within one year. All 61 statutory national and subnational payments by extractives companies are covered by the EITIM eReporting system. Certification of government EITI reporting by the Auditor-General (MNAO), planned for 2018, would provide additional assurances to the eReporting system. Integration with GDT tax systems is being piloted in 2018. Synchronising information from MRPAM is still a manual process.

Figure 3: EITIM Data Portal

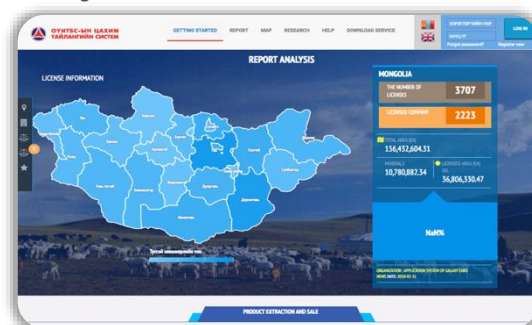


Figure 4: MRPAM Computerised Mining Cadastre

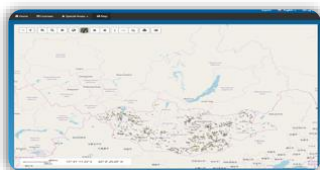


Figure 5: Mongolia's Geological Information



- The **MRPAM Cadastre**⁶ and **MONGEOCAT**⁷ portals provide all information (aside from dates of application) on active mining licenses, as well as exploration activities and geological information. Dates of application for roughly half of the mining licenses should be uploaded to the EITIM Data Portal as a stop-gap measure pending reform of MRPAM's CMCS cadastre. Mongolia should use its EITI reporting to collect missing dates of applications and spot-checks of license cadastre data.

³ <https://eiti.org/validation/mongolia/2016>

⁴ <https://eiti.org/news/mongolia-meets-all-requirements-of-eiti-standard>

⁵ <https://e-reporting.eitimongolia.mn/>

⁶ <https://cmcs.mrpam.gov.mn/cmcs>

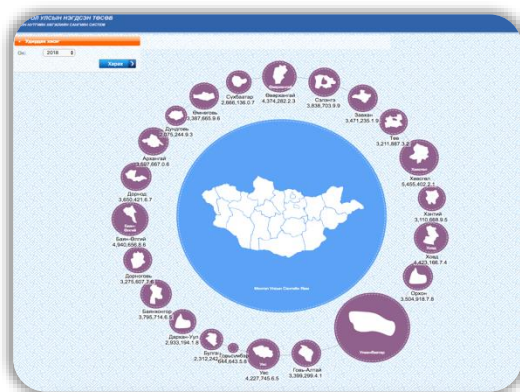
⁷ <http://mrpam.gov.mn/mrpam/webgis/indexen.html>

- The **MRPAM Investment Guide**⁸ provides infographics and underlying data for annual production and export figures (alongside monthly reports by Bank of Mongolia based on Customs data). The Guide also provides updates on significant exploration activities, regulatory reforms, and an overview of the legal framework and tax regime (alongside the full text of laws and regulations available at the National Legal Centre⁹).

Figure 6: MRPAM's Investment Guide



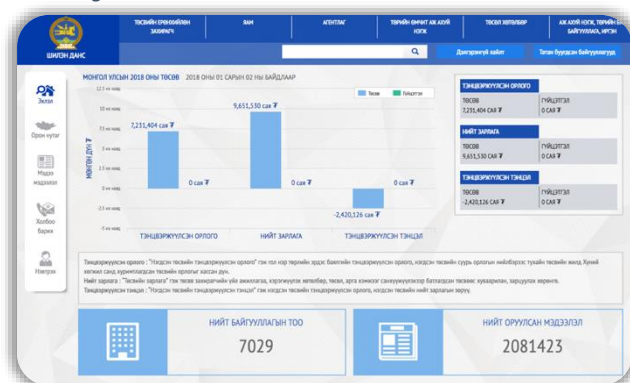
Figure 7: Ministry of Finance GLDF portal



- The **Ministry of Finance' GLDF portal**¹⁰, which tracks subnational transfers via the General Local Development Fund (GLDF) and Local Development Funds (LDF) through the aimags (provinces) to soums (districts). The 21 aimags upload their LDF reallocation amounts including description of funded projects, project name, type, funding, client, contractor, start and end dates. There appear to be no objections to publishing the variables used in the formula for calculating GLDF transfers (some of which are updated every two years). Revisions to the GLDF portal would enable individual aimags and soums to track budget calculations and execution of subnational transfers, providing a powerful accountability mechanism.

- The government established the **Glass Accounts portal**¹¹ in 2015, enacting legislation requiring the public disclosure of all state expenditures (including state-owned enterprises) above a low (MNT 5m/USD 2k) threshold. Reporting has been uneven across different SOEs (although Erdenes Mongol fully reports all procurement). Data on revenues and financial statements is not available.

Figure 8: Government Glass Accounts website



This feasibility study seeks to provide evidence of how EITI disclosures required under Requirements 2-6 of the EITI Standard are already publicly available, and that the disclosures are timely, comprehensive and reliable.

⁸ <http://invest.mrpam.gov.mn/>

⁹ <http://www.legalinfo.mn/>

¹⁰ <http://tusuv-oronnutag.mof.gov.mn/>

¹¹ <http://www.shilendans.gov.mn/>

3 Main findings

3.1 Non-revenue data

The non-revenue (contextual) information in EITI Reports offers low-hanging fruit in terms of achieving early progress in integrating EITI reporting in government and company systems.

Some requirements of the EITI Standard have already effectively been embedded in government systems, even if the public data would benefit from greater categorisation and cross-referencing. The information on legal and fiscal regime (EITI Requirement 2.1) is available online. Mongolia's mining and petroleum sectors are governed by a variety of laws, most prominently the 2014 Minerals Law and the 2014 Petroleum Law. The Ministry of Mining and Heavy Industry is preparing a draft Mining Law for submission to Parliament in 2018. Despite frequent legal and regulatory changes, the National Legal Centre¹² provides the full-text of all laws and regulations while MRPAM provides guidance on regulations through its main website¹³ and Investment Guide portal¹⁴. The roles and responsibilities of each relevant government entity are described on their respective websites. The degree of fiscal devolution (subnational transfers) is described on the Ministry of Finance's Budget website¹⁵ and through the tracking of subnational transfers on the GLDF portal.¹⁶ Updates on recent regulatory reforms are available under the news section of MRPAM's Investment Guide site.

While the government's policy on contract disclosure (EITI Requirement 2.4) has effectively been clarified through EITI MSWG committee work, Mongolia could do more to publicly formalise this policy. In terms of practice, the OSF's Contracts Portal¹⁷ categorises all extractives contracts published to date and is regularly updated. Authorities are encouraged to ensure coordination between EITI and OGP efforts on contract transparency, building on the OSF's Contracts Portal¹⁸. Mongolia is also encouraged to pursue its work in operationalising disclosure of the 25 oil and gas PSCs and hundreds of Community Development Agreements (CDAs).

Reporting on exploration, production and export data is consistent with (EITI Requirements 3.1, 3.2 and 3.3), albeit scattered across different government entities such as MRPAM, Customs and the Bank of Mongolia.

There is already extensive information on budget revenue, price assumptions and revenue projections available through the various Ministry of Finance portals. While the MoF's Budget portal provides detailed information on revenue allocation and distribution (EITI Requirement 5.1), it would benefit from a clearer explanation of the existence and allocation of any off-budget extractives revenues. The Glass Accounts website provides comprehensive information on expenditures. Once the GDT's tax information is integrated into the EITIM Data Portal in the first half of 2018, there will be an opportunity for the GDT to implement extractives-specific GFS codes in its revenue classifications. Mongolia is already broadly compliant with the GFS 86 classifications in its national revenue nomenclature according to Mongolia's latest PEFA report.¹⁹ The EITIM Data Portal would

¹² <http://www.legalinfo.mn/>

¹³ <https://mrpam.gov.mn/>

¹⁴ <http://invest.mrpam.gov.mn/>

¹⁵ <http://www.iltod.gov.mn/>

¹⁶ <http://tusuv-oronnutag.mof.gov.mn/>

¹⁷ <http://www.iltodgereee.mn/>

¹⁸ <http://www.iltodgereee.mn/>

¹⁹ <https://pefa.org/sites/default/files/assements/comments/MN-Apr15-PFMPR-Public.pdf>

benefit from the integration of information on the budgetary process, revenue management and expenditures from the MoF annual reporting.

In other areas, smaller gaps in publicly-disclosed data required under the EITI Standard can easily be addressed. While the information related to statutory procedures for allocating and transferring licenses (EITI Requirement 2.2) is available on the MRPAM website²⁰, the Authority is still in the process of developing a system for publicly tracking the award process in practice. Once complete (expected April 2018), the MRPAM cadastre will publish the bid criteria, list of bidders, minutes and scoring of bid evaluation committee meetings, which should be sufficient to assess non-trivial deviations for mining license awards.

All the required information on active mining, oil and gas rights (EITI Requirement 2.3) is available from the MRPAM cadastre, republished on the EITIM Data Portal, aside from dates of application. Dates of application have been collected for 251 of the 661 mining licenses and eight of the 11 PSAs held by companies that are material for EITI reporting, and these cover 99% of reconciled revenues. Yet these have yet to be uploaded on the EITIM Data Portal and remain publicly-accessible only in (a separately-published) annex to the 2016 EITI Report. Modification of MRPAM's CMCS cadastre would require a new agreement with the original vendor. It will be important to use annual EITI reporting as a temporary data collection tool for the remaining dates of application for material companies' licenses to ensure the comprehensiveness of MRPAM's cadastral data.

Information on the legal ownership of companies registered in Mongolia is not publicly accessible, despite being collected by the General Authority for State Registration (GASR). While limited legal and beneficial ownership information has been collected through EITI reporting, the government has pledged to develop a public beneficial ownership register for extractives companies by January 2020 (EITI Requirement 2.5). Once a decision is taken on whether to expand beneficial ownership disclosure to all companies, the government will need to develop a robust data collection and management system as required by the EITI Standard, either building on the corporate register maintained by GASR or the mining, oil and gas cadastre maintained by MRPAM. Disclosure of legal owners of mining, oil and gas license-holding companies will be an important first step.

