Extractive Industries Transparency Initiative (EITI)

Validation of Mongolia

Report on initial data collection and stakeholder consultation by the EITI International Secretariat

3 September 2016
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>ASM</td>
<td>Artisanal and small-scale mining</td>
</tr>
<tr>
<td>BO</td>
<td>Beneficial ownership</td>
</tr>
<tr>
<td>BOM</td>
<td>Bank of Mongolia</td>
</tr>
<tr>
<td>CBL</td>
<td>Consolidated Budget Law</td>
</tr>
<tr>
<td>CIT</td>
<td>Corporate Income Tax</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
</tr>
<tr>
<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>EGPS</td>
<td>Extractives Global Programmatic Support</td>
</tr>
<tr>
<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
</tr>
<tr>
<td>EITIM</td>
<td>EITI Mongolia</td>
</tr>
<tr>
<td>ETT</td>
<td>Erdenes Tavan Tolgoi</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign direct investment</td>
</tr>
<tr>
<td>GDT</td>
<td>General Department of Taxation</td>
</tr>
<tr>
<td>GFS</td>
<td>Government Finance Statistics</td>
</tr>
<tr>
<td>GLDF</td>
<td>General Local Development Fund</td>
</tr>
<tr>
<td>GoM</td>
<td>Government of Mongolia</td>
</tr>
<tr>
<td>GTL</td>
<td>General Tax Law</td>
</tr>
<tr>
<td>IA</td>
<td>Independent Administrator</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standard</td>
</tr>
<tr>
<td>MDTF</td>
<td>Multi-Donor Trust Fund</td>
</tr>
<tr>
<td>MECC</td>
<td>Mongolian Environmental Civil Council</td>
</tr>
<tr>
<td>MNAO</td>
<td>Mongolian National Audit Office</td>
</tr>
<tr>
<td>MNMA</td>
<td>Mongolian National Mining Association</td>
</tr>
<tr>
<td>MNT</td>
<td>Mongolian Tugrik</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MRAM</td>
<td>Mineral Resources Authority of Mongolia</td>
</tr>
<tr>
<td>MSG</td>
<td>Multi-Stakeholder Group</td>
</tr>
<tr>
<td>MSWG</td>
<td>Multi-Stakeholder Working Group</td>
</tr>
<tr>
<td>NC</td>
<td>National Council</td>
</tr>
<tr>
<td>NDC</td>
<td>Mongolia National Data Centre</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
</tr>
<tr>
<td>NRGI</td>
<td>Natural Resource Governance Institute</td>
</tr>
<tr>
<td>NSO</td>
<td>National Statistics Office</td>
</tr>
<tr>
<td>OSF</td>
<td>Open Society Forum</td>
</tr>
<tr>
<td>OT</td>
<td>Oyu Tolgoi</td>
</tr>
<tr>
<td>PAM</td>
<td>Petroleum Authority of Mongolia</td>
</tr>
<tr>
<td>PEP</td>
<td>Politically Exposed Person</td>
</tr>
<tr>
<td>PSA</td>
<td>Production-Sharing Agreement</td>
</tr>
<tr>
<td>PSFML</td>
<td>Public Sector Finance and Management Law</td>
</tr>
<tr>
<td>PWYP</td>
<td>Publish What You Pay</td>
</tr>
<tr>
<td>SOE</td>
<td>State-Owned Enterprise</td>
</tr>
<tr>
<td>SPC</td>
<td>State Property Committee</td>
</tr>
<tr>
<td>SPIA</td>
<td>State Professional Inspection Agency</td>
</tr>
<tr>
<td>ToR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>UBTZ</td>
<td>Ulaanbaatar Railway Mongolian-Russian Joint Venture</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
</tbody>
</table>
# Table of Contents

Abbreviations .............................................................................................................. 2

Executive Summary ..................................................................................................... 5
  Overall conclusions .................................................................................................... 5
  Recommendations ..................................................................................................... 7

Introduction ................................................................................................................ 10
  Brief recap of the sign-up phase ................................................................................ 10
  Objectives for implementation and overall workplan progress ................................. 10
  History of EITI Reporting ......................................................................................... 11
  Summary of engagement by government, civil society and industry .......................... 11
  Key features of the extractive industry ....................................................................... 12
  Explanation of the validation process ......................................................................... 13

Part I – MSG Oversight ............................................................................................... 17
  1. Oversight by the MSG ......................................................................................... 17
    1.1 Overview .......................................................................................................... 17
    1.2 Assessment ........................................................................................................ 17
    Government oversight of the EITI process (#1.1) ..................................................... 17
    Company engagement in the EITI process (#1.2) ..................................................... 21
    Civil society engagement in the EITI process (#1.3) ................................................ 24
    MSG governance and functioning (#1.4) ................................................................. 27
    Workplan (#1.5) ...................................................................................................... 37

Part II – EITI Disclosures ............................................................................................. 42
  2. Award of contracts and licenses ............................................................................. 42
    2.1 Overview .......................................................................................................... 42
    2.2 Assessment ........................................................................................................ 42
    Legal framework (#2.1) ............................................................................................ 42
    License allocations (#2.2) ....................................................................................... 43
    License registers (#2.3) ............................................................................................ 45
    Contract disclosure (#2.4) ....................................................................................... 47
    Beneficial ownership disclosure (#2.5) .................................................................... 49
    State participation (#2.6) ....................................................................................... 51
  3. Monitoring and production ..................................................................................... 56
    3.1 Overview .......................................................................................................... 56
    3.2 Assessment ........................................................................................................ 56
    Overview of the extractive sector, including exploration activities (#3.1) ................. 56
    Production data (#3.2) ............................................................................................ 56
    Export data (#3.3) .................................................................................................. 57
  4. Revenue collection .................................................................................................. 59
    4.1 Overview .......................................................................................................... 59
    4.2 Assessment ........................................................................................................ 59
    Comprehensiveness (#4.1) ..................................................................................... 59
    In-kind revenues (#4.2) .......................................................................................... 64
    Barter and infrastructure transactions (#4.3) .......................................................... 65
Validation of Mongolia: Report on initial data collection and stakeholder consultation

Transport revenues (#4.4) ........................................................................................................ 65
Transactions between SOEs and government (#4.5) ............................................................ 66
Subnational direct payments (#4.6) ...................................................................................... 67
Level of disaggregation (#4.7) ............................................................................................ 68
Data timeliness (#4.8) .......................................................................................................... 69
Data quality (#4.9) .............................................................................................................. 70

5. Revenue management and distribution .................................................................. 81
5.1 Overview ..................................................................................................................... 81
5.2 Assessment ................................................................................................................ 81

Distribution of revenues (#5.1) ..................................................................................... 81
Subnational transfers (#5.2) ............................................................................................. 81

Additional information on revenue management and expenditures (#5.3) ......... 83

6. Social and economic spending .............................................................................. 85
6.1 Overview ..................................................................................................................... 85
6.2 Assessment ................................................................................................................ 85

Social expenditures (#6.1) ............................................................................................... 85
SOE quasi fiscal expenditures (#6.2) .................................................................................. 87

Contribution of the extractive sector to the economy (#6.3) .................................. 89

Part III – Outcomes and Impact .............................................................................. 92

7. Outcomes and Impact ............................................................................................ 92
7.1 Public debate (#7.1) .................................................................................................. 92
7.2 Data Accessibility (#7.2) .......................................................................................... 97
7.3 Lessons Learned and follow-up on recommendations (#7.3) ............................ 100
7.4 Outcomes and impact of implementation (#7.4) ..................................................... 103
7.5 Impact analysis (not to be considered in assessing compliance with the EITI provisions) .... 106

Annexes ....................................................................................................................... 108

Annex A - List of MSG members and contact details .................................................. 108
List of National Council members and contact details (as of 11 July 2016) ............... 108
List of MSWGE members and contact details (as of 11 July 2016) .............................. 110

Annex B - List of stakeholders consulted (96) ............................................................... 114

Annex C - List of reference documents ........................................................................ 118

Annex D - Details of Mongolia’s EITI and Validation Reports ...................................... 125

Annex E – Results of the 2013-2015 Independent Administrator tenders .................. 128

Executive Summary

The government of Mongolia committed to implement the EITI in January 2006 by issuing Government Resolution 1 of 2006 on the EITI. A Multi-Stakeholder Working Group (MSWG) was formed in 2006, and the country was accepted as an EITI Candidate in September 2007. Following their first Validation the EITI Board designated Mongolia EITI Compliant in October 2010, making it the fourth country to become compliant with the EITI Rules.

On 2 June 2016, the Board agreed that Mongolia’s Validation under the 2016 EITI Standard would commence on 1 July 2016. This report presents the findings and initial assessment of the International Secretariat’s data gathering and stakeholder consultations. The International Secretariat has followed the Validation Procedures¹ and applied the Validation Guide² in assessing Mongolia’s progress with the EITI Standard. While the assessment has not yet been reviewed by the MSWG or been quality assured, the Secretariat’s preliminary assessment is that requirements 2.2, 2.3, 2.5, 2.6, 4.5, 4.6, 4.9, 5.2, 6.1, 6.2 and 7.4 are unmet. One of these (Requirement 6.2) is assessed as “unmet with limited progress”.

The major areas of concern relate to data quality assurance and comprehensiveness of reporting by both government and industry as well as state-owned enterprises, including quasi-fiscal expenditures, financial relations with government and third-party financing. Corrective actions for each sub requirement are suggested below.

Overall conclusions

Mongolia has been a pioneer in EITI implementation, both in terms of being one of the first countries to implement the EITI as well as in expanding the scope of reporting to include a large number of companies. Mongolia’s EITI Reports cover industry contributions to environmental funds and reporting by subnational governments. Mongolia has established subnational EITI councils and made significant strides in making EITI data more accessible through a new online data portal.

Since the country became an EITI candidate in 2007, the government has supported the EITI through public statements, enabling legislation and funding for EITI reporting since 2010. Representatives from agencies such as the Mineral Resources Authority and General Department of Taxation have actively contributed to drive the work of the Mongolia’s multi-stakeholder working group (MSWG), provided data for EITI Reports and supported embedding EITI reporting in government systems.

Another key strength of EITI implementation in Mongolia has been the extension of EITI reporting to issues not required by the EITI Standard, but that have been considered meaningful to local stakeholders. Even before the enactment of the 2013 EITI Standard, the MSWG has included information on companies’ social expenditures and contributions to environmental rehabilitation funds. It has also conducted work on beneficial ownership and contract disclosure.

The MSWG has gradually built trust amongst the three stakeholder groups, but it provides more of an oversight function than a driver of implementation. This latter role is fulfilled by the EITI Mongolia (EITIM) Secretariat, which coordinates the work of ad hoc working groups established by the MSWG. While these informal working groups perform key tasks like following up on EITI Report recommendations and

¹ https://beta.eiti.org/document/validation-procedures
updating reporting templates, the lack of formal mandates and the only recent introduction of record keeping places a high degree of responsibility on the EITIM Secretariat. The National Council provides high-level oversight the MSWG, but its functioning has often been affected by frequent political change and poor attendance. It would now seem timely to revisit the institutional structure of EITI implementation in Mongolia to improve formal MSWG oversight and reduce the burden on the EITIM Secretariat.

Mongolia presents a complex case for the EITI, given its frequently changing mining taxes, the presence of over 1500 companies of which over 400 are producing, and the impact of a sharp economic slowdown since mid-2012. With diligent attention to record-keeping, the MSWG has extended the scope of reporting to over 1100 companies in recent years and moved to an online reporting system (eReporting), even if only a fifth of the companies have their data reconciled with government data by the Independent Administrator (IA).

This attention to detailed reconciliation has not always been matched with consideration of the non-revenue information now required under the EITI Standard. The MSWG appears not to have considered in depth the full scope of contextual information required under the EITI Standard, though such issues as SOEs, if properly addressed, would likely be of great interest to a wide range of stakeholders. The main gaps in EITI reporting highlighted in this report relate to the quality of data and disclosures around state-owned enterprises (SOEs). The MSWG’s engagement in drafting the EITI Report appears to have been limited, with little reference to the requirements of the EITI Standard.

Given Mongolia’s high dependency on mining, there is a vibrant national debate about sector management, state participation and the future prospects for the sector. The EITI’s contribution to this debate has mainly been through dissemination events and workshops, in particular at district (soum) and province (aimag) levels. The number of EITI reporting companies has steadily increased, but the MSWG has sought to cater this often overwhelming amount of information to particular groups. Summary EITI Reports for 12 soums and four aimags were produced for each of the last two EITI Reports (covering 2013 and 2014), and the EITIM Secretariat has also mapped companies’ licenses on an interactive data portal, allowing users to query company payments based on location. Civil society organisations participate actively in the public debate about the mining sector. While early EITI Reports exposed significant discrepancies and led to prosecution of corrupt tax collectors, the level of net discrepancies has steadily declined over time – from MNT 4 billion (USD 3.52 million) in 2006 to MNT 581 million (USD 322,000) in 2014.

During public outreach and consultation events, there is particular public interest in direct payments to local governments, license allocations and provisioning for environmental rehabilitation. Following a Government Resolution in 2012, all aimags and soums hosting extractive industries are required to establish MSGs although there has been no statutory funding allocated for these councils. These subnational EITI councils, while only roughly defined and not yet established in every soum, have in many cases become venues for tripartite discussions on the use of the soum’s revenues. The EITI has provided a

1 Since 2016, with minutes of meetings recorded but not published.
3 Using the USD 1: MNT 1134 average exchange rate for 2006 provided on oanda.com
4 Using the USD 1: MNT 1802 average exchange rate for 2014 provided on oanda.com
tripartite platform for discussions and debates about mining sector management. This has enabled the public to raise concerns in particular around the identity of license-holders and how the mining revenues are spent as well as providing a channel of feedback to government representatives.

Vibrant debates at the subnational level have not been replicated at the national level, in Ulaanbaatar. There appear to be few links between EITI discussions and policy-making, despite the membership of high-level decision-makers on the National Council. Equally, industry and civil society seem to have focused on reconciliation of company payments and government revenues, rather than other aspects of the EITI Standard relevant to key public policy challenges. While EITI implementation in Mongolia is a meaningful process in a country where extractive industry governance is a topic of high interest amongst the general public, it has not yet realised its full potential in supporting an evidence-based debate on extractive industry governance.

Looking ahead, there is significant scope for entrenching EITI reporting in government and company systems. While the second phase of Mongolia’s eReporting system is meant to automate information systems between EITI and key government departments (covering taxation and mining in particular), the MSWG and stakeholders, especially from government, should focus on opportunities to ensuring robust quality assurance procedures. There is also scope for industry to consider opportunities to integrate assurance of EITI disclosures in the routine audit and public financial reporting.

Recommendations

While the following report includes recommendations for specific reforms the MSWG may wish to consider implementing, the following is a list of strategic recommendations that could help Mongolia make greater use of the EITI.

1. The composition and structure of the EITI governance institutions should be revisited, with consideration given to reducing the number of representatives on the working-level body, increasing the frequency of working-level meetings and improving reporting on these discussions (including those of ad hoc working groups).

2. The three stakeholder groups should consider what issues in the extractive sector the EITI can help address and how. The objectives of EITI implementation could then be more clearly articulated, and the workplan revised to address these objectives.

3. Outreach and stakeholder consultation mechanisms should be reviewed and formalised to improve the relevance of MSWG discussions to national debates and key demands of stakeholders not directly participating in the MSWG.

4. The MSWG is urged to consider revisiting the materiality threshold for payments (including in-kind revenues, transport revenues and barter and infrastructure transactions) to strike a balance between the comprehensiveness of disclosures and the quality of reporting. The MSWG should agree with the National Statistics Office the procedures for updating reporting templates in conjunction with the IA, and make these procedures public. The MSWG should also ensure that the IA includes a clear assessment of the comprehensiveness of the next EITI Report.

5. In preparing the next EITI Report, covering FY2016, the MSWG and Independent Administrator (IA) should develop a robust and pragmatic approach for addressing the quality assurance of EITI disclosures from both government and companies. The MSWG should work with the Mongolian National Audit Office (MNAO), the State Professional Inspection Agency (SPIA), the IA and industry
MSWG members in particular to establish a robust quality assurance framework. The MSWG should consider procuring its next IA earlier in the year to allow for sufficient time to consider these issues before data collection.

6. In preparing the next EITI Report, the MSWG should clarify the number of mining, oil and gas licenses awarded and transferred in the year under review, highlighting any non-trivial deviations from statutory procedures. The MSWG should also ensure that the dates of application for all licenses held by material companies are publicly available ahead of publication of the next EITI Report. The government may wish to consider making this data part of the online license system.

7. In preparing the next EITI Report, the MSWG should ensure the government’s policy on beneficial ownership is clearly stated and include information on the legal ownership.

8. In preparing the next EITI Report, the MSWG should clarify the practices related to SOEs’ retained earnings and reinvestment, any changes in government ownership in SOEs or their subsidiaries during the year under review, and provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil and gas companies. The MSWG should consider the existence of subsidies in the mining sector and of other quasi-fiscal expenditures undertaken by SOEs in the extractive industries.

9. In preparing the next EITI Report, the MSWG should ensure that the IA provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.

10. In preparing the next EITI Report, the MSWG should clarify the distinction between SOEs’ direct subnational payments and subnational transfers prior to data collection. The MSWG should ensure that the Report includes the revenue sharing formula used to calculate transfers to individual aimags and soums, to support an assessment of discrepancies between budgeted and executed subnational transfers.

11. In preparing the next EITI Report, the MSWG should agree a clear distinction between mandatory and voluntary social expenditures prior to data collection. It should also clarify the treatment of any non-governmental beneficiaries of mandatory social expenditures as reporting of in-kind mandatory social expenditures.

12. Given the prevalence of social media users in Mongolia, the MSWG could consider alternative means of engaging a larger section of the population in its debates. More outreach online through social networking tools could facilitate greater public participation in EITI-related debates, swifter dissemination of EITI information and input to key MSWG documents such as the work plan and annual progress report.

13. In preparing the next annual progress report, the MSWG should conduct an assessment of follow-up on EITI recommendations and impact of implementation based on consultations with a broad range of stakeholders.

14. The MSWG should consider whether to take a more active role in developing recommendations from EITI Reports, and monitoring implementation of these recommendations.

15. The MSWG is encouraged to further entrench extractive sector transparency in government systems, and take steps to move towards more frequent publication of EITI information on a routine basis. As
part of the second phase of the eReporting project, the MSWG should consider undertaking a study to identify what information required to be disclosed under the EITI Standard is already publicly available and what information is not yet routinely disclosed. Opportunities for providing more EITI data in open data formats should also be explored.

*Figure 1 – assessment card*

<table>
<thead>
<tr>
<th>EITI REQUIREMENTS</th>
<th>LEVEL OF PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
</tr>
<tr>
<td><strong>Categories</strong></td>
<td></td>
</tr>
<tr>
<td>MSG oversight</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>MSG governance</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Workplan (#1.5)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal framework</td>
<td></td>
</tr>
<tr>
<td>Policy on contract disclosure (#2.4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses and contracts</td>
<td></td>
</tr>
<tr>
<td>License allocations (#2.2)</td>
<td></td>
</tr>
<tr>
<td>License register (#2.3)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy on contract disclosure (#2.4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring production</td>
<td></td>
</tr>
<tr>
<td>Exploration data (#3.1)</td>
<td></td>
</tr>
<tr>
<td>Production data (#3.2)</td>
<td></td>
</tr>
<tr>
<td>Export data (#3.3)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue collection</td>
<td></td>
</tr>
<tr>
<td>Comprehensiveness (#4.1)</td>
<td></td>
</tr>
<tr>
<td>In-kind revenues (#4.2)</td>
<td></td>
</tr>
<tr>
<td>Barter agreements (#4.3)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue allocation</td>
<td></td>
</tr>
<tr>
<td>Revenue management and expenditures (#5.1)</td>
<td></td>
</tr>
<tr>
<td>Subnational transfers (#5.2)</td>
<td></td>
</tr>
<tr>
<td>Distribution of revenues (#5.3)</td>
<td></td>
</tr>
<tr>
<td>Socio-economic contribution</td>
<td></td>
</tr>
<tr>
<td>Mandatory social expenditures (#6.1.a)</td>
<td></td>
</tr>
<tr>
<td>Discretionary social expenditures (#6.1.b)</td>
<td></td>
</tr>
<tr>
<td>SOE quasi-fiscal expenditures (#6.2)</td>
<td></td>
</tr>
<tr>
<td>Economic contribution (#6.3)</td>
<td></td>
</tr>
<tr>
<td>Outcomes and impact</td>
<td></td>
</tr>
<tr>
<td>Public debate (#7.1)</td>
<td></td>
</tr>
<tr>
<td>Data accessibility (#7.2)</td>
<td></td>
</tr>
<tr>
<td>Follow up on recommendations (#7.3)</td>
<td></td>
</tr>
<tr>
<td>Outcomes and impact of implementation (#7.4)</td>
<td></td>
</tr>
</tbody>
</table>
Introduction

Brief recap of the sign-up phase

In October 2005, a joint session of standing committees of the State Great Hural (the Mongolian Parliament) on the budget and economy supported Mongolia in signing up to the Extractive Industries Transparency Initiative (EITI), and instructed the Government of Mongolia (GoM) to join the initiative. The GoM approved Mongolia signing up to the EITI at a Cabinet meeting on 4 January 2006 and issued a resolution in which the GoM officially committed to implement the EITI and set out the basic institutional framework to do so. Resolution No.1 (2006) stipulates that a National Council for EITI should be established as the oversight body for the EITI and indicates its composition. The former Prime Minister, Sanjaagiin Bayar, also mentioned the EITI in various speeches and interviews, and Resolution No.1 has been published in various newspapers.

Resolution No. 1 from the Prime Minister’s office indicated that civil society should be represented on the EITIM National Council. The Terms of Reference of the National Council states that there should be “equal representation of Government, extractive industries and civil society”. Furthermore, the Memorandum of Understanding (MoU) between the GoM, companies and civil society firmly establishes the government’s commitment to cooperation, listing nine shared responsibilities of all three stakeholder groups in EITI implementation and four responsibilities specific to each stakeholder group (government, civil society and companies).

Article 4 of the Terms of Reference of the National Council states that the Chairman of the National Council shall be the Prime Minister of Mongolia. The Senior Advisor of the Prime Minister, Mr. B. Erdenesuren, was appointed as the Secretary of the National Council. Article 10 of the MoU also establishes an independent secretariat to support EITI implementation and the MSWG. The Secretariat was established in 2007. A costed work plan with measurable targets and a timetable for implementation was submitted and approved at the National Council meeting on 30 January 2008. The work plan was placed on the websites of six organisations, including ministries, agencies and NGOs.

Objectives for implementation and overall workplan progress

The four objectives of the 2016 work plan are aligned with the EITI Requirements, while those of the 2015 and 2014 work plans were identical to the seven EITI Requirements. The 2016 objectives also appear to be aligned with national priorities, including integrating extractive industry information across government entities, contributing to national debate and improving trust between stakeholders. It includes activities aimed at addressing specific capacity constraints identified in the EITI Reports and other assessments, such as the Mongolia’s November 2015 pilot Validation and the Monitoring Report on the Implementation of EITI Recommendations. This includes training activities for various stakeholders, auditing of government EITI disclosures and integrating the EITI data portal with other government

---

4. Unpublished, provided by the EITIM Secretariat.
The 2016 work plan also contains activities related to the scope of EITI reporting, including expanding the number of reporting companies, auditing government EITI disclosures, sourcing dates of application for mining licenses and undertaking studies of state-owned enterprises in the extractive industries. Section 10.2 of the 2016 work plan focuses on enacting the draft Law on Transparency in the Mineral Resources Sector, which aims to overcome regulatory obstacles to full EITI reporting.

The 2013, 2014, 2015 and 2016 work plans include clear timeframes for completion of each activity. In 2013, the National Secretariat reported that 33 of the 42 activities planned (80% of the total) were completed, with the main activities not completed being the passage of the draft “EITI Law” and the development of television serials. In 2014, the National Secretariat reported that 42 of the 65 planned activities (65% of the total) were completed, with the main shortfalls being enactment of the draft “EITI Law”, the organisation of regional conferences and the broadcasting of television programmes. In 2015, 47 of the 50 activities planned in the 2015 workplan were completed. The activities not yet completed included Validation under the EITI Standard, activities planned to follow the enactment of the draft “EITI Law” and discussions of donations and investments.

History of EITI Reporting

Mongolia has produced nine EITI reports covering the fiscal years 2006 - 2014 and is currently preparing its 10th report covering fiscal year 2015. While the 2006 EITI Report covered data from 35 mining companies, 1198 oil, gas, coal and mining companies reported in FY2013. Between 2008 and 2011, Mongolia produced EITI Reports with a two-year lag (e.g. 2009 EITI Report in 2011). However, in 2012 the MSWG produced two EITI Reports, covering 2010 and 2011, and has since produced EITI Reports with a one-year time lag (the 2014 EITI Report was published in December 2015). Additional detail on these reports is provided in Annex D.

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, and again revised in January 2014 and December 2015 in order to cover all material payments and revenues from the extractive industries in Mongolia.

Summary of engagement by government, civil society and industry

The current MSWG and National Council operate under Terms of Reference that were initially approved in May 2006, and which have subsequently been updated (last version is dated 28 November 2012). Members of the MSWG meet two to three times annually and those of the National Council meet once a
year. Minutes of these meetings are published on the EITI Mongolia (EITIM) website. The MSWG has constituted several ad hoc working groups, although these do not have Terms of Reference and minutes of their meetings are not published. A list of current MSWG and National Council members is included in Annex A.\(^{16}\)

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: successive Prime Ministers and Ministers of Finance have not attended a National Council meeting since 2011. The National Council did not meet in 2014 (although it made up for this by meeting twice in 2015) because the Chair of the MSWG was left vacant for six months. Nonetheless the main government agencies, (mostly large) companies, and civil society groups working on extractive issues are engaged in the work of EITIM.

**Key features of the extractive industry**

According to the World Bank\(^\text{17}\), Mongolia hosts over 6000 deposits of roughly 80 minerals. This includes the world’s second largest copper reserves and fourth-largest coal deposits. Mongolia also holds large reserves of gold, iron ore, zinc, uranium, fluor spar and oil. The country remains under-explored with only 400 deposits defined, of which 160 are in production. The mining sector is a major contributor to the national economy: in 2014 it represented 17.1% of GDP, 25.8% of budget revenue and 89% of export earnings.\(^\text{18}\) Major exports include copper, gold, molybdenum, coal, iron ore, fluor spar concentrates and crude oil.

Burgeoning coking-coal exports to China from 2009 exposed Mongolia to volatile commodity prices at the super-cycle’s peak. Copper had long been Mongolia’s main export, with the Russo-Mongolian Erdenet copper-mine opened in 1974 accounting for roughly 40% of GDP until 2006. While output of thermal coal from part-state-owned mines at Baghanuur and Shivee Ovoo supply four major power plants, and over 100,000 informal ‘ninja’ (informal small-scale) miners supply low-income ger-dwellers, from the mid-2000s Mongolian miners like Mongolyn Alt (MAK) and MCS started exporting unprocessed coking coal to China, and iron ore followed in 2009. Copper exports slipped to second place as output, mainly from the ageing Erdenet mine, declined slightly to 517,000tons in 2012 while gold production declined to 5703kg between 2009 and 2011, constrained by laws banning alluvial and declining output at the sole maturing Boroo mine.

Coal production tripled from 2008 to 2011, with most exported to China. This, combined with the USD 6.2 billion development of the Rio Tinto-backed Oyu Tolgoi copper and gold mine from 2009, drove world-leading economic growth to 17.3% in 2011 and 12.3% in 2012. New laws deemed to be anti-foreign direct investments (FDI) have been widely perceived as a manifestation of anti-FDI sentiment.

---


\(^{18}\) Mongolia 2014 EITI Report.
investment (FDI) in May 2012 coincided with crashing commodity prices and slowing Chinese demand, leading falling FDI and slowing growth. Mongolia has sent mixed messages over coal mining policy in its treatment of the massive Tavan Tolgoi deposit, one of the world’s last untapped coal reserves with 7.42bn tons of coal and 1.4bn tons of coking coal according to state-owned Erdenes Tavan Tolgoi (ETT). At the height of coking-coal exports to China in 2011-2012 the government made key policy reversals that rattled investor sentiment. In late 2011 it cancelled the recent concession to develop the West Tsankhi part of TT, awarded to a consortium of the US’s Peabody, Shenhua and Russian Railways, following Japanese and Korean criticisms at being excluded. This has left the state-owned ETT as the sole operator on most of East and West Tsankhi using contract-miners. Far less infrastructure-constrained exports of copper are growing roughly 30% annually, as OT overtakes Erdenet’s traditional dominance. Exploration activity is mostly focussed on copper licenses. Despite depressed prices, exports of metallurgical minerals like iron ore to China have surged.

The government sustained growth through government spending but with only 2.3% GDP growth and tight budget constraints in 2015 (and less than 1% GDP growth in 2016)\(^20\), Mongolia’s economy faces strong headwinds. In January 2014, the State Policy on Mining was agreed, as were certain amendments to the Minerals Law and to the Petroleum Law in June-July 2014. These regulations focus on, for example, awarding licences and environmental aspects of mining. In the January 2014 amendment to the 2006 Minerals Law Parliament replaced the 5% royalty on gold and the sliding scale of 0%-5% surtax depending on prices with a flat 2.5%-royalty on gold sold to Bank of Mongolia (BOM), in a bid to bolster reserves. Legislative elections in June 2016 brought a landslide victory for the Mongolian People’s Party (MPP) (former Mongolian People’s Revolutionary Party), who had held power until 2012.\(^21\)

Explanation of the validation process

The EITI International Board agreed at its 33rd Board meeting in Oslo, Norway that fifteen countries, including Mongolia will undergo Validations starting 1 July 2016.

1. Validation is an essential feature of the EITI process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. The Validation report will, in addition, address the impact of the EITI in the country being validated, the implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI.

The Validation process is outlined in chapter 4 of the EITI Standard\(^22\). Validation

2. Validation procedure. In February 2016 the EITI Board approved a revised Validation system. The new system has three phases:

1. Data collection undertaken by the International Secretariat
2. Independent quality assurance by an independent Validator who reports directly the EITI Board

---

\(^{20}\) [http://www.adb.org/countries/mongolia/economy](http://www.adb.org/countries/mongolia/economy)

\(^{21}\) FT (30 June 2016), “Mongolia opposition scores landslide election victory”, [http://www.ft.com/cms/s/0/fc03c8c8-3e66-11e6-8716-a4a71e8140b0.html#axzz4DRX5OA7M](http://www.ft.com/cms/s/0/fc03c8c8-3e66-11e6-8716-a4a71e8140b0.html#axzz4DRX5OA7M)

\(^{22}\) See also [https://eiti.org/validation](https://eiti.org/validation)
3. Board review.

In May 2016, the Board agreed the Validation Guide, which provides detailed guidance on assessing EITI Requirements. The Board also established detailed Validation procedures, including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator. As previously, there are extensive opportunities for stakeholder participation, as set out below.

The Validation Guide includes a provision that: “Where the MSG wishes that Validation pays particular attention to assessing certain objectives or activities in accordance with the MSG workplan, these should be outlined upon the request of the MSG”. The EITIM MSGW requested that particular consideration be given to its work on eReporting and subnational implementation.

3. Data collection by the International Secretariat. In accordance with the Validation procedures, International Secretariat’s work was conducted in three phases:

1. Desk Review. In the period 4 to 17 June 2016 and in early July the Secretariat conducted a detailed desk review of the available documentation relating to the country’s compliance with the EITI Standard, including:
   - The EITI work plan and other planning documents such as budgets and communication plans;
   - The multi-stakeholder group’s Terms of Reference, and minutes from multi-stakeholder group meetings;
   - EITI Reports, and supplementary information such as summary reports and scoping studies;
   - Communication materials;
   - Annual progress reports; and
   - Other information of relevance to EITI implementation and Validation.

This work included initial consultations with stakeholders, who were invited to submit any documentation they considered relevant. In accordance with the Validation procedures, the Secretariat did not take into account any actions undertaken after the commencement of Validation on 1 July 2016.

2. Country visit. The country visit took place from 6-8 July 2016. The visit coincided with the Asia Europe People’s Forum\(^23\), the CSO meeting ahead of the 11\(^{th}\) Asia-Europe Meeting (ASEM) on 15-16 July 2016 in Ulaanbaatar.\(^24\) While this affected development partners’ ability to participate in stakeholder consultations in person, it was also an opportunity to engage with a broader range of Mongolian civil society organisations. The visit also followed the legislative elections on 29 June 2016. All meetings took place in Ulaanbaatar. The secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-

---

\(^23\) [http://www.aepf.info/](http://www.aepf.info/)

\(^24\) [http://www.aseminfoboard.org/events/11th-asem-summit-asem11](http://www.aseminfoboard.org/events/11th-asem-summit-asem11)
stakeholder group.

In addition to meeting with the MSG as a group, the Secretariat met with its constituent members (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders were able to freely express their views. Requests for confidentiality have been respected.

The list of stakeholders to consult was prepared by EITIM, with inputs and suggestions from the International Secretariat. The International Secretariat attempted to meet with all relevant stakeholders, however some government and company representatives who are members of the EITIM MSWG did not attend the meetings. In addition, the International Secretariat’s request to meet with the EITI Champion was not granted. Nevertheless, the International Secretariat’s view is that the report covers views of the key stakeholders engaged in the EITI process.

A translator, Mrs Nurgul Aldanish, was engaged for the visit in July. The use of translators appears to have been approved by all three stakeholder groups represented on the National Council and MSWG.

3. Reporting on progress against requirements. Based on these consultations, the International Secretariat has prepared this report - making an initial evaluation of progress against requirements in accordance with the Validation Guide. In accordance with the Validation procedures the report will does not include an overall assessment of compliance. The report will be made available to multi-stakeholder group for comment prior to quality assurance by the Independent Validator.

The International Secretariat’s team comprised: Sam Bartlett, Dyveke Rogan, Tatiana Sedova and Alex Gordy.

4. Independent Validation. In accordance with the EITI Standard, the EITI Board will appoint a Validator, who will report to the Board via the Validation Committee. The Validator will assess whether the Secretariat’s initial data gathering has been carried out in accordance with the Validation Guide. This will include: a detailed desk review of the relevant documentation for each requirement and the Secretariat’s initial evaluation for each requirement, and a risk-based approach for spot checks, and further consultations with stakeholders. The Board may request that the Validator undertake spot checks on specific requirements. The Validator will amend or comment on the Secretariat’s report as needed. The Validator then prepares a short summary (the Validation Report) for submission to the Board. This will include the Validator’s assessment of compliance with each provision, but not an overall assessment of compliance. The multi-stakeholder group will be invited to comment on the Validation Report.

5. Board Review and decision. The final stage in the process is the review by the EITI Board. The Validation Committee will review the Validator’s assessment and any feedback from the multi-stakeholder group. The Validation Committee will then make a recommendation to the EITI Board on the country’s compliance with the EITI Requirements. The EITI Board will make the final determination of whether the requirements are met or unmet, and on the country’s overall compliance in accordance with provision 8.3.a.ii of the EITI Standard. There is an appeal process, as per requirement 8.8.

---

26 Contact details: M: +976 99187463, E: Jltka2002@yahoo.com

27 At the time of writing, the procurement process was ongoing, see https://eiti.org/node/7118
Validation of Mongolia: Report on initial data collection and stakeholder consultation
Part I – MSG Oversight

1. Oversight by the MSG

1.1 Overview

This section relates to government oversight of the EITI process, stakeholder engagement and the environment for implementation of EITI in country, the governance and functioning of the multi-stakeholder group (MSG), and the EITI work plan.

1.2 Assessment

Government oversight of the EITI process (#1.1)

Documentation of progress

Mongolia was one of the first 15 countries to be accepted as EITI Candidates at the 3rd EITI Board meeting in Oslo on 27 September 2007. The Government of Mongolia has been supportive of EITI since it announced its intention to implement the EITI in Resolution 1 on 3 January 2006. The government has publicly reiterated its commitment to implement the EITI on several occasions, most recently at the EITI National Forum on 3 November 2015 when Minister of Mining Rentsendoo Jigjid stated: “Mongolia is committed to the EITI as it is important to ensuring the sustainability of the sector and attracting investment.” The Prime Minister of Mongolia, HE Chinediin Saikhanbileg, wrote in the National Forum brochure: “Mongolia has recognised the EITI’s value and benefits, and government has drafted a law, with full legal mandates, which was submitted to the State Great Khural.” The new Speaker of the Great Khural (Parliament) appointed on 8 July 2016, Miyegombyn Enkhbold (who is also Chairman of the MPP), chaired the EITIM National Council in 2006-2007 when he was Prime Minister and is seen as a key supporter of EITI, particularly by civil society. The Memorandum of Tripartite cooperation for EITI in Mongolia, signed on 25 April 2006, provides guidelines for all stakeholders to cooperate for the implementation of EITI in Mongolia. In 2006 the Prime Minister of Mongolia, Miyegombyn Enkhbold at the time, was appointed Chair of the EITI National Council and overall lead of EITI implementation. His two deputy chairs on the National Council are the Minister of Finance and the Minister of Mining, while the senior advisor to the Prime Minister, D. Batbayar, was named secretary of the National Council and chair of the MSWG.

Senior government officials are represented on the National Council, a high-level steering group in charge of overall governance of the EITI process, and on the MSWG, a consultative body in charge of

32 https://eiti.org/node/7171
34 See brochure for EITIM National Forum, 3 November 2015.
implementation of the EITI Standard and the highest coordinating body with decision-making powers. Government members of the National Council include the Prime Minister, the Minister of Mining, the Minister for Finance, the Minister for Tourism, Environment and Green Development, the Chairman of Standing Committee on State Budget of Parliament, the General Auditor of Mongolia, the Chairman of National Statistical Committee, the Chairman of Independent Authority Against Corruption and the Governor of Tuv aimag. Government members of the MSWG include the Senior advisor to the Prime Minister of Mongolia, the Chief of General Department of Taxation, the Chairman of General Agency for Specialized Inspection, the Chairman of Mineral Resources Authority, the Chairman of Petroleum Authority of Mongolia, the Senior Officer of Cabinet Secretariat of Government of Mongolia, the Head of Enlightenment and Prevention Department of the Independent Authority Against Corruption, the Head of Accounting Policy Department at the Ministry of Finance (MoF), the Head of Strategic Policy and Planning Department of the Ministry of Mining, the Head of Natural Resources Department of the Ministry of Tourism, Environment and Green Development and the Deputy Governor of Selenge aimag.

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. Although decision-making and oversight remain the responsibility of the MSWG, frequent political change has also impacted the holding of National Council meetings: successive Prime Ministers and Ministers of Finance have not attended a National Council meeting since 2012. The National Council did not meet in 2014 (although it made up for this by meeting twice in 2015) because the Chair of the MSWG was left vacant for five months due to delays in the formation of a new government (in November 2014) and appointment of a new MSWG Chair. Nonetheless the main government agencies are engaged in the work of EITIM.

The government has come a long way in embedding the transparency advocated by the EITI in government systems. Government resolution 80, 28 March 2007 clarifies the functions of government entities in the implementation of the EITI. This resolution was updated in accordance with EITI Rules, 2011 edition and replaced by Government Resolution 222 on 4 July 2012, which clearly specified government bodies’ functions and tasks. Key legal reforms include the Law on Transparency of Information and Freedom to Obtain Information, enacted on 16 June 2011, the Law on Glass Accounts, on 1 July 2014, and the Law on Supporting Economic Transparency, on 7 August 2015.

Certain government agencies disclose information required under the EITI Standard on a routine basis. For example, the Ministry of Finance (MoF) Budget Department maintains a standalone website that

37 See full list of National Council members and contact details in Annex A.
38 See full list of MSWG members and contact details in Annex A.
42 http://www.iltod.gov.mn/, available only in Mongolian.
publishes information on aggregate corporate income tax and royalty revenues on a quarterly basis. The MoF also maintains an e-report website as well as a transparency section on its website. Since Q2 2013, the Mineral Resources Authority of Mongolia (MRAM) has published monthly reports on aggregate production per commodity, exports and revenues. In 2014 they moved to reporting on a weekly basis with regular press briefings. The General Department of Taxation noted that the majority of EITI disclosures had never been published prior to the EITI.

From 2007 to 2010, EITI implementation in Mongolia was entirely funded through a grant from the World Bank Multi-Donor Trust Fund (MDTF), covering the EITI Reports for fiscal years 2006-2009. From 2010 onwards, the Mongolian government allocated a relatively constant amount to funding the EITI Report: MNT201.1 million in 2012, MNT 183 million in 2013, MNT 220.1 million in 2014 and MNT 260 million in 2015. In practice only MNT 169 million, the allocation to the IA, was disbursed in 2015 however, due to revenue constraints. MDTF funds were used to cover non-reconciliation operating expenses, with the 2015 grant of USD 280,000 disbursed in February 2015. A bridge grant of USD 46,450 was disbursed in August 2014 from the Australian government. This was necessary because the MDTF grant of USD 250,000 was used by February 2014, while the next MDTF grant was only disbursed in February 2015. More recently, following the closure of the MDTF globally in December 2015, EITI implementation has faced a funding gap until July 2016 due to delays in finalisation of a new grant agreement of USD 450,000 (to 31 December 2018) under the World Bank’s Extractives Governance Programmatic Support (EGPS). As a result of this funding gap, EITIM Secretariat staff salaries were unpaid for seven months, until August 2016.

The IA found that the majority of the government entities provided data for reconciliation, but two central and local government entities either did not respond to requests for information in the reconciliation phase, or declined to provide input to the 2014 EITI Report, including the State Professional Inspection Agency (SPIA) and Khovd Aimag. In the 2013 EITI Report, six government entities did not provide the requested information, including the Mongolian Customs Authorities, the taxation departments of Sukhbaatar and Bayangol districts, the departments of social insurance of Chingeltei and Sukhbaatar districts and the department of property and land relations of Songinohairhan district.

The Ministry of Mining and MRAM are the main government entities engaged in outreach and dissemination activities and regularly participate in EITI Open Days at both central and provincial levels.

Stakeholder views

Several government representatives noted that the government’s implementation of the EITI was “brave” given CSO demands for disclosure of information that was considered sensitive for national security purposes. Although the government has made several public statements of support for the EITI, a few industry representatives questioned the level of government commitment to the EITI given officials referred to the EITI as a “project”. Several donors noted that the EITI was never mentioned in their interactions with government representatives, including in the Ministry of Mining. Their perception was that Mongolian authorities viewed the process as a box-ticking exercise, although CSOs took the process

43 http://119.40.100.204/EReport/, only in Mongolian.
44 https://www.mof.gov.mn/%D1%88%D0%B8%D0%B1%8D%D0%BD-%D0%B4%D0%B8%D0%BD%D1%81%D1%88%D0%B8%D0%BD%D1%8D/?lang=en
45 2014 annual activity report
Validation of Mongolia: Report on initial data collection and stakeholder consultation

seriously. One donor noted his impression government commitment was stronger under the Mongolian People’s Party (MPP) administration in 2008-2012 than under the Democrat Party in 2012-2016. The EITIM Secretariat noted the five-month gap in the government’s nomination of a new MSWG Chair, but explained this was due to the government’s fall in August 2014. Given that no new government was formed until November 2014, the secretariat saw the August-December delay as reasonable and did not see in this any reason to doubt government commitment to EITI implementation.

A CSO MSWG member noted that the fact that the EITIM Secretariat was referred to as a project implementation unit, combined with the word ‘initiative’ in EITI, contributed to an overall impression that the government did not consider the EITI to be formal or permanent. All CSO representatives consulted expressed concerns about the attitude and comments of the MSWG Chair, Mr Bat-Erdiin Batbayar (Baabar), at the 4 May 2016 working group meeting. Minutes of the 22 April 2016 MSWG meeting show that Mr Baabar called CSOs “the villain” and not transparent, while announcing that his post as senior advisor to the Prime Minister would only last until the end of ASEM and that he was thus not interested in engaging further with the EITI.

A government representative on the MSWG noted that funding for EITI implementation had been a recurring challenge in recent years. Nonetheless he noted that the government remained fully committed to EITI implementation and that Mongolia was determined to be open. Political change was not seen as a challenge according to the government representative, given that the real decision-making power rested with the Great Khural, which ensured stability.

The impact of frequent political change on government engagement in EITI was noted by several CSOs, who noted that the frequent changes in Prime Ministers impacted the chairing of National Council and MSWG meetings, since the senior advisor to the Prime Minister selected to chair the MSWG changed as frequently. The CSOs also emphasised that they considered the MSWG Chair from January to July 2016, Mr Baabar, as being hostile to CSO participation and referred to minutes of the MSWG’s 22 April 2016 meeting as evidence. One CSO also raised concerns over the fact that Prime Minister J. Erdenebat was known to own a gold mine in Selenge aimag and questioned whether this would create a conflict of interest in his chairing of the National Council.

Most government representatives consulted conceived of their participation in the EITI process in terms of submitting reporting templates, rather than shaping the EITI process. However one government MSWG member noted that, given that the Prime Minister of Mongolia chaired the National Council and his senior advisor chaired the MSWG, they made sure that EITI outreach to all relevant government entities was undertaken.

Some government members of the MSWG noted they did not participate in outreach and dissemination events or conferences, although they had attended the National Forum on 3-4 November 2015. However the EITIM Secretariat noted that while there was a tendency to delegate participation in outreach and dissemination events (particularly outside Ulaanbaatar given the length of trips) to other representatives than MSWG members, all stakeholder groups were always involved. Line agencies like MRAM and GDT were particularly involved, while ministries were less involved according to the secretariat and several government representatives. One CSO representative stated that while certain government

46 Unpublished, provided by the EITIM Secretariat.
47 Unpublished, provided by the EITIM Secretariat.
representatives participated in outreach and dissemination, their participation tended to be passive and appeared to be a consequence of their obligation to participate. Another CSO MSWG representative argued that the government could provide more support for outreach and dissemination, for instance through the state-owned Mongolian National Broadcaster (MNB).

Several government representatives noted that while the MoF played a central role in collating (mostly paper based) EITI reporting from the 35 government entities participating in the EITI, the launch of the eReporting system in 2015 meant all reporting entities entered their information on the system directly. A few government representatives recommended that each government department should nominate an officer tasked with EITI Reporting and that single company identification numbers should be rolled out across all government agencies to facilitate reporting. One industry representative noted representatives from Customs had never attended a meeting of either MSWG or National Council.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. The government is actively and effectively engaged in the design, implementation, monitoring and evaluation of the EITI process. Stakeholders are taking part in some outreach and efforts to promote public debate. Government has provided funding to implementation. However, the lack of full government participation in outreach and dissemination events and the recurrent gaps in funding for EITI implementation are a concern. Government representatives on the MSWG should consider enhancing their participation in the dissemination of EITI information and outreach events. The government is encouraged review the financing of the EITI implementation to ensure sustainability over the longer term.

Company engagement in the EITI process (#1.2)

Documentation of progress

A number of legal provisions have been passed to underpin EITI reporting, requiring companies to report to government the taxes and fees they pay to central and local governments as well as their production by the end of the first quarter following the end of the fiscal year. These include:

- Article 48.10 of the 2006 Mineral Law requires a license holder on extractive industries to publish the amount of sales of products and taxes and fees paid to state and local governments on an annual basis before the end of the first quarter of the following year.

- Article 48.9 of the 2006 Mineral Law requires license holders to submit a report on royalties to the tax office on the 20th of the calendar month following the end of the quarter.

- Article 28.6.4 of the 2009 Nuclear Energy Law requires uranium license holders to publically disclose product sales, taxes and payments paid to the State and local budgets annually.

- Article 36.1 of the 2014 Petroleum Law requires contractors to submit information on the amount of investment, incurred costs, paid royalties, the amount of extracted and sold

---

51 http://english.pam.gov.mn/content/11370.shtml
petroleum, taxes paid into the State and local budgets, and the fees, bonuses, and service fees to the respective state agencies and the Petroleum Authority by the first quarter of the succeeding year. Contractors are also required to notify the public of this information through mass media.

- Article 66.1.2 of the amended Mining Law (passed in July 2014) provides for sanctions for companies that do not report according to Articles 48.1-48.10 thereof. The fines are 20 times the annual minimum wage for individuals and between 30 and 50 times for companies.

- The State Policy for the Mineral Resources sector 2014-2025\textsuperscript{52}, passed in January 2014, encourages transparent and responsible mining.

- The Investment Law\textsuperscript{53}, enacted on 3 October 2013, requires companies to make public their registrations with Mongolian Investment Agency.

The government has also initiated the drafting of a Transparency Law to give the EITI legal backing and to ensure transparency provisions related to other processes in the management of the extractive sector such as licensing, contracts, procurement etc. A draft law was approved by the Ministry of Justice in May 2014 and submitted to Parliament in October 2014, but the Citizens’ Representative Khural has not passed the bill as of July 2016.

Companies have played an active role in the design, implementation, monitoring and evaluation of the EITI process of the EITI through the MSWG, with the Mongolian National Mining Association (MNMA) playing a key role. Additional information on industry engagement on the MSWG is provided in the assessment of MSG governance and functioning (Requirement #1.4), below.

The majority of companies holding mining, oil and gas licenses in Mongolia participate in EITI reporting. Although only 236 companies were included in the scope of reconciliation in the 2014 EITI Report, 988 of the 1573 companies that held licenses in 2014 reported their material payments to government.\textsuperscript{54} All but seven of the companies included in the scope of reconciliation for 2014 submitted their reporting templates. The significance of this non-participation on the comprehensiveness of EITI reporting is addressed in Part II of this report.

Article 66.1.2 of the amended Mining Law (2014) provides for sanctions for companies that do not report according to Articles 48.1-48.10 of the Mining Law. However the legal principle that a company can only be fined once for lack of compliance with any of the Articles 48.1-48.10 has meant that companies have often not been fined for non-reporting under EITI, as they have already been fined for another reason. However some companies had been fined for failure to report in the EITI process. For the 2014 EITI Report, the EITIM Secretariat also published the names of reporting and non-reporting companies in daily newspapers.

**Stakeholder views**

Several industry representatives noted they did not have the power to force companies to report but were endeavouring to work with companies that were not members of the MNMA to full participation. The EITIM Secretariat noted that the MSWG had decided to publish the names of non-reporting

\textsuperscript{52} http://en.mongolianminingjournal.com/content/54797.shtml

\textsuperscript{53} http://www.mram.gov.mn/pdac/law/en/2.pdf

\textsuperscript{54} See Section 2.3.1.2 (p.18) of the 2014 EITI Report.
companies and that this had had some effect. Following publication of the companies’ names, several companies complied with EITI reporting requirements. They noted the challenge that many smaller companies acquired mining licenses in a passive manner, to hold until they could find larger companies to partner with. As such, according to the secretariat, these companies typically were not aware of the need to participate in EITI reporting, nor with the Minerals Law itself. Several industry members noted that enforcement of Article 48 of the 2006 Minerals Law requiring companies to publicly disclose payments to government was not effective, although the number of reporting companies had increased over the years. Several CSO representatives noted this was due to the fact that companies could not be fined twice for breaching provisions of the Minerals Law, which meant that companies had never been fined for non-reporting in the EITI. All oil and gas companies consulted noted that their EITI reporting had been purely voluntary until 2015 given that the Minerals Law only covered mining companies, but that the 2014 Petroleum Law had introduced requirements for oil and gas companies to publicly disclose payments to government. All industry representatives consulted noted there were no legal barriers to companies’ EITI reporting.

A number of industry representatives recommended that the MNMA consider establishing a working group on EITI to ensure greater consultation with companies not on the MSWG or National Council. A concern from Ulaanbaatar-based civil society was over the perceived lack of company engagement in the EITI process beyond providing data for EITI reporting. Several mining industry representatives noted that companies considered their EITI engagement fulfilled once they had reported their payments to government. However, larger companies such as Oyu Tolgoi and Centerra Gold tended to participate in outreach depending on the location of activities, according to these representatives, while the MNMA did not given capacity constraints. Several CSOs noted they did not consider industry MSWG members to act as representatives of their constituency, which was largely constituted of smaller mining companies. The EITIM Secretariat noted that while there was a tendency to delegate participation in outreach and dissemination events, particularly outside Ulaanbaatar, to other representatives than MSWG members, industry stakeholders were always represented at outreach and dissemination events. Both mining, oil and gas companies were engaged in such events, although participation depended on which companies held licenses in the area hosting the outreach events. Several oil and gas company representatives noted that they preferred to leave outreach and dissemination activities to the EITIM Secretariat, particularly given company officials’ need for management clearance to participate. There was also a reputational risk for oil companies to be associated with the negative popular view of mining companies by participating in such events, according to these representatives. However, there had been instances of oil and gas company participation in such events, when they were held in areas where oil companies held PSAs, according to the EITIM Secretariat.

A CSO representative noted that companies tended to follow government’s lead, which meant that they only tended to participate on a par with their government counterparts on the MSWG. All CSOs consulted argued that EITI reporting should be made compulsory and automatic, as a regular element of government reporting.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. Companies are actively and effectively engaged in the design, implementation, monitoring and evaluation of the EITI process. Industry representatives are taking part in outreach and efforts to promote public debate especially on regional level. There do not appear to be any legal
obstacles preventing company participation in the EITI.

Civil society engagement in the EITI process (#1.3)

Documentation of progress

There is a vibrant and active network of NGOs working on mining issues in Mongolia, including:

- the Open Society Forum\(^56\), an association supported by the New York-based Open Society Foundation;
- Steps Without Borders NGO\(^56\), a grassroots organisation focusing on local communities’ engagement in Mongolia’s democratic development;
- the Natural Resource Governance Institute office in Mongolia, an international non-profit institute (NRGI provided support through its Ulaanbaatar office focusing in 2015 on providing training and developing an open contracts portal);
- Khongor nutgiin duulaga movement, a grassroots NGO;
- the Responsible Mining Initiative for Sustainable Development, a Mongolian non-profit institute;
- the Mongolian Environmental Civil Council, a coalition of over Mongolian 700 NGOs focusing on environmental issues;
- the Transparency Foundation\(^57\), a Mongolian NGO focusing on budget monitoring;
- the Zorig Foundation\(^58\), a Mongolian non-profit institute;
- the Publish What You Pay (PWYP) Mongolia\(^59\) coalition, which counts 29 NGOs as members including all entities listed above.

Expression: There is no evidence of self-censorship or self-imposed restrictions related to freedom of expression on EITI issues. Mongolia is highly ranked in terms of freedom of expression in the region. It has consistently been ranked “free” by Freedom House’s Freedom in the World rankings: it was ranked 1.5 for overall freedom, 2 for civil liberties and 1 for political rights in 2015 (with 1 being the best and 7 the worst rankings), as it was in the two previous years\(^60\). While the United States’ State Department notes human rights problems in its 2014 Human Rights Report on Mongolia\(^61\), including corruption, external influence over the judiciary and domestic violence, it appears from stakeholder consultations that these have not interfered in CSOs’ ability to openly discuss extractive industry governance issues. In discussions with the PWYP coalition, a number of instances of public criticisms related to EITI were noted. For instance, during the spring of 2015, the PWYP made a public announcement criticising the government’s attempt to conclude an agreement over Tavan Tolgoi with Chinese and Japanese investors (Shenhua and Sumitomo)

\(^55\) http://www.forum.mn/
\(^56\) https://swbm.wordpress.com/
\(^57\) http://www.ilzasag.mn/
\(^58\) http://zorigfoundation.org/
\(^59\) http://www.publishwhatyoupay.org/members/mongolia/
\(^60\) https://freedomhouse.org/report/freedom-world/2015/mongolia
\(^61\) http://www.state.gov/j/drl/rls/hrpt/2014/eap/236460.htm
just before public holidays\textsuperscript{62}, arguing that under the EITI the government was required to conclude such negotiations in a transparent manner (although this is not a requirement of the EITI Standard). Partly as a result of this campaign, the government did not proceed with the agreement. In general, it was noted that criticisms of the EITI process itself were made at MSWG and National Council meetings. While defamation is a criminal offence in Mongolia, even in cases where statements are true, we were not provided any concrete examples of (successful or unsuccessful) defamation charges against NGOs for their participation in the EITI. Several PWYP members noted that media tended to be highly critical of CSOs and that CSOs often suffered “defamation”, but it was admitted that such public debate did not hinder CSOs’ freedom of expression.

**Operation:** There are no indications of legal, regulatory, administrative and actual barriers to civil society operation preventing participation in EITI, nor any restrictions of fundamental rights. The Freedom House ranking notes that freedoms of assembly and association are observed in law and in practice and that NGOs operate without government interference. Consultations with the PWYP coalition noted that there were no threats to fundamental human rights and that Mongolia had a robust tradition of democratic liberties. The CSO Protocol, the Validation Guide and procedures and the constituency guidelines were translated into Mongolian in 2016, following a request from CSOs in November 2015.

**Association:** Civil society groups engaged in the EITI process are freely collaborating with each other as well as with other local NGOs not directly represented on the MSWG or National Council, and with international groups. Launched in 2006 and counting 29 members as of November 2015, the PWYP Coalition in Mongolia moved from a blog\textsuperscript{63} to a website\textsuperscript{64} (in Mongolian only) in 2013 and communicates to its members mainly via email. Its board is comprised of seven members, of which one third rotate every year. The coalition normally holds four meetings a year. Launched in 2008 and counting roughly 700 members, the Mongolian Environmental Civil Council (MECC)\textsuperscript{65} moved from being an NGO network to a fee-based membership structure in 2015. While the MECC maintains a website\textsuperscript{66} its main communications channel with members is via email. Relations between PWYP and MECC are close and there are several instances of dual-membership. PWYP provides capacity building to MECC members at the subnational level. PWYP has conducted outreach to NGOs not part of either (PWYP or MECC) coalition to encourage such NGOs to seek membership of the National Council or MSWG, although this has not led to nominations of NGOs outside the two organisations.

**Engagement:** Civil society is involved in the design, implementation, monitoring and evaluation of the EITI through participation in MSWG meeting, CSO forums, dissemination events etc. The minutes from MSWG and National Council meetings\textsuperscript{67} point to active engagement over the years and it is clear that there is capacity amongst wider civil society to engage in questions related to the extractive sector.

\textsuperscript{62} CSOs complained that Parliament typically attempts to pass legislation right before public holidays to minimize public scrutiny of the bills.
\textsuperscript{63} https://sites.google.com/a/eiti.mn/tan-evsel/info-in-english-1/info-in-english
\textsuperscript{64} http://pwyp.mn/
\textsuperscript{65} The MECC website is http://www.mecc.mn/ but has not been operational since October 2015, due to DNS lookup failure.
\textsuperscript{66} http://www.mecc.mn/
\textsuperscript{67} See for instance the discussion of the communications strategy and workplan on 11 March 2014 and debates over the 2013 EITI Report on 10 October 2014.
The PWYP coalition highlighted its outreach efforts for NGOs that are not members of either PWYP or MECC coalitions. It was noted that in recent years the PWYP coalition had invited other NGOs (like women’s NGOs, democracy NGOs and others) to take seats on the MSWG and National Council, which was seen as necessary given the breadth of disclosures under the EITI Standard. However it appears that these NGOs were not interested and that this was the reason why PWYP continued to hold eight seats on the National Councils and nine on the MSWG.