Online disclosures of macroeconomic information on the extractives' contribution to GDP, revenues and exports as well as location are disclosed (EITI Requirement 6.3), although EITI Reports remain the only source of public information on total employment in mining, oil and gas. Working with the National Statistics Office to produce extractives employment data disaggregated to levels commensurate with Requirement 6.3 should be a relatively minor technical exercise.

Yet in a handful of requirements, systematic disclosure will require the development of new systems, with EITI reporting likely to continue providing a stop-gap solution. There are in total 19 mining companies in which the (national or local) government holds majority interest, although only nine of these have been assessed as making material payments to government in Mongolia's EITI reporting. There are two forms of enterprises in which the government participates in Mongolia: Joint Stock Companies (JSCs) and Limited Liability Companies (LLCs), in which the (national or local) government holds a majority interest and are often publicly listed on the Mongolian Stock Exchange (MSE). The nine material mining SOEs are: Erdenes Mongol LLC; Erdenes Tavan Tolgoi JSC; Shivee-Ovoo JSC; Baganuur JSC; Erdenet Mining Corporation LLC; Mongolrostsvetmet LLC; Darkhan Metallurgical Plant JSC; Tavantolgoi JSC; Mogoin Gol JSC; Bayanteeg JSC. Three of these (Erdenes Tavan Tolgoi, Shivee-Ovoo and Baganuur) are overseen by Erdenes Mongol LLC, three (Erdenet

²⁰ <https://cmcs.mram.gov.mn/node/2?language=en>

Mining, Mongolrostsvetmet and Darkhan Metallurgical Plant) are overseen by the Government agency for Policy coordination on State property (GAPCSP) and the final three are owned by local governments (aimags). All SOEs are required to report and relate to the government in the same way as any private company does to its shareholders. The companies are obligated to produce annual accounts and are subject to annual audits by both MNAO and external auditors, which must be submitted to the MSE for SOEs with a stock exchange listing and to the government shareholder (Erdenes Mongol, GAPCSP or local government).

Information on state participation (EITI Requirement 2.6) in the extractive industries is still limited outside of the EITI process. While laws and regulations related to SOEs are publicly-accessible, there is no publicly-accessible comprehensive list of mining SOEs that is regularly updated. The SOEs' financial relations to the government in practice are only partly disclosed for those SOEs publishing audited financial statements through their company website or the MSE portal. Those SOEs' financial statements reveal their retained earnings, reinvestments and third-party lending, although the source of funding is usually not disaggregated. Those SOEs that publish audit reports tend to publish those from MNAO, which tend to be more aggregated than those from their external private auditors. While some quasi-fiscal expenditures are identified through the financial statements of some SOEs, like Baganuur's subsidised thermal coal sales to power plants, the quasi-fiscal component of such subsidies is not clearly highlighted in statutory filings. Developing a robust public disclosure system for SOEs' retained earnings, reinvestments and third-party funding will be key to embedding disclosures per Requirement 2.6 in routine procedures. The MoF, Erdenes Mongol, GAPCSP and individual SOEs will need to disaggregate reporting of SOEs' quasi-fiscal expenditures to levels commensurate with other payment streams as per Requirement 6.2.

Recommendations for mainstreaming contextual data in Mongolia

Based on the findings above, we propose that EITI Mongolia and the EITIM National Council commits to address the recommendations below.

The following **contextual data and/or links** should be added to the relevant government websites/portals:

- In line with plans for 2018, MRPAM should launch its disclosure system for bid procedures in the mining sector, ensuring its planned disclosures of bid criteria, bidders list, bid evaluation committee deliberations and final awards are consistent with Requirement 2.2 and provide data in an open-data and open-access format.
- The EITIM Data Portal should be updated with the dates of application collected to date as an interim measure pending revisions to the MRPAM cadastre as per Requirement 2.3. EITI reporting should be used to collect missing dates of application of active mining, oil and gas licenses.
- The Prime Minister's Office and the Ministry of Mining and Heavy Industry should continue work with mining, oil and gas companies to publish outstanding contracts in line with government policy, using the OSF Contracts Portal²¹ as a central public contracts database.
- In accordance with Requirement 2.5, the government should publish the legal ownership of all companies holding extractives licenses by 2020, either through the General Authority for State Registration website or the EITIM Data Portal. A public beneficial ownership register, either embedded in the GASR corporate register or the MRPAM cadastral system, is expected by January 2020.

²¹ <http://www.iltodgeree.mn/>

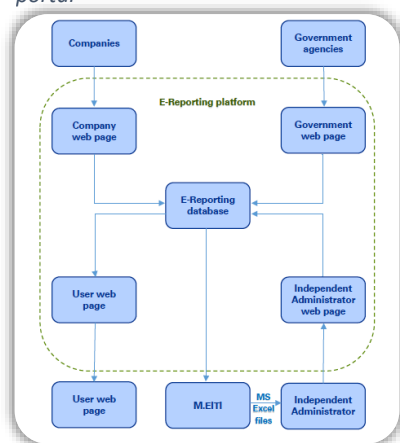
- Mongolia must develop a reporting system for SOEs' key financials that is consistent with Requirements 2.6 and 6.2, with annual reporting of the financial relations between SOEs and government, as well as any loans or guarantees from government or SOEs to extractives companies.
 - This could be achieved through the publication of more granular annual financial statements and audit reports from MNAO and external auditors.
 - While EITI reporting will continue to provide a stop-gap in the interim, the Cabinet Secretariat, Erdenes Mongol and the Government Agency for Policy Coordination on State Property (GAPCSP) to develop a robust public-access reporting system for mining SOEs' key financials.
 - The reporting process for quasi-fiscal expenditures should achieve a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures as per Requirement 6.2.
- The National Statistics Office to work with the Ministry of Labour and MRPAM on developing a robust reporting framework for employment in the mining, oil and gas sectors per Requirement 6.3 with a view to publishing extractives employment data on the NSO website and EITIM Data Portal.

3.2 Revenue data

Mongolia operates a unitary fiscal system with a three-tier government system, divided into 21 aimags (provinces) and the capital city, 330 soums (districts) and 1592 baghs (sub-districts). Tax and non-tax revenues are raised both by central government and by aimags and soums.

The Ministry of Finance provides quarterly or semi-annual reports of budget revenues and expenditures, including allocations to local governments both directly and through the General Local Development Fund (GLDF). The national budget is composed of the state budget, the local budget (aimags, soums), and budgets for the Future Heritage Fund, the Social Insurance Fund and the Health Insurance Fund, which are presented to Parliament and published on websites of Parliament and the MoF. The approved budget provides an explanation for statutory shares of funds, as well as the execution of subnational transfers and deductions in its annexes. National budget revenue classifications are broadly compliant with the GFS 86 nomenclature.²² The MoF operates a GLDF portal through which the 21 aimags report on the use of their reallocations to soum's local development funds, including project details. The Glass Accounts website provides reporting of all

Figure 9: Schematic of the EITIM eReporting portal



government-related expenditures above MNT 5m (USD 2k). The main extractives revenue-collecting entities are the MoF's General Department of Taxation, Customs and MRPAM, although the GAPCSP, Ministry of Environment, Ministry of Labour and local (aimag and soum) governments also collect smaller fees from mining, oil and gas companies. While MRPAM publishes total revenues disaggregated per stream in its annual reports²³, the other revenue-collecting entities do not disclose revenues from extractives companies elsewhere than the EITIM eReporting system.

The eReporting system²⁴ was developed during the first phase of the EBRD-funded project in April-September 2015

²² <https://pefa.org/sites/default/files/assessments/comments/MN-Apr15-PFMPr-Public.pdf>

²³ See for instance MRPAM 2016 annual report: <https://www.mrpam.gov.mn/public/pages/66/MPRAMreport2016EN.pdf>

²⁴ <https://e-reporting.eitimongolia.mn/>

and all extractive license-holders were required to submit their electronic templates for fiscal-2014 through the platform by 31 March 2015. In all three EITI Reports produced using data from the eReporting system, the Independent Administrators have undertaken a second round of (manual) data collection for additional information required by the MSGWG but not covered by the eReporting templates (e.g. production, employment and beneficial ownership data) and for additional quality assurance. There is a need to align the timing of the Independent Administrator's work with eReporting deadlines to coordinate comprehensive data collection in one round. Revision of the eReporting templates to include additional information collected by the Independent Administrator will require approval from the National Statistics Office. The EBRD project's second phase from August 2015 to December 2016 included the development of the EITIM Data Portal and integration of government data systems. The automatic exchange of tax information with the General Department of Taxation's tax data is being piloted in 2018, although MRPAM data is only exchanged with the EITIM Data Portal on a manual basis. Integrating the EITIM Data Portal with the databases of other revenue-collecting government entities through the National Data Centre will be key to ensuring the sustainability of EITI reporting.

Apart from a few companies that file mandatory disclosures under ESTMA/EU rules²⁵, there is no other widely applicable company reporting system in Mongolia apart from the EITIM eReporting system, which is mandatory by law for all companies holding or participating in oil, gas and mining licenses in Mongolia.

According to the Budget Law of Mongolia, the state budget reallocates extractives revenues to subnational transfers, both through the General Local Development Fund (GLDF) to aimags and soums, as well as directly to the local development funds of the 21 aimags. Article 59.1 of the Budget Law provides the general formula for subnational transfers. Online disclosures of executed subnational transfers through the GLDF are consistent with Requirement 5.2, although disclosures on the formula and calculations of budgeted subnational transfers are not. Two of the four variables (statutorily updated every two years) used in the formula for calculating subnational transfers are not yet publicly-accessible. The publication of the four variables on which calculations of GLDF transfers are based would be a small technical reform, it would empower local governments (aimags and soums) to assess any gaps between budgeted and executed subnational transfers. This could be integrated into the MoF's GLDF portal.

Aimags and soums are empowered to levy taxes and fees from companies. Mongolia's EITI reporting has disclosed and reconciled nine subnational payment flows to aimags, although only three of these are explicitly linked to extractives activities (Fee for use of widespread mineral resources; Support received as per PSA; and 50% Contribution to environmental protection special account). There is currently no alternative to the disclosure of these direct subnational payments to the current reconciliation through the eReporting system.