Access to public decision-making: Despite the fact that some civil society representatives complained that not all of their recommendations were fully accepted by legislators, they have the ability to ensure that the EITI process contributes to public debate and to influence public decision-making. The PWYP coalition noted that they did have access to influence decision-making and that their focus was particularly on the key areas of license allocation and the negotiations of production contracts. Specific examples were cited, such as PWYP’s contribution to successfully halting the Tavan Tolgoi deal in early 2015 (see above). CSOs also mentioned their role in lobbying for the inclusion of Article 48.10 in the 2006 Minerals Law as an example of successful input to decision-making. The July 2015 Law on Public Hearings was seen as enhancing access to decision-making by CSOs, given its requirements for public consultations on all decisions taken by public administration entities at both central and subnational levels. They also actively participated in developing the model ToR for the subnational councils (see below). More recently, CSOs provided input to the model Community Development Agreements (CDAs). While these were not initially included in revised drafts of the model CDA, a joint complaint with the MNMA to the Ministry of Justice led to the inclusion of some of their comments in the final version approved by the government. The MECC also operates a shadow “green” parliament that provides public input to parliamentary discussions.

Stakeholder views

Although several industry representatives noted that the MECC had conducted paid work for government ministries in the past (around 5 years ago), PWYP representatives noted this had not interfered in CSOs’s independence from other stakeholders on the MSWG. Many CSOs argued that the proposed NGO Transparency Law under discussion in the Great Khural in 2015 represented a double standard compared to the tax amnesty provided to non-compliant companies under the Economic Transparency Law enacted in August 2015. The proposed NGO law would dissolve any NGO that did not provide financial statements to the General Department of Taxation (GDT) annually to justify their tax-exempt status. This was criticised as a double standard compared to the Economic Transparency Law, which provided amnesty to companies that came forward to the GDT for failure of paying taxes. However, it could be argued that such companies would only receive retroactive amnesty from prosecution and would be required to pay taxes in future, while it would seem normal that NGOs be required to justify their tax-exempt status, as several donors noted in our consultations. Another provision of the draft NGO law would require CSOs to gather signatures from all founding members to avoid dissolution, which would pose challenges for older NGOs whose founding members may not all still be reachable. Some stakeholders consulted estimated that some 50% of the estimated 11,000 NGOs in Mongolia risked dissolution if the draft law is passed. Other estimates of the number of NGOs in Mongolia are as high as 27,000.

Nonetheless most donors noted that the space for CSO expression was good, but that a number of CSOs and most media

---

68 According to Mr Bat-Erdiin Batbayar (‘Baabaa’), MSWG Chair, at the 22 April 2016 MSWG meeting. See minutes of 40th Meeting of Mongolia Extractive Industries Transparency Initiative Multi-Stakeholder Working Group 22 April 2016, unpublished (as of 9 July 2016).
organisations were linked to politicians and businessmen. The one caveat was that defamation was considered a criminal offence in Mongolia, even in cases of true statements, and that this could have an impact on self-censorship. It was noted that there were many defamation cases, but no specific cases were highlighted as being related to the EITI.

A representative from a past EITIM IA noted that CSOs appeared able to influence decision-making related to EITI implementation in particular, given that they had succeeded in requesting the disclosure of 120 of an estimated 250 environmental special permits by the Ministry of Environment and Green Development as part of preparations for the 2014 EITI Report.

The EITIM Secretariat noted that while there was a tendency to delegate participation in outreach and dissemination events, particularly outside Ulaanbaatar, to other representatives than MSWG members, CSO stakeholders were always represented and were amongst the most active participants. However, several PWYP members lamented the lack of involvement of the MECC in outreach and dissemination activities.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. Civil society are fully, actively and effectively engaged in the design, implementation, monitoring and evaluation of the EITI process. Stakeholders are taking part in outreach and efforts to promote public debate especially on regional level. There is an enabling environment for civil society participation in the EITI. The two CSO coalitions actively engaged in EITI implementation may wish to consider means of strengthening their outreach on EITI issues to enhance the inclusiveness of the EITI process. The PWYP Coalition’s new website 69 (in Mongolian only) was last updated in May 2016 and contains the 2013, 2014 and 2015 PWYP workplans. While it was reported that the MECC had conducted paid work on behalf of the government (Ministries of Mining and of Environment) in the past, this does not appear to have interfered with CSOs’ independence.

**MSG governance and functioning (#1.4)**

**Documentation of progress**

**MSWG composition and membership:** Mongolia’s EITI implementation is governed by two bodies, the National Council and the MSWG. Most of the day-to-day work is undertaken by the National Secretariat and approved by the MSWG, while the National Council plays more of a political support and general oversight role. Analysis of meeting minutes for both bodies and consultations with stakeholders show that the MSWG is in charge of reaching decisions, which are then approved by the National Council. The following assessment of MSG governance is thus focused on the MSWG.

The EITIM National Council was established on 4 January 2006 and comprises 30 members as of July 2016, listed in Annex A 70. It includes ten government members including Prime Minister HE Chinediin Saikhanbileg, who is also its Chair, and representatives from the Ministries of Mining, Finance, Tourism, Environment and Green Development, the Standing Committee on State Budget of Parliament, the General Auditor of Mongolia, the National Statistical Committee, the Independent Authority Against Corruption and the Governor of Tuv aimag.

---

69 [http://pwyp.mn/](http://pwyp.mn/)

70 The International Secretariat understands that government representatives are likely to be reshuffled in September 2016.
The EITIM MSWG was established on 31 March 2006 and comprises 33 members as of July 2016, listed in Annex A. It includes 11 government members including Senior Adviser to the Prime Minister Mr. Bat-Erdeniin Batbayar (known as ‘Baabar’), who is its chair and Secretary to the National Council, and working-level representatives from all government departments sitting on the National Council. Article 25 of the National Council’s ToR, originally published on 12 May 2006, establishes the National Council under the authority of the Cabinet and Cabinet Secretary of the Ministry of Mining.

The composition of the MSWG is set out in the Terms of Reference (ToR) for the EITIM MSWG, approved by the National Council on 12 May 2006, amended most recently on 9 November 2012. Government Resolution 80 enacted on 28 March 2007 establishes the functions and responsibilities of government representatives involved in EITI. The Tripartite Memorandum of Understanding on effective implementation of Extractive Industries Transparency Initiative and partnership between the Government of Mongolia, companies and NGO coalition issued in April 2007 also sets out the participating parties involved in the EITI.

While the members of both bodies were initially nominated by order of the Prime Minister until 2012, Government Resolution 222 allowed the Prime Minister to nominate the government representatives but transferred authority for nominations to the MNMA for industry and the PWYP and the Mongolian Environmental Civil Council for civil society. Article 4 of the MSWG’s ToR requires equal “tri-partied” representation of the three constituencies confirmed by government resolution. The government constituency includes the Chair, Deputy Chair, and Secretary of the EITIM National Council. There are no clauses in the MSWG’s ToR covering criteria for NGO membership, or of seniority of representation by government or companies. While Article 7 of the National Council’s ToR specifically requires civil society representatives to come from the meeting of the PWYP coalition or the Mongolian Environmental Civil Council, and for industry representatives to come from mining and oil companies or their subcontractors, the MSWG’s ToR only names the senior representatives from each stakeholder group as the chair of the National Taxation Authority, the executive director of the MNMA and the “Coordinator of Coalition of NGOs”. Each of these senior representatives is responsible for the nomination of MSWG members.

For the government, Government Resolution 222 only names the agencies and positions of

---

71 The names and contact details of all members of the National Council and the Multi-Stakeholder Working Group are available on the EITI Mongolia website (http://www.eitimongolia.mn/en/national-council and http://www.eitimongolia.mn/en/working-group). They are also available in Annex A.


74 The MoU is available on the EITI Mongolia website (http://eitimongolia.mn/sites/default/files/uploads/MoU_Mongolia_EITI.pdf).

75 For further information on the initial nominations process, see Sections 3-7 (pp.6-10) of Mongolia 2010 Validation Report - https://eiti.org/files/Mongolia%20Final%20Validation%20Report.pdf

representatives on the two EITI bodies. Article 5 of Resolution 222, which is available online\(^78\), defines the Prime Minister of Mongolia's responsibilities to appoint representatives from government and the Great Khural (Parliament) on both the National Council and the MSWG. Thus the individual representatives change when new appointments are made to these positions, without the need to formally notify the EITIM Secretariat (in contrast to agreed procedures for industry and civil society representatives).

The president of the MNMA, an association with around 120 members of exploration, production and contracting companies, is responsible for industry nominations on the MSWG. While this membership, of which roughly half are contracting companies, is smaller than the roughly 1000 companies holding active licenses in Mongolia, the MNMA has conducted outreach to companies beyond its membership to improve participation in EITI reporting by non-member companies. Until 2012 the MNMA retained full authority for nominating industry representatives on the National Council and MSWG, but thereafter the Secretariat, in consultation with the Petroleum Authority of Mongolia (PAM) invited two oil and gas companies (PetroChina Daqing Tamsag and Petromatad) to become members of the National Council and MSWG respectively. There are no written rules governing the nominations process by industry beyond Article 6 of Decree 222\(^79\) that defines the role of the president of MNMA in appointing representatives from companies and professional associations in the mining and oil and gas sectors. At its annual general meeting on the last Wednesday of January, the MNMA solicits expressions of interest from members. Due to lack of sufficient submissions however, the MNMA typically selects potential candidates and seeks to strike a balance between large and medium-sized companies and across different minerals. However, it does not appear that MNMA undertakes outreach efforts to companies prior to nominations, according to consultations with industry stakeholders. When the MNMA, together with the EITIM Secretariat, witness repeated lack of attendance at meetings by specific members, they move to replace them. The most recent refresh of mining industry representatives were as follows (the oil and gas representatives have not changed since 2012):

- September 2012: all nine mining companies on both National Council and MSWG were replaced.
- February 2014: all nine mining companies on both National Council and MSWG were replaced.
- June 2014: one change each on the National Council and MSWG, when Mr N.Algaa was promoted from executive director of the MNMA to president and thus moved from the MSWG to the National Council.
- December 2014: one member changed on the National Council.

The MSWG representative from the Mongolian Gold Producers Association, Mr.S.Burentogtsoh, left his association position in 2015 but remains on the MSWG until his replacement is appointed in January 2016.

With respect to civil society participation, the PWYP and MECC coalitions are responsible for nominating CSO representatives on the MSWG. There is no clause in the ToR providing for maximum duration, or term limits. Government Resolution 222 issued by Prime Minister Sükhbaataryn Batbold’s office states that a “civil society coalition” (which has always been PWYP in practice even if it is not named in the Decree) controls eight seats on the National Council and nine on the MSWG, while an “environment NGO


coalition” (MECC in practice, even if not named in the Decree) controls two on each. There are no written rules within MECC for selection of CSO representatives to the National Council or the MSWG. The PWYP coalition board charter states that nominations to EITI bodies must be discussed at the members’ meeting and that the PWYP Mongolia Board must be revised every two years, with a requirement that three of the seven PWYP members change every two years.80 The nomination of new MSWG and National Council was last agreed by anonymous vote at the PWYP Mongolia Coordinating Committee meeting on 31 March 2015.81 The discussion covered the desired skills of EITI representatives from the CSO constituency (including objectivity, research and analysis capacity, debating skills and ability to express their opinions). However it does not appear that MECC has undertaken outreach to NGOs beyond their own members ahead of the nominations process. PWYP’s outreach to NGOs ahead of nominations appears to be focused on inviting them to join the PWYP coalition, in line with the PWYP workplan’s aim to expand the coalition’s membership, rather than participating in EITI as such.

PWYP operates a double selection process: the coalition appoints certain “people knowledgeable about the extractive industries”82 in parallel to an informal election process, with no set split between the two types of members. The MECC nominations procedures are decided by discretion of the CEO of the MECC, out of the Network Board members, elected every three years, but there are no formal nominations procedures beyond Article 6 of Decree 22283 specifying the responsibilities of the PWYP Mongolia and MECC Boards for nominations of their respective MSWG and National Council members. While PWYP fields different members on the National Council and on the MSWG, the two MECC representatives on each body are always in the same positions on the MECC, although the individuals have changed frequently. The PWYP coalition has changed its representation on the two bodies roughly every two years:

- May 2013: all eight members on the National Council were replaced, all nine on the MSWG as well.
- July 2015: three members were replaced on each the two bodies.

The MECC representatives on both EITIM bodies have changed more frequently. While the CEO is required to formally notify the EITIM Secretariat of change in representatives, the letter announcing the latest change (in November 2015) was signed by the President (a different position than the CEO), which represents a minor deviation from agreed procedures. The latest changes were:

- November 2014: change in both members.
- December 2014: change in both members.
- January 2015: change in both members.
- November 2015: change in one member on MSWG and National Council.
- April 2016: change in one member on MSWG and National Council.

---

80 https://drive.google.com/file/d/0B-z1586VRn2jQk5EX3RJVjFqVFU/view and minutes from the March 2016 PWYP general assembly (unpublished).
81 PWYP Mongolia Coordinating Committee, 31 March 2015, provided by the PWYP coalition.
82 From our meeting with the PWYP coalition.
The two coalitions appear to have consulted only their own members via email ahead of the nominations process.

**Terms of reference:** The MSWG’s ToR were last reviewed in Q4 2012 and approved by the MSWG on 9 November 2012. The key revision to the ToR was the provision for rotation in the chairing of MSWG meetings and for MSWG meetings to be held electronically if required. While the chair rotation continued in 2014, when the MSWG was chaired by Mr N. Alga from the MNMA in March and by Mr. D. Nergui, then chief of the mining department of the Strategy Planning and Policy Division of the Ministry of Mining in October. Following Mrs B. Delgermaa’s appointment as adviser to the Prime Minister and Chair of the MSWG in December 2014 however, the rotation stopped at subsequent MSWG meetings (in May and October 2015), all chaired by Mrs Delgermaa, following her decision to stop this practice upon assuming the position. Only one MSWG meeting took place under Mrs Delgermaa’s replacement as MSWG Chair, Mr Baabar, in April 2016, which he chaired.

Article 8-44 of the MSWG’s ToR provide details of the internal governance rules and procedures. Article 9 of the MSWG’s ToR states that meetings are convened upon the consent of the Chair, but there is no provision related to the frequency of meetings, or to minimum advance notice periods of meetings. Meetings are convened upon the Chair’s consent and, in their absence, a designated person who is member of both the MSWG and the National Council. The Secretary of the National Council provides for preparation of the meeting. Neither the MSWG’s nor the National Council’s ToR specify the frequency of meetings, as both refer to meetings being held “when required”.

Article 13 of the MSWG’s ToR requires that the agenda and required materials be circulated at least four days prior to the meeting. Article 16 of the MSWG’s ToR includes quorum requirements. Meetings can only start when the majority of members are in attendance. Article 18 of the MSWG’s ToR requires that the meeting minutes be prepared and validated with the signature of the MSWG Secretary or a member of the EITIM Secretariat. Articles 3 and 8.4 of the MSWG’s ToR provides for inclusive decision-making: it provides for the ways in which the MSWG may consent to decisions, including agreement between the heads of the representatives, or requiring issues to be studied further by expert ad hoc working groups. There is no clause allowing for decisions by vote where required due to lack of consensus, which implies unanimity is required for all decisions. Article 8.4 of the MSWG’s ToR states MSWG members can make proposals for additional topics for discussion in advance of meetings in writing and must canvass their constituencies for views.

Articles 12 and 25 to 28 of the MSWG’s ToR detail the role, responsibilities and rights of the multi-stakeholder group and includes requirements for the MSWG to oversee the reporting process, which includes agreeing the Terms of Reference for the Independent Administrator, overseeing the appointment of the Independent Administrator and drafting annual work plans. There is no clause in the MSWG’s ToR requiring that the MSWG undertake outreach activities with civil society groups and companies. However, the EITIM website indicates that outreach is a regular part of EITIM activities. The ToR does not contain any explicit safeguards to ensure that the nomination process for representatives of each stakeholder group be independent and free from any suggestion of coercion. There is no provision for ensuring a plurality of representation.

---

There is no specific mention of any clause to ensure that MSWG members have the capacity to carry out their duties.

Although it is not a requirement of the EITI Standard, the MSWG’s ToR does not include a code of conduct, or reference to one, or clauses related to conflict of interest, in any of the governance documents. Finally, there is no clause governing the treatment of confidential information by group members.

While the MSWG’s ToR does not specifically mention the existence of ad hoc working groups that report back to the MSWG on specific topics, minutes from the 13 January 2015 National Council meeting indicate that five working groups dedicated to specific recommendations of the 2013 EITI Report operated in 2015. There are however no ToR for these ad-hoc working groups, nor publically available list of their members. In practice, minutes for these working groups are only available on request from the EITIM Secretariat, and the International secretariat understands that they have never been requested.

The MSWG has taken steps to disclose the policy governing payment of per diem to cover MSWG members’ travel. In April, it published the MoF guidelines on per diem payments, which also governs EITIM official travel, on the EITIM website. These appear to be followed in practice. There are no other types of payments to MSWG members.

Attendance: The National Council has met 14 times between 2006 and July 2016 and the MSWG has met 40 times in the same period, including three times in 2013, twice in 2014, three times in 2015 and once in the first half of 2016. The MSWG meetings were initially held at the MNMA office the first year of implementation, but following CSOs’ reluctance to attend meetings hosted by industry the location was moved to the Ministry of Mining. It has been noted by CSOs in several National Council meetings that government representatives on the National Council had a tendency to delegate attendance to other representatives or tended to be poorly briefed when attending in person.

In practice CSO attendance at National Council and MSWG meetings also tends to change frequently: the PWYP coalition highlights its flexibility and notes that all PWYP representatives agree their positions ahead of meetings, which ensures consistency in discussions. There is a general lack of understanding of the need to notify the EITIM Secretariat of any such delegations ahead of EITIM meetings, as is stated in the National Council’s ToR: all three stakeholder groups stated categorically that such notification was not required. In practice the EITIM Secretariat calls all National Council and MSWG members the day before meetings to confirm attendance.

Although several National Council meetings discussed the potential for publishing attendance sheets for both National Council and MSWG meetings publicly on the EITIM website (most notably at the 10th National Council meeting on 28 November 2012), this was never implemented. The Secretariat maintains attendance sheets for all meetings in excel format.

Translations: Translation from English to Mongolian poses some unique challenges. The same word in

85 http://eitimongolia.mn/en/regulations
86 As of 1 July 2016.
Mongolian can denote several meanings in English depending on the context, such as encouragement/support, promote/advertise, accountability/responsibility. Thus accountability can be equated with corporate social responsibility (CSR) at times. The UN produced a glossary for governance terms in 2014 that assigned a Mongolian word for accountability. However, this word is seldom used and remains broadly unfamiliar to most Mongolians. Likewise, the word transparency is translated by three words in Mongolian. More broadly there is a lack of consensus in Mongolia given the rapid influx of new words in Mongolian and the government has established a special committee to clarify the spelling and meaning of key words. Adam Smith International undertook the translation of the 2013 EITI Standard into Mongolian and GIZ undertook the translation of the 2016 EITI Standard in March 2016, including the civil society protocol and validation procedures.

Stakeholder views

Several representatives from all three stakeholder-groups involved in the EITIM noted that the National Council was largely a symbolic body, with poor attendance from high-ranking officials other than the Minister of Mining. It was noted that neither the Minister of Finance nor the Prime Minister had attended a National Council meeting in the past four years. The EITIM Secretariat noted that the rotation of MSWG meeting chairing had stopped in practice under Mrs Delgermaa’s leadership, although this was not formally announced. It was noted by all stakeholders consulted that the MSWG was effectively the decision-making body governing EITIM implementation. All CSOs agreed that decisions were taken by the MSWG and simply confirmed by the National Council. While documents are always sent out in advance, it was noted by several government representatives that they were not always able to provide input due to time constraints and workloads. In practice the EITIM Secretariat typically schedules meetings one week in advance, sending via email the draft agenda and documents for discussion at least four days in advance. Draft EITI Reports must however be sent in hard copy at least four days ahead of meetings, which is upheld. A few CSOs argued that adding items to the draft agenda of meetings was challenging, although it was agreed that this was possible. The main reason was that agendas were sent out three days in advance and that this did not allow sufficient time for gathering all material required for the discussion of items proposed. Some CSOs representatives noted that CSOs could prepare documents ahead of the meeting agenda being sent out, but that CSOs’ capacity constraints made this challenging. Industry and government representatives did not express any particular concerns over their capacity to carry out their EITI-related duties.

Several industry representatives noted that neither the National Council nor the MSWG operated efficiently, with consensus-based decision-making particularly challenging, due to the high number of members on each (ten and 11 respectively) and that the number should be reduced, with the emphasis on representation by government implementing agencies like MRAM and the General Department for Taxation. Because the ToR provisions on consensus-based decision-making for the National Council and MSWG were not respected in practice, many CSOs complained of a de facto alliance of government and industry against them. A representative from one of the EITIM’s past IAs noted that mining companies appeared to be most active in shaping the development of EITI Reports, for instance providing most input to key scoping decisions. The same representative noted what was considered an excessive focus on post-reconciliation discrepancies by all stakeholders on the MSWG, National Council and EITIM Secretariat, to the detriment of a broader focus on contextual information in the EITI Report. One mining company representative not on the MSWG noted that overall, company engagement in the EITI was quite low and the MNMA representatives represented industry in practice. They tended to engage in EITI mainly during the data collection phase.
In practice, despite the lack of provisions for voting on the National Council, representatives from both Industry and CSOs noted that voting did take place in practice without the need for votes in favour from all three stakeholder groups. Several industry representatives stated they rarely raised objections at MSWG meetings, as they felt this would slow the process down. There is evidence of voting both in MSWG and National Council meetings. From an analysis of meeting minutes, the MSWG voted on the allocation of savings on budgeted expenditure for Independent Administrator services at its 11 March 2015 meeting. Most recently at its 12 December 2015 meeting, the MSWG referred to its pattern of voting on key decisions and noted that, given the lack of quorum at the end of that meeting with only 13 of the 33 MSWG members present, it was impossible to proceed to a vote in that instance. However the MSWG proceeded with its 22 April 2016 meeting, despite the fact only 16 of the 33 members were in attendance. There is evidence of National Council votes at its meetings on 28 November 2012, 23 December 2013, 13 January 2015 and 4 June 2015. In all instances the meeting minutes report the general outcome of votes, including the number of dissenting votes. A representative from a past EITIM IA noted that voting appeared to be the norm at MSWG meetings, with two stakeholder groups often able to prompt MSWG decisions that do not appear to be backed by consensus. For instance minutes of the 13 January 2015 National Council meeting show that the National Council deemed the implementation of the 2014 EITI workplan as sufficient despite opposition from CSOs. Starting in 2016, minutes have been recorded for all technical working group meetings, although these were not published online according to the EITIM Secretariat.

Several industry representatives called for implementation of the changes proposed as part of the draft “EITI Law”, including the merger of the National Council and MSWG into a single body and an expanded role for the Secretariat, with higher capacity. A government MSWG representative noted that the EITI law continued to progress through the Great Khural despite the June 2016 legislative elections. Having undergone a first parliamentary reading, which ruled that the Great Khural could consider the law, a parliamentary working group had been established and the new members of the Great Khural would continue the work. However a CSO representative noted that the newly elected members of the Great Khural could easily decide to discard the draft law. However, it was noted that the new Speaker of the Great Khural (appointed on 8 July 2016), Miyegombyn Enkhbold, who is also Chairman of the majority Mongolian People’s Party (MPP), had been highly supportive of the EITI during his time as Prime Minister and Chair of the EITIM National Council in 2006-2007 and was seen as a potential key supporter of the EITI law.

90 Minutes of 40th Meeting of Mongolia Extractive Industries Transparency Initiative Multi-Stakeholder Working Group 22 April 2016, unpublished (as of 9 July 2016).
Some CSO representatives highlighted the impact of frequent political change on the consistency of government representatives’ attendance at EITI meetings. There was frustration over the lack of continuity in attendance, particularly by government officials, although the frequent change in CSO attendees was also noted. Several CSOs commented that government and company participation in MSWG meetings in 2015 and 2016 had been low, with less than 60% of members present at meetings. MSWG meetings increasingly felt like meetings of CSOs, according to these representatives. Several industry representatives noted that CSOs tended to rotate attendance at EITI meetings frequently, which did not encourage informed discussion. However several CSO representatives noted that the participation of CSOs had improved considerably in the past few years. The EITIM Secretariat noted that there were cases of MSWG and National Council members delegating participation at meetings to representatives, often without consistency in the proxies selected to attend. However the secretariat noted that generally the government was well represented at MSWG and National Council meetings, although they noted that the representative from the State Professional Inspection Agency (SPIA) typically did not attend meetings. The secretariat noted the difficulty in communicating with the SPIA given the lack of a single consistent point of contact. A government MSWG representative noted that attendance at MSWG and National Council meeting was strongest on the part of agencies like PAM, MRAM, Customs, GDT, NSO as well as the Ministry of Mining. Overall the representative noted that most capable government representatives were present at MSWG and National Council meetings.

Staff from the EITIM Secretariat noted that they were confused by MECC’s frequent changes of MSWG and National Council members, sometimes on a monthly basis and with letters signed by different MECC officials. While they always changed the members on the website and invited the right ones to activities, they were confused about the reasons for these frequent changes. Secretariat staff noted their impression that frequent changes in MECC representation were caused by internal frictions, although they emphasised that their wish to stay out of the internal affairs of any one stakeholder group. Several CSOs noted that while the EITI Mongolia Secretariat had been notified through a PWYP letter dated 10 July 2015 of the change of three CSOs each on the MSWG and the National Council, the Prime Minister and Chair of the National Council had not approved these nominations as of July 2016. Nonetheless these CSOs noted that the six new CSOs members had consistently been invited to MSWG and National Council meetings since July 2015 regardless of the Prime Minister’s formal approval. Several CSOs noted that there had been an understanding following the 2006 Decree establishing Mongolia’s EITI that the Prime Minister would need to accept nominations from all three stakeholder groups before they became effective, but conceded that the 2006 Decree did not explicitly require this and had been superseded by Decree 222 in 2012. The EITIM Secretariat noted that Prime Ministerial approval was not required for MSWG and National Council member nominations by CSOs and that the new members had consistently been treated as full members as soon as the EITIM Secretariat was informed of the change of members. A CSO MSWG member noted that following several years of outreach, the NGO Women for Reform had finally joined the PWYP coalition in July 2016.

Oil and gas company representatives on the two EITI bodies did not recall the reasons for their original nominations, although they assumed that the inclusion of a company at the production stage and one at the exploration stage was to ensure representativeness of the industry’s structure in Mongolia. A representative from an oil company opined that the inclusion of PetroChina Daqing Tamsag in 2007 was due to the fact it was the first oil producer in Mongolia.

Several industry stakeholders recommended that the size of both the National Council and the MSWG be reduced to ensure effective decision-making and follow-up. Several CSO and industry MSWG members
noted that the MSWG did not tend to engage in technical discussions related to EITI reporting. Several donors noted that there appeared to be a vacuum in terms of the MSWG’s oversight of EITI implementation on more technical EITI reporting issues. Several industry representatives noted that the MSWG’s discussions were focused on the financial reconciliation rather than broader issues, such as those related to legal inconsistencies. The representatives noted that companies were more interested in the results of EITI implementation than in the process itself.

A group of civil society representatives that serve on a variety of subnational councils stated that CSO representatives on the National Council or the MSWG did not tend to consult them. Several local CSOs noted that the main means of communication between UB-based and rural CSOs was via email and phone. A senior member of broadcast media stated that there were no real consultations mechanisms in place between members of the MSWG and National Council, and the media and general public. Several industry representatives noted that there was no consultation mechanism for industry engagement in EITI outside of National Council and MSWG meetings. There is no canvassing of industry stakeholders beyond occasional dissemination of information via email to the MNMA’s membership, according to these representatives. Oil and gas companies consulted noted that industry representatives never consulted them about EITI issues. Several CSOs noted that industry members of the National Council and MSWG represented their own interests rather than those of their constituency.

Most CSOs expressed concern over the hosting of MSWG meetings by the Ministry of Mining, given the time constraints this placed on the discussions, and noted meetings could be held at the Open Society Foundation. Several CSOs noted that National Council meetings were de facto chaired by the Secretary to the National Council, Senior Advisor to the Prime Minister Mrs B. Delgermaa, rather than by the Prime Minister. This was contrasted with the previous situation (over three years ago) when the Prime Minister would open National Council meetings and then delegated chairing to his Deputy Chair, the Minister of Mining.

Initial assessment

The MSWG has been formed and includes self-appointed representatives from each stakeholder group with no suggestion of interference or coercion. Although the mechanism for civil society nominations on the MSWG restricts selection of members outside the PWYP and MECC coalitions, there is no evidence that non-member NGOs that would have liked to participate have been constrained from doing so.

The ToR for the MSWG addresses the requirements of the EITI Standard, but stakeholders have highlighted certain deviations in practice, particularly related to voting. Certain MSWG decisions appear to be passed despite objections of one of the stakeholder groups, for instance in relation to data quality assurance procedures. Attendance of MSWG members is also inconsistent, with delegation of attendance to different representatives being common. The inconsistent participation of the SPIA is a concern, particularly given its responsibilities for verifying government revenue at the level of line agencies and ministries (see below, on data quality). In the International Secretariat’s view, these weaknesses have affected EITI implementation and contributed to inconsistent multi-stakeholder oversight of the technical aspects of EITI reporting, in particular with respect to data quality. While ad hoc working groups have been constituted to oversee technical aspects of reporting, the outcome of their discussions and decisions remain unclear, for instance in relation to the definition of quasi-fiscal expenditures (see Requirement 6.2), data quality assurance (see Requirement 4.9) and the reconciliation of subnational direct payments (see Requirement 4.6).

In light of these concerns, the International Secretariat’s initial assessment is that Mongolia has made
meaningful progress in meeting this requirement. The MSWG should task each stakeholder group to clarify their internal nominations and representation procedures to improve the transparency and participation in the process. The MSWG and National Council are encouraged to consider combining the National Council and MSWG (as envisaged in the draft “EITI Law”), and agree an appropriate membership and meeting schedule that will ensure effective oversight of the EITI process. Ensuring support and participation from SPIA is a priority given some of the concerns highlighted below.

**Workplan (#1.5)**

**Documentation of progress**

The EITIM Secretariat typically produces a draft work plan, which is then discussed by the MSWG and approved at the same meeting following amendments. The 2016 EITI work plan, available on the EITIM website,96 was discussed by the MSWG at its meeting on 11 December 201597 and approved by the National Council at its meeting on 18 December 2015.98

The four objectives of EITI implementation are linked to the EITI Principles, but also appear aligned with national priorities in aiming to improve transparency in the extractive industries for instance. The rationale for the four objectives is explained. Although the work plan’s fourth planned outcome is that the EITI Report be used at the policy level, the work plan does not include explicit links to documents or policies related to national reform priorities for the sector. However this marks an improvement on the 201599 and 2014100 work plans, whose objectives were identical to the 7 EITI Requirements and thus did not reflect national priorities for the extractive industries.

Addressing one of the challenges of Mongolia’s EITI implementation, the 2016 work plan includes activities aimed at increasing the comprehensiveness of EITI reporting, including workshops to encourage more material companies to report and upgrades to the eReporting system. More broadly, the work plan includes activities to follow up on specific recommendations from previous EITI reports and Validations, with Sections 10.1-10.5 covering disclosure of dates of application for mining licenses, studies on state participation in the extractive industries, consultations with government stakeholders on information gaps identified during the pilot Validation and a review of Mongolia’s EITI governance. The work plan includes time-bound and measurable activities as well as plans to address capacity and legal constraints, such as training workshops for companies, subnational EITI councils and civil society (activities 2.4, 2.5 and 5 in the 2016 work plan). It also includes activities (number 1.4) aimed at monitoring compliance with Article 48 of the Mining Law (requiring company disclosure of payments to government) and activities (numbers 10.1-10.3) involving outreach to Parliament to facilitate passage of the EITI Law. The work plan activities designed to improve stakeholder engagement are related to participation in EITI reporting and


Validation of Mongolia: Report on initial data collection and stakeholder consultation

do not seem to aim at improving stakeholder oversight of and engagement in the EITI process.

The 2016 work plan includes clear costs and source of funding (primarily World Bank, EBRD and
government) for all activities not covered under specific projects (such as the second phase of
eReporting). It also includes activities to extend EITI reporting to areas only encouraged under the EITI
Standard, including development of an online contracts website (Activity 10.4.2) and integration of the
online EITI data portal with other government databases (Activities 3.1-3.3).

Approved by the MSWG at its 10 October 2014 meeting and by the National Council at its 12th meeting on
13 January 2015101 and available on the EITIM website102, the EITIM 2015 Plan of Action (work plan)
included measurable and time-bound activities as well as activities aimed at addressing specific capacity
constraints identified in the EITI Reports and other assessments.103 While activities generally linked to
building capacity in specific stakeholder groups were included, only general reference to
recommendations in previous EITI Reports were included.104

The 2013, 2014 and 2015 work plans included clear timeframes for completion of each activity. In 2013,
the Secretariat reported that 33 of the 42 activities planned (80% of the total) were completed, with the
main activities not completed being the passage of the draft “EITI Law” and the development of television
serials.105 In 2014, the Secretariat reported that 42 of the 65 planned activities (65% of the total) were
completed, with the main shortfalls being enactment of the draft “EITI Law”, the organisation of regional
conferences and the broadcasting of television programmes.106 The review of 2015 work plan activities
published on 31 December 2015 notes that all 50 activities planned in the 2015 work plan had been
completed, even if the desired objective was not reached.107 The activities completed without the
objective being met include enactment of the draft “EITI Law” and successful Validation under the EITI
Standard. Stakeholder views

The EITIM Secretariat noted that the elaboration of the 2016 work plan followed the usual procedures: it
prepared a first draft in November 2015, circulated it to MSWG members for comment, the MSWG
discussed and approved it at its 12 December meeting and submitted it to the National Council, which
approved it at its 18 December meeting. Several CSO representatives noted that additional input to the
2016 work plan had been made via email between the MSWG and National Council meetings in
December 2015.

Comments on the draft work plan had been received via email ahead of the MSWG meeting primarily
from CSOs, according to the secretariat, although industry had made comments during the MSWG
meeting itself. Comments had focused on capacity building activities, subnational outreach activities and

101 Minutes of 12th meeting of National Council of Mongolian Extractive Industry Transparency, 13 January 2015, (only available
102 In English (http://www.eitimongolia.mn/sites/default/files/uploads/EITIMActioPlan2015en.pdf) and in Mongolian

activities related to corporate social responsibility. Comments from government had focused on the timing of activities and integration of government databases and strengthening subnational EITI councils, according to the secretariat and government representatives consulted. Several mining industry representatives stated they would only comment on aspects of the EITI work plan related directly to companies, since they considered more general comments as a potential break on finalising the draft work plan. Oil and gas companies consulted did not recall reviewing the draft 2016 work plan and stated that CSOs were the most engaged in providing input since they had an interest in steering funding towards their activities.

CSOs welcomed the 2016 work plan as a marked improvement on previous work plans, given the strong focus on use of EITI data and capacities of subnational EITI councils. The secretariat noted PWYP’s strong approval of the 2016 work plan given that CSOs had been given the lead in organising rural outreach activities. Several industry representatives also welcomed the 2016 work plan, noting that it was more realistic than previous work plans, which had seemed like unattainable wishlists. The argued that achievable objectives should be set in future, rather than abstract objectives and a checklist mentality.

Several CSO representatives noted that the 2016 work plan was an improvement on previous work plans since it reflected more of the national priorities at a critical time for the mining sector. The representatives noted that the EITI Mongolia National Forum in November 2015 had been a way to canvass stakeholders regarding priorities and recommendations, which were subsequently included in the 2016 work plan. A PWYP representative noted that the coalition had sent the draft 2016 work plan to their members and sought input, although she also noted that efforts to seek input from broader stakeholders beyond their member NGOs had not been sufficient.

A MECC representative noted that the 2016 work plan was relatively good, but that implementation had been weak given budget constraints in Q1-2016. While several CSO MSWG members noted the constraints on implementing the 2016 work plan in the first half of the year, they also noted that all work was not necessarily linked to the availability of funds, citing activities such as working group meetings, developing the ToR for the IA and following up on EITI recommendations. Despite budget constraints, the MSWG should have seized opportunities for such activities as they arose, according to the representatives. CSO representatives also noted that the absence of clear individual responsibilities for each work plan activity was a challenge, given that MSWG members seemed to consider all activities were ultimately the responsibility of the EITIM Secretariat rather than of specific MSWG members, who thus did not take responsibility for activities not being completed. The work of the EITIM Secretariat was praised by several CSO MSWG members, particularly given the fact that secretariat staff salaries had not been paid for six months. Several CSO MSWG representatives noted that they had continued work related to EITI in the first half of 2016, including trainings and work on the Open Society Forum’s contracts portal.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. The 2016 EITI work plan is publicly accessible and produced in a timely manner, with work plan objectives aligned with national priorities. The work plan also includes specific activities to follow up on recommendations from EITI reporting and Validation. It appears that consultations around Mongolia’s first EITI National Forum in Ulaanbaatar in early November 2015 were taken into account in the work plan’s development, even if formulation of a longer-term plan to 2020 discussed at the National Forum remains outstanding. The lack of broader consultations within each of the three constituencies is a concern. The MSWG should ensure that preparations for the 2017 work plan include canvassing of the
views of the three stakeholder groups’ broader constituencies. Delays in work plan implementation appear reasonable given legislative and funding constraints.

*Table 1 - Summary assessment table: MSG oversight*

<table>
<thead>
<tr>
<th>EITI provisions</th>
<th>Summary of main findings</th>
<th>International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government engagement in the EITI process (#1.1)</td>
<td>The government is committed to and engaged in the EITI and relevant government representatives are part of the MSWG.</td>
<td>Satisfactory progress</td>
</tr>
<tr>
<td>Industry engagement in the EITI process (#1.2)</td>
<td>Companies are engaged in the design, implementation, monitoring and evaluation of the EITI process. Industry representatives take part in outreach and efforts to promote public debate. There do not appear to be any legal obstacles preventing company participation in the EITI.</td>
<td>Satisfactory progress</td>
</tr>
<tr>
<td>Civil society engagement in the EITI process (#1.3)</td>
<td>Civil society is engaged in the design, implementation, monitoring and evaluation of the EITI process. CSO representatives take part in outreach and efforts to promote public debate. There is an enabling environment for civil society participation in the EITI.</td>
<td>Satisfactory progress</td>
</tr>
<tr>
<td>MSG governance and functioning (#1.4)</td>
<td>The MSWG comprises relevant actors and all stakeholders feel adequately represented. The TOR for the MSWG addresses the requirements of the EITI Standard and appears to be largely followed in practice, even if decision-making sometimes includes voting in practice. However there is evidence of key decisions being taken without support from all three stakeholder groups on the MSWG and National Council. While the MSWG meets at most three times a year, several ad hoc working groups undertake specific work, although records are not kept for these meetings. The outcome of discussions by these</td>
<td>Meaningful progress</td>
</tr>
</tbody>
</table>
Validation of Mongolia: Report on initial data collection and stakeholder consultation

| Work plan (#1.5) | The MSWG has included in its 2016 work plan specific activities to follow up on recommendations from EITI reporting and Validation. Implementation of the work plan appears broadly on track and specific delays appear reasonable. | Satisfactory progress |

**Recommendations:**

1. The MSWG is encouraged to consider how more meaningful discussions through the EITI, linking to national discussions and priorities, could encourage more active participation by all stakeholder groups.
2. The MSWG should task each stakeholder group to codify their internal nominations and representation procedures to ensure industry and civil society stakeholders not members of the MNMA, PWYP or MECC are empowered to seek representation.
3. The MSWG is encouraged to consider combining the National Council and MSWG (as envisaged in the draft “EITI Law”), and agree an appropriate membership and meeting schedule that will ensure effective oversight of the EITI process.
4. The MSWG should ensure that preparations for the 2017 work plan include canvassing of the views of the three stakeholder groups’ broader constituencies.
5. The MSWG is encouraged to consult with government entities on the feasibility of assigning an officer in each department tasked with EITI reporting, to ensure consistency and capacity building.
6. The MNMA is encouraged to consider establishing a working group on EITI to ensure greater consultation with companies not on the MSWG or National Council.
7. The MSWG should review its ToR to ensure that a quorum is achieved not only when a majority of representatives are in attendance, but also several representatives from each stakeholder group. The revised ToR could also better define the respective roles and responsibilities of the MSWG and the EITIM Secretariat.
8. The MSWG should consider including a clause in its ToR encouraging MSWG members to participate in outreach activities with civil society groups and companies. The MSWG is also encouraged to consider a code of conduct and/or amending the MSWG ToRs to address conflicts of interest and the treatment of confidential information by MSWG members.
9. The MSWG should clarify the mandate and governance of ad hoc working groups.
10. The government is encouraged to review the financing for EITI implementation to ensure sustainability over the longer term.
Part II – EITI Disclosures

2. Award of contracts and licenses

2.1 Overview

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state-participation. Note that all page numbers refer to the English-language version of the 2014 EITI Report and the 2013 EITI Report.

2.2 Assessment

Legal framework (#2.1)

Documentation of progress

The 2014 EITI Report provides an overview of the legal environment of extractive industries, including descriptions of the relevant laws and government resolutions. It also notes recent reforms, such as the 2014 Petroleum Law, and planned reforms such as the draft Law on Transparency in the Extractive Industries. The brief description of the fiscal framework only appears to cover royalty and windfall surcharge rates per mineral, not the levels of other applicable taxes and fees. While the degree of fiscal devolution is not addressed in the narrative, the two charts in Section 2.2.1 (p.16) provide the split between central and subnational government revenues. Section 5.1.3.1 (pp.61-63) provides a description of government institutions in the extractive industries.

The legal and regulatory framework is described in the 2013 EITI Report, including relevant government action plans and laws for mining (pp.28-29, pp.57-58, and pp.58-60), although a number of important laws such as the “Law on Prohibiting Mineral Exploration and Extraction Near Water Sources, Protected Areas and Forests” (popularly known as the ‘Long Name Law’) are not described. Relevant laws and regulations for oil and gas are described (on pp.59-60, pp.64-65). The degree of fiscal devolution and the roles and responsibilities of the relevant government agencies are described (pp.54-55), although the report does not include an explanation of local governments’ entitlements to 30% of royalties directly for all commodities aside from gold and copper, as described in secondary sources. Despite the significant role of the National Security Council (NSC), it is only referred to once (p.64) and its powers of veto on all new PSA awards are not described. These powers were highlighted in consultations with oil and gas representatives on the MSWG and PAM. The 2013 EITI Report also included information on reforms implemented in 2014 (p.58, pp.63-64).

---

Stakeholder views

Industry representatives from both the mining and oil and gas sectors considered the description of the legal environment and fiscal framework in the 2014 EITI Report to be broadly accurate. Upon discussion, there was strong interest from all industry representatives to include more information on deviations in practice from the legal framework, given the frequent changes in the past three years. Several CSOs noted they had asked for more information on the regulatory framework, and the Long Name Law in particular, to be included in the 2014 EITI Report and expressed satisfaction that the descriptions included were more accurate than in past EITI Reports. Several government and industry representatives noted they had not actively participated in preparing the description of the legal framework section and that this had been left to the IA.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. The EITI Report could benefit from more extensive discussion of practical challenges and deviations in the implementation of relevant laws. The MSWG may wish to consider including a more complete description of deviations in practice from the legal and fiscal frameworks, and to use the EITI Report to raise community and industry awareness.

License allocations (#2.2)

Documentation of progress

The 2014 EITI Report clearly indicates that 171 new mining licenses were awarded in 2014 (p.65), following the lifting of a moratorium on new mining licenses in July. The EITI Report does not provide information about the recipients of these new mining licenses, although this information can be accessed through MRAM’s online mining cadastre114 or the EITI Mongolia data portal115. The report also provides a list of all mining licenses transferred in 2014 in the table in Section 5.2.1.1 (pp.96-97), including license name, area, name of transferor and name of recipient. Mining license application procedures, including the standard process for awarding and transferring licenses and the standard technical and financial criteria used for assessing applications, are described in Section 5.2.1 (pp.92-98). The process for bidding for mining licenses, in cases where mining licenses are awarded through bidding, are also described, including bid criteria. The section assesses practical deviations from the procedures for only one specific license application. There is no commentary on any non-trivial deviations from statutory procedures for all licenses allocated or transferred in 2014.

The 2014 EITI Report also provides information on the process of oil and gas license awards. As oil and gas licenses can be awarded through bidding, bid criteria are described in Section 5.1.5.2 (p.85). Section 5.2.2 (pp.99-103) describes the license allocation procedures for oil and gas, including a description of the process as well as technical and financial criteria used for assessing applications. It also assesses deviations from the procedures in practice, using one license application process as a case study. However, it is unclear from the EITI Report whether any new oil and gas production-sharing agreements (PSAs) were concluded in 2014. Section 5.1.5.2 (p.85) notes that Sansryn Geologi Khaiguul LLC transferred

114 https://cmcs.mram.gov.mn/cmcs
115 http://e-reporting.eitimongolia.mn/portalMap/
responsibilities of its PSA (‘Nomgon IX’) to Umnud Mongolyn Petroleum (UMP) company but does not clarify when the original PSA with Sansryn Geologi Khaiguul LLC was concluded. From press reports however it appears that the original PSA was signed between Sansryn Geologi Khaiguul LLC and the government in February 2014. Based on procedures for other PSAs, it appears likely that the award of Nomgon IX was through competitive bidding, although this is not clarified in the 2014 EITI Report. No list of bidders for this PSA is included in the 2014 EITI Report. It is also unclear why, in Section 5.2.2 (pp.99-103), the MSWG described the process for the allocation of Dong Sheng Jonggong Petroleum Development Group’s petroleum producing license awarded in 2010 and not the Nomgon IX PSA concluded in 2014. The report does not indicate whether any oil and gas PSCs were awarded or transferred in 2014.

There were no mining license allocations (either for exploration or production) awarded in 2013 given the moratorium on new licenses from 2010 to 2014, but one oil and gas PSA was awarded in 2013. Equally, there were no license transfers in 2013 since transfers were not allowed under the 2006 Minerals Law (which was only amended in July 2014). The 2013 EITI Report does not note the existence of a moratorium in new licensing. While it describes the license allocation procedures for mining (pp.58-59) and for oil and gas (on p.65), it does not contain any information on the technical and financial criteria used in allocating licenses in either sector. It does not provide any details related to the oil and gas PSA awarded in 2013.

There is no additional information on license allocations, such as commentary on the efficiency and effectiveness of the systems or commentary on licenses awarded prior to the financial year covered by the EITI Report, although this is not required under the EITI Standard.

Stakeholder views

A representative from a past EITIM IA noted that the MSWG had not discussed the number of new mining license awards in 2014 prior to data collection for the 2014 EITI Report. The IA had received cadastral information from MRAM and compared it to information in the 2013 EITI Report to determine the number of new license allocations in 2014. The IA did not receive any information from the MSWG regarding whether any new oil and gas PSCs had been awarded in 2014. The IA included in the 2014 EITI Report information on PSCs received from PAM.

Several CSO and industry representatives noted that the number of new exploration license allocations quoted in the 2014 EITI Report appeared incorrect. While the moratorium on new exploration licenses was lifted in July 2014, it was only effective from January 2015. The representatives noted that the 56 new exploration licenses were in fact licenses that had been returned to their original owners through court order, rather than new license allocations. It was noted that the moratorium on new exploration licenses did not cover returns of such licenses to their original owners. Industry and government representatives did not comment on whether any new oil and gas PSA had been signed in 2014.

A CSO representative provided additional information about the application procedures for exploration licenses, which were not included in the 2014 EITI Report, noting that in cases where two companies applied for licenses on overlapping areas, the holder of the lowest application number was given

116 InfoMonglia (February 2014), ‘Production sharing contract between the Government of Mongolia and “Sansryn Geologi Khaiguul LLC” was approved’, http://www.infomongolia.com/ct/ci/7396
117 See Petroleum Authority of Mongolia website - http://english.pam.gov.mn/content/14192.shtml
preference, highlighting the arbitrary (but not discretionary) nature of license allocations. It was also noted that the weekly use of application numbers on a first-come-first-served basis benefitted those with faster internet connections. According to the CSO representative, the 2014 EITI Report does not mentioned the 30-day consultation period for the aimag and soum government to object to a license award once MRAM had approved a license, nor the provision for companies to appeal a veto of the aimag or soum government.

Government representatives and some CSO representatives argued that there had been no significant deviations from the license allocation and transfer regulations in practice in 2014. Several mining industry representatives questioned how they would know of practical deviations in license allocations, stating that they believed the government’s opinion on this. Deviations would only be evident if a company filed a claim against the government related to license allocations, according to these representatives.

Stakeholders did not comment on the procedures for awarding the PSA in 2014. Oil and gas companies consulted did not know why the allocation process for DongSheng’s 2010 PSA was selected for description in the 2014 EITI Report. This PSA was in fact not a new award, but rather a PSA renewal according to these representatives.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made meaningful progress with meeting this requirement. Although the 2014 EITI Report clearly states how many mineral exploration and production licenses were awarded and transferred in 2014, it appears to miscategorise exploration licenses that were returned to their original owners in 2014 after several years of being suspended, as new exploration license awards.

The report includes an overview of license allocation procedures, the technical and financial criteria used for assessing mining license applications and the bid criteria for oil and gas PSAs. The EITI Standard requires information on “any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards”. The Report includes an assessment for one mining license allocation and one oil and gas PSC, but not for all licenses awarded or transferred in 2014. The Standard is clear that the information should cover “all license awards and transfers taking place during the accounting year covered by the EITI Report”. The MSWG should also ensure that future EITI Reports clarify the number of oil and gas PSAs concluded and transferred and any non-trivial deviations from the allocation procedures for all oil, gas and mining licenses awarded during the year under review.

**License registers (#2.3)**

**Documentation of progress**

The 2014 EITI Report provides more comprehensive information on licenses than previous EITI Reports. Section 5.1.4.1 (pp.65-67) and Appendix 14 (pp.207-264) provide an overview of active mining licenses in 2014, including license-holder name, license number, minerals covered, area name, area size, province, district, date of award and date of expiry. Section 5.1.6 (pp.87-89) provides an overview of the uranium mining sector, including an overview of 57 uranium licenses. The information provided includes license number, license-holder name, area name, area size, aimag/province, district/soum, date of award and date of expiry. There is no data on the date of application or license coordinates in the overview of mining licenses nor in the uranium licenses. Section 5.2.1.3 (p.98) describes the MRAM online cadastre and provides a link. While basic information is available from the cadastre free of registration, special access...
Validation of Mongolia: Report on initial data collection and stakeholder consultation

(through registration free of charge) provides access to almost all information required under Requirement 2.3, including coordinates, but not date of application.

Section 5.2.2.3 (p.103) provides an overview of the public license register for the oil and gas sector. It includes a link to PAM’s public register of 22 PSAs (accessible free of charge) and notes that the information includes license area names, area codes that correspond to the map on PAM’s webpage and license holders, but it does not include coordinates of the license area, date of application, date of award, duration of the license and commodity produced. The report also notes that MEITI’s eReporting system makes 20 petroleum license information publicly available, including license number, area name, area size, license holder, license issued date and expiration dates on their webpage free of charge, although this does not include date of application, commodities being produced or license coordinates.

The 2013 EITI Report includes disclosure of licenses. Appendix 13 contains a list of license holders in the country (all 250 companies reconciled as well as all license holders; radioactive minerals license holders; petroleum license holders). Section 6.5.3 (p.100) provides an overview of changes in license-holdings in 2013 and some general reasons for the lapsing/withdrawal of licenses. Table 19 (p.36) includes details of the 21 active PSAs, including names of license, date of award, Government of Mongolia resolution governing the PSA, license-holder name, country of origin of license holder and type of license (exploration/production). The information covers 3029 licenses, which is more comprehensive than the 250 companies included in the scope of reconciliation. However, Chart 17 (p.62) notes that there were a total of 3118 active licenses in 2013 (1815 exploration licenses and 1303 mining licenses). The 2013 EITI Report includes an overview (pp.63-64) of the World Bank funded project to develop a computerized mining cadastre system, which was completed in 2014.

Stakeholder views

Government representatives noted that the date of application is not disclosed on the cadastre, but that this information was available internally (but not available to the public) and that work was planned in the 2016 EITI work plan to disclose these dates (under Activity 10.4.1). The cadastre is updated every time a license is awarded, but not for every application. The plan is to publicly list the date of application on the cadastre in future, although no specific date has been set and this would require a new technical assistance agreement with the World Bank in order to revise the structure of the current cadastre.

Oil and gas companies consulted were not aware of any confidentiality clauses covering PSA coordinates, which were consistently included in each PSA’s annexes, although they noted there may be national security concerns related to this issue they were not aware of. However, they noted that they considered the PSAs to be confidential, as of July 2016 (see below on contract disclosure). Since 2006, at least, the process was that PAM would issue a press release on its website every time they received an application for an open oil and gas block, inviting other interested bidders to express interest by a specific date, according to the oil and gas representatives. While the date of application was not provided as such, it was possible to calculate it since the deadline for expressions of interest provided on each press release represented 30 days from the initial date of application. However, the representatives noted it would not be possible to reconstitute the dates of application for older PSAs, particularly those in production phase that were awarded in the 1990s prior to PAM’s website.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made meaningful progress in meeting this requirement. While most information on mining licenses can be found in the 2014 EITI Report and the MRAM online cadastre, dates of application for the licenses are missing. The 2016 MSWG work plan includes activities related to disclosing dates of application for all mining licenses. The MSWG should work with MRAM to ensure that dates of application, award and expiry for all licenses is freely available on the cadastre and harmonize the license databases maintained by different government agencies.

Information on oil and gas PSAs is provided through the MEITI eReporting portal, although dates of application and license coordinates are not provided. While PSAs’ coordinates are available in the full text of PSAs expected to be published on the Open Society Forum’s online contracts portal to be launched in August 2016, to date this information remains inaccessible to the general public. While it is possible to reconstitute the dates of application for PSAs signed since 2006, those for PSAs awarded prior to this date (and in particular the producing PSAs awarded in the 1990s) are not publicly available at this time. While the commodities covered by each oil and gas PSA is not provided, it is implicit that these cover both oil and gas.

Contract disclosure (#2.4)

Documentation of progress

The 2014 EITI Report includes a statement of the government policy on contract disclosure and reviews actual practice. Section 5.5.2.1 (pp.122-123) provides an overview of government policy on contract disclosure, noting four relevant laws (the Petroleum Law, Mineral Law, Nuclear Energy Law and Concession Law). The State Policy on the Minerals Sector requires publication of all information on state- and privately-funded geological research, exploration, and processing activities at all levels unless there are any legal barriers to such disclosures. It also requires that the terms of local development agreements conducted between an investing company and local self-governing bodies must be transparent. In the Law on Glass Accounts adopted in 2014, it is stipulated that “State and local-government owned entities must disclose information on concession agreements and joint venture agreements publicly”, but this only requires the provision of information about the agreement, not the whole agreement itself. However, Article 21 of the Law on the Right to Information and Information Transparency, and Article 3.2 of the Organizational Confidentiality Law provide protection for entities which do not wish to disclose information on the grounds that disclosure might be harmful to the lawful interests of the entity and its competitive advantage in the market, or that information relates to unique and confidential activities of the organization or business entity.

Section 5.5.2.2 (pp.123-124) describes actual practice of disclosure of contracts. To date, 12 agreements have been made public, of which 11 are between local authorities and mining companies. The 12th disclosed agreement is the Oyu Tolgoi investment agreement. In order to encourage contract disclosure, the IA included a request for disclosure of the contracts signed with state and local government departments through the EITI reporting templates. 42 of the 236 material companies reported back and provided information on 167 contracts (included in Appendix 32 (pp.317-325), although only two companies (Noyon Gari LLC and Andiin Temuulel LLC) actually disclosed their contracts in full. The other ten publicly-available contracts had been disclosed prior to the 2014 EITI Report. The report also notes that confidentiality clauses have been removed from the new model PSA and mining contracts since 2014.
The 2013 EITI Report includes a detailed description of inconsistencies in government policy on contract disclosures, although a single government policy on contract disclosure is not included. Sections 2.4.3 (p.14) and 8.4 (p.112) refer to contract disclosure and to the confusion between various government bodies (Ministry of Mines, Petroleum Authority) and companies on government policy on contract disclosure. The 2013 EITI Report also includes details of community agreements. Appendix 14 (p.114) includes details of 153 agreements with local governments, concluded by 250 companies in the scope of reconciliation.

The information on contract disclosure in the 2013 EITI Report has been followed up on by the MSWG. As part of the working group on contract disclosures established in January 2015, collaboration with PAM successfully removed the confidentiality clause from new model PSAs developed following the revised Petroleum Law in 2014. The three PSAs signed since the start of 2015 followed the template and are thus required to be disclosed. The PAM has stated that it is committed to contract disclosure but that confidentiality clauses in old PSAs stopped the government from disclosing them. The Authority also expressed concern to the Working Group over the potential impact of disclosing the terms of the oldest PSAs concluded in the 1990s, which it stated included fiscal terms that were disadvantageous to Mongolia, and the potential for applicants for newer PSAs to demand equivalent terms. The MSWG working group on contract disclosure has met all companies holding existing oil and gas PSAs in May 2016 to seek their written agreement to disclose their PSA contracts.

**Stakeholder views**

A government MSWG representative that the government was generally supportive of contract disclosure. The representative noted a number of legal requirements for contract disclosure, including the need for negotiations related to contract negotiations on large mining projects that are subject to parliamentary scrutiny, and the provisions of the Glass Account Law requiring all government expenditure contracts to be published within five days of signature.

Several industry and CSO representatives noted that only the largest mining projects held contracts with the government, in the form of stabilisation or investment agreements, while the majority of mining projects were governed only by mining licenses. CSOs noted that since there were only a handful of mining contracts, they had asked for agreements between mining companies and local communities to be disclosed. The introduction of community development agreements (CDAs) in 2016 was highlighted by CSOs, including their clauses requiring public disclosure of these agreements.