Social expenditures are required by the Minerals Law as part of Community Development Agreements (CDAs) and as donations to central and local government entities. While the law requires the disclosure of social expenditures, companies' payments and government receipts of mandatory social expenditures are currently only reported and reconciled through the EITI eReporting portal. The Independent Administrator is required to undertake secondary data collection for additional details on social expenditures not initially submitted to the eReporting system. Some larger companies like Oyu Tolgoi publish corporate reports on their social

²⁵ See Turquoise Hill Financial and Technical Reports, http://www.turquoisehill.com/s/financials_tech_reports.asp, and Rio Tinto UK Payments to Governments 2016 report, http://www.riotinto.com/documents/RT_taxes_paid_in_2016.pdf

expenditures, although these tend to be published on an ad-hoc basis. The model CDA includes a clause for automatic publication, yet while a set of CDAs has been published on the OSF Contracts Portal, the EITIM website and larger companies' websites, many CDAs have yet to be published. Templates on the eReporting portal require revisions to ensure that all details of mandatory social expenditures mandated under Requirement 6.1 are routinely disclosed.

Data quality

Mongolia's Audit Law imposes audit requirements for **companies'** financial statements, although revisions to the 1997 Law in 2015 (effective from 2016) restricted the types of companies required to conduct external audits. The major differences in entities whose financial statements should be audited are listed in Figure 8.

Figure 10: External audit requirements for companies under the 1997 and 2015 Audit

The 1993 Accounting Law was also revised in 2015 (effective from 2016), with reforms waiving external auditing for smaller companies, defined as companies with annual turnover of less than MNT 1bn and less than 49 staff (up from MNT 50m previously), and requiring them only to file their financial statements based on International Financial Reporting Standards (IFRS) for small and medium enterprises (SMEs). Further key changes in the 2015 Law include an increase in the period of mandatory auditor rotation, the composition of audit firms, the ownership of audit firms and regulation of audit licences and qualifications. The 2015 Law requires companies holding licenses in mineral resource exploration and production and state-owned enterprises to prepare financial statements applying IFRS. Of the 213 material companies in the 2016 EITI Report, 146 confirmed the audit of their financial statements, implying significant deviations from the rules in practice.

Under the 1997 Audit Law	Under the 2015 Audit Law
Listed companies	Entities applying International Financial Reporting Standards ("IFRS")
Entities requesting to register on a stock exchange	Entities which present integrated financial statements
Entities with assets worth more than MNT 50 million	Foreign invested entities
Savings and credit unions	Other entities that should have audited their financial statements according to Mongolia's international treaties
Banking and financial institutions and insurance companies	
Securities companies with brokerage and dealer services and investment funds	
Political parties	
Other comparable entities which are similar in nature with the above-listed entities	

Source: Mongolia 2016 EITI Report.

Thirteen reporting companies were audited externally under IFRS and 133 were audited by local firms to Mongolian audit standards. The 2016 EITI Report provides sources for only 11 companies.²⁶ Companies required to undertake an external audit are required to submit their audited financial statements to the Ministry of Finance (MoF)'s Accounting Department annually by June. However, confidentiality provisions of the General Law on Taxation hinder the MoF's ability to disclose financial statements without explicit written consent from the company concerned. Government Resolution (#222 of 2012) waives tax confidentiality provisions for EITI reporting purposes, but this is not understood by government officials to extend to publication of companies' financial statements.

²⁶ Shivee-Ovoo JSC, Baganuur JSC; Tavan Tolgoi JSC; Sharyn Gol JSC; Centerra Gold Mongolia LLC; Entree LLC; Erdenes Mongol LLC; Erdenes Tavan Tolgoi JSC; Berkh Uul JSC; South Gobi Sands LLC; Mon Atom LLC.

The MoF's Accounting Department could however play a role in confirming the level of mining companies' compliance with their audit reporting requirements.

For **government entities**, the Mongolian National Audit Office (MNAO) is statutorily responsible for audits of budget revenue and expenditure, state and local government entities and legal entities in which the state or local government holds partial interest, as the supreme audit institution for Mongolia. All government accounting is on a cash basis. The state audit apparatus consists of the MNAO and Specialised Audit Offices in each aimag affiliated with the MNAO. The 2003 Law on State Audit was amended in 2013²⁷, following the decentralization of budget accountability to the municipal authorities, to a more vertical structure of reporting by local auditors to the Auditor-General. Since the reform, state auditors are now responsible for reviewing both budget execution and compliance with Parliament-approved legislation and implementation of recommendations from Parliament standing committees. The MNAO undertakes statutory annual financial audits of budget revenues and ad hoc performance audits according to a predefined schedule. All institutions receiving state funding or with state ownership are audited annually either in brief by a MNAO-affiliated audit office or more comprehensive manner by MNAO itself. Of the 459 financial statements of government entities in the 2012 Consolidated Financial Statements of the Government, 43% (199) were audited by MNAO and 57% (260) by private audit companies either affiliated to MNAO or independently contracted by the SOEs themselves. The MNAO opinions refer to IFAC-issued International Standards on Auditing (ISA) and are produced in line with the MNAO Financial Audit Manual, which is in compliance with the ISA.

According to Mongolia's latest (2015) PEFA report²⁸, Mongolia publishes six of the eight key budget documents, including monthly budget execution, end of fiscal year, and auditor general reports. The MNAO publishes annual Performance Reports on its website²⁹ within six months of the fiscal year end (republished on the Parliament's website³⁰), while the Ministry of Finance publishes budget planning and performance documents monthly on its website.³¹ Yet Mongolia's score in the International Budget Partnership's Open Budget Index (OBI³²) has declined since 2012 to 46 in the 2017 survey, despite improving steadily from 18 in 2006 to 60 in 2010, on account of weaknesses in public participation and oversight in the budget process linked to shallow public consultations in the budget-making process.

State-owned enterprises are required to undertake two audits, by MNAO and by an independent external (local or international) auditor. The 2011 Integrated Budget Law and the Audit Law require companies wholly (100%)-owned by national or local governments to have their audited financial statements consolidated into the annual government financial statements, reviewed by MoF and approved by parliament. Three of the 19 mining companies in which government holds a majority (51%) interest are owned by local governments in Mongolia. All public enterprises have their audited financial statements consolidated into the annual Government Financial Statement, which is presented to parliament, yet the government does not prepare a consolidated overview of fiscal risks associated with SOEs according to the 2015 PEFA report.

In terms of certifying government agencies, the MNAO has yet to be formally involved to date. As the aggregator of government EITI reporting, the MoF has provided a signature from a high-level

²⁷ <https://www.resourcedata.org/document/rgi-law-on-state-audit>

²⁸ <https://pefa.org/sites/default/files/assements/comments/MN-Apr15-PFMPR-Public.pdf>

²⁹ <http://www.audit.mn/?p=16743>

³⁰ <http://www.parliament.mn/m/dhno>

³¹ <https://www.mof.gov.mn/category/budget/budgetof2016/>

³² <https://www.internationalbudget.org/open-budget-survey/results-by-country/country-info/?country=mn>

official as attestation of the reliability of the data. The transition to the eReporting system associated a clear statement with the signature for the first time, albeit without reference to audited financial statements. In terms of certifying EITI reporting from companies and SOEs, the eReporting system has required an electronic signature and management certification, while the Independent Administrator has followed up with secondary collection of audited financial statements and management certification of templates. The reporting templates agreed in December 2015 included reference to an audit, but not to international standards or cash/accrual basis of accounting. The eReporting system has adopted digital signatures in line with the Mongolia's tax administration's e-filing system. Building on the track record of three EITI Reports produced based on the eReporting system, the current eReporting procedures will need to be aligned with and integrated to audit and assurance practices of government entities, SOEs and companies.

Data timeliness

Mainstreamed data on revenues and contextual information generally conforms with EITI requirements. Financial and contextual data are all published regularly, with more timely information than in EITI Reports. The timeliness of revenue data through the EITIM Data Portal is the most impressive, with unaudited company publicly disclosed within three months of the fiscal year's end and government data within six months. Still, some areas require further reform. Current eReporting timeframes are not aligned with statutory audit deadlines nor procurement of the Independent Administrator pending the ability to embed systematic disclosures of EITI disclosures in government and corporate systems. The Integrated Budget Law requires the MoF to submit the consolidated government financial statement to MNAO by 10 May, with submission of the MNAO's audit opinion by 10 June annually. Meanwhile, information on legal shareholding of extractives license-holders is currently not public. There is no comprehensive disclosure mechanism for tracking changes in state participation in the extractive industries, nor financial relations between SOEs and the government in practice absent systematic publication of their financial statements. The majority of private companies do not publish annual reports, but are required to file their audited financial statements with the MoF's Accounting Department every June. Once these issues and other recommendations listed below are addressed, all information as required by the EITI Standard conforms with the timeliness requirement (requirement 4.8).

Recommendations for mainstreaming revenue data in Mongolia

The findings of this study are that Mongolia will not be able to fully mainstream EITI reporting until some recommendations are addressed. Companies are obligated by law to publicly report EITI-relevant information, which is done through the eReporting system since 2015. In order to ensure the disclosures are made systematically as part of government agencies' regular workflow, this paper proposes that the National Council amends this eReporting filing system and integrates it into complimentary government systems to ensure consistency with requirements of the EITI Standard. The responsibility for managing the EITIM Data Portal could be transferred to the government entity mandated with collecting payments data from companies in accordance with the Minerals Law, the Ministry of Mines and Heavy Industry.

To reduce size and cost of EITI Reports, the National Council could lower the materiality threshold for reconciliation to 85% of total extractive revenues. Based on research undertaken for this study, data from 2016 show that 13 companies covered 85% of companies' payments to governments.

Similarly, based on data from 2006-2016, 11 revenue streams account for 85% of total government revenues from the extractives.

The National Council would still be required to ensure unilateral disclosure of each revenue stream by the government, which may be done through the eReporting portal. Regardless of the nature of revisions to the National Council's EITI reporting materiality decisions, Mongolia would continue to publish unreconciled data for all reporting companies in line with the current system. When doing so, the National Council should ensure that disclosures are made in line with the national revenue classifications (consistent with GFS), so payments from companies are available per revenue stream and government agency as per EITI Requirement 4.1.d.