Stakeholders noted that it had organised two meetings of the MSWG’s contract disclosure working group in 2016. The first, on 18 March, was an internal meeting to discuss development of the OSF’s contracts portal, while the second, on 11 May, was held together with the Ministry of Mining and oil and gas PSA-holders to discuss disclosure of all active 24 PSAs as of 2016. While oil and gas companies agreed to disclose their contracts in principle, albeit without sensitive information such as fiscal terms and feasibility studies in the PSAs’ annexes, the EITIM Secretariat noted that the 15 June 2016 deadline for companies to send their contracts had passed with no companies having provided copies of their contracts as of 1 July 2016. While oil and gas representatives consulted noted that holders of newer PSAs would agree to publish their contracts (albeit with the redactions above), holders of PSAs signed in the 1990s would likely wait until the negotiations around converting their PSAs to the new model. The oil and gas representatives consulted noted that PAM intends to convert all existing PSAs to the new model by the end of 2016, which would require their disclosure, although they expressed reservations about this timeframe. It was noted that much would depend on whether there would be a legal obligation to
Several CSOs noted that development of the contracts portal had been included in the 2014, 2015 and 2016 work plans. It was noted that while a common understanding of the desirability of disclosing contracts was reached during meetings with government and companies in 2014, only two mining contracts had been disclosed to date and no PSA had been disclosed as of July 2016. It was noted that more capacity building and publicity campaigns were needed to pressure companies to disclose their contracts. One CSO representative noted that, at the May 2016 meeting, government and industry representatives had gone back on the common understanding about the benefits of contract disclosure and raised concerns regarding the confidentiality of contracts. However, the representatives noted that confidentiality clauses in PSAs only referred to specific sections of the contract, such as fiscal terms and feasibility studies, rather than the whole contract.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. The EITI Report’s recommendation on clarifying government policy on contract disclosure is being actively followed up, and confidentiality provisions have been removed from the new model PSA developed in 2015. A new contracts portal is due to be launched in August 2016, with over 100 contracts of various types (investment agreements, production-sharing agreements, sustainability agreements and local development agreements). The MSWG is encouraged to work with PAM to clarify the timeline for conversion of existing PSAs to the new model PSA and the legal implications in terms of contract disclosure.

Beneficial ownership disclosure (#2.5)

Documentation of progress

MEITI has undertaken work on beneficial ownership (BO) disclosure since 2014. As a first stage in examining BO, the scope for the 2013 EITI Report included a requirement to ask companies for details of their legal ownership. The MSWG meeting on 11 March 2014 agreed on the definition of BO to reflect article 4.1.26 of the Mongolian Law on Securities. The 2013 and 2014 EITI Reports disclosed information on the legal ownership of 215 companies and 26 companies respectively, which included information on the BO of certain companies. Following extensive discussion of the new BO requirement (#2.5) of the 2016 EITI Standard at its 22 April 2016 meeting, the MSWG agreed to establish a BO technical working group chaired by Enkhbayar Nemekhbayar, head of the Finance and Accounting Department of the Ministry of Mining and member of the MSWG. Its 20 members include representatives from the Ministry of Justice, the Financial and Regulatory Commission, the National Statistical Office, the Mongolian Stock Exchange, MRAM, the Petroleum Authority (PAM), the State Registration Bureau, Customs, the General Department of Taxation, Erdenes Mongol, two mining companies and four CSOs. The Open Society Forum (OSF) is preparing a research study on BO in the Mongolian context, which should be published by August 2016. The Natural Resource Governance Institute (NRGI) plans to include preparations of the BO roadmap as part of a week-long training with the MSWG in August 2016.

While the 2014 EITI Report does not define the government’s policy on BO disclosure in the extractive

industries, the reporting process included requests to all 236 material companies to disclose BO information. This included information on three levels of legal ownership as part of the reporting templates for both oil and gas and mining companies. The IA agreed with the MSWG during the inception workshop on 7 July 2015 to look into three levels of ownership incorporating a minimum of 5% share owning beneficiaries at the first level, a minimum of 25% share owning beneficiaries at the second level and a minimum of 51% share owning beneficiaries at the third level. The previous “supplementary information” section of the reporting template have been updated for the 2014 EITI Report to comprise schedules and instructions to provide:

(i) the definition of BO  
(ii) the EITI pilot reporting template  
(iii) define the 3-layers of equity ownership thresholds (where applicable)  
(iv) link to the webpage (where applicable for publicly-listed companies)

Of the 236 material companies, 30 companies disclosed details of their legal owners, as described in Appendix 21.a (pp. 305-314), although no company disclosed details of their ultimate BO. The new Law on Registration of Legal Entities, passed by the Great Khural in May 2015, did not include provision for a public registry of BO information that had appeared in early drafts. Information is only available upon specific request and there are grounds for withholding information. The draft Law on Transparency in the Mineral Resources Sector (the so-called ‘EITI Law’) includes provisions requiring companies in the sector to disclose their BO.

**Stakeholders view**

A government member of the MSWG’s BO working group noted that the government’s policy on beneficial ownership disclosure was clear for publicly-listed companies (through the Law on Securities) and for public-sector employees (through the Anti-Corruption Law), but the policy for other companies was still evolving. Several government representatives noted that while the disclosures required by the EITI Standard had expanded, there was insufficient legal basis for these disclosures. The need for participation from high-level government officials was noted in order to establish a clear legal framework for EITI. Representatives of the MNMA noted that their members were largely supportive of disclosing the identity of real owners of mining companies, but that implementation would be challenging. While larger companies would be broadly supportive, smaller companies that form the majority of mining companies in Mongolia would prove harder to reach.

**Initial assessment**

Implementing countries are not yet required to address beneficial ownership. Nonetheless the MSWG has undertaken some work on BO, including requests for BO disclosure in reporting templates for both the 2013 and 2014 EITI Reports. The results were converted into an interactive infographic on the EITI website. The MSWG has also established a BO working group to steer preparations of Mongolia’s three-year BO roadmap by 1 January 2017, in line with Requirement 2.5.b.ii of the 2016 EITI Standard. While disclosure of BO information has been incomplete, with information pertaining to legal ownership in most cases, the MSWG has clearly considered the issue of BO and undertaken work to disclose such information in a phased approach. In preparation for enforcement of Requirement 2.5 of the 2016 EITI

---

120 See Topic 3.4 of Appendix 1 and 5 of the KPMG 2014 EITI Mongolia Inception Report.
Standard and drawing on the findings of the OSF study in August 2016, the government is encouraged to clarify government policy on BO disclosure.

**State participation (#2.6)**

**Documentation of progress**

Section 5.4 (pp.110-115) in the 2014 EITI Report describes state participation in the extractive industries and notes that it gives rise to material revenues.

Section 5.4.2 (p.111) provides details of the 21 SOEs operating in the mining sector. Section 5.4 (p.115) explains that there are no SOEs operating in the oil and gas sector, but that PAM represents the state’s interests in the sector, including the level of state ownership in each project.

The 2014 EITI Report notes that the financial relationship between the state and SOEs is “primarily” governed by the Human Development Law (p.110). It states that income from dividends and from sales of shares of legal entities, including SOEs, with production licenses for strategically important mineral deposits are required to be transferred to Human Development Fund. The law also dictates that a certain part of loans and prepayments received with regard to the usage of strategically important mineral deposits are to be transferred to the Human Development Fund. According to the Article 21 of the 1996 Law on State and Local Government Property, companies owned by the national or local government are not to take loans from third parties or raise capital by issuing shares of stock without prior approval from either the state central administrative body in charge of budget and finance, or the aimag or Citizen’s Representative Khural respectively.

The MRAM disclosed government ownership in a total of 21 SOEs in the extractive industries (pp.111-112), but these SOEs were not asked to disclose their level of ownership in oil, gas and mining companies. Equally, Section 5.4 (pp.110-115) does not clarify details of any changes in ownership in any SOE or SOE subsidiary in 2014. This information is not provided in the IA’s inception study or in minutes of MSWG meetings on scoping decisions or during the inception phase. The EITI Report does not describe any policies related to retained earnings or reinvestment. Equally, the terms associated with the government’s equity stake in license-holding companies are not disclosed.

Section 5.4.5 (p.119) provides a description of loans and loan guarantees to SOEs. Two SOEs (Erdenes Tavan Tolgoi and Shivee Ovoo) reported loans with information including loan name/number, debt contract date, use of loan, amount and involved parties. It also notes that while detailed information on loan and loan guarantees was requested during data collection from all SOEs included in the reconciliation scope, all but two SOEs either reported that there were no loans from the government or did not disclose any information pertaining to loans and guarantees from the government. The 2014 EITI Report did not specifically name the SOEs that did not report any details of loans or loan guarantees, although this can be inferred.

The 2013 EITI Report explains that the government holds ownership in 99 companies (p.45), but it only discloses the level and change of ownership during 2013 for 11 of the 99 companies. It is unclear how many of the 99 SOEs operated in the extractive industries. The financial relationship between SOEs and government is only partially described. The rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing are not described. It does not include details of loans and loan guarantees. There is no information about loans or loan guarantees to SOEs or other companies in the extractive industries. There is no mention of Development Bank of
Mongolia’s USD 200 million debt injection into Erdenes Tavan Tolgoi in 2013.\textsuperscript{121} On pp.47 and 49 there is no mention of the manner in which the government finances/exercises a 34% stake in strategic deposits.

**Stakeholder views**

Government representatives noted that the State Property Committee (SPC), responsible for administering state property, was the agency that would hold information on SOEs, in particular on the rules and practices governing the financial relationship between SOEs and government. No legal barriers to disclosure of this information were noted. Several government representatives noted that the Company Law, the Human Development Fund Law and the State and Local Property Law would cover the rules and practices governing the financial relationship, although they were unsure whether there were any deviations in practice. This had not been discussed by the MSWG according to stakeholders consulted.

The US Department of State highlighted the lack of clarity surrounding the state’s role as equity owner, in terms of management of revenues and operation of mines, in its 2015 Investment Climate Statement.\textsuperscript{122} It noted that SOEs that sought international financing “tended” to follow statutory rules governing their financial relations with the state, but that, given that international best practice was not institutionalised in – and at times at odds with – Mongolian law, “many” SOEs “tended” to follow Mongolian rules by default. The report also related concerns from investors over the government’s ability to execute its fiduciary responsibilities as owner and operators of mines and the risk that the government would divert future mining revenues for unrelated expenses.\textsuperscript{123}

The IA noted the omission of information on state participation was due to the bureaucracy of government, which presented barriers to access to information on SOEs in practice. In 2014, the SPC controlled most SOEs aside from Oyu Tolgoi, Tavan Tolgoi, “certain mining properties” and uranium properties according to the US Department of State.\textsuperscript{124} A CSO representative noted that the ownership of SOEs was split between various government entities (including the SPC, the State Secretary, the Ministry of Finance and Erdenes Mongol), particularly during the 2012-2016 period of coalition government. The CSO representative noted this was likely linked to the politics of coalition government, where government entities controlled by different parties sought control of revenue-generating SOEs. A CSO noted that the level of government ownership in ETT was unclear: while 10% of its stock was distributed to Mongolian citizens in 2011\textsuperscript{125}, the government had subsequently bought back some of these shares, most recently the week before the June 2016 legislative elections\textsuperscript{126}, meaning government ownership in ETT had


\textsuperscript{122} US Department of State (June 2015), Mongolia Investment Climate Statement 2015, http://www.state.gov/documents/organization/241879.pdf

\textsuperscript{123} US Department of State (June 2015), Mongolia Investment Climate Statement 2015, http://www.state.gov/documents/organization/241879.pdf


\textsuperscript{125} FT (24 January 2013), ‘Mongolia coking coal mine troubles mount’, http://www.ft.com/cms/s/0/1883afe8-6622-11e2-b967-00144feab49a.html#axzz4Dp84CvFQ
changed since 2011. The representative noted the lack of clarity on the amount of shares bought back from Mongolian citizens by the government, who subsequently sold some of the acquired shares back to Mongolian companies.  

Several government and CSO stakeholders consulted noted recent reforms in January 2016 that disbanded the SPC and transferred its responsibilities to Erdenes Mongol, as part of the restructuring of SOEs with support from the International Finance Corp. and the Asian Development Bank (which agreed USD 35 million loan support for strengthening Erdenes Mongol in March 2016). A representative from a past EITIM IA and MSWG members consulted noted that there had been no discussion by the MSWG of loans or guarantees extended by government or SOEs to extractives companies in Mongolia prior to data collection for the 2014 EITI Report. Industry and government representatives consulted were not aware of any other loans from the state or SOEs to extractives companies, although they noted their impression that there would be no way of knowing if there had been additional loans or guarantees.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made inadequate progress in meeting this requirement. While the 2014 EITI Report addresses state participation in the extractive industries, it does not disclose all information required under Requirement 2.6. It lists 21 extractives companies in which the state holds majority equity, some of the rules and practices governing financial transfers between SOEs and government, including relevant laws and practices related to dividends and third-party lending, and some details of loans and loan guarantees. However, it does not clarify whether there were any changes in ownership of extractives SOEs or their subsidiaries in 2014 and it remains unclear whether disclosures of loans or loan guarantees are comprehensive. The terms associated with government equity in each company are not disclosed, and the rules and practices governing SOEs’ retained earnings and reinvestment are not described.

The MSWG does not appear to have discussed the issue of government or SOE lending to companies in the extractive industries with the MoF or the Bank of Mongolia to ascertain the total universe of government direct loans, state-owned banks’ loans or third-party loans to SOEs. The International Secretariat’s understand is that wholly government-owned State Bank had extended loans worth roughly MNT 2.6 billion to mining companies in 2014, although this accounted for less than 1% of its total lending that year according to its annual report. The US Department of State has estimated total third-party debt at ETT alone was USD 700 million in 2015, although this included obligations to both public and

---


Validation of Mongolia: Report on initial data collection and stakeholder consultation

private creditors.131 DBM has started publishing interim financial statements on the Glass Accounts website since late 2015132, providing some information on its loan portfolio and credit rating agencies expect the government to continue using the bank as its main credit policy vehicle to provide loans to sectors such as infrastructure, transport and mining.133 Development partners have raised concerns over the fiscal risks associated with limited oversight of SOEs, such as DBM.134

A comprehensive assessment of state participation is particularly important for Mongolia given the state’s extensive role in the sector and the significant off-budget state funding for SOEs, including in the extractive industries. The MSWG should consider closer collaboration with ongoing technical assistance to SOE reform as a means of enhancing the impact of the EITI and supporting broader reforms.

Table 2 - Summary assessment table: Award of contracts and licenses

<table>
<thead>
<tr>
<th>EITI provisions</th>
<th>Summary of main findings</th>
<th>International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal framework (#2.1)</td>
<td>The 2014 EITI Report address the relevant laws, regulations and fiscal regime.</td>
<td>Satisfactory progress</td>
</tr>
<tr>
<td>License allocations (#2.2)</td>
<td>While the 2014 EITI Report provides some useful information on license awards and transfers, the exact numbers of licenses that were allocated or transferred remains unclear. The report also fails to disclose whether there were any deviations from the license allocation procedures.</td>
<td>Meaningful progress</td>
</tr>
<tr>
<td>License registers (#2.3)</td>
<td>Most aspects of 2.3 are addressed in the EITI Report and/or are publicly available through the MRAM cadastre and the eReporting system. However information on dates of application is not available for mining licenses. In the oil and gas sector, there is no information on dates of application,</td>
<td>Meaningful progress</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Contract disclosures (#2.4)</th>
<th>The 2014 EITI Report clarifies government contract disclosure policy and provides a review of actual disclosure practice. There has been follow up by the MSWG to develop a contracts portal, amend the model oil and gas PSAs to remove confidentiality clauses and to disclose all PSAs.</th>
<th>Satisfactory progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficial ownership disclosure (#2.5)</td>
<td>The MSWG has considered beneficial ownership disclosure in detail at several MSWG meetings and has conducted initial work on disclosure of legal ownership information (which includes some beneficial ownership disclosures) in the 2013 and 2014 EITI Reports.</td>
<td></td>
</tr>
<tr>
<td>State-participation (#2.6)</td>
<td>The 2014 EITI Report lists 21 extractives companies in which the state holds majority equity, some of the rules and practices governing financial transfers between government and SOEs and some details of loans and loan guarantees. However the rules and practices related to SOEs’ retained earnings and reinvestment are not described. The report does not clarify any changes in ownership of extractives SOEs or their subsidiaries in 2014 and it remains unclear whether disclosures of loans or loan guarantees are comprehensive.</td>
<td>Inadequate progress</td>
</tr>
</tbody>
</table>

**Recommendations:**
1. The MSWG is encouraged to use the description of the regulatory framework – and deviations in practice – in the EITI Reports as a means of clarifying any misunderstandings between government and industry. Clarifying the application of laws in practice would also support the government’s investment promotion efforts.
2. The MSWG should seek information and the EITI Report should describe any deviations in practice from the statutory license award process.
3. The MSWG should work with MRAM and PAM to ensure that dates of application, award and expiry for all licenses is freely available on the cadastre. The MSWG could also consider opportunities to harmonise databases of extractive industry companies across different government entities.
4. The MSWG should review the rules and practices governing financial relations between the state and SOEs (including loans). The EITI Report could play a useful role in improving oversight of off-budget liabilities, which have grown significantly since 2012.
5. The MSWG is encouraged to work with PAM to clarify the timeline for conversion of existing PSAs to the new model PSA and the legal implications in terms of contract disclosure.
6. In preparation for enforcement of Requirement 2.5 of the 2016 EITI Standard and drawing on the findings of the OSF study in August 2016, the government should consider clarifying government policy on BO disclosure.

3. Monitoring and production

3.1 Overview

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

3.2 Assessment

Overview of the extractive sector, including exploration activities (#3.1)

Documentation of progress

The 2014 EITI Report provides an overview of the extractive industries (Section 5.1, pp.47-91). This includes the absolute and relative value of the extractive industries, a description of key regions for mining (Section 5.1.4.3, pp.71-73) and oil and gas (Section 5.1.5, pp.84-86) as well as an overview of exploration in mining (Section 5.1.4, p.65, and Section 5.1.4.2, pp.68-70) and oil and gas (Section 5.1.5, pp.84-86). Appendix 15 (pp.265-287) provides information on the mining, oil and gas licenses where privately-funded exploration activities took place in 2014. An overview of artisanal and small-scale mining is included in Section 5.1.4.5 (pp.79-83), while Appendix 17 (pp.296-297) provides more information by soum/district, including the number of artisanal miners per soum, although there is no estimate of the value of these activities.

Stakeholder views

Industry and CSO stakeholders consulted considered the overview of the extractive industries in the 2014 EITI Report to be comprehensive. CSOs in particular welcomed the expanded description of artisanal and small-scale mining in the latest EITI Report and the disaggregation of information by soum, which was seen as particularly relevant given subnational EITI councils’ demands for information.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement.

Production data (#3.2)

Documentation of progress

The 2014 EITI Report provides comprehensive production data. Section 5.1.4.4 (pp.74-78) provides information on production volumes, values and share of total production value by mineral for all 23 of the minerals Mongolia produces. Section 5.1.4.3 (pp.71-73) provides an overview of production from the 110 companies that reported such figures disaggregated by both province/aimag and district/soum, although not from all producing companies. Not all mineral production is disaggregated by province/district, particularly for coal.

Sections 5.1.5.3 and 5.1.5.4 (pp.86-87) also provide an overview of crude oil production, including
production volumes for crude oil. While it is not explicitly stated that there is no commercial natural gas production in Mongolia, the overview of significant exploration activities in Section 5.1.5.2 (p.85) indicates that only non-commercial quantities of natural gas have been discovered. While the province and district hosting each of the three producing oil fields are not disclosed, it is possible to reconstitute the geographic location of oil production using the names of PSCs provided in Section 5.1.5.3 (p.86) and the low-definition map of oil blocks in Section 5.1.5.1 (p.84). While the oil production value is not provided, it can easily be calculated given the provision of average price. Appendix 16 (pp.288-295) provides information on production and sales per mineral, including production volumes and value.

**Stakeholder views**

Several industry and government representatives noted inconsistencies between various sources of production data, depending on the methodology used and the timing of data collection, but supported the inclusion of figures from MRAM in the 2014 EITI Report. Several government representatives noted that MRAM produced weekly data for production volumes and value of the 15 commodities Mongolia produces and that it must thus have been a mistake if the 2013 EITI Report did not include this data. During discussions regarding the definition of production value, it was noted that the production costs of minerals was confidential but that the sale price was publically available. From 2015 onwards royalties for coal and iron ore are calculated on the contract price, while royalties for all other commodities are determined on the basis of benchmark prices. There would thus not seem to be any obstacles to disclosure of production data. It was agreed that the use of international benchmarks for the calculation of production value was problematic, given the lower sale price of Mongolia’s key commodities (in particular coal, which sells at less than half of Australian fob prices).

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. The 2014 EITI Report discloses volumes and values of minerals and crude oil produced, disaggregated by commodity, and by state/region where available. While the oil production value is not provided, it can easily be calculated given the provision of volumes and pricing benchmarks.

**Export data (#3.3)**

**Documentation of progress**

The 2014 EITI Report provides more comprehensive information on mineral exports than previous EITI Reports. The sales volumes, values and share of total sales value are provided in Section 5.1.4.4 (pp.74-78) for all 23 minerals produced, disaggregated by commodity. However according to footnote 2 in Section 5.1.4.4 (p.74) these sales volumes and values are recorded when minerals are shipped, regardless of whether to the domestic or export markets. All copper, coal, iron ore, zinc, molybdenum, fluorspar, tungsten, silver, tin and lead sales are exported (meaning that sales figures refer to exports), according to Footnote 4 in Section 5.1.4.4 (p.74), which means that sales volumes and values of coal, gold, cement, crushed rock, bricks, chalk, gravel, clinker, limestone, gypsum, zeolite, sand, gravel mix, sand and siltstone, which are also used domestically, do not represent exports. Thus export volumes and values are not provided for coal, gold, cement, crushed rock, bricks, chalk, gravel, clinker, limestone, gypsum, zeolite, sand, gravel mix, sand and siltstone. Volumes and values of Mongolia’s five largest exported minerals are provided in the table in Section 5.1.4.4 (p.75). Crude oil export volumes and values are also provided in Sections 5.1.5.3 and 5.1.5.4 (pp.86-87). While the export figures provided do not account for all mineral exports, it is inferable from the pie chart in Section 5.1.1.3 (p.49) that the five minerals for
which export volumes and values were provided account for more than 90% of Mongolia’s extractive industry exports. Mineral and crude oil export volumes and values are not disaggregated by province or district.

**Stakeholder views**

Industry representatives consulted did not recall the MSWG discussing the issue of mineral export figures. Government representatives consulted confirmed that MRAM had statistics for mineral export volumes and values but that the EITI reporting templates had only requested they provide sales figures in the 2014 EITI Report. Several industry and government representatives noted the large discrepancies between MRAM and Customs export data, given that MRAM data covered production in the year under review that was exported, while Customs data included additional exports such as stockpiled minerals from previous years’ production and non-commercial exports such as samples. A MRAM representative questioned the reliability of Customs export figures, given that these were based on exporters’ self-declarations and were not verified. Industry representatives consulted noted that Mongolia’s top-five mineral exports never changed, although there were significant fluctuations in the smaller mineral exports.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. While the 2014 EITI Report does not include export volumes and values for all mineral commodities exported, it provides figures for the five largest commodity exports accounting for over 90% of total extractive industry exports. MRAM publishes export volume and value figures for all minerals exported in its annual information circulars, with less than one-year time lag. It is recommended that the MSWG explores, in consultation with MRAM, options for including export volume and value figures for all commodities exported by Mongolia, in addition to the sales figures already provided, on the EITI data portal and in future EITI Reports.. There may also be opportunities to use the EITI to reconcile production figures across relevant government entities to improve the reliability of Mongolia’s export statistics.

**Table 3 - Summary assessment table: Monitoring and production**

<table>
<thead>
<tr>
<th>EITI provisions</th>
<th>Summary of main findings</th>
<th>International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overview of the extractive sector, including exploration activities (#3.1)</td>
<td>The 2014 EITI Report includes a detailed description of the extractive industries, including informal activities, and of significant exploration activities.</td>
<td>Satisfactory progress</td>
</tr>
<tr>
<td>Production data (#3.2)</td>
<td>The 2014 EITI Report includes</td>
<td>Satisfactory progress</td>
</tr>
</tbody>
</table>

Validation of Mongolia: Report on initial data collection and stakeholder consultation

| Validation of Mongolia: Report on initial data collection and stakeholder consultation | volumes of production in mining and crude oil. While the location of mining production is provided for only some mining licenses, it is possible to reconstitute the location of production using the EITIM data portal. |
| Export data (#3.3) | The 2014 EITI Report provides export volumes and values for only the five largest commodity exports. MRAM publishes export volume and value figures for all minerals exported in its annual information circulars, with less than one-year time lag. | Satisfactory progress |

**Recommendations:**

1. The MSWG is encouraged to consult with MRAM and the Bank of Mongolia to source the volumes and values of all commodity exports. This would be particularly relevant to informing the domestic policy debate on Mongolia’s terms of trade and the impact of lower global commodity prices on Mongolia’s balance of payments.
2. The MSWG may wish to consider opportunities to use the EITI process to reconcile production figures across relevant government entities to improve the reliability of Mongolia’s export statistics.

4. **Revenue collection**

4.1 **Overview**

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

4.2 **Assessment**

**Comprehensiveness (#4.1)**

**Documentation of progress**

For the 2014 EITI Report, the MSWG and the IA responded to a recommendation from the 2013 EITI Report (Section 8.2.2, p.109) to revise the method for selecting which companies should be required to report. The 2014 EITI Report provides a definition of materiality and a justification for adopting a two-tier approach to reconciliation as defined in Sections 2.3.1.1 (p.18) and 3.1 (pp.20-21), 3.3.1 and 3.3.2 (pp.28-29). The MSWG agreed a two-tier approach to reconciliation with the IA, including individual reconciliation for the largest contributors to government and a risk-based approach for smaller companies. It also agreed two distinct materiality thresholds for payments to national government and subnational governments. The 2014 EITI Report refers to the options considered in determining the
materiality threshold during the inception workshop in July 2015 and refers to the need to balance benefits of expanding coverage with cost and complexity (p.20).\textsuperscript{136}

All material revenue flows were included in the scope of reconciliation in the 2014 Report, which provides a rationale for selecting 24 revenue streams, covering all streams listed in Requirement 4.1.b. It describes the selection criteria for revenue streams to be included in reconciliation in Section 3.3.2 (pp.28-29). While EITIM’s eReporting system requires reporting of a total of 40 revenue streams (at both national and subnational levels), the MSWG agreed with the IA to only reconcile the largest 24 revenue streams, as described in Section 2.3.1.2 (p.18). By selecting the 15 largest revenue streams at the national level and 9 largest subnational revenue streams, the 2014 EITI Report provides a coverage of reconciliation of 99% of the value of both national and subnational revenue streams. As noted in Section 4.4 (p.16) of the 2014 Inception Report dated 4 August 2015, the same reporting templates originally agreed on 3 January 2014 were used for the original data collection through eReporting and for the 2014 Report. The list of material revenue streams is provided in Section 3.4.1.3 (pp.33-34) and the process for selecting them is described in Section 3.4.1.2 (pp.32-33). While Appendix 3 (pp.152-153) provides a list of the 28 revenue streams included in reconciliation, the 2014 EITI Report does not include a description of each material revenue stream, although this information is readily available elsewhere online.

At the national level, the materiality threshold for individual reconciliations was set at MNT 250 million. Companies with total payments of more than MNT 100 million but less than MNT 250 million against the revenue streams identified as material, were included in sampled reconciliations under a risk based approach. At sub-national level, the materiality threshold for individual reconciliations was set at MNT 100 million. Companies with total payments to local governments of more than MNT 30 million but less than MNT 100 million were included. This approach yielded a tranche of 242 companies selected for individual reconciliation (including 183 identified through the national materiality threshold and 59 through the subnational one), as well as a second tranche of 66 companies for a risk-based reconciliation (including 44 through the national materiality threshold and 22 through the subnational one). After providing for companies counted twice, a total of 236 companies were selected for reconciliation, covering 98.8% of government revenue in 2014. The 2014 EITI Report refers to the options considered in determining the materiality threshold during the inception workshop in July 2015.\textsuperscript{137} The material companies are listed in several places in the EITI Report including Appendix 7 (pp.170-176).

Results of reporting by companies is detailed in Section 6.2.3 (pp.142-143). Seven companies did not report. The non-reporting companies are listed in Section 4.2.2 (p.43). All seven companies were named and include:

- Erdenes shashirt mining resource LLC
- Oyushengming LLC
- Ulgazan Tsamkhag LLC
- Mongol Bolgar Geo LLC
- Special Mines LLC
- Gangar Invest LLC
- Ganch LLC

While their aggregate contribution is stated as MNT 1.051 billion (USD 582,377), their combined share of

\textsuperscript{136} See Inception presentation from KPMG, 7 July 2015, not published on the website.

\textsuperscript{137} See Inception presentation from KPMG, 7 July 2015, not published on the website.
total government extractives revenue is not provided, although it can be calculated as 0.064% of total
government revenues.

In addition to these seven companies, five more companies initially reported but did not provide
additional details when contacted to reconcile initial discrepancies, as described in Section 4.2.3.4 (p.44).
The table in Section 4.2.1 (p.41) also provides the value of payments from 23 companies that returned
reporting templates initially but did not provide additional information for resolution of discrepancies:
they accounted for a combined MNT 2,974 billion (USD 1.65 billion), or 0.182% of total government
revenues (although this share is not provided in the 2014 EITI Report). The 23 companies are named in
Appendix 4 (pp.154-162).