This study therefore recommends the following steps:

1. Secure government buy-in for the integration of government systems and EITIM Data Portal.

The EITIM Data Portal and its eReporting system enable electronic submission of data from companies, including attestation of validity by using e-signatures. Plans for the integration of government revenue-collection, audit and assurance systems with the EITIM Data Portal should be shared with:

- 1.1. **the Cabinet Secretariat for inclusion in the Open Government Partnership (OGP) National Action Plan (NAP).** Proposal should include specific references to extractive industry transparency, one of the pillars of the Mongolia's OGP NAP; and
- 1.2. **the Prime Minister's Office for integration with wider government programmes such as the Glass Accounts website,** with the explicit reference to better coordination of government agencies and government efficiency.
- 1.3. If either of these proposals are endorsed, the National Council needs to review the EITIM reporting templates and ensure they cover all information required by the EITI Standard.

2. Short-term improvements to the EITIM eReporting system.

- 2.1. Mongolia is encouraged to **revisit the materiality decisions** for its EITI reporting, with a view to reducing the number of reconciled payments but ensuring the comprehensiveness of the annual EITI reconciliation per Requirement 4.1;
- 2.2. **Align reporting timelines** through the eReporting system with procurement of the Independent Administrator in the short term, to ensure IA input to materiality decisions prior to data collection:
 - Consider creating eReporting templates specific to state-owned enterprises, that would include retained earnings, reinvestments, third-party funding, quasi-fiscal expenditures and loans/guarantees to extractives companies that is consistent with Requirements 2.6, 4.5 and 6.2.
 - Templates on the eReporting system should be revised to ensure mandatory social expenditures are reported on a sufficiently disaggregated basis per Requirement 6.1;
 - The National Council is encouraged to revisit the reporting templates for beneficial ownership disclosure together with IA and ensure their alignment with Requirement 2.5.
- 2.3. In accordance with Requirement 4.9 and the standard Terms of Reference of the Independent Administrator, Mongolia should ensure that **EITI data eReporting**

deadlines are aligned with statutory government and private-sector auditing procedures (i.e. June-July):

- The National Council should agree procedures for the MNAO’s certification of reported government extractive revenues to align MNAO certification of government EITI reporting with routine budget auditing procedures. Government-level disclosures should include references to audit reports from the MNAO;
 - Ensure certification of company EITI eReporting templates is included in routine annual audits of all companies, working with relevant associations (MNMA, BCMM, GMAM, etc.). Company-level disclosures should include references to audited financial statements for material companies for the fiscal year in question;
 - Audited payments and revenue data of companies and government entities, e.g. audited financial statements, could be uploaded on the portal to strengthen quality assurances for EITI reporting.
- 2.4. The MoF should lead work with the National Statistics Office and the National Development Agency to publish **the detailed formula and variables for calculating statutory subnational transfers** of extractives revenues to individual aimags (through GLDF and direct transfers to aimags’ LDFs) on relevant government websites (GLDF Portal, MoF website, EITIM Data Portal, etc.) per Requirement 5.2.

3. Transitioning from the Independent Administrator.

- 3.1. The National Council may wish to publish a **short reconciliation report** for fiscal year 2017 by 31 December 2018. The report would only cover the scope as defined in EITI Requirement 4, and be limited to focusing on revenue reconciliation; covering all applicable financial requirements of the EITI Standard. The reports should be prepared by an Independent Administrator and follow the relevant procedures as per Requirement 4.9.
- 3.2. The National Council may wish to include in the Independent Administrator’s ToRs an **assessment of any deviations** between company and government disclosures compiled as part of EITI reporting and other publicly-available company and government data. This assessment would provide a timely diagnostic of the value added from reconciliation by the Independent Administrator.
- 3.3. Consider revising EITIM eReporting data collection system and Data Portal, which integrates other data sources, to include **public feedback and comments** box to allow for whistleblowing on non-trivial deviations to statutory procedures;

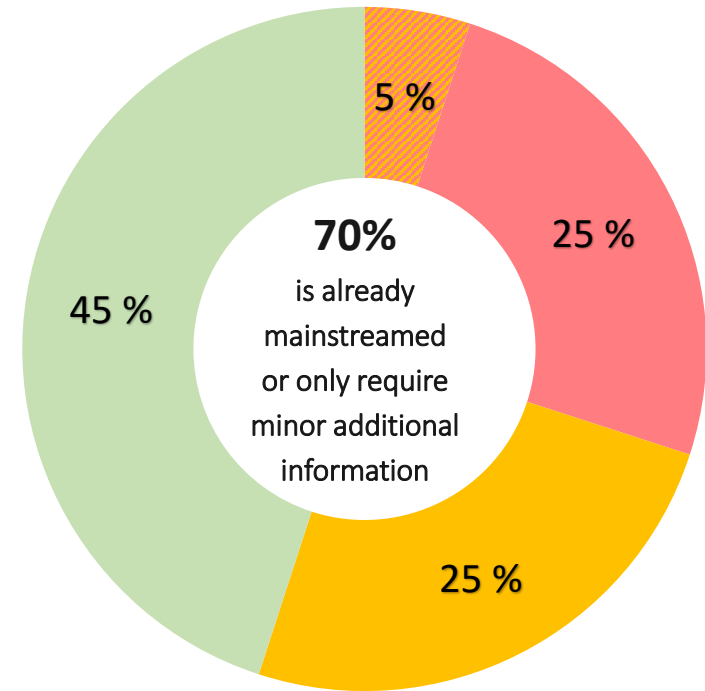
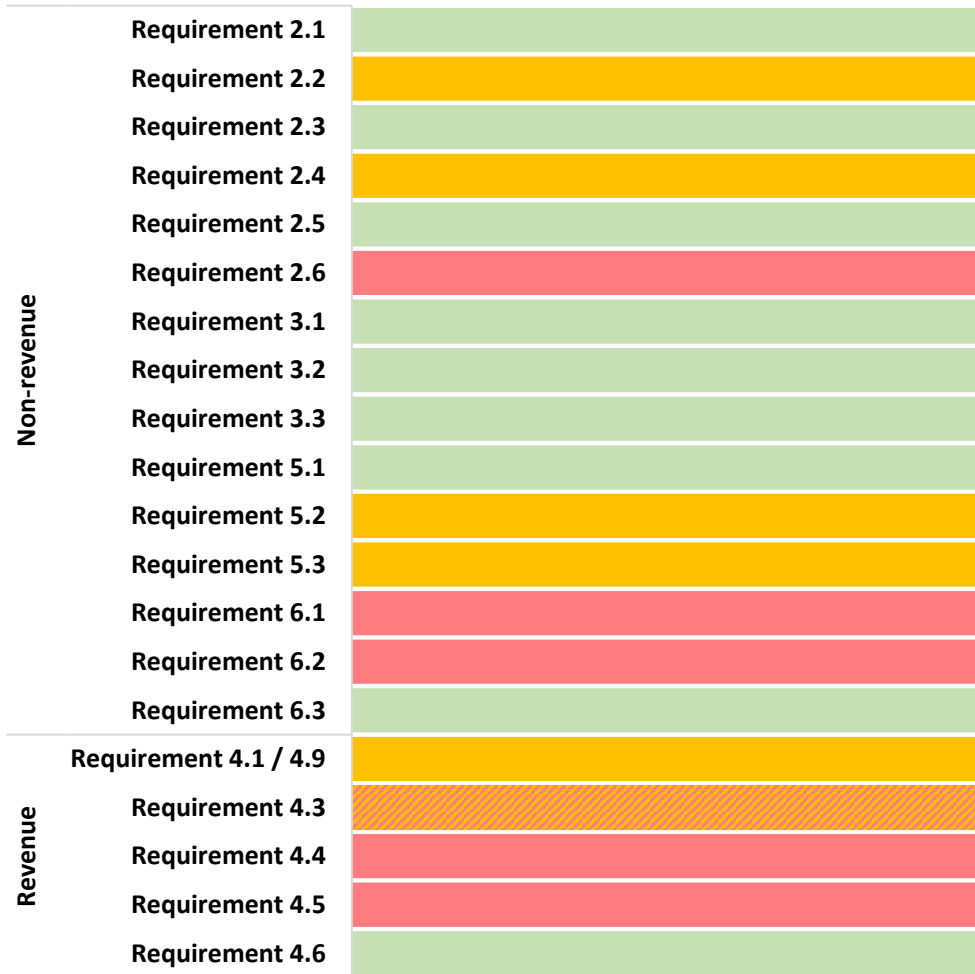
4. Transfer of the EITIM eReporting system and Data Portal to the Ministry of Mines and Heavy Industry (MMHI).

- 4.1. The National Council may wish to establish a MSWG working group on the institutional structure of EITI implementation in Mongolia. The working group’s ToRs could include agreeing a work plan for transferring responsibility for the EITIM eReporting system and Data Portal to the Ministry of Mines and Heavy Industry.
- 4.2. The National Council may wish to undertake an institutional review of the management of the EITIM Data Portal, with a view to assessing the capacity needs for long-term sustainability of the platform.
- 4.3. The Ministry of Mines and Heavy Industry could consider undertaking a capacity needs assessment in relation to operating the EITIM eReporting system and Data Portal, with a view to formulating concrete budget proposals for EITI-related funding.

- 4.4. The Cabinet, led by the Prime Minister's Office, could consider revising relevant Government Resolutions on EITI to transfer responsibility for maintenance of the EITI eReporting system and Data Portal to the Ministry of Mines and Heavy Industry.
- 4.5. The government is invited to consider the extent of complementarities between the Glass Account website and the EITIM Data Portal in achieving objectives of both OGP and EITI, per Requirements 5.1 and 5.3.

If the above proposal is approved, the National Council should work to ensure the proposed changes are made to the portal and agree a roadmap for transferring responsibility for the portal to the Ministry of Mines and Heavy Industry. The National Council should ensure the disclosures are comprehensive and conform with EITI Requirements.