Although the 2014 Report includes a section, 4.1.3 (p.41), on comprehensiveness and reliability of data
presented, the IA does not include an assessment of the comprehensiveness of data presented. In
addition, the materiality of non-reporting companies is not assessed as a share of total government
extractive industry revenue. Total government extractives revenues were MNT 1632 billion and the
coverage of reconciliation was 96.57%. 138

The 2014 Report, in Section 3.3.3 (p.30), clarifies the materiality threshold for discrepancies at MNT
100,000 (USD 55) “for each receipts category”. Sections 4.1.1 (p.35) and 4.2 (p.41) present the results of
reconciliation, including the MNT 581 million (USD 322,000) in net discrepancies (disaggregated between
national-level and subnational discrepancies). This accounts for 0.03% of government’s initially reported
revenue. The initial gross discrepancies of MNT 271 billion (USD 150.2 million) were reduced to MNT 581
million (USD 322,000) after reconciliation, as described in Section 2.1 (p.13). The table in Section 4.2.1
(p.41) provides the initial and final discrepancies, disaggregated by revenue stream: the three largest
sources of final discrepancies are, in order of size, corporate income tax, employers’ social and health
insurance, and license fees for the exploitation and exploration of mineral resources.

The 2014 EITI Report identifies the government entities receiving extractive industry revenues in Section
3.4.1.1 (p.32). Appendix 5 (pp.163-164) provides an overview of the information provided by each
reporting government entity: it appears that two government entities, the State Professional Inspection
Agency (SPIA) and Khovd Aimag, did not provide any information to the IA. The 2014 EITI Report does not
include an assessment of the materiality of omissions by government entities nor a description of the
reasons for non-reporting. From Section 3.4.1.1 (p.32) it appears that SPIA is only responsible for
collecting penalties, which according to Appendix 3 (pp.152-153) amounted to a total of MNT 30 million
(USD 16,600), which could be considered non-material. While payments to Khovd Aimag are not known, it
is likely these were also non-material. Full unilateral government disclosure for all material revenue
streams is included in Appendix 3 (pp.152-153).

The 2014 Report provides several recommendations related to the comprehensiveness of reporting.
Several revisions to the EITI Reporting system are recommended in Sections 6.2.1 (p.142) and 6.2.7
(p.144), including addressing IT control weaknesses that could affect the integrity of the data and
providing clear instructions for reporting.

The recommendation in Section 6.2.3 (p.143) is for greater outreach to and capacity building of reporting
companies. Section 6.2.4 (p.153) notes the lack of disaggregation in key revenue streams, such as

138 While this reconciliation coverage was not provided in the 2014 EITI Report, it could be calculated from figures provided on
p.17 and p.48.
corporate income tax, and the impact on selection of companies for reconciliation. Large tax payers may have only marginal activities in the extractive industries but be included in reconciliation as mining license-holders given their material aggregate payments to government. The section thus recommends the government revise its revenue management systems to distinguish extractive industry revenues from other income.

**Stakeholder views**

Representatives from two past EITIM IAs noted that the inception phase of the 2014 EITI Report marked the first time an IA had consulted the MSWG on scoping decisions and highlighted the lack of evidence of past MSWG discussions on key scoping decisions. One of the representatives noted that this was due to the fact that the ToR for the 2014 EITI Report were a significant improvement on previous ToRs, given that they required a distinct inception phase. One past IA representative noted that prior to the 2014 EITI Report, the EITIM Secretariat and MSWG undertook the scoping, which the IA took as a given once contracted. For the 2014 EITI Report, several CSO MSWG members and the EITIM Secretariat noted that the IA had proposed only one option for key scoping decisions such as materiality and quality assurance, on which a few members provided limited comments and eventually approved.

Two government representatives were critical of the current materiality threshold adopted for setting the scope of reconciliation. It was unclear to these stakeholders why, if information was collected from over 1300 companies, this data would not be reconciled with government disclosures. Several industry representatives noted that a proposal had been put forward to revise the materiality threshold on several occasions, most recently at the National Forum on 3 November 2015. The proposal was that there be two different thresholds (for exploration and production license holders) so that the IA would not spend time chasing exploration companies making small payments. All stakeholders consulted considered the approach to selecting material companies for the 2014 EITI Report was an improvement on past EITI reporting, particularly given the two-tier approach, and noted that the MSWG had approved this materiality threshold for companies via email following the 7 July 2015 inception meeting. It was noted by several industry representatives that relatively inactive exploration companies only paid license fees and that the licenses were suspended in any case if such payments were not made. Upon discussion, one government representative consulted recognised that the number of companies for which government disclosed its revenues did not match with the total number of companies holding licenses, although this had not been discussed by the MSWG. The representative noted there were no practical barriers to government’s disclosing of information on all license-holders.

There appears to be confusion related to the definition of the materiality threshold for selecting revenue streams. Industry and CSO stakeholders consulted and representatives from several past IAs conceived of the MNT 10,000 threshold as applying to individual transactions, rather than the aggregate annual revenue per payment stream. All stakeholders consulted noted there had not been an MSWG discussion of the materiality threshold for selecting revenue streams for the past three EITI reporting cycles.

A representative from the National Statistics Office (NSO) noted that that last revision to EITI reporting templates agreed in December 2015 included requirements to report sector-specific fees on a project-level basis, although common taxes (such as Corporate Income Tax) were still reported on a company basis. Given that proposals for revisions to EITI reporting templates were always vetted by several committees, the NSO had always incorporated the National Council’s and MSWG’s suggested amendments to the templates. It was also noted that the final reporting templates were approved jointly by the NSO and the MoF.
The number of companies reporting in the 2014 EITI Report through the eReporting system dropped to 987. In our discussions with government agencies like MRAM, it was noted that the reason for the lower level of reporting by companies for 2014 was due to the fact that many companies had stopped operating or had gone into receivership. It was noted that of the more than 1500 companies with licenses, 380 had submitted mining plans to MRAM, of which 300 were approved and 78 were operational and producing. Yet even if license holders were not producing, they still made material payments to government in the form of annual license fees.

Two government representatives called for the introduction of single company identification numbers to be used consistently across all government departments, as this would facilitate identifying company payments across various entities.

Industry and CSOs did not express any particular views on the comprehensiveness of revenue flows included in reconciliation. One government representative noted that all revenue streams had been included and that, given the low materiality threshold of MNT 10,000 per payment, the MSWG had clearly demonstrated its desire to include all revenue flows in the scope of reconciliation. Several government representatives expressed frustration at this low materiality threshold and argued for more discussion on the selection of revenue flows to be included in the scope of reconciliation, so that efforts could focus on adequately disclosing all information related to material revenue flows.

MSWG members consulted were not aware of the need for the IA to provide an assessment of the comprehensiveness of EITI reporting, noting that the MSWG tended to focus on the size of unreconciled discrepancies rather than technical discussions related to the scope of EITI reporting. The IA noted it had not been instructed to provide an assessment of the comprehensiveness of the EITI Report, despite the provisions of the ToR.

Initial assessment

The 2014 EITI Report includes a definition of the materiality threshold for payments and companies to be included in reconciliation, including a justification for why the threshold was set at this level. The MSWG was involved in setting the materiality threshold for payments and for companies in July 2015, although there was some confusion about whether the materiality thresholds applied to aggregate payments or individual revenue flows. While all material revenue streams are listed, the 2014 EITI Report does not include a description of each revenue flow.

The companies that did not report are named and the value of their combined payments to government is provided in absolute terms. While the 2014 EITI Report does not include an assessment of the share of total revenues that non-reporting companies amount to, nor an assessment by the IA of the materiality of the omissions, this can be easily inferred with available figures. The share of non-reporting companies appears to be insignificant. Similarly, the EITI Report names the two non-reporting government entities but does not provide an assessment of the materiality of omissions, although these appears to be insignificant. While the commentary from the IA on the comprehensiveness of the EITI report is limited to a statement of their work on representing limited assurance, it is possible to calculate the materiality of omissions. Given that these appear immaterial, and in light of the low materiality threshold adopted for selecting material revenue streams, the International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. However, the MSWG is urged to clarify whether future thresholds apply to total payments or individual revenue streams, and to ensure that the IA includes a clearer assessment of the comprehensiveness of the next EITI Report. Concerns regarding data reliability are addressed separately in section 4.6, below.
**In-kind revenues (#4.2)**

**Documentation of progress**

The 2014 EITI Report clarifies the structure of oil and gas PSAs in Section 5.5.7 (pp.139-140). The government is entitled to a share of in-kind revenue (Profit Oil), which is variable depending on the PSA. For the three producing PSAs, the state’s share of in-kind revenue is commercialized by the two respective operators, with the proceeds then remitted through PAM to the Treasury. The 2014 EITI Report references MSG deliberations on the subject: “During the inception workshop, a representative from PAM stated that companies pay in cash from the sale to the Government for its share under current arrangement. In the future there are plans to pay such profit-oil share in oil barrels. 100% of oil extracted by the companies is exported. The government does not sell oil in Mongolia.” (p.139) A description of in-kind revenue flows under the producing PSAs is included in Section 5.5.7 (pp.139-140), alongside the value of cash proceeds of the sale of the state’s share of in-kind revenues, in aggregate for each of the two operators for 2014.

**Stakeholder views**

A government representative on the National Council with jurisdiction over the oil and gas sector explained the provisions for in-kind revenue under Mongolia’s PSA system. Oil and gas operators are required to transfer a share of production in kind to the government (the share is variable according to the PSA, which are all different). For the three producing oil and gas PSAs, the two operators take care of commercialising the government’s share of profit oil and then transfer the proceeds to PAM (net of marketing fees). The government, through PAM, monitors the volumes of commercialised oil with three separate checks by a customs officer at the well-head. The legal framework for mining does not provide for in-kind payments. Oil and gas companies consulted confirmed that there were no in-kind payments to government in the oil and gas sector and that the proceeds of the sales of the state’s share of Profit Oil were paid directly to the PAM account at Ulaanbaatar City Bank.

One government representative raised the issue of the sale of ETT’s production as an example of in-kind revenues, although this would not strictly count as in-kind revenue given that the ETT and other mining SOEs make material payments to government in line with those from privately-held companies, such as taxes, license fees, etc, as well as dividends (either to Erdenes MGL, which is a part of the Human Development Fund, for four SOEs and to the State Property Commission for all other SOEs) but this does not include revenues derived from the sale of in-kind revenue. State-owned mining companies like ETT sell their production and pay fees, taxes and dividends to government on the basis of their sales. Despite the absence of legal barriers to disclosing sales of ETT’s coal production, in practice these were not disclosed as government representatives were concerned over the information being “misinterpreted” by NGOs given the public criticism of ETT’s coking coal pre-sales agreement with Chalco in 2011.139

**Initial assessment**

The International Secretariat’s initial assessment is that this requirement is not applicable. The 2014 EITI Report explains that the state’s share of in-kind revenue under the three producing oil and gas PSAs is commercialised by the two respective operators, and the government receives the revenue in cash rather

---

Validation of Mongolia: Report on initial data collection and stakeholder consultation

than in-kind. The value of cash proceeds of the sale of the state’s share of Profit Oil is disclosed and reconciled. There are no statutory provisions for in-kind revenue in the mining sector. While not required under the EITI Standard, the MSG may wish to include the volumes of the state’s entitlement of in-kind revenues under the three producing PSAs. This would be particularly relevant given the ongoing debate on oversight of the two current PSA operators.

Barter and infrastructure transactions (#4.3)

Documentation of progress

Section 5.5.3 (pp.125-126) of the 2014 EITI Report describes the approach adopted to infrastructure provision and barter agreements, setting the materiality threshold at MNT 1 billion (USD 554,100). However, it notes that no cases of infrastructure provisions or barter were reported or identified by reporting companies or government entities. Three companies (Terra Energy LLC, Usukh Zoos LLC and Oyu Tolgoi LLC) reported infrastructure investments independent of any government concession. The state-owned Erdenes Mongol LLC, which manages state participation in five extractives SOEs, reported its own public infrastructure investments.

Stakeholder views

The International Secretariat understands from discussions with industry and government stakeholders that barter agreements exist, particularly used by license-holders for paying their contractors in kind (minerals), and that their use has increased as the availability of USD has declined in Mongolia during the economic downturn since mid-2012. Several industry representatives noted that SOEs in particular used payments in kind to cover the costs of contract mining by private service providers. However, neither industry nor government stakeholders noted the existence of any barter for the payment of taxes or fees to government.

Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable. The 2014 EITI Report adequately covers infrastructure provisions and barter, demonstrating that these were not relevant in Mongolia in 2014.

Transport revenues (#4.4)

Documentation of progress

Section 5.5.8 (p.140) of the 2014 EITI Report provides an overview of the MSWG’s approach to transportation revenues, although no specific materiality threshold is provided. The IA notes that it did not identify any significant transportation revenue stream during the inception workshop. Having included a request for such information in the reporting templates, the information received from Erdenes Mongol on revenue from the transport of coal through a road fee is provided. While there is no additional information such as a description of the transportation arrangements, this is only encouraged under Requirement 4.4.

Stakeholder views

140 Confirmed in Section 4.2.7 (p.14) in the 2014 Inception Report.
Most industry and government stakeholders consulted noted that the government did not receive any material revenues from the transportation of minerals or oil and gas. CSOs consulted did not express any view on the issue. However oil and gas companies consulted noted that DongSheng Petroleum exported crude oil exclusively by rail, while PetroChina exported exclusively by road, subcontracting transport to trucking companies. Mongolia’s railway is operated by the Ulaanbaatar Railway Mongolian-Russian Joint Venture (UBTZ), 50%-owned by each government. A representative from DongSheng explained that the company paid UBTZ directly, not through a freight-forwarder, and that fixed transport rates were set according to weight.

Initial assessment

Our initial assessment is that this Mongolia has made satisfactory progress in meeting this requirement. The 2014 EITI Report discloses the value of transportation revenues linked to the extractive industries, even if it does not set a materiality threshold for such revenues (implying a materiality threshold of 0). While a description of such transportation arrangements is not provided, such efforts are only encouraged and are not taken into account in assessing compliance. While the MSWG’s lack of consideration of rail transport revenues from crude oil exports is a concern, UBTZ would not be considered a SOE under the definition provided in Requirement 2.6 of the 2016 EITI Standard, which defines an SOE as “a wholly or majority government-owned company”. The significance of transport revenues may grow in future EITI Reports, given the government’s take-over of the ownership of coal (road and rail) transport infrastructure in 2014, with provisions guaranteeing access to the infrastructure to private third-parties.\footnote{US Department of State (June 2015), Mongolia Investment Climate Statement 2015, http://www.state.gov/documents/organization/241879.pdf} Given the importance of road and rail based transportation of extractives products in Mongolia, it is recommended that the MSWG adopts a clear definition of SOEs for future EITI reporting and considers a more detailed description of transportation arrangements in future EITI Reports. This should include appropriate definitions of materiality for transportation revenues, and disclosure of state and SOE revenues from the transport of crude oil if material.

Transactions between SOEs and government (#4.5)

Documentation of progress

The 2014 EITI Report clarifies that no SOE collects revenues on behalf of the state, as noted in Section 5.5.7 (pp.139-140). Section 5.3.1 (p.104) discloses the dividends paid by extractives SOEs to government. While the government is entitled to a share of in-kind revenue from the three producing oil and gas PSAs (Profit Oil), the Treasury receives the proceeds from the sale of this profit oil in cash, through PAM, since the oil is commercialized by the private operators on behalf of the state. The dividends of state investments in the extractive industries are provided in Appendix 10 (pp.192-200) for national government and Appendix 11 (pp.201-203) for subnational governments, both disaggregated by company.

SOEs make payments to local governments, equivalent to 0.26% of total government extracts revenue\footnote{The sum of SOEs’ quasi-fiscal expenditures can be calculated as MNT 4167.369 million.}, with the subnational direct payments by eight SOEs to various soums described in Section 5.4.3 of the 2014 EITI Report (pp.116-117). The EITI Report does not address whether any SOEs failed to
report such subnational payments, implying (but not clearly stating) that this list is comprehensive. While most of the payments reported in Section 5.4.3 represent fees and taxes to subnational governments levied on all extractives companies, payments categorised as state and local dividends are only applicable to SOEs.

Section 5.4.4 (p.118) then lists details of “subnational transfers” by four SOEs to various subnational governments (soums and aimags) in 2013. The distinction between SOEs’ “direct subnational payments” and “subnational transfers” is unclear. The SOEs’ “subnational transfers” listed in Section 5.4.4 appear to consist of social expenditures that have been miscategorised. In addition, the IA notes in footnote to the tables in Sections 5.4.3 and 5.4.4 that “KPMG noted that some of the sub-national payments above as reported by the entities appear high. No verification of these reported figures has been performed.”

Section 5.4.4 (p.118) also describes details of past transfers from SOEs to government in 2011-2013, but does not mention any for 2014. It does not appear from MSWG meeting minutes and stakeholder consultations that the MSWG considered this distinction prior to data collection for the 2014 EITI Report.

Stakeholder views

A government representative from Erdenes Mongol noted there were no legal barriers to disclosing the financing structure of SOEs, nor the total universe of company dividends paid to either Erdenes Mongol or to the State Property Commission. All MSWG members consulted agreed there had been no consideration of the definition of SOEs’ direct subnational payments and “subnational transfers” prior to data collection for the 2014 EITI Report.

Initial assessment

While there are many different transactions between SOEs and government, the assessment of Requirement 4.5 is focused on transactions specific to SOEs (such as dividends). Transactions that are applicable to all extractives companies, including SOEs, are covered under Requirement 4.6 below.

The role of SOEs operating in the extractive industries is disclosed in the EITI Report. The 2014 EITI Report provides details of past transfers to the Human Development Fund in 2011-2013. No details of any such transfers are provided for 2014 and the International Secretariat’s understanding is that there were no HDF transfers that year. The EITI Report discloses details of dividends paid by the 21 SOEs operating in the extractive industries, but does not clearly address whether these disclosures are comprehensive. As noted in Requirement 2.6, there is a need for a comprehensive assessment of state participation in the extractive industries. In addition, the Independent Administrator highlights concerns about the reliability of SOEs’ disclosures. In addition, the 2014 EITI Report appears to miscategorise SOEs’ social expenditures as “subnational transfers”. In light of this, the International Secretariat’s initial assessment is that Mongolia has made meaningful progress in meeting this requirement. The MSWG should consult Erdenes Mongol, the SPC and the MoF, to better define SOE’s transfers to government direct subnational payments, determine their materiality and ensure full disclosure. Improving the transparency of current practices would seem particularly relevant to current reforms of Erdenes Mongol’s corporate governance, supported by the IFC and the ADB, with a view to eventually transforming it into a commercially oriented state asset management entity (similar to Temasek).

Subnational direct payments (#4.6)

Documentation of progress
The 2014 EITI Report comprehensively lists and discloses companies’ direct subnational payments. Section 3.3.2 (pp.28-29) describes the selection criteria for revenue streams to be included in the 2014 reconciliation. By selecting the nine largest subnational revenue streams, out of a total of 12 subnational revenue streams, the 2014 EITI Report provides coverage of 99% of the value of subnational revenue streams. Total subnational direct payments accounted for 5.16% of total government extractives revenue. The list of material revenue streams is provided in Section 3.4.1.3 (pp.33-34) and the process for selecting them is described in Section 3.4.1.2 (pp.32-33). Appendix 11 (pp.201-203) provides details of subnational direct payments as reported by companies.

Section 5.4.3 (pp.116-117) describes subnational direct payments by 8 SOEs to various soums, and Section 5.4.4 lists subnational transfers from four SOEs to various soums, with three SOEs reporting transactions under both categories. However, the 2014 EITI Report appears to confuse the terms “subnational direct payment” and “subnational transfer” for SOEs. The taxes and fees paid by SOEs to subnational governments listed in Section 5.4.3 are applicable to all extractives companies, while state and local dividends are applicable only to SOEs and are thus covered under Requirement 4.5 above. The IA has noted in footnotes to the tables in Sections 5.4.3 and 5.4.4 that “KPMG noted that some of the subnational payments above as reported by the entities appear high. No verification of these reported figures has been performed.”

Stakeholder views

CSO stakeholders place particular importance on direct subnational payments, given dissemination events and subnational MSG meetings have shown strong demand for this information. Industry representatives also see the inclusion of such information as desirable, to ensure better understanding from local communities of the degree of contributions by companies operating in their respective soums. Several government representatives saw the establishment of subnational MSGs as helpful in improving EITI reporting by soums and aimags. None of the MSWG members consulted commented on the distinction between subnational transfers and direct payments by SOEs, noting that this had not been considered by the MSWG.

Initial assessment

The MSWG has taken considerable steps to include subnational payments in EITI reporting. Company payments to subnational governments have been disclosed, disaggregated by payment stream. However, while the MSWG has assessed the materiality of these transfers and set a specific materiality threshold for direct subnational payments, there is confusion over the definition of SOEs’ “subnational direct payments” and “subnational transfers”, and while both are disclosed, they are not reconciled with subnational receipts. As noted in Requirement 2.6, there is a need to clearly define the scope of SOEs for the purposes of EITI reporting. Finally, we note the IA’s reservations over the reliability of SOEs’ disclosures of their direct subnational payments and the lack of an assessment from the IA on the comprehensiveness of these disclosures. The International Secretariat’s initial assessment is that Mongolia has made meaningful progress in meeting this requirement.

Level of disaggregation (#4.7)

Documentation of progress

While Section 3.2.4 (p.26) notes that EITI data is presented by company, revenue stream and receiving government entity, and further disaggregated by national and subnational-levels, the 2014 EITI Report
does not actually present the data disaggregated by reporting company and revenue flow. However this data is accessible through the Summary Data Template for the 2014 EITI Report as well as through the EITIM data portal.\(^\text{143}\) Section 3.2.4 (p.26) also notes that the 2014 EITI Report does not include reporting disaggregated at project-level.

The National Council considered the issue of project-by-project reporting when it constituted a working group to assess the feasibility of disaggregating corporate income tax information in the extractive industries at its meeting on 13 January 2015. This was seen as a first step to reporting disaggregated by project.

**Stakeholder views**

CSO consulted expressed satisfaction at the level of data disaggregation available through the EITIM Data Portal. However, the issue of project-level reporting had yet to be discussed by the MSWG, according to MSWG members consulted. A government MSWG representative noted that the majority of mining companies in Mongolia operated a single mine, which meant they de facto reported mining taxes and fees on a project-level basis. One CSO representative consulted noted that while the MSWG had constituted a working group in 2015 on disaggregating common taxes like corporate income tax to distinguish extractives from non-extractives activities, he noted that the group had met only once and that work stream was inactive.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress this requirement is met. Rather than presenting all data in the 2014 EITI Report disaggregated by company for all revenue streams, this data was made more accessible through the EITIM data portal, with EITI data for the period 2006-2015 available (and searchable) online.

**Data timeliness (#4.8)**

**Documentation of progress**

The 2014 EITI Report was published in December 2015, having been approved by the National Council on 18 December 2015. Reporting companies and government entities are required to submit their reports through the EITIM eReporting system within three months of the end of the fiscal year (i.e. by 31 March) annually. Both companies and government entities submitted their original reports on the eReporting system (part of the EITIM data portal) by 31 March 2015, which were accessible online immediately, although additional reporting templates were submitted over the data collection period of August-November 2015. By 31 March 2015, a total of 987 companies had reported through the eReporting system data used for the 2014 EITI Report.

**Stakeholder views**

Several CSO MSWG representatives noted that pre-reconciliation EITI data through the eReporting platform was very timely, but that there were differences of opinion on whether it was possible for CSOs to use it. The EITIM Secretariat clarified that it was possible to use this data, as long as it was made clear that it was unreconciled. A MECC representative noted that government mining data was available on a

\(^\text{143}\) Historical data over 2006-2015 is accessible on the EITIM data portal. It can be queried by name of company or by license number. [http://e-reporting.eitimongolia.mn/reportList](http://e-reporting.eitimongolia.mn/reportList)
monthly basis but that the EITI Report was produced less frequently, which caused a dilemma for people deciding on which data set to use.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. The eReporting system has had a significant impact on timeliness of reporting and reconciliation of payments now takes place within 12 months of the end of the fiscal year under review, on an annual basis.

Data quality (#4.9)

Documentation of progress

ToR for the IA: In March 2015, the MSG used the template ToR for Independent Administrators from the EITI international website as the basis for procurement of the 2014 EITI Report. However it published this draft template without tailoring it to Mongolian circumstances in its call for tenders on the EITI Mongolia website. Indeed the Mongolian translation of the template ToR includes the [bracket blue] placeholders, therefore omitting some essential details. While a number of unsuccessful bidders lodged complaints through the MoF’s tender department, the contract was signed in June 2015.

While the initial reporting templates submitted before 31 March 2015 were designed as part of the eReporting system’s development, and thus based on reporting templates last agreed in December 2013, the MSWG agreed with the IA a set of additional reporting templates for supplemental information for the financial reconciliation as well as key contextual information. These were discussed at the Inception workshop on 7 July 2015 and agreed as part of the Inception Report in August. There are however no MSWG or technical working group meeting minutes published to reflect these discussions.

In addition, in Section 2 (p.7) of the 2014 Report on data collection, while the MSWG has agreed an alternate approach to data collection (using the eReporting platform), it did not include provisions for consultations with the Independent Administrator to ensure the integrity of the information transmitted to the Independent Administrator, as required under Section 2.1 (p.7) of the Standard ToR for Independent Administrators approved by the EITI Board. The 4 August 2015 Inception Report did not include a review of the quality assurance procedures of the eReporting system, but rather explained (Section 4.5 (p.18)) the proposed scope of the IA’s work for the 2014 Report, which consisted of a review by the IA of the representation letter template used to certify entities’ eReporting submissions and make recommendations for improvement if relevant.

In Section 3 (pp.7-8) of the 2014 Report, the MSWG also omitted reference to a materiality threshold, defined in proportion to total government revenues, as required under Section 3.4 (p.7) of the template ToR. It should also be noted that the approved ToR did not contain any provisions for ensuring the confidentiality of EITI disclosures prior to reconciliation. While Section 4.6 (p.18) of the 4 August 2015 Inception Report and Section 3.2.5 (p.27) of the 2014 Report describe the IA’s provisions for preserving the confidentiality of EITI information, this does not cover disclosures for reconciliation given that submissions were through the eReporting system, prior to the IA’s appointment. A number of smaller

148 http://www.eitimongolia.mn/en/node/4858

149 See the Inception Report and Inception Workshop Presentation by KPMG, unpublished.
Validation of Mongolia: Report on initial data collection and stakeholder consultation

discrepancies from the standard ToR for IAs approved by the EITI Board are described in Section 4 (pp.8-9) of the IA’s ToR approved by the MSG for the 2015 EITI Report.\(^\text{150}\) The approved ToR also omits the template’s requirement for consultants to have expertise and experience in the oil, gas and mining sectors in Section 4 (pp.9-10) on consultant qualifications. While the statements of materiality, related to revenue streams, unilateral government disclosures and reporting entities, were not included in the approved ToR, the MSWG’s requirement that the Independent Administrator prepare a scoping study implies that these materiality decisions would be taken during the scoping phase.

On 3 February 2016\(^\text{151}\) the MSWG’s evaluation committee issued a call for tenders for the 2015 EITI Report’s Independent Administrator, having approved the ToR on 1 February 2016.\(^\text{152}\) The evaluation committee is composed of seven members (two from each stakeholder group and one from the EITIM Secretariat, who all have to undergo training in the MoF’s procurement procedures). However, following complaints regarding the technical and commercial selection procedures by three of the four losing bidders (see stakeholder views below), the Ministry of Finance required the EITIM working group to reissue the tender on 19 April 2016\(^\text{153}\), based on the same ToR. In June 2016, the 2015 IA contract was awarded to Ulaanbaatar Audit Corp., its sixth IA contract having last prepared the 2013 EITI Report. In most respects, the approved ToR follows the Standard ToR for Independent Administrators approved by the EITI Board. The MSWG also included provisions for the Independent Administrator to prepare both a scoping study and the actual 2015 EITI Report, in Section 2 (p.3) of the ToR.

The approved ToR includes similar data quality assurance procedures as in previous EITI Reports, including requirements for material companies and, where relevant and applicable, government entities to submit letters from their external auditors certifying the reliability of EITI disclosures. The MSWG included the Board-approved template’s language in Section 1.2.3 (p.6) of the 2016 ToR (“The MSG may decide to phase in any such procedure so that the confirmation letter may be integrated into the usual work programme of the company’s auditor.”) without clearly defining the approach selected. This provides flexibility for the MSWG to discuss the phasing in of quality assurance procedures with the IA during the inception phase for the 2015 EITI Report.

Review of audit and assurance (companies). The IA did not undertake a review of material companies’ auditing practices during the inception phase for the 2014 EITI Report. However the 2014 EITI Report introduces more comprehensive quality assurance procedures for companies. The IA conducted a review of auditing practices, requesting copies of material companies’ audited financial statements for 2013, as described in Section 3.3.4 (p.30). Appendix 12 (p.204) contains references to 15 companies’ web sites where the IA was able to identify that the audited financial statements are publicly available.