Annex A: Mainstreaming assessment table: Mongolia



- Applicability to be confirmed ■ Major limitations
- Minor limitations ■ Already mainstreamed

- Applicability to be confirmed ■ Major limitations
- Minor limitations ■ Already mainstreamed

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Requirements already mainstreamed		
2.3 Register of licenses	<p>Meaningful progress</p> <p>All information but dates of application are publicly-accessible. The EITIM Data Portal should be updated with the dates of application available as a stop-gap measure pending reform of the MRPAM cadastre.</p>	<p>Online disclosures consistent with EITI Standard</p> <p>The MRPAM includes all information as per Requirement 2.3 on their Computerized Mining Cadastre System (CMCS)³³ in both the form of a cadastre and register. While all license coordinates are available through the MRPAM CMCS cadastre and the EITIM Data Portal, the EITIM website³⁴ also provides a comprehensive list of coordinates for all oil and gas PSCs, although this is only updated manually on an ad-hoc basis.</p> <p>However, while MRPAM has digitized dates of application for roughly half of active mining licenses, these are not accessible through the CMCS. According to MRPAM senior management, revisions to CMCS to include dates of application would require a new agreement with the vendor GAF AG, originally contracted under a donor technical assistance programme. In the interim, the EITIM Data Portal has published some of the dates of application collected (all dates of application collected are currently only accessible in annexes to EITIM Reports).</p> <p><i>The MSG is encouraged to update the EITIM Data Portal with all dates of application collected as part of EITI reporting and to work with MRPAM to establish a system for automatic exchange of information (integration) between the MRPAM cadastre and the EITIM Data Portal.</i></p>
2.5 Beneficial ownership	<p>N/A / Meaningful progress</p> <p><i>Requirement 2.5 will only be fully implemented by January 2020.</i></p> <p>Mongolia should publicly disclose the legal owners of all license-holding extractives companies as a first step towards a public beneficial ownership by 2020. The government is encouraged to integrate its efforts to establish</p>	<p>Online disclosures partially consistent with EITI Standard</p> <p>Mongolia has piloted legal and beneficial ownership disclosure for four years (2013-16 EITI Reports), although the data is only available in open format for 2013.³⁵ The General Authority for State Registration website³⁶ offers corporate registration services but does not publish the identity of any company shareholders. Limited shareholder information is available for larger mining companies only, such as Oyu Tolgoi³⁷, Boroo Gold³⁸ and Areva Mongol (now Orano Mongol³⁹). The General Authority for State Registration has been tasked through the 2018 Budget Law to collect beneficial ownership information in cases of transfers of interest in mining licenses, with an internal system to be developed by July 2018.</p>

³³ <https://cmcs.mrpam.gov.mn/cmcs#>

³⁴ <http://www.eitimongolia.mn/mn/node/4922>

³⁵ <https://eitimongolia.mn/en/beneficial-owners>

³⁶ <http://www.burtgel.gov.mn/>

³⁷ <http://ot.mn/oyu-tolgoi-shareholders/>

³⁸ <https://www.centerragold.com/operations/boroo>

³⁹ <http://mongolia.areva.com/EN/mongolie-94/enabout-usorganizationorganization-homepage.html>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	<p>transparency in the beneficial ownership of mining, oil and gas companies to avoid duplication of efforts and ensure a single entity is charged with the public beneficial ownership register.</p>	<p><i>Mongolia is encouraged to publicly disclose legal ownership information for all extractives companies, either through the General Authority for State Registration website or the EITIM Data Portal. The government is encouraged to ensure coordination in its efforts to collect beneficial ownership data, with a view to establishing a single public beneficial ownership register (either for extractives companies only or for all companies) by 2020.</i></p>
<p>3.1 Exploration</p>	<p>Satisfactory progress</p>	<p>Online disclosures consistent with EITI Standard</p> <p>Online disclosures include geological and exploration data through the WebGIS-based Geological Information System MONGEOCAT⁴⁰, exploration news through the MRPAM Investment Guide website⁴¹ and half-yearly updates on mineral reserves data on the main MRPAM website⁴². While MONGEOCAT data is accessible in open format, data provided through other MRPAM channels is in .htm or .pdf format. The EITI Mongolia Data Portal⁴³ provides a map user-interface to track license and payment data based on location.</p> <p><i>The MSWG is encouraged to work with MRPAM to ensure regular updates on exploration activity in the mining, oil and gas sectors with a view to facilitating access through open data format.</i></p>
<p>3.2 Production</p>	<p>Satisfactory progress</p> <p>Mongolia is encouraged to work on the accessibility of production data and may wish to assess the potential for disaggregating official production data by company and project. The MSWG may wish to work with MRPAM on assessing the reliability of current inspection practices.</p>	<p>Online disclosures consistent with EITI Standard</p> <p>Online disclosures include half-yearly statistics on production volumes and average prices, disaggregated by commodity and month, on the MRPAM website⁴⁴ and annual reporting of production volumes on the MRPAM Investment Guide website.⁴⁵ The EITIM Data Portal⁴⁶ provides production volumes and sales value, disaggregated by commodity and year, sourced from MRPAM.</p> <p><i>Mongolia is encouraged to work on the accessibility of production data by ensuring automatic exchange of information between MRPAM and the EITIM Data Portal. Mongolia may wish to assess the potential for disaggregating official production data by company and project. The MSWG may wish to work with MRPAM on assessing the reliability of current inspection practices and valuation methods.</i></p>

⁴⁰ <http://mrpam.gov.mn/mrpam/webgis/indexen.html>

⁴¹ <http://invest.mrpam.gov.mn/detail/105>

⁴² <https://mrpam.gov.mn/article/83/>

⁴³ <https://e-reporting.eitimongolia.mn/portalMap>

⁴⁴ <https://mrpam.gov.mn/article/83/>

⁴⁵ <http://invest.mrpam.gov.mn/detail/107>

⁴⁶ <https://e-reporting.eitimongolia.mn/>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
3.3 Exports	<p>Satisfactory progress</p> <p>Mongolia is encouraged to work with the Customs Department, Bank of Mongolia, the National Statistics Office and MRPAM to establish a robust and user-friendly information on the country's extractives exports.</p>	<p>Online disclosures consistent with EITI Standard</p> <p>Online disclosures include annual export volumes per commodity from the MRPAM Investment Guide website⁴⁷, monthly export volumes and values per commodity from the Bank of Mongolia website⁴⁸ and monthly export volumes and values per commodity and destination country from the Customs Department website.⁴⁹</p> <p><i>Mongolia is encouraged to work with the Customs Department, Bank of Mongolia, the National Statistics Office and MRPAM to establish a robust and user-friendly information on the country's extractives exports. The MSWG may wish to work with the Customs Department on assessing the reliability of existing export verification procedures and valuation methods.</i></p>
<p>4.1.b Comprehensive disclosure of taxes and revenues <i>(Unilateral disclosures by government)</i></p>	<p>Satisfactory progress</p>	<p>Online disclosures consistent with EITI Standard, but should be simplified</p> <p>The following revenue streams are proposed to be defined as immaterial based on disclosures from 2006-2016 (see table C.1 in annex C for details): Fee for water use; Employers' social and health insurance; Payment for air pollution; Monetary & Non-monetary donation and assistance paid to local organisations; Real estate tax; Land fee; Fee for recruiting foreign experts and workers; Excise tax on vehicle's gasoline and diesel fuel; Penalty; Monetary & Non-monetary donation and assistance received by Ministries and Agencies; 50% Contribution to environmental protection special account; Reimbursement of deposit, exploration of which is carried by the budget fund (Fees); Monetary & Non-monetary donation and assistance paid to soums and aimags; Tax on vehicles and self-moving mechanisms; Payment for deposit, exploration carried out by Government; Tax on petrol and diesel fuel; Monetary & Non-monetary donation and assistance paid to other entities; Administration and service charges in accordance with Production Sharing Agreement; Fee for supporting field office according to product sharing agreement; Service fees (state); Stamp fees and other charges; Fee for forestry use and fire wood; Service fees (local); Fees for transferring rights and duties of Product Sharing Agreement; Fee for water pollution.</p>

⁴⁷ <http://invest.mrpam.gov.mn/detail/107>

⁴⁸ https://www.mongolbank.mn/eng/liststatistic.aspx?id=4_5

⁴⁹ <http://www.customs.gov.mn/en/2014-03-24-06-24-11/2014-03-24-06-24-25>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
4.6 Sub-national payments	<p>Satisfactory progress</p> <p>Mongolia may wish to revisit its materiality decisions with regards to subnational direct payments.</p>	<p>Online disclosures close to consistent with EITI Standard</p> <p>Online disclosures consist of annual reconciliation of nine revenue flows⁵⁰ collected by aimag (province) governments, two of which are linked to extractives activities. Both aimags and companies file through the eReporting system annually, with data available through the EITIM Data Portal⁵¹, disaggregated by company and revenue flow. Reporting is subject to varying levels of quality assurance (see Requirement 4.9).</p> <p><i>Mongolia is invited to revisit its materiality decisions with regards to direct subnational revenues, with a view to reducing the number of reconciled payments but ensuring the comprehensiveness and reliability of its annual EITI reconciliation.</i></p>
5.1 Distribution of extractive industry revenues	<p>Close to Satisfactory progress</p> <p>Mongolia should ensure alignment between its various sources of open data information, including the Glass Accounts, Ministry of Finance and EITIM Data Portal, to publicly account for the allocation of extractives revenues managed off-budget.</p>	<p>Online disclosures close to consistent with EITI Standard</p> <p>Online disclosures include the Glass Accounts website⁵² for budget revenues and expenditures, two Ministry of Finance websites on budget execution⁵³ and subnational transfers⁵⁴ and the EITIM Data Portal⁵⁵ for extractives revenues disaggregated by revenue stream.</p> <p><i>Mongolia should ensure alignment between its various sources of open data information, including the Glass Accounts, Ministry of Finance and EITIM Data Portal, to publicly account for the allocation of extractives revenues managed off-budget.</i></p>
5.3 Revenue management and expenditures	<p>N/A / Meaningful Progress</p> <p>Mongolia may wish to clarify the practical operation of transfers to the Human Development Fund. Authorities are encouraged</p>	<p>Not assessed for compliance</p>

⁵⁰ Real estate tax; Tax on vehicles and self-moving mechanisms; Land use fee; Fee for water use; Fee for use of mineral resources of wide spread; Fees for recruiting foreign experts and workers; and Support received as per PSA.