Sections 2.3.2 (pp.18-19) and 3.3.4.2 (p.30) describe the quality assurance procedures for company data: a representation letter, signed on behalf of the board of directors or senior executive, a copy of audited 2014 financial statements under IFRS (International Financial Reporting Standards, current in Mongolia), and attestations by external auditors of EITIM submissions. Given that a review of auditing practices had


\(^{151}\) http://eitimongolia.mn/en/node/4883


\(^{153}\) http://eitimongolia.mn/en/node/4894
not been conducted prior to data collection, the IA agreed with the MSWG to require copies of the audited financial statements as part of the quality assurance procedures for EITI reporting. Section 2.3.2 (p.19) provides the responses from companies and Appendix 4 (pp.154-162) provides detailed information regarding information provided by each company. Of the 236 material companies:

- 173 companies submitted a management representation letter, 63 companies did not.
- 143 companies provided their audited financial statements.
- No company provided a ISAE 3000 limited assurance reports from external auditors
- Two companies provided agreed upon procedures reports verifying amounts reported to EITI.
  (these companies are all named in Appendix 4 (pp.154-162)

Section 4.2.4 (p.45) describes the limitations to the Independent Administrator’s work: “Two companies provided agreed upon procedures reports verifying amounts reported to M.EITI. Both annual audit reports and financial statements were provided by 143 companies out of the 236 included in the reconciliation.” (p.45) However no assessment of the materiality of omissions (i.e. as a share of government extractives revenue) is provided, there is only an estimate in the share of non-complying companies: “6 out of the 96 responded companies presented qualified audit opinions on their financial statements, which means over 90% of companies sent unqualified audit opinions.” (Section 4.3 (p.45)). The statement also implies that 140 material companies did not provide audit opinions on their financial statements. Finally, there is no general assessment by the IA of the reliability of company EITI data, although it raises concerns over the integrity, confidentiality and reliability of data disclosed through the eReporting system in Section 3.2.1.2 (p.24).

**Review of audit and assurance (government).** Section 5.1.3.1 of the 2014 EITI Report (p.63) provides a description of legislative requirements for the Mongolian National Audit Office (MNAO) to undertake audits of all of the government’s revenue accounts. Enactment of the Glass Accounts Law, effective from January 2015 and requiring disclosure of all government expenditure, is also referenced in Section 5.1.3.2 (p.63). However, the 2014 EITI Report does not state whether the MNAO audit reports are publicly available.

The quality assurance procedures for reporting government entities reflect the data collection approach: the MoF is the initial reporter of all government data, with supplementary requests for information sent directly to government agencies. The quality assurance procedures for government reporting templates are described in Sections 2.3.2.3 (p.19) and 3.3.4.3 (pp.30-31): representation letters to be signed by the head of each government entity to confirm the completeness and accuracy of the information presented within the additional information templates. The MoF was also asked to provide a certification letter confirming completeness and accuracy of data initially reported, as described in Section 3.3.4.3 (pp.30-31). While the MNAO and subnational audit offices did not provide any assurance for EITI disclosures, the 2014 EITI Report appears to mark the MSWG’s first attempt to engage with them on EITI reporting.

Section 3.3.4.3 (pp.30-31) describes the engagement:

> “Currently the MNAO and local government audit offices do not provide any assurance or reporting on the M.EITI reported data by government entities. However, the MNAO expressed it is open to perform such a role in the future, subject to necessary resources and timing of the procedures, indicating that late May to early July is the most suitable period for them. The MNAO has an annual action plan prepared for each year, and ideally involvement in the EITI process would form part of the action items. The role might fall under the scope of the performance audit
Validation of Mongolia: Report on initial data collection and stakeholder consultation

department of the MNAO rather than the financial audit department, which the MNAO would consider after a request to be involved.”

Compliance with these procedures is detailed by government entity in Appendix 5 (pp.163-164). In total, 24 of the 41 material government entities did not provide representation letters as requested by the IA, the MoF provided only a signature from a high official with the reporting templates, with no description of the meaning of this signature given that “no specific representation or attestation was included from the MoF.” (Section 2.3.2.3, p.19) When asked to provide the confirmation of completeness and accuracy of data initially reported, the MoF replied “it is not able to provide this letter because it does not have detailed oversight of each revenue stream in the reported data.” (Section 3.3.4.3, p.31) The IA also received a summary of payments received from extractive industry companies grouped by receipt category and signed by a MoF representative, described in Section 4.2.3.1 (p.43): no significant differences were noted with the data from the eReporting system, confirmed through additional certified reporting templates to government entities.

The limitations of the IA’s work are noted in Section 4.2.4 (p.45), but the 2014 EITI Report does not include an assessment of the materiality of omissions in quality assurance procedures, in share of total government extractives revenue. Given that the MoF did not provide the agreed quality assurances for government entities’ EITI disclosures, the implication is that there are no assurances over any of the government data in the 2014 EITI Report.

It is not possible to calculate this share, either from the 2014 Report or from the EITIM Data Portal, given that the total payments from these entities is not provided. Finally, although the IA includes commentary on the comprehensiveness and reliability of the data in Section 4.1.3 (p.41), no clear assessment of the level of comprehensiveness and reliability of the EITI Report is provided.

On the reliability of government disclosures, Section 2.4.1.2 (p.11) of the 2013 EITI Report notes that “there was no formal assurance process (see 2.3.2.4), and that the information contained some inaccuracies (see next section), although these were not material.” In Section 2.4.2.4 (pp.13-14) the IA notes: “The government spreadsheet of receipts is signed by State Secretary of the MoF. There is, however, no representation or assurance given in respect of the government receipts declared to the IA for EITI, and there is no indication of what the government signature signifies.”

Section 8.3 (pp.110-111) provides an overview of audit procedures for government entities, either by National Audit Office or a qualified auditing firm. There is no assessment of whether there were deviations from these audit requirements for government entities in practice.

The mismatch in timeframes was mentioned as a key challenge in previous EITI Reports, including the 2013 EITI Report. The MoF was required to submit reports for the 2013 EITI Report on behalf of the government in mid-February 2014 and this information was then stored by the EITIM Secretariat before being transmitted to the IA in Q3 2014. However the State Audit Agency only audited accounts of soums and aimags by 20 April, before a consolidated audit of government accounts was undertaken thereafter. It would therefore not have been possible to provide a certification of compliance with State Audits by mid-February 2014.

Confidentiality of information pre-reconciliation: While provisions for the safeguarding of information by the IA have been strengthened in the 2014 EITI Report, a number of concerns are raised in Section 3.2.1.1 (p.22-23) about lack of safeguards in the eReporting system, used for the initial data collection. The key concern, according to the IA, focuses on ‘root’ (Super user) accounts, which allow for human interference
in the data between collection and reconciliation.

The eReporting process and its input to the IA’s work is described in detail in Section 3.2.1.1 (p.22-23):

“The current E-Reporting data collection process is initiated by reporting government entities and companies once they are granted with login access. The reported data is then collected in an E-Reporting database. At the data collection cut-off date, the IT consultant at the M.EITI Secretariat prepares reconciliation data from the database and provides it to the Independent Administrator in Microsoft Excel format. Once the Independent Administrator performs the reconciliation, it reports back to the E-Reporting system the reconciled figures. At the end, users are able to view both the initial and reconciled figures at each company’s individual revenue level.”

The first recommendation in Section 6.2.1 (p.142) is for a full review of the eReporting system to ensure the confidentiality, integrity and reliability of the system.

The IA details in Section 3.2.5 (p.27) the safeguards implemented to ensure the confidential treatment of information within the IA’s work. Safeguards included:

- Electronic correspondence with companies and government entities was conducted via a special email address created only for the EITI project, and the list of employees with access to this email account was restricted.
- All electronic information received from entities was saved in a folder with restricted access.
- Physical security to paper documents was provided for by keeping the documents locked up when not in use.
- All phone calls with entities were performed from a restricted access area.
- All employees involved into the EITI project were instructed on the importance of non-disclosure of confidential information.
- KPMG policies, professional duties and ethics require confidentiality of all such data by all staff.

Provisions for safeguarding the confidentiality of information prior to reconciliation are not robust in the 2013 EITI Report. The flowchart in the 2014 handbook for reporting entities clearly reveals the central role played by the EITIM Secretariat in collecting information from both companies and government entities, who themselves centralise their disclosures through the General Department of Taxation and the MoF. This has however been resolved in the 2014 EITI Report, where reporting entities (both government and companies) input their information directly into the eReporting system. However, disclosures on the eReporting system are published directly on the website before reconciliation, although no member of the MSWG and no reporting entity seems to have raised any concern over this procedure.

Summary data templates have been posted on the website for all EITI Reports, with government reports154 and company reports155. The standardised summary data template was compiled on this basis by the EITI International Secretariat156, forming the basis of the data visualisations on the EITI country

154 http://www.eitimongolia.mn/en/government-reports
155 http://www.eitimongolia.mn/en/companies-reports
156 https://drive.google.com/folderview?id=0B7tEEAf2PsWEUjllV1g22Y02MFE&usp=sharing&tid=0B7tEEAf2PsWEaF84YkN2MUI4Y0U
Sources for non-financial (“contextual”) information are consistently provided in the 2014 EITI Report, while this information was not consistently provided for non-financial figures in the 2013 EITI Report.

Stakeholder views

Only two government representatives noted that they had provided input to the ToR for the IA for both the 2013 and 2014 EITI Reports. Several CSOs noted that there had been email exchanges on the ToR for the IA, but that they felt that MSWG members did not take such requests for input seriously and tended not to comment. There were seldom any MSWG comments on the draft ToR for the IA, but there were relatively minor comments from members of the evaluation committee, according to several industry representatives. Bidders had responded to the call for expressions of interest for the 2014 EITI Report in 2015 based on a ToR that appeared incomplete, according to several bidders.

Regarding the tender for the 2015 EITI Report in 2016, representatives from several past EITIM IAs noted that all unsuccessful bidders had complained following the first selection round. Several CSOs expressed concern over allegations related to the IA procurement process, while industry representatives did not comment other than expressing satisfaction that the procurement was weighted towards the technical scores and that the quality of the EITI Reports depended on the quality of the IA. Several CSOs questioned the basis for cancelling the first IA round, stating this was only an excuse for something else going on.

A review of auditing practices by all material entities does not appear to have been undertaken during the inception phase of either the 2013 or the 2014 EITI Reports, according to MSWG members and past IAs consulted. Government representatives consulted did not recall a discussion of audit practices at the MSWG and had not realised it was their responsibility. One CSO emphasised the timing challenges posed by the EITI reporting cycle in Mongolia, where annual government audits were finalised in June when EITI...
reporting tended to already be completed. The quality assurance procedures for company EITI reporting were agreed following the inception report, according to MSWG members consulted.

One government representative noted that an official letter had been sent from the MoF to the Mongolian National Audit Office (MNAO) during the spring of 2015 requesting the agency undertake audits of the government’s EITI disclosures. The agency had responded that this would be possible, but only if included in its future work plan and approved by the Great Khural as part of the national budget. This was not included this in the draft 2016 National Budget. The MNAO also noted that they would only provide full assurance, which would entail a first audit of government submissions and a second audit of the final EITI Report. Government representatives were aware this would pose challenges at Validation given that it has consistently featured as a recommendation of past EITI Reports. A representative from the MNAO noted that Mongolia was an active member of INTOSAI (and have been part of their Working Group on the Audit of Extractive Industries since 2014) and that Mongolia was directly applying a translated version of International Standards of Accounting. While noting the opportunities of EITI for improving extractives revenues auditing standards, the representative noted that the MNAO had primarily engaged with EITI by attending dissemination events, rather than through consultations on EITI reporting. It would be relevant to include the MNAO’s input in drafting the IA’s ToR and in selecting the IA according to the representative, who highlighted the potential for the MNAO’s mandate to expand from financial audits to process audits, assessing implementation of extractive industry laws.

A government representative and past IAs noted that a certification of quality assurance for government disclosures was only introduced in reporting templates used for the 2014 EITI Report. Previously, the IA received quality assurance procedures from the MSWG’s scoping and was not consulted. However a representative from a past EITIM IA stated that the MoF should not be involved in certifying EITI reporting given its function as an implementation agency; a better choice was the MNAO, who was statutorily independent and reported directly to the Great Khural. All past IA representatives noted the consistent EITI recommendations that government disclosures be adequately audited to international standards. A NSO representative noted that the new management representation letter in the reporting templates agreed in December 2015 included reference to an audit, but not to international standards or cash/accrual basis of accounting. For government, the NSO representative explained that the MoF had been selected for certification of government disclosures because it was the final recipient of the data before submission to the eReporting portal.

Several government representatives explained that for their purposes a simple signature from a high-level official was sufficient to provide data quality assurance. The challenge with certification statements that refer to audited financial statements was that the MNAO only performed financial audits on government expenditure, not revenues. The GDT is given a revenue target annually and the MNAO only reconciles the reports from the GDT with those from the single Treasury account. Government representatives and past IAs explained that the Revenue Department reconciled revenues with financial statement, while the MoF’s accounting and economic department audited revenue from large taxpayers through the large taxpayers office. At the provincial and district levels, a MoF representative was tasked with reconciling revenues, while the MNAO performed only audit of government expenditures and consolidated revenues. According to one CSO, the closest to an auditor for all government entities including line agencies was the SPIA, which answers to the State Secretary, responsible for inspection of legal compliance, including ‘validating’ government revenues against receipts.

The US Department of State has highlighted the deviations from international best practices of
governance and accounting among SOEs that do not seek international financing. It highlights the inconsistencies in corporate governance, management, disclosure and accounting between “some” SOEs and foreign-invested firms that follow the international rules.\textsuperscript{160}

Larger companies, who pay tax to the GDT’s large taxpayers’ office, tended to be audited by reputable companies, while the quality of smaller companies’ audits varied significantly and was not consistently in line with international standards, according to a past IA. The representative noted that most smaller companies produced only short audit opinions, rather than detailed audit reports, which were not necessarily reliable. Industry representatives claimed quality assurance of EITI reporting was a trust issue, citing the tax disputes over Oyu Tolgoi and South Gobi Sands as evidence of the government’s lack of understanding of international auditing standards.

A representative from a past IA noted that it considered the review of the eReporting quality assurance to be part of the scope of work for the 2014 EITI Report. Several government representatives noted that the eReporting system still posed challenges for MRAM and Customs in particular, given that they did not maintain single identification numbers for companies. Several government representatives also noted that the quality of data disclosed to EITI would be improved if the number of companies included in reconciliation was reduced. Government representatives and past IAs could not fully confirm the reliability of government’s EITI reporting, given the lack of quality assurance for government reporting. However, they argued that reconciliation of figures provided some degree of quality assurance in itself, albeit not that of an international audit. An MNAO representative highlighted the differences in figures produced by different government entities, between MRAM and SPC figures for instance, calling for systemisation of government figures across all public entities.

CSO and industry MSWG members consulted stated they did not consider the recommendations in the EITI Reports to be their own, but rather those of the IA, although they did feel like they could comment on the IA’s draft recommendations. Several industry representatives noted that their input to EITI recommendations had only focused on strengthening EITI reporting rather than on broader reforms.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made meaningful progress in meeting this requirement. There has been significant improvement in the MSWG’s approved ToR for the IA. While the 2013 ToR differs significantly from the template approved by the EITI Board and the 2014 ToR was not tailored before being published, the 2015 ToR reflects active input from the MSWG’s working group. The reporting templates were revised in consultations between the ad hoc technical working group of the MSWG and the IA at the Inception workshop on 7 July 2015, although it is unfortunate that there is no public record of these deliberations.

While the procedures for agreeing revised reporting templates differs from that required under the EITI Standard, with final approval from the National Statistics Office and the Ministry of Justice, these two government institutions do not appear to have acted against the wishes of the MSWG and have not amended the reporting templates approved by the MSWG.

Both the 2013 and 2014 EITI Reports include a review of audit and quality assurance procedures, although there is no assessment of deviations in practice. Based on this review, the IA for the 2014 Report agreed

\textsuperscript{160} US Department of State (June 2015), Mongolia Investment Climate Statement 2015, http://www.state.gov/documents/organization/241879.pdf
assurance procedures with the MSWG during the inception phase (July 2015) and are described in Section 3.3.4.2 (p.30). However the inception of the 2014 EITI Report did not provide a review of the quality assurance of the eReporting platform nor propose alternative systems for financial data collection. The 2014 EITI Report includes an assessment of whether the quality assurance procedures were followed, where the IA noted that there was formal assurance from only 24 of the 41 reporting government entities (Appendix 5, pp. 163-164) and that 63 of the 236 material companies did not provide the required assurance certifications (Appendix 4, pp.154-162). However, the EITI Report does not assess the materiality of these omissions, even though it does name the companies that did not provide the required assurances, and does not include a general assessment of the reliability of the EITI Report.

The provisions for the confidentiality of information pre-reconciliation were not robust for the 2013 EITI Report. Although the use of the eReporting system for the 2014 EITI Report have partly addressed this gap, the IA raised concerns over the use of ‘root’ (administrator) accounts. Despite the improved quality assurance requirements built into the eReporting system used for the 2014 EITI Report, we understand a significant number of companies and government entities did not comply with these in practice. A significant number of companies did not provide the agreed-upon quality assurance certifications for their disclosures in the 2013 and 2014 EITI Reports, according to Appendix 4 (pp.154-162) of the 2014 Report, while disclosures of over a third of government entities in the 2014 EITI Report were not certified at all according to Section 6.2.9 (pp.145-146) and Appendix 5 (pp.163-164) of the 2014 Report. The MSWG may wish to revisit the quality assurance procedures built into the eReporting system to constrain reporting entities’ ability to alter quality assurance certifications.

The 2014 EITI Report provides more consistent sourcing of all contextual information than in the 2013 EITI Report, which did not consistently source all contextual information. In preparing its next EITI Report, the MWSG needs to ensure that the process for preparing the EITI Report comprehensively addresses all of the requirements and reporting obligations as set out in the ToR for the IA.

Table 4 - Summary assessment table: Revenue collection

<table>
<thead>
<tr>
<th>EITI provisions</th>
<th>Summary of main findings</th>
<th>International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensiveness (#4.1)</td>
<td>The MSWG has agreed a definition of materiality and materiality thresholds. Although the IA does not provide an assessment of the comprehensiveness of the 2014 EITI Report, it is possible for readers to assess the materiality of omissions and reach conclusions about the overall comprehensiveness of the EITI Report.</td>
<td>Satisfactory progress.</td>
</tr>
<tr>
<td>In-kind revenues (#4.2)</td>
<td>The 2014 EITI Report states that the two producing oil and gas PSA operators commercialise the state’s share of in-kind revenues (Profit Oil). There are no in-kind revenues</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Topic</td>
<td>Description</td>
<td>Status</td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
<td>--------</td>
</tr>
<tr>
<td>Barter and infrastructure transactions (#4.3)</td>
<td>The 2014 EITI Report details infrastructure provisions and notes that no barters exist.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Transport revenues (#4.4)</td>
<td>The MSWG has considered whether government receives transportation revenues in the mining sector and disclosed revenues collected by Erdenes Mongol, even if a materiality threshold for such revenues is not explicit (it is only implied as 0). The MSWG does not seem to have considered the existence of transportation revenues in oil and gas however although we understand that no SOEs (under the EITI Standard's definition) collected transportation revenues.</td>
<td>Satisfactory progress</td>
</tr>
<tr>
<td>Transactions between SOEs and government (#4.5)</td>
<td>The MSWG has considered the transactions between SOEs and government and disclosed dividends from the 21 SOEs operating in the extractive industries. While the 2014 EITI Report includes SOEs’ payments to subnational government, there is confusion between “subnational direct payments” and “subnational transfers”.</td>
<td>Meaningful progress.</td>
</tr>
<tr>
<td>Subnational direct payments (#4.6)</td>
<td>The MSWG has considered subnational direct payments, disclosed and reconciled them in the 2014 EITI Report, disaggregated by payment stream. However, there is confusion between SOEs’ “subnational direct payments” and “subnational transfers”: while both are disclosed, they are not reconciled with subnational receipts.</td>
<td>Meaningful progress.</td>
</tr>
<tr>
<td>Level of disaggregation (#4.7)</td>
<td>While the 2014 EITI Report does not present all data disaggregated by revenue stream and by company, the EITI data portal provides access to this level of disaggregated information.</td>
<td>Satisfactory progress.</td>
</tr>
<tr>
<td>Data timeliness (#4.8)</td>
<td>The eReporting system has had a Satisfactory progress.</td>
<td></td>
</tr>
</tbody>
</table>
significant impact on timeliness of reporting and reconciliation of payments now takes place within 12 months of the end of the fiscal year under review.

| Data quality (#4.9) | The MSWG has never undertaken a review of auditing practices prior to agreeing quality assurance procedures. Issues of data quality assurance (for both companies and government) are significant in 2014 EITI Report. While the eReporting system used for the 2014 EITI Report has addressed concerns over the confidentiality of EITI financial information pre-reconciliation, it does not appear to have resolved data quality assurance challenges. While the 2014 EITI Report provides overview of quality assurances, the materiality of omissions by reporting companies and government entities is not assessed. |

**Recommendations:**

1. The MSWG is urged to consider revisiting the materiality threshold for payments (including in-kind revenues, transport revenues and barter and infrastructure transactions) to strike a balance between the comprehensiveness of disclosures and the quality of reporting. The MSWG should agree with the National Statistics Office the procedures for updating reporting templates in conjunction with the IA, and make these procedures public. The MSWG should also ensure that the IA includes a clear assessment of the comprehensiveness of the next EITI Report.

2. The MSWG should revisit the quality assurance procedures built into the eReporting system to constrain reporting entities’ ability to alter letters of certification required.

3. While not required under the EITI Standard, the MSG may wish to include the volumes of the state’s entitlement of in-kind revenues commercialized by the two operators of the three producing oil and gas PSAs. This would be particularly relevant to the ongoing debate on oversight of the two PSA operators and the commercialization process for Mongolia’s share of Profit Oil.

4. The MSWG may wish to engage with Erdenes Mongol, the SPC and the MoF, on determining the materiality of SOEs’ transfers to government and better define direct subnational payments. Improving the transparency of current practices would seem particularly relevant to current reforms of Erdenes Mongol’s corporate governance, supported by the International Finance Corporation, with a view to eventually transforming it into a commercially oriented state asset management entity (similar to Temasek).

5. Single company identification numbers across all government agencies could also be considered to improve the efficiency of data collection within government reporting entities.

6. Given the importance of road and rail based transportation of extractives products in Mongolia, the MSWG may wish to consider a more detailed description of transportation arrangements related to the extractive industries in future EITI Reports and consider the existence of transportation payments in the...
5. Revenue management and distribution

5.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

5.2 Assessment

Distribution of revenues (#5.1)

Documentation of progress

The 2014 EITI Report provides a description of the budget process (pp.104-105). An overview of some extractive industry revenues included in the national budget (royalties, license fees) is also provided (pp.105-106), including earmarked revenues for the General Local Development Fund, the Fund for City and Aimag, the Fund for District and Soum and the Human Development Fund. The EITI Report also clarifies, on the basis of information provided by the MoF to the EITIM Secretariat, that all other taxes and fees from extractives companies are recorded in the annual budget, in line with the General Tax Law (p.105).

Stakeholder views

A Ministry of Finance representative noted that the work of centralising all revenues through the single treasury account was still ongoing, although she did not specify whether any extractives revenues flowed to other accounts. Industry and CSO representatives consulted did not express views on the description of revenue distribution in the 2014 EITI Report, noting that the MSWG had not considered this during the inception phase of the 2014 EITI Report.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement.

Subnational transfers (#5.2)

Documentation of progress

Mongolia operates a system of subnational transfers linked to extractives revenues under the General Local Development Fund (GLDF) as per the revised 2011 Budget Law and, since 2016, a separate system of subnational transfers of royalties and license fees. A share of royalties, license fees and the oil resource levy collected by the national government is transferred on a monthly basis to the GLDF according to a set formula based on four variables (not linked to whether subnational governments host extractive industries), which then executes subnational transfers to aimags, who in turn transfers each soum’s share for which they are responsible. The GLDF receives 5% of mining royalties and, following the amended Budget Law in July 2014, 30% of oil royalties (for those PSAs that include royalties) according to Section 5.3.3 (p.105), while 20% of oil exploration and production licenses are now transferred to City and Aimag
funds and 10% to district/soum funds since July 2014. Following surveys of needs at the soum and aimag levels, between 60% and 100% of the GLDF funds are then allocated to soum and aimag level development funds. The four general criteria for determining subnational transfers to soums and aimags are: development index of local government; population; population density, remoteness and size of territory; and tax initiatives of local government.

The 2014 EITI Report provides a description of statutory subnational transfers, including the formula for determining subnational transfers to aimags and soums in aggregate, but not the specific formula used for determining 2014 subnational transfers to individual aimags and soums (pp.106-107). The disclosed subnational transfers accounted for 1.17% of total government extractives revenues. The sources used for each of the four variables are not provided and it is thus not possible to calculate the transfers that should have been received in 2014 by individual aimags and soums. The 2014 Report does not refer to a definition or threshold for materiality of subnational transfers, while Section 4.3.6 (p.16) of the 4 August 2015 Inception Report only refers to the EITI Standard’s requirement for the MSG to define materiality for subnational transfers and the IA’s suggestion to include subnational transfers in reporting templates. Based on analysis of meeting minutes and stakeholder consultations, no materiality threshold for subnational transfers seems to have been considered by the MSWG in the 2014 EITI Report. Section 5.3.3.1 (p.107) includes data from MoF on the actual transfers made to each aimag’s General Local Development Fund and the Human Development Fund in 2014, but not the actual transfers from the aimags to the soums. Given that the report does not provide the level of subnational transfers that were calculated under the formula for 2014, it is not possible to ascertain any discrepancies between the calculated transfer and the actual transfer. In addition, Section 5.3.3.1 (p.107) notes that the revenue sharing formula for transfers made from aimag to soums wasn’t provided by any of the aimags, despite being included in the reporting templates.

Section 5.3.4.2 (p.107) describes the GLDF and the revenue sources and general process of allocations to soums and aimags. There is no evidence from meeting minutes or other documents reviewed that the MSWG decided to reconcile subnational transfers, although the IA describes attempts made to reconcile subnational transfers, which were broadly unsuccessful. The IA described its attempts to contact all provincial (aimag) governments that received subnational transfers associated with extractive industry revenue in Section 5.3.3.1 (p.107) but notes only that two aimags, Bayan-Ulgii and Khentii, reported these revenues. The reasons for other aimags’ non-reporting are not explained. The two aimags’ reporting is disclosed in Appendix 19 (p.302)). The EITI Report does not comment on the materiality of subnational transfers, in particular transfers from aimags to local funds. The MSWG should to consider the materiality of such subnational transfers in the next EITI Report, assessing the potential for voluntary unilateral disclosures in the case of transfers assessed as non-material.

Stakeholder views

The MSWG did not discuss a materiality threshold for subnational transfers during the inception phase of the 2014 EITI Report according to both the IA and MSWG members consulted.

Several government representatives noted that the MSWG had not discussed including information on the actual level of subnational transfers and any discrepancies with the amounts soums and aimags should receive according to the formula. However, they noted that information on subnational transfers to individual aimags and soums was publicly available in budget execution reports and that the MoF’s Fiscal Audit Committee conducted monthly assessments of fiscal performance. A CSO representative
noted that while the MoF executive order establishing the GLDF provided the general formula for calculating transfers to aimags and soums, it was unclear whether the formula for calculating GLDF transfers to specific aimags and soums was publicly available. Oil and gas company representatives noted that one of PetroChina’s two producing PSAs provided for royalties, while DongSheng’s PSA also included royalties, meaning that a share of royalties from two of the three producing PSAs is transferred to the GLDF.

A government MSWG representative highlighted the second type of subnational transfers related to extractive revenues effective from 2016, whereby aimags and soums receive 30% of mining and oil royalties and 50% of license fees, which were paid to the national government before being transferred to the subnational governments on a quarterly basis.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made meaningful progress in meeting this requirement. The 2014 EITI Report provides the general formula for calculating subnational transfers, but not the actual formula used for calculating transfers to individual aimags and soums. Furthermore, discrepancies between actual and calculated transfers are not disclosed in the EITI Report. While the EITI Report includes a detailed description of the General Local Development Fund, it does not make reference to the MSWG’s discussion of the materiality of subnational transfers.

Information on actual transfers to individual aimags appears to be available from the MoF, based on secondary sources. Figures for budgeted and actually executed GLDF transfers from central government to aimags are available from the Ministry of Finance, within one month of the end of the half-year (see Annex F for such figures for the period 2013 to H1-2016). The ‘Орон нутгийн хөгжлийн сан’ website provides unreconciled data on both budgeted and executed GLDF transfers to aimags and soums, sourced from the MoF, from 2013 onwards (when the 2012 Budget Law came into effect) and includes figures on expenditures funded by GLDF transfers as well as a function for browsers to comment on the data. Finally, the ‘Төсвийн ил тод байдал: Сангийн Яам’ website provides information on aggregate GLDF transfers to all aimags combined. However, details about the formula used for these calculations are not publicly available from secondary sources.

Additional information on revenue management and expenditures (#5.3)

Documentation of progress

The 2014 EITI Report describes revenue earmarks, with Section 5.3.4 (pp.107-109) noting earmarks for specific programmes including the Fiscal Stability Fund, the General Local Development Fund, the Human Development Fund and the Future Heritage Fund Draft Law. The overview of the budget-making process in Sections 5.3.1, 5.3.2 (pp.104-105) and 5.3.5 (p.109) include links to the MNAO performance reports for 2014 as well as national budget planning and performance assessments for 2014. Government forecasts for the national budget to 2018 are included in Section 5.3.5 (p.109).

---


163 http://tusuv-oronnutag.mn/

164 http://www.iltod.gov.mn/
Stakeholder views

Most stakeholders consulted did not have any views on including additional information on revenue management and expenditures and noted they had expected the IA to provide this information without the need for MSWG involvement. Several CSOs noted that stakeholders at the subnational level – both local governments and civil society – had expressed interest in gaining more information on how revenues were used at the soum and aimag level. However it was noted that the MSWG had not considered means of extending EITI reporting to include more information on the use of revenues or budget execution. The government produces additional revenue management information on an annual basis, such as annual mining revenue forecasts based on reported plans by the 100 largest mines prepared as part of the annual budget, which could be included in future EITI Reports according to a MoF representative.