⁵¹ <https://e-reporting.eitimongolia.mn/>

⁵² <http://www.shilendans.gov.mn/>

⁵³ <http://www.iltod.gov.mn/tusuv/index.php#/~unified-budget-of-mongolia/central>

⁵⁴ <http://tusuv-oronnutag.mof.gov.mn/>

⁵⁵ <http://ereporting.eitimongolia.mn:8082/report>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	to draw on EITI Requirement 5.3 in their discussions of macro-economic policy-making, including plans for a sovereign wealth fund.	The Human Development Fund collects 65% of revenues from mega projects like Erdenet, Oyu Tolgoi and Tavan Tolgoi. While the HDF is statutorily required to present accounts to Parliament, significant revenue flows to government have yet to flow. The Mongolian National Audit Office (MNAO) provides a cursory description of its functions on its website. <i>Mongolia is encouraged to use the EITI Standard to shape its public disclosures of information, integrating disparate sources of government information on budget-making, execution, audit and assurance into a single public portal (whether through MRPAM, EITIM, Glass Accounts, or other).</i>
6.3 Contribution to the economy	Close to satisfactory progress Mongolia must publicly disclose annual data on the extractive industries' contribution to employment, in absolute and relative terms.	Online disclosures close to consistent with EITI Standard Online disclosures include annual data on the mining sector's absolute and relative contribution to GDP, government revenues and exports from the MRPAM Investment Guide website ⁵⁶ , republished on the EITIM Data Portal ⁵⁷ , and monthly mineral export data from the Bank of Mongolia. ⁵⁸ Employment data is available from the National Statistics Office website ⁵⁹ , disaggregated by gender and location but not by occupation (e.g. mining, oil and gas) . The EITIM Data Portal ⁶⁰ , MRPAM Cadastre ⁶¹ and MRPAM MONGEOCAT portal ⁶² provide high-definition imagery of mining, oil and gas activities.

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Requirements with minor limitations		
2.1 Legal framework and fiscal regime	Close to Satisfactory progress	Online disclosures close to consistent with the EITI Standard

⁵⁶ <http://invest.mrpam.gov.mn/>

⁵⁷ <https://e-reporting.eitimongolia.mn/>

⁵⁸ https://www.mongolbank.mn/eng/liststatistic.aspx?id=4_5

⁵⁹ http://www.1212.mn/tables.aspx?TBL_ID=DT_NSO_0400_020V1 and http://old.1212.mn/statHtml/statHtml.do?orgId=976&tblId=DT_NSO_0400_006V1&conn_path=l2&language=en

⁶⁰ <https://e-reporting.eitimongolia.mn/portalMap>

⁶¹ <https://cmcs.mrpam.gov.mn/cmcs>

⁶² <http://mrpam.gov.mn/mrpam/webgis/indexen.html>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		<p>The National Legal Centre website⁶³ provides access to the full-text of all laws and regulations of Mongolia. These are available in pdf format. The Parliament website⁶⁴ provides access to the full-text of all laws and draft bills under consideration. The regulator’s (MRPAM) website⁶⁵, the OSF Contracts Portal⁶⁶ and the EITI Mongolia website⁶⁷ provide access to laws and regulations relevant to the mining, oil and gas sectors. MRPAM’s Investment Guide website⁶⁸ provides overviews of the legal framework and fiscal regime. Every government website includes a description of statutory duties and responsibilities.</p> <p>The General Department of Taxation (Mongolian Tax Authority) website⁶⁹ provides information on tax rates. The Ministry of Finance’s Budget portal⁷⁰ provides information on the level of fiscal decentralisation, including budgeted subnational transfers (through GLDF and directly to aimags). The Glass Accounts website provides information on budgeted and executed expenditures and inter-governmental transfers. However, information on statutory direct subnational payments does not appear to be available online aside from EITI Mongolia Reports.</p> <p>MRPAM maintains a public education centre on mining⁷¹ that provides an overview of the regulations in the sector. MRPAM’s Investment Guide website⁷² provides updates on regulatory reforms.</p> <p><i>The MSG is encouraged to draw these sources of information together, reference them on the EITIM Data Portal and establish a system for ensuring regular updates of each data source. The MSG is encouraged to liaise with the National Legal Centre, MRPAM, Ministry of Finance, General Department of Taxation, Parliament, OSF and operators of the Glass Accounts website to establish a system for regular updates.</i></p>
2.2 License allocations	Meaningful progress If MRPAM reforms are implemented as planned, the license allocation process will be open to	Online disclosures partially consistent with EITI Standard The MRPAM website ⁷³ provides comprehensive information on license allocation procedures, including technical and financial criteria. However, there is no comprehensive description of license transfer

⁶³ <http://www.legalinfo.mn/>

⁶⁴ <http://www.parliament.mn/laws>

⁶⁵ <https://mrpam.gov.mn/article/16/>

⁶⁶ <http://www.iltodgeree.mn/>

⁶⁷ <https://eitimongolia.mn/en/mongolian-laws>

⁶⁸ <http://invest.mrpam.gov.mn/page/c/22> and <http://invest.mrpam.gov.mn/news/c/13>

⁶⁹ <http://en.mta.mn/>

⁷⁰ <http://www.iltod.gov.mn/>

⁷¹ <http://edu.mrpam.gov.mn/>

⁷² <http://invest.mrpam.gov.mn/news/c/7>

⁷³ <https://cmcs.mram.gov.mn/node/2?language=en>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	<p>public scrutiny and allow for assessments of non-trivial deviations as per Requirement 2.2.</p>	<p>procedures in one place, aside from the description of statutory procedures in the laws and regulations on the National Legal Centre⁷⁴ and MRPAM⁷⁵ websites.</p> <p>The MRPAM cadastre⁷⁶ provides information on active licenses, but does not yet publish the lists of unsuccessful bidders nor bid criteria outside of bidding rounds. According to MRPAM senior management, <u>the authority plans to start publishing bid criteria, list of bidders, minutes of bid evaluation committee meetings and evaluation of bids on its website, which it expects to announce at PDAC in March 2018.</u> If successful, this will be an important step towards meeting Requirement 2.2. At present, MRPAM publishes lists of awarded licenses in its news section, but on an ad-hoc basis (e.g. in May 2017⁷⁷).</p> <p>For older licenses however, the MSG is still following up for dates of applications for roughly 1000 licenses awarded in the 1990-2000s (see Requirement 2.3). Currently, non-trivial deviations are only publicly identified through EITI Mongolia Reports, which found discrepancies in a fifth of cases examined in 2016.</p> <p><i>The MSG is encouraged to work with MRPAM to develop a robust system for tracking the license award process for all types of license. The system should provide data in an open format, open-access and comprehensive.</i></p>
<p>2.4 Contract disclosure</p>	<p>Meaningful progress</p> <p>Mongolia should publicly formalise the government's policy on contract disclosure, clarified through the MSG's committee work. It should also categorised published and unpublished contracts (including community development agreements).</p>	<p>Online disclosures partially consistent with EITI Standard</p> <p>Mongolia's contract disclosure policy has yet to be formalised by government, aside from through EITIM Reports and civil society documentation⁷⁸ of the MSG's committee work on clarifying (and implementing) the government's policy. The OSF Contracts Portal⁷⁹ describes the MoU with the Ministry of Mining and Heavy Industry. The model oil and gas PSC (from 2014) includes public disclosure provisions. The model⁸⁰ Community Development Agreement (CDA) (from 2015) includes a clause for its automatic publication.</p> <p>While the OSF Contracts Portal⁸¹ has published 35 contracts (and 140 annotations) to date, which have been republished in the Resource Contracts database⁸², there are still significant gaps in the number of published</p>

⁷⁴ <http://www.legalinfo.mn/>

⁷⁵ <https://mrpam.gov.mn/article/16/>

⁷⁶ <https://cmcs.mrpam.gov.mn/cmcs#c=Map>

⁷⁷ <https://mrpam.gov.mn/news/193/>

⁷⁸ http://forum.mn/index.php?sel=project&menu_id=29&obj_id=5007

⁷⁹ <http://www.iltodgeree.mn/page/9/detail>

⁸⁰ <http://www.legalinfo.mn/annex/details/7245?lawid=11852>

⁸¹ <http://www.iltodgeree.mn/>

⁸² <http://www.resourcecontracts.org/search?q=mongolia>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		<p>contracts (oil and gas PSCs and community development agreements). The Contracts Portal is updated when new contracts are published. A set of 25 CDAs are available from the EITIM website.⁸³</p> <p><i>Mongolia is encouraged to amend the EITIM Data Portal with a contract transparency section, referencing available information on the government’s contract transparency policy and practice. The MSWG may wish to work with the Prime Minister’s Office, the Ministry of Mining and Heavy Industry and mining, oil and gas companies to ensure the government’s policy of contract disclosure is implemented in practice, using the Contracts Portal as the central public database.</i></p>
<p>4.1 Comprehensive disclosure of taxes and revenues / 4.9 Data quality and assurance</p>	<p>Requirement 4.1: Meaningful Progress / Requirement 4.9: Inadequate Progress</p> <p>Mongolia is encouraged to revisit the materiality decisions for its EITI reporting, with a view to reducing the number of reconciled payments but ensuring the comprehensiveness and reliability of its annual EITI reconciliation. While the eReporting platform has ensured timelier reporting and the MSWG has agreed procedures for ensuring the reliability of reconciled data that met its satisfaction, these procedures are far from embedded in routine government and company systems. Mongolia is encouraged to agree procedures for the MNAO’s certification of reported government extractive revenues and to work with companies to ensure certification of companies’ eReporting templates is included in their statutory annual audits.</p>	<p>Online disclosures close to consistent with EITI Standard</p> <p>The EITIM eReporting platform requires all companies to report their payments to government by 31 March every year, accompanied by a simple digital signature attesting management sign-off and published automatically. The government subsequently reports its revenues by company in May-June, signed by a high-level official attesting to the comprehensiveness and reliability. The Independent Administrator conducts an initial reconciliation of payments, before proceeding to a second round of (manual) data collection (and additional quality assurances like copies of audit reports) in July-August and reconciliation in September-October.</p> <p>While over 1000 companies report annually (in line with the Minerals Law) on the Data Portal⁸⁴, EITIM has reconciled the payments of the top 250 taxpayers for the past five years. The revenue-collecting government entities reporting to the eReporting system include MRPAM, the General Department of Taxation, customs, the GAPCSP, aimag governments).</p> <p>The MSWG has been discussing several options for data certification with the MNAO since 2017. The most efficient would appear to include certification of government EITI reporting as part of the MNAO’s annual audit of budget execution in March-June. Once agreed, the most efficient would be to delay the eReporting deadline to May and require government reporting to be certified by the MNAO and company reporting to be certified as part of their annual statutory audits.</p>

⁸³ <https://eitimongolia.mn/en/node/4875>

⁸⁴ <https://e-reporting.eitimongolia.mn/reportList>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		<p>The General Department of Taxation is expecting to pilot the automatic monthly exchange of information with the EITIM Data Portal in 2018. Successful integration should pave the way to linkages to other government entities like MRPAM, through the National Data Centre.⁸⁵</p> <p>The Ministry of Finance’s Accounting Department receives all companies’ audited financial statements annually, but is restricted from disclosing these to third-parties due to confidentiality provisions of the tax code. While the government has waived confidentiality clauses for EITI reporting, this has not extended to financial statements to date.</p> <p><i>Mongolia is encouraged to revisit the materiality decisions for its EITI reporting, with a view to reducing the number of reconciled payments but ensuring the comprehensiveness and reliability of its annual EITI reconciliation. Mongolia is encouraged to agree procedures for the MNAO’s certification of reported government extractive revenues and to work with companies to ensure certification of companies’ eReporting templates is included in their statutory annual audits.</i></p>
<p>4.5 Transactions relate to SOEs</p>	<p>Meaningful progress</p> <p>Annual disclosures of SOE dividends through the eReporting system should be matched by annual publication of audited financial statements. In the near-term, annual EITI reporting of withheld earnings, reinvestments and third-party funding and loans will act as a stop-gap measure.</p>	<p>Online disclosures close to consistent with EITI Standard</p> <p>Online disclosures consist of annual reconciliation of SOE dividends through the eReporting system and audited financial statements published by some, but not all, of the 19 mining SOEs. While SOEs, as all government entities, are required to report through the Glass Accounts portal on their revenues and expenditures, they have only reported on their procurement (expenditure) to date (see Requirement 2.6).</p> <p><i>Mongolia is encouraged to consider whether publication of all mining SOEs’ audited financial statements would enable greater transparency in SOE transactions with government entities. The government is invited to consider the extent of complementarities between the Glass Account website⁸⁶ and the EITIM Data Portal⁸⁷ in achieving both its EITI and OGP objectives. In the near-term, annual EITI reporting on SOEs’ financial relations can act as a stop-gap publication mechanism as well as a diagnostic tool for reforms.</i></p>
<p>5.2 Sub-national transfers</p>	<p>Meaningful progress</p> <p>The formula and variables for calculating statutory subnational transfers of extractives revenues to individual aimags should be publicly</p>	<p>Online disclosures close to consistent with EITI Standard</p> <p>Transfers from GDLF to LDFs and directly to LDFs are calculated based on 4 variables, although the specific formula is only currently disclosed in 2016 EITI Report (p.102). Information on two of the variables is not currently accessible to the public (Local Development Index and Local Tax Initiative Index, updated every two</p>

⁸⁵ <https://datacenter.gov.mn/>

⁸⁶ <https://www.shilendans.gov.mn/orglist/4>

⁸⁷ <https://e-reporting.eitimongolia.mn/>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	accessible. Mongolia may wish to integrate the calculations of subnational transfers alongside the data on executed subnational transfers already provided on its GLDF website.	<p>years). None of the government agencies has expressed any reservations to publishing the variables for each aimag and soum: Central Statistics Office (Population density, remoteness and size of territory; Population size) and the National Development Agency (Local Development Index and Local Tax Initiative Index).</p> <p>The Ministry of Finance's GLDF website⁸⁸ provides user-friendly access to executed GLDF transfers to provincial (aimag) governments, who then transfer respective shares to their soums. All 21 aimags upload their LDF reallocation amount and description of each project, for which the fund is used, including project name, type, funding, client, contractor, start date and end date.</p> <p><i>The formula and variables for calculating statutory subnational transfers of extractives revenues to individual aimags should be publicly accessible. Mongolia may wish to integrate the calculations of subnational transfers alongside the data on executed subnational transfers already provided on its GLDF website.</i></p>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Requirements with substantial gaps		
2.6 State participation	<p>Inadequate progress</p> <p>All state-owned enterprises in the mining sector should publish their audited financial statements annually, either through corporate or government websites. Mongolia should initially focus its annual EITI reporting on providing a diagnostic of discrepancies between rules and practice in SOEs' financial relations with the government. It should also work with the Cabinet Secretariat, Erdenes Mongol and the Government Agency for Policy Coordination on</p>	<p>Online disclosures not consistent with EITI Standard</p> <p>The ownership of the 19 mining SOEs is split between two government holding groups. Erdenes Mongol⁸⁹ manages state interests in six mining SOEs considered "strategic" and the Government Agency for Policy Coordination on State Property (GAPCSP) controls state equity in the other 13 SOEs (which include construction material producers alongside Erdenet Mining Corp. and Mongolrostsvetmet). In both cases, the Cabinet Secretariat plays a role in Board appointments and corporate governance.</p> <p>The websites of GAPCSP⁹⁰ and the state-owned coal company Baganuur⁹¹ provides the full-text of laws and regulations related to state property. While these provide the statutory rules related to retained earnings, reinvestments, third-party funding and loans to third-parties, there is public information on the practice of these financial relations on government or SOE websites.</p>

⁸⁸ <http://tusuv-oronnutag.mof.gov.mn/>

⁸⁹ http://www.erdenesmongol.mn/index.php?view=company&which_type=org

⁹⁰ <http://www.pcsp.gov.mn/en/f/81>

⁹¹ <http://www.baganuurmine.mn/?cat=42>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
	<p>State Property (GAPCSP) to develop a robust public-access system for mining SOEs' financials.</p>	<p>Yet while Erdenes Mongol⁹² has started publishing annual financial statements from 2017, the GAPCSP website does not publish annual accounts or reports of the SOEs under its jurisdiction. According to GAPCSP management, it receives regular financial reporting from only some of the SOEs in it holds equity. The financial statements of companies in which Erdenes Mongol holds equity are available on company websites for some (e.g. Oyu Tolgoi⁹³, Erdenes Tavan Tolgoi⁹⁴, Shivee Ovoo⁹⁵ and Baganuur⁹⁶) but not for others (e.g. Erdenes Methane⁹⁷). Some of the mining SOEs overseen by GAPCSP publish financial statements on their company website (e.g. Mongolrostsvetmet⁹⁸) while others do not (e.g. Erdenet Mining⁹⁹, Darkhan Metallurgical Plant). The three mining SOEs in which local governments (aimags) hold equity publish financial statements through the Mongolian Stock Exchange website (e.g. Tavantolgoi JSC¹⁰⁰, Mogoin Gol JSC¹⁰¹ and Bayanteeg JSC¹⁰²). The MoF's Accounting Department is statutorily required to collect audited financial statements from all companies by June every year, although it is only able to publicly-disclose this information upon written permission of each company. While all government entities (including SOEs) are required to regularly publish data on their revenues and expenditures on the Glass Accounts website¹⁰³, they have only reported procurement (expenditure) rather than revenue to date.</p> <p>There is no publicly available information on loans or guarantees extended by any of the mining SOEs. Information on sovereign loans and guarantees is provided through budget execution reports on the Ministry of Finance website.¹⁰⁴</p> <p><i>Mongolia is encouraged to ensure that all state-owned enterprises in the mining sector publish their audited financial statements annually, either through corporate or government websites. The MSWG could initially focus its annual EITI reporting on providing a diagnostic of discrepancies between rules and practice in SOEs' financial relations with the government. More sustainably, the MSWG should work with the Cabinet</i></p>

⁹² <http://www.erdnesmongol.mn/index.php?view=download&type=list&filter=category&val=1>

⁹³ <http://ot.mn/reports/>

⁹⁴ <http://www.erdenestt.mn/tg2>

⁹⁵ http://shivee-ovoo.mn/index.php?module=menu&cmd=content&menu_id=68

⁹⁶ <http://www.baganuurmine.mn/?cat=38>

⁹⁷ <http://en.erdnesmethane.mn/index/index/category/news>

⁹⁸ http://www.mongolros.mn/index.php?option=com_content&view=article&id=89&Itemid=92&lang=en

⁹⁹ <https://www.erdenetmc.mn/en/press/>

¹⁰⁰ <http://www.mse.mn/mn/company/458> and http://www.mse.mn/mn/company_finance_report/120

¹⁰¹ <http://www.mse.mn/mn/company/444> and http://www.mse.mn/mn/company_finance_report/120

¹⁰² <http://www.mse.mn/mn/company/445> and http://www.mse.mn/mn/company_finance_report/120

¹⁰³ <https://www.shilendans.gov.mn/orglist/4>

¹⁰⁴ <https://www.mof.gov.mn/?lang=en>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		<p><i>Secretariat, Erdenes Mongol and the Government Agency for Policy Coordination on State Property (GAPCSP) to develop a robust public-access system for mining SOEs' financials.</i></p>
<p>4.4 Transportation revenues</p>	<p>Inadequate progress</p> <p>The publication of all SOEs' audited financial statements and scrutiny from the MSWG should enable disclosure of transportation revenues.</p>	<p>Online disclosures not consistent with EITI Standard</p> <p>The 2016 EITIM Report (p.140) notes the existence of transportation revenues collected by 5 SOEs in 2016 (Shivee Ovoo JSC, Baganuur JSC, Tavan Tolgoi JSC, Mogoin Gol JSC and Erdenet Mining Corp LLC). While the financial statements of the first four companies are available from the Mongolian Stock Exchange or company websites, those of Erdenet Mining are not (<i>see Requirement 2.6</i>). It is unclear whether the financial statements accessible online detail transportation revenues collected by these SOEs and transferred to the government.</p> <p><i>The publication of all SOEs' audited financial statements and scrutiny from the MSWG should enable disclosure of transportation revenues.</i></p>
<p>6.1 Social expenditures</p>	<p>Inadequate progress</p> <p>Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, Mongolia must disclose and, where possible, reconcile these transactions. Pending development of a robust disclosure framework for companies' mandatory social expenditures, EITI eReporting of such expenditures will be a stop-gap solution.</p>	<p>Online disclosures are not compliant with EITI Standard</p> <p>Social expenditures are required by the Minerals Law as part of Community Development Agreements (CDAs) and as donations to central and local government entities. Such expenditures must be disclosed. The model CDA¹⁰⁵ include a clause for their automatic publication. Contracts such as the Oyu Tolgoi Investment Agreement include specific mandatory social expenditure requirements.</p> <p>While a set of CDAs has been published on the OSF Contracts Portal¹⁰⁶, the EITIM website¹⁰⁷ and larger companies' websites (e.g. Oyu Tolgoi¹⁰⁸), many CDAs have yet to be published.</p> <p>Companies' payments and government receipts of mandatory social expenditures are currently reported and reconciled through the EITI eReporting portal.¹⁰⁹ However, the Independent Administrator is required to undertake a second round of data collection (in June-August) to collect additional data on the nature of social expenditures (in cash or in kind) and the identity of non-government beneficiaries. Some larger companies like Oyu Tolgoi¹¹⁰ publish corporate reports on their social expenditures, although these tend to be published on an ad-hoc basis.</p>

¹⁰⁵ <http://www.legalinfo.mn/annex/details/7245?lawid=11852>

¹⁰⁶ <http://www.iltodgeree.mn/>

¹⁰⁷ <https://eitimongolia.mn/en/node/4875>

¹⁰⁸ <http://ot.mn/cooperation-agreement/>

¹⁰⁹ <https://e-reporting.eitimongolia.mn/reportList>

¹¹⁰ <http://ot.mn/reports/>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
		<i>Mongolia is encouraged to develop a robust reporting system for mining companies' mandatory social expenditures with a view to integrating disclosure in routine company reporting (e.g. annual reports). In the interim, disclosures through the eReporting portal will provide a stop-gap solution.</i>
6.2 Quasi fiscal expenditures	<p>No progress</p> <p>Mongolia must disclose information on quasi-fiscal expenditures undertaken by extractives SOE(s). The MSWG is required to establish the materiality of any quasi-fiscal expenditures and develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures.</p>	<p>No progress in online disclosures consistent with EITI Standard</p> <p>While the IMF's May 2017 extended credit facility agreement¹¹¹ requires the government to end all quasi-fiscal activities, there is evidence from EITI reporting that there are several quasi-fiscal expenditures undertaken by extractives SOEs, including subsidised thermal coal sales to power plants. Despite the public availability of audited financial statements of the larger SOEs (see Requirement 2.6), the quasi-fiscal component of SOEs' expenditures is not clearly defined in the companies' accounts. While SOEs are required to report details of their procurement (expenditures) through the Glass Accounts website, quasi-fiscal expenditures are not clearly highlighted.</p> <p><i>Mongolia must disclose information on quasi-fiscal expenditures undertaken by extractives SOE(s). The MSWG is required to establish the materiality of any quasi-fiscal expenditures and develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures.</i></p>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
Potentially non-applicable requirements		
4.2 In-kind revenues	<p>Not applicable</p> <p>Mongolia may wish to shed more public light on the system for Sinopec and PetroChina commercialising its in-kind revenue (Profit Oil) from two oil-producing fields, before transferring the proceeds to MRPAM.</p>	<p>Non-applicability confirmed during Validation (2016,2018)</p> <p><i>While this requirement is not deemed to be applicable to Mongolia given that the government does not take physical delivery of the oil, Mongolia may wish to shed more public light on the system used by operators Sinopec and PetroChina for commercialising its in-kind revenue (Profit Oil) from the two oil-producing fields. The proceeds of Profit Oil sales transferred by the two Chinese companies to MRPAM are reported in the EITIM Data Portal as 'Petroleum income per Government according to product sharing agreement' (1112E2).</i></p>

¹¹¹ <file:///Users/alexgordy/Downloads/cr17140.pdf>

Requirement	Validation results / Corrective actions	Mainstreaming feasibility
4.3 Infrastructure and barter arrangements	Not applicable	<p>Non-applicability confirmed during Validation (2016,2018)</p> <p><i>Mongolia should ensure that any future minerals-for-infrastructure type agreement be publicly disclosed to a level of detail commensurate with that of other payments and revenues, including the parties involved, the resources pledged by the state, the value of the balancing benefit stream (e.g. infrastructure works), and the materiality of these agreements relative to conventional contracts.</i></p>

6.1.A Ensure political buy-in	<i>*Before mid-April</i>	
6.2.A If granted, implement changes		
6.B Option B: Widen the scope of the EITIM Data Portal, ensuring the MRPAM integrates its database, adhering to EITI Requirements on financial reporting.		
6.1.B Ensure political buy-in	<i>*Before mid- April</i>	
6.2.B If granted, implement changes		

Annex C: Tables of materiality thresholds

Table C.1: Change in materiality thresholds: Material revenue streams based on 85% coverage, data from 2006-2016

Revenue stream	Total government revenues (2006-2016)			
	MNT	%	Running total	
Continue reconciliation	Fee and extra charges for exploitation of mineral resources	MNT 2,964,909,057,398.35	21%	21%
	Corporate income tax	MNT 2,159,278,254,361.89	16%	37%
	Windfall tax	MNT 1,604,538,119,930.00	12%	49%
	Value added tax	MNT 1,260,350,501,109.80	9%	58%
	Advance payments to Government	MNT 899,005,797,000.00	6%	64%
	License fee for exploitation and exploration of mineral resources	MNT 758,651,186,979.80	5%	70%
	Social and health insurance charges paid from entity	MNT 595,578,438,707.30	4%	74%
	Entitlement under Production sharing Contract to Government	MNT 433,127,733,772.80	3%	77%
	Dividends on State Property	MNT 401,306,290,700.00	3%	80%
	Customs tax	MNT 336,977,880,101.79	2%	82%
	Customs service fee	MNT 304,065,487,660.40	2%	85%
Only to report unilaterally by government	<i>Fee for water use</i>	MNT 242,460,533,564.20	2%	86%
	<i>Petroleum income according to Product sharing agreement</i>	MNT 228,060,771,900.00	2%	88%
	<i>Dividends on State and Local Property</i>	MNT 207,206,886,046.10	1%	89%
	<i>Other taxes</i>	MNT 172,464,850,047.90	1%	91%
	<i>Royalty</i>	MNT 161,301,608,164.60	1%	92%
	<i>Employers' social and health insurance</i>	MNT 148,152,182,082.30	1%	93%
	<i>Payment for air pollution</i>	MNT 125,231,914,013.59	1%	94%
	<i>Monetary & Non-monetary donation and assistance paid to local organisations</i>	MNT 122,756,123,942.00	1%	95%
	<i>Real estate tax</i>	MNT 115,572,289,017.60	1%	96%
	<i>Land fee</i>	MNT 98,671,818,091.10	1%	96%
	<i>Fee for recruiting foreign experts and workers</i>	MNT 97,600,888,577.00	1%	97%
	<i>Excise tax on vehicle's gasoline and diesel fuel</i>	MNT 88,502,222,175.90	1%	98%
	<i>Dividends on Local Property</i>	MNT 83,724,180,500.00	1%	98%
	<i>Penalty</i>	MNT 53,197,800,955.72	0%	99%
<i>Donation to Government organizations</i>	MNT 44,176,419,502.10	0%	99%	

<i>Monetary & Non-monetary donation and assistance received by Ministries and Agencies</i>	MNT 28,811,108,274.00	0%	99%
<i>50% Contribution to environmental protection special account</i>	MNT 25,161,976,719.00	0%	99%
<i>Reimbursement of deposit, exploration of which is carried by the budget fund (Fees)</i>	MNT 13,798,871,504.10	0%	99%
<i>Monetary & Non-monetary donation and assistance paid to soums and districts</i>	MNT 13,608,815,900.00	0%	99%
<i>Monetary & Non-monetary donation and assistance paid to aimags and capital city</i>	MNT 12,968,618,200.00	0%	100%
<i>Tax on vehicles and self-moving mechanisms</i>	MNT 9,124,153,592.00	0%	100%
<i>Payment for deposit, exploration carried out by Government</i>	MNT 8,951,065,260.48	0%	100%
<i>Fee for use of wide spread mineral resources</i>	MNT 7,020,834,200.00	0%	100%
<i>Tax on petrol and diesel fuel</i>	MNT 6,985,981,577.80	0%	100%
<i>Monetary & Non-monetary donation and assistance paid to other entities</i>	MNT 5,734,416,300.00	0%	100%
<i>Administration and service charges in accordance with Production Sharing Agreement</i>	MNT 5,019,008,865.00	0%	100%
<i>Bonus for training</i>	MNT 4,693,191,685.50	0%	100%
<i>Bonus after signing Product Sharing Agreement</i>	MNT 4,038,692,345.00	0%	100%
<i>Fee for supporting field office according to product sharing agreement</i>	MNT 3,537,482,098.40	0%	100%
<i>Service fees (state)2</i>	MNT 3,159,140,739.00	0%	100%
<i>Stamp fees and other charges</i>	MNT 872,878,490.00	0%	100%
<i>Fee for forestry use and fire wood</i>	MNT 573,304,200.00	0%	100%
<i>Bonus for local development by Production sharing agreement</i>	MNT 435,050,800.00	0%	100%
<i>Service fee according to Production sharing agreement</i>	MNT 249,070,000.00	0%	100%
<i>Service fees (local)</i>	MNT 108,687,500.00	0%	100%
<i>Fees for transferring rights and duties of Product Sharing Agreement</i>	MNT 75,966,000.00	0%	100%
<i>Fee for water pollution</i>	MNT 29,485,774.00	0%	100%

Grand Total

1.38618E+13

100
%

Table C.2: Change in materiality thresholds: Material companies based on 85% coverage, data from 2016

Companies	2016		
	MNT	%	Running total
Oyu Tolgoi LLC	389,909,535,933	36%	35.9%
Erdenet Mining Corporation LLC	164,785,969,998	15%	51.1%
Petrochina Daqing Tamsag LLC	154,318,366,535	14%	65.3%
Mongolyn Alt Mak LLC	68,318,450,886	6%	71.6%
Tsairt Mineral LLC	35,761,233,285	3%	74.9%
Tavan Tolgoi JSC	25,700,591,069	2%	77.2%
South Gobi Sands LLC	15,719,844,513	1%	78.7%
Erdenes Tavan Tolgoi JSC	15,654,626,322	1%	80.1%
Energy Resources LLC	14,502,681,821	1%	81.5%
Boldtumur Yuruu Gol LLC	13,570,158,158	1%	82.7%
Usukh Zoos LLC	11,165,624,417	1%	83.7%
Baganuur JSC	10,874,242,508	1%	84.7%
Dong Sheng Petroleum Mongolia LLC	10,833,921,708	1%	85.7%
<i>All other companies</i>	<i>155,032,684,888</i>	<i>14%</i>	<i>100%</i>
TOTAL	1,086,147,932,043	100%	

** Totals may not summarise precisely due to rounding of numbers*