Initial assessment

It is encouraging that the MSWG has made some attempt to include information on revenue management and expenditures in the 2013 and 2014 EITI Reports. Such efforts are only encouraged and are not taken into account in assessing compliance. We note the existence of the ‘Төсвийн ил тод байдал: Сангийн Яам’ website, which provides detailed information on the approved annual government budget, and the MoF website, which provides monthly budget execution reports that cover revenue, disaggregated by revenue stream for both central and aimag governments.

Table 5 - Summary assessment table: Revenue management and distribution

<table>
<thead>
<tr>
<th>EITI provisions</th>
<th>Summary of main findings</th>
<th>International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution of revenues (#5.1)</td>
<td>The 2014 EITI Report discloses how revenues are allocated.</td>
<td>Satisfactory progress.</td>
</tr>
<tr>
<td>Sub-national transfers (#5.2)</td>
<td>The general formula for calculating subnational transfers is disclosed in the 2014 EITI Report, although the formula for calculating transfers to individual aimags and soums is not provided. Discrepancies between actual and calculated transfers are not disclosed.</td>
<td>Meaningful progress.</td>
</tr>
<tr>
<td>Information on revenue management and expenditures (#5.3)</td>
<td>The 2014 EITI Report discloses the management of earmarked revenues.</td>
<td></td>
</tr>
</tbody>
</table>

Recommendations:

1. The MSWG should disclose the formula for calculating transfers to individual aimags and soums in future EITI Report.

165 http://www.iltod.gov.mn/
166 http://mof.gov.mn/
2. The MSWG may wish to disclose any discrepancies between the funds that should be transferred under the formula and the actual transfers, as a basis for assessing the efficiency of the current system of fiscal devolution.

3. The MSWG may wish to consider the efficiency of budget execution by the Human Development Fund and the General Local Development Fund.

4. The MSWG may wish to consider the materiality of such subnational transfers in the next EITI Report, assessing the potential for voluntary unilateral disclosures in the case of transfers assessed as non-material.

5. In order to address public discussions around Mongolia’s dependence on the extractive sector, the MSWG may wish to obtain further information related to the budget cycle, production and commodity price assumptions and revenue sustainability, resource dependence, and revenue forecasting.

6. Social and economic spending

6.1 Overview

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

6.2 Assessment

Social expenditures (#6.1)

Documentation of progress

The 2014 EITI Report includes disclosure of both mandatory and voluntary social expenditure. As described in Section 6.3 (p.56) of the 4 August 2015 Inception Report, mining companies are required to undertake mandatory social expenditures under Local Development Fund regulations, while Minister of Finance Order 45 of 2010 requires that these expenditures be classified as donations. Under the 2006 Mining Law, mining companies are required to conclude Local-Level Agreements setting social expenditure requirements with the soum and aimag governments in which they operate. In addition, some companies make voluntary social expenditures to soums and aimags. However, the delineation between mandatory and voluntary social expenditures in the 2014 Report appears to have been defined by the reporting entities themselves rather than by the MSWG. Cash and in-kind expenditures are clearly distinguished, with the nature of in-kind expenditures indicated for each.

According to Section 5.5.4 (pp.127-128), seven of the 236 material companies reported social expenditures for 2014. Mandatory social expenditures totalled MNT 11,295 million (USD 6.3 million) while voluntary expenditure reached MNT 670,826 million (USD 371.7 million), meaning that 98.3% of social expenditures was voluntary according to companies’ unilateral disclosures. However, it is unclear if the MSWG considered whether any of the other 229 material companies made any material social expenditure in 2014. The EITI Report should describe the framework for social expenditures, given that contracts for key projects like those of Oyu Tolgoi or Energy Resources LLC include provisions for


169 For example clauses 7.13-7.15 of the Oyu Tolgoi 2009 Investment Agreement cover the provision of social and economic...
mandatory social expenditure. While the mandatory and voluntary social expenditures are clearly delineated in the description of companies’ individual programmes in Section 5.5.5 (pp.129-132), the basis for distinguishing between the two types is not clearly explained. It is implied that companies were asked to categorise types of expenditure themselves in completing the reporting templates.

The cash and in-kind expenditures are clearly distinguished for both mandatory and voluntary social expenditures reported in Appendix 9 (pp.188-191), including a description of the type and deemed value of in-kind social expenditure. Finally, while the majority of recipients of mandatory social expenditures are government entities (predominantly aimags and soums), there is no additional information provided about the function of one recipient listed only as a non-governmental organisation (recipient #56 in Appendix 9 (p.188)), that received 2% of all mandatory social expenditures according to the table in Section 5.5.5 (p.131).

Stakeholder views

Prior to the amended Minerals Law of July 2014, there were no provisions in the law requiring companies to make social expenditures according to several government representatives consulted. In most cases local communities applied pressure to companies operating in their area to make donations, although the representatives noted this often led to seemingly endless demands. However, larger mining companies (Mongolian Energy Corp., Centerra, Erdenet, Baganuur, Shivee Ovoo) that held operating contracts with the government (in the form of stabilisation or investment agreements) were required to undertake mandatory social expenditures in line with their contracts. Most oil and gas PSAs included mandatory social expenditures, according to several government and oil companies consulted. Oil and gas companies consulted clarified that while all of the more recent PSAs included mandatory social expenditures, which were one of the key terms for negotiating the original PSA with the government, older PSAs signed in the 1990s did not. However, it was noted that the two oil producing companies had subsequently signed additional protocols covering social expenditures (PetroChina with the local government, DongSheng with PAM), although it was not clear whether these additional protocols represented mandatory social expenditures. The newer PSAs that included mandatory social expenditures clarified that these expenditures were not cost recoverable, according to oil companies consulted. All mandatory social expenditures were made in cash, not in kind, according to government representatives consulted.

A past IA noted that there had been no discussion of types of mandatory social expenditures undertaken by extractives companies in Mongolia by the MSWG prior to data collection for the 2014 EITI Report. Several CSOs clarified that while there had been discussion of the distinction between mandatory and voluntary social expenditures during the inception phase for the 2014 EITI Report, the MSWG had not reached a final decision on the distinction prior to data collection. The past IA noted that the categorisation of types of social expenditures during EITI reporting was thus left to the discretion of reporting entities. Several oil and gas companies noted that the distinction between mandatory and voluntary social expenditures were particularly relevant to them, despite their recollection that this had not been discussed by the MSWG, since their investors only wanted to pay mandatory social expenditures while the company management considered some forms of voluntary social expenditures effectively mandatory, given the importance of demands for donations by local communities.

Several government and industry representatives noted that the mis-categorisation of social expenditures infrastructure to third parties. See: http://www.turquoisehill.com/i/pdf/Oyu_Tolgoi_IA_ENG.PDF
was one of the main causes of discrepancies in EITI reconciliations. This was because companies did provide social infrastructure like water supply but, given that donations from companies to government were illegal under Mongolian law, local governments (at both soum and aimag levels) reclassified these receipts as construction or fees.

A government MSWG representative noted that following the amendment to the Minerals Act in July 2014 (under Article 42.1), all companies were now required to conclude Community Development Agreements (CDAs) with local governments, which covered procurement of local human resources, infrastructure development and environmental protection and thus included mandatory social expenditures. A model CDA was approved by the government in early 2016.

Regarding voluntary social expenditures, several government and CSO representatives noted that government entities were limited in terms of the types of donations they could accept, with only three types of donations allowed (education, health and culture), while private beneficiaries were not limited.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made meaningful progress in meeting this requirement. In Mongolia there is a clear distinction between social expenditures that are contractual obligations and those that are not: for instance, the Oyu Tolgoi Investment Agreement clearly mandates certain social expenditures\(^\text{170}\) while most PSAs also include mandatory social expenditures. Although the EITI Report discloses companies’ social expenditure, the distinction between mandatory and voluntary social expenditure appears to have been made by each reporting entity rather than set by the MSWG prior to data collection. It is thus unclear whether these payments have been fully disclosed given the lack of clarity on whether any of the other 229 material companies made any material social expenditure in 2014. Thus, the report does not clearly ascertain which social expenditures are mandatory and which ones are not. Equally, while government representatives noted that all mandatory social expenditures took place in cash rather than in kind, it appears from the 2014 EITI Report that in-kind mandatory expenditures exist although the nature and basis for reporting in-kind social expenditures is not clearly described. The MSWG, and civil society in particular as a basis for their advocacy, may wish to clearly delineate mandatory from voluntary social expenditure to better assess corporate contributions that are discretionary and those required by law, and ensure that these are comprehensively disclosed.

SOE quasi fiscal expenditures (#6.2)

Documentation of progress

There is evidence of substantial quasi-fiscal expenditures, particularly in 2014 when the Development Bank of Mongolia accounted for off-budget spending of 6.75% of GDP in sectors ranging from social housing to infrastructure according to the IMF and ADB.\(^\text{171}\) There is also evidence that at least two state-owned coal producers sell sub-market priced coal to state-owned power plants\(^\text{172}\), with only a share of


this subsidy covered by the national budget.

Section 5.4.6 (p.119) of the 2014 EITI Report describes SOEs’ quasi-fiscal expenditures, but only for 13 SOEs included in the scope of reconciliation (listed in Section 5.4.2 (pp.110-111)), out of a total of 21 SOEs operating in the extractive industries. While five of the eight SOEs excluded from reconciliation operated in construction materials, three operated in hard minerals (uranium, coal and tungsten). All but one of the 13 SOEs included in the reconciliation (Shivee Ovoo provided details) either did not list any quasi-fiscal expenditures in their reporting templates or stated that they did not undertake any quasi-fiscal expenditures. The 2014 EITI Report does not clarify or name which SOEs did not disclose any information however. The MSWG does not appear to have considered the issue of subsidies ahead of data collection, nor the existence of other quasi-fiscal expenditures such as (potentially) the lack of penalties for late payments for state-owned mining companies’ sales of their production and payments for social infrastructure development by subnational governments. While it is noted that some SOEs sold coal at below market prices to state-owned power plants, the cost of these subsidies is not provided. Although the table in Section 5.4.4 (p.118) provides a list of SOE payments to subnational governments, it is unclear whether these payments should be categorized as quasi-fiscal expenditures, mandatory infrastructure provision, mandatory social payments, voluntary infrastructure provision or voluntary social expenditures.

Stakeholder views

A government representative claimed that the annual government budget included quasi-fiscal expenditures under stabilisation programmes funded by the Development Bank of Mongolia, which included, for instance, the sale of sub-market priced thermal coal to power plants. However, several CSO representatives noted that while state-owned Baganuur sold thermal coal to power plants at a USD2,500/ton discount on production costs, it was unclear how much of this was covered by fiscal subsidies from the state budget.

A past IA and MSWG members consulted noted that there had been no discussion of types of quasi-fiscal expenditures undertaken by SOEs in Mongolia by the MSWG prior to data collection for the 2014 EITI Report. Several government representatives noted that there were no legal barriers to disclosing SOEs’ quasi-fiscal expenditures. Two government representatives noted that while subsidies for state-owned coal producers were recorded in the annual State Budget, this accounted for only a share of the cost of subsidised coal sales to state-owned power producers. It was noted that the government fixed the domestic sales price of thermal coal but that the subsidies transferred to state-owned coal producers only a part of this subsidy and the coal producers were forced to accept lower margins due to regulation of their sales prices.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made inadequate progress in meeting this requirement. The 2014 EITI Report provides details of only one SOE’s quasi-fiscal expenditures, but this does not appear to be a comprehensive overview of quasi-fiscal expenditures in the mining sector. There also appears to be confusion about the distinction between quasi-fiscal expenditures, SOEs’ social expenditures and their direct subnational payments, given the MSWG’s lack of discussion of this topic ahead of data collection. It is likely that a number of SOEs’ payments to subnational governments are miscategorised and could be considered as quasi-fiscal expenditures. This is a particularly important issue in relation to thermal coal sales to state-owned power plants (although it may also involve other mineral producers) and given the substantial off-budget credit support extended by the central bank since 2013. The MSWG should examine this issue in greater detail and include a more
detailed explanation of quasi-fiscal expenditures in the mining sector. This information could prove particularly useful given the government’s reform plans for the power sector.

**Contribution of the extractive sector to the economy (#6.3)**

**Documentation of progress**

The 2014 EITI Report provides a comprehensive description of the contribution of the extractive industries to the economy, providing:

- the size of the extractive industries in absolute terms and as a share of GDP in Section 5.1.1.1 (p.47),
- key areas where production is concentrated, for mining in Section 5.1.4.3 (p.71) and for oil in Section 5.1.5.3 (p.86),
- their contribution to government revenues in absolute terms and as a share of total government revenues in Section 5.1.1.2 (p.48),
- the value of extractive industry exports in absolute terms and as a share of total exports, in Section 5.1.1.3 (p.49),
- extractive industry employment in absolute terms and as a share of total employment in Section 5.1.1.4 (p.50). Appendix 13 (pp.205-206) provides further details of 79 companies’ employment figures, disaggregated by nationality, employment type and local soum/district employees,
- estimates of the informal sector, including a description of artisanal and small-scale mining in Section 5.1.4.5 (pp.79-83). Appendix 17 (pp.296-297) provides further details of ASM production reported by aimags, but only for three aimags.

**Stakeholder views**

Industry and CSO stakeholders consulted considered the description of the contribution of the extractive industries in the 2014 EITI Report to be comprehensive and accurate, noting that the same numbers appeared used in other publications on the extractive industries such as the UNDP Corruption Risk Assessment in the Mining Sector report published in June 2016. CSOs in particular welcomed the expanded description of artisanal and small-scale mining in the latest EITI Report and the disaggregation of information by soum, which was seen as particularly relevant given subnational EITI councils’ demands for information. Several CSOs also considered the inclusion of employment figures disaggregated by location to be particularly important, given subnational councils’ demands for this type of information. No stakeholders consulted expressed views on any barriers to disclosing the location of oil production and exports.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress. The 2014 EITI Report expands on previous EITI Reports’ description of the contribution to the economy. It includes, in absolute and relative terms, the size of the extractive industries, their contribution to government revenue, exports and employment. A description of the informal sector and of the main areas of production is also provided. This is also now provided through the EITIM data portal. The MSWG has also gone beyond the basic EITI Requirements in disclosing detailed information on employment by mine and nationality, although not for oil and gas. This is an example of how the EITI Report can be used to disclose information that is meaningful and relevant to national debates.
### Table 6 - Summary assessment table: Social and economic spending

<table>
<thead>
<tr>
<th>EITI provisions</th>
<th>Summary of main findings</th>
<th>International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social expenditures (#6.1)</td>
<td>Although the MSWG has considered social expenditures in detail and disclosed these in the 2013 and 2014 EITI Reports, the distinction between mandatory and voluntary social expenditures seems to have been made by reporting entities themselves. The comprehensiveness of disclosures of mandatory social expenditures is unclear. The nature and basis for reporting in-kind expenditures is not described. No details on the identity of non-governmental recipients are provided.</td>
<td>Meaningful progress.</td>
</tr>
<tr>
<td>SOE quasi fiscal expenditures (#6.2)</td>
<td>The 2014 EITI Report provides details of only one SOE’s quasi-fiscal expenditures, but the comprehensiveness of assessments of quasi-fiscal expenditures is unclear. There also appears to be confusion about the classification of a number of SOEs’ “payments to subnational governments”. The MSWG does not appear to have considered whether such expenditures exist, despite the widespread knowledge of subsidised state-owned coal sales to power plants.</td>
<td>Inadequate progress.</td>
</tr>
<tr>
<td>Contribution of the extractive sector to the economy (#6.3)</td>
<td>The 2014 EITI Report expands on previous EITI Reports’ description of the contribution to the economy. It includes, in absolute and relative terms, the size of the extractive industries, their contribution to government revenue, exports and employment.</td>
<td>Satisfactory progress</td>
</tr>
</tbody>
</table>

**Recommendations:**

1. The MSWG should consider the existence of subsidies in the mining sector and of other quasi-fiscal...
Validation of Mongolia: Report on initial data collection and stakeholder consultation

expenditures undertaken by SOEs in the extractive industries. Given government efforts related to power sector and public finance management reforms, the MSWG could use the EITI Report as a means of clarifying the different direct and indirect state subsidies.

2. The MSWG should agree a distinction between mandatory and voluntary social expenditures.
Part III – Outcomes and Impact

7. Outcomes and Impact

This section provides details on the implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

7.1 Public debate (#7.1)

Documentation of progress

Communications: The gap in funding for EITI implementation from January-May 2016 constrained the EITIM Secretariat’s communications activities, although a number have continued. Three dissemination events were hosted in Ulaanbaatar in late December 2015, based on the 2014 EITI Report. This included an event for journalists on 21 December (with roughly 15 journalists in attendance), an event for CSOs on 23 December (with roughly 15 CSOs in attendance) and a larger event on 25 December targeting companies at the Miners’ Day, organised by MRAM and the Ministry of Mining. A press conference for the 2014 EITI Report was organised at Government House on 18 January 2016, bringing together roughly 15 media organisations. The EITIM secretariat developed and published a summary 2014 EITI Report. With support from GiZ, EITIM has also produced four summary reports based on the 2014 EITI Report focused on specific aimags (Bayankhongor, Övörkhangai,Uvs and Selenge) in Q2-2016, although these had yet to be published on the EITIM website as of July 2016.

The EITIM Secretariat has produced infographics based on the 2014 EITI Report174, using the services of Icon.mn, and updated the visualisations based on the 2014 EITI data on the EITIM data portal.175 Outreach and dissemination has also focused on the EITIM eReporting system and data portal. The Secretariat hosted several journalist training workshops in November 2015 and April 2016. Meanwhile updates in EITIM’s social media outreach have accelerated in 2015 and 2016, with more frequent posts particularly on the EITIM open data efforts and global EITI developments such as the 7th EITI Global Conference. At the 7th Global Conference, Mongolia distributed summary 2014 EITI Reports, infographics and promotional materials such as calendars. The EBRD is planning to include support for EITIM communications in its revised country programme, with a particular focus on use of EITI data in policy-making at national and subnational levels.

In line with its communications strategy, the EITIM Secretariat contracted Mongol Mass Media LLC in late 2013 to implement a media campaign to increase public awareness about the EITI. Under the contract 12 TV serials and five interviews were broadcast and five articles were featured on the www.news.mn website, three events were featured live on TV. Interviews on the EITI were broadcast on key TV channels such as Bloomberg Mongolia TV, TV9, TV8, Eagle TV and Eco TV. The EITIM Secretariat also re-organized the www.eitimongolia.mn website to make it more user-friendly, to increase the use of EITI Reports and to improve public awareness, and launched an entirely new website in February 2016, ahead of the 7th EITI Global Conference in Lima, Peru. It created several info-graphics using 2012 EITI Report and published these both on the EITIM website and on the www.ikon.mn news website.

174 http://eitimongolia.mn/en/infographics
175 http://e-reporting.eitimongolia.mn/
In 2015 the EITIM Secretariat contracted Mongolian-language newspaper National Post to publish five articles on the findings of the 2013 EITI Report (one a month from January to July). An interactive infographic on beneficial ownership disclosures in the 2013 EITI Report was also developed in early 2015. A monthly newsletter is also sent out to a database of 400 contacts maintained by the Secretariat, since September 2014.

EITIM has also pursued a social media communication strategy. According to consultations with the EITIM Secretariat, the EITIM twitter and Facebook accounts are typically updated at least once a month, while updates to the EITIM Youtube and Flickr accounts depended on the frequency of public events. As of 5 July 2016, the EITIM Facebook page\textsuperscript{176} launched in October 2014 had 398 followers, its Twitter account\textsuperscript{177} launched in June 2014 had 210 followers, its YouTube page\textsuperscript{178} featured 15 videos and its Flickr account\textsuperscript{179} featured 20 photo albums. While its Flickr account has only three followers, the EITIM Secretariat primarily uses this medium for uploading pictures and subsequently alerts its contacts via email, so the number of follower likely under-estimates the impact of this medium. The EITIM Secretariat plans to contract local media advisory firm Maxima Media to track the media exposure of EITI communications and analyse the impact.

A survey on improving communications activities, requested by Secretariat and National Council and discussed at the MSWG’s 34th meeting on 13 December 2013, found that more efforts were needed for dissemination of EITI information. The subnational outreach and implementation strategy has engaged a broader section of mine-affected communities. (see below, on subnational implementation). On 10 November 2015, the EITIM Secretariat and the Mongolian Mining Journal conducted a training workshop for 52 local journalists, including a session on how to read and interpret EITI reports.

\textbf{Outreach:} The EITIM Secretariat has led regular training and outreach events in recent years. Despite funding constraints in the first half of 2016, outreach continued with a particular focus on the online data portal work. The Ministry of Mining, together with the Secretariat, the EBRD and Adam Smith International, hosted a workshop for around 30 journalists on the new EITIM data portal on 20 April 2016. The EITIM Secretariat has also continued providing input to academic and other analytical studies, most recently providing input to the UNDP and Ministry of Mining’s Corruption Risks Assessment in the Mining Sector report published in May 2016.

In 2013, the Secretariat and the MSWG, with support from Adam Smith International and the European Bank for Reconstruction and Development (EBRD), held events in Ulaanbaatar and four aimags (Darkhan-Uul, Khovd, Govi-Altai, Khentii) reaching roughly 700 people from 20 of Mongolia’s 21 aimags. In all the Secretariat estimates it trained 25 trainers and 20 journalists at these events. It is noteworthy that Mongolia is a country with the advantage of widespread use of the Mongolian language, with no widespread regional dialect or language used. While this should facilitate dissemination of information and stimulation of national public debate on the extractive industries, the majority of the Mongolian population resides in the capital Ulaanbaatar, with travel to regional centres complicated by infrastructure challenges.

\textsuperscript{176} https://www.facebook.com/EITIMongolia/
\textsuperscript{177} https://twitter.com/eitimongolia
\textsuperscript{178} https://www.youtube.com/user/eitimongoliamn/videos
\textsuperscript{179} https://www.flickr.com/photos/123397335@N02/albums
In 2014 the MSWG and the EITIM Secretariat undertook outreach and dissemination events and road shows in nine soums, reaching a total of 619 people in rural areas. This involved the production of aimag and soum-level summary EITI Reports for the first time. In 2014 and 2015 combined, the Secretariat produced four aimag-level summary EITI Reports and 12 soum-level reports, distributing a total of 4800 copies.\(^{180}\) In 2016 the Secretariat is planning summary EITI reports for four aimags and six soums. The German development cooperation agency GIZ developed three soum and aimag level summary reports based on the 2013 EITI Report, contracting the Mongolian Mining Journal to improve the accessibility of publications. It produced four more in 2016 (Bayankhongor, Övörkhangai, Uvs and Selenge), based on the 2014 EITI Report and is planning outreach events (EITI Open Days) in these four aimags in July-August 2016.

The EITIM Secretariat also carried out surveys in 2014 in five of these nine soums (120 respondents), and in 2015 in three soums (102 respondents) asking residents what information on the extractive industries is already available and what would be of most interest. Respondents highlighted the following topics: environmental rehabilitation (20%), donations (25%), job creation (15%), community development agreements (15%), tax (10%), reserves (10%), licenses (5%) and beneficial ownership. In 2015, the EITIM Secretariat and MSWG have conducted four subnational EITI Open Days (in three districts and one aimag) and three regional EITI conferences in the West, North and South in 2015, with plans for another regional conference in East in 2016. The conferences were designed to foster peer learning and sharing of information, while the Open Days were designed to be more detailed in providing Mongolian-language information about mining activity in the soums and aimags hosting the events.

Debate at the soum and aimag Open Days in 2015 focused on three key areas, according to the Secretariat, with demands for more information:

- Timeframe for specific mining activities and the impact on employment
- License allocation procedures
- Environmental impacts of mining (especially in terms of water uses and the impact on local agriculture) and the government’s response to environmental degradation.

The EITIM Secretariat has also participated in and delivered promotional materials at several international and domestic conferences in both 2014 and 2015 including the “Coal Trans” Forum, “Discover Mongolia” Investment Forum, “Open day of Ministry of Mining”. The Secretariat has also held training workshops for each stakeholder group in 2015. In April it held a workshop for CSOs (the PWYP and MECC coalitions) on how to extract information from the 2013 EITI Report, using excel spreadsheets. In February and March it held two workshops for government entities and one for companies, which included a briefing on the 2013 EITI Report and training on how to improve the quality of disclosures.

Although Government Resolution 222 of 2012 requires EITI Reports to be presented to Parliament’s Standing Committee on Economic Affairs once a year, this has never been done in practice. The EITIM Secretariat claims that this stems from lack of clarity over who would be tasked with presenting the EITI Report to Parliament (State Secretary, Minister of Mining, etc), although some CSOs we spoke to argued that the Prime Minister was clearly empowered to do so as Chair of the National Council. The Natural Resource Governance Institute (NRGI) ran a training programme for parliamentarians from December

\(^{180}\) Interview with Mrs Delgermaa, communications officer at EITI Mongolia Secretariat, and proceedings of the National Forum, 3 November 2015.
Validation of Mongolia: Report on initial data collection and stakeholder consultation

2014 to March 2015 on extractive industries governance, which featured one module on general EITI implementation.

**Sub-national implementation:** Government Resolution 222 on 4 July 2012 requires all provinces (aimags) and districts (soums) that host extractive industries to establish EITI sub-councils. All 21 of Mongolia’s aimags host extractive industry activities, as do 103 of its 329 soums. Given the infrastructure challenges to travel to provincial centres, the creation of subnational EITI councils is of particular significance in stimulating public debate about the extractive industries in rural areas. As of mid-2015, some 20 aimags and 14 soums had established operational sub-councils according to PWYP, although the Secretariat had not received official notification of all directives establishing these councils (all 20 aimags but only seven soums). The Resolution clearly defines the roles and responsibilities of local governments in establishing these sub-councils and provision 11.2 states that representation of the three stakeholder groups should be equal in number. The role of the sub-national councils at both aimag and soum levels is to assist in EITI reporting, advancing EITI at local level and promoting consultations between local authorities, community and companies, with a particular focus on resolving local development issues. The Resolution does not specify the functions of the subnational councils, or the relation between subnational councils and the National Council and MSWG, as well as sources of funding. However it does regulate disclosures of information beyond that defined in the reporting templates and includes environmental reclamation funds and expenditure. The meeting practices differ according to the soum and aimag. Some sub-national councils meet monthly, others far less frequently, although the 20 sub-national council representatives we met noted the ease of organising such meetings given the small size of the communities involved.

Despite the organisational challenges however, the 20 representatives of both local governments and local civil society we met spoke of a change in attitudes of central government entities and companies. While they were previously perceived as not caring about the impact on local communities, it was noted there was now more respect and attention paid to the needs and interests of local communities. Local residents now had access to information on the number of licenses active in their soum and aimag, where previously only the local governor had access to this information. The representatives noted the key areas of discussion and interest on the sub-national councils, which were similar to those related by the EITIM Secretariat:

- License allocation procedures
- Local cooperation agreements between companies and local governments

In its 2016 work plan, EITIM plans to focus capacity building efforts on four aimags and six soums but also aims to improve the legal distinction between functions of aimag- and soum-level EITI councils. The EBRD is planning to support a pilot project on a selection of EITI subnational councils as part of its revised country programme. In the 2016 workplan, CSOs were given the lead in organising rural outreach and dissemination activities and agreement was reached to provide funding to the PWYP coalition for specific activities in rural areas.

**Stakeholder views**

A high-level government official closely involved in the EITI noted that EITI Reports were systematically distributed to all members of parliament but that it was not formally presented at parliament. Thus it was seen as unlikely that members of parliament actually read the EITI Report because of lack of time and the fact it was so big. It was argued that EITI Reports did not generate debate. It was recommended that the EITIM Secretariat should extract the information from EITI Reports by contracting the services of a think
tank, but that this was not possible due to lack of funds. Two industry representatives noted the proposal that either the Secretariat or the MSWG should provide a prioritisation of the information contained in EITI Reports and make more use of infographics, in order a greater section of the general public to access and use EITI information. Several CSOs noted the stronger focus on use of EITI data in the 2016 work plan. One CSO representative argued that the government could demonstrate its commitment to EITI implementation by facilitating dissemination of EITI information and outreach through the state-owned Mongolia National Broadcaster, although this had never been done. The representative noted that EITI outreach would be more efficient through advertising, rather than through public dissemination events.

Industry representatives noted the MNMA did not use the EITI Reports itself given its lack of capacity, noting its staff had been downsized to four as a result of the mining downturn since 2012. Industry representative assumed that since companies reported data through the EITI, they would be curious about the results and that public relations staff would at least consult the EITI Reports. Several industry representatives noted what they saw as a risk if companies actively engaged in disseminating EITI information: given the lack of public trust in mining companies in particular, they worried that the public would not have confidence in EITI figures if they were disseminated by companies. It was noted that the Oyu Tolgoi quarterly brochures launched in 2014 used some EITI data alongside the company’s own “scorecard” disclosures. Oil and gas companies consulted noted that while they organised their own bilateral meetings with local communities in which they operated, they did not tend to use EITI information and only relied on their own disclosures. There was a perception of excessive focus in the EITI on the process of reporting and the numbers, rather than analysis of the information. In the face of long tables of data, the impression amongst the general public was that the mining industry was still opaque. There needed to be better analysis of the EITI data and more visually appealing summary reports and brochures.

CSOs consulted noted their impression that the main users of EITI information were CSOs, rather than the other stakeholders or journalists, highlighting the effectiveness of subnational dissemination of location-specific summary reports. One CSO representative stated that publishing one big report was inefficient, given that people never tended to read it, and that EITIM should focus on publishing only location-specific reports for aimags and soums, where they were most in demand.

Representatives of sub-national councils consulted noted that the only time they received information on the EITI was during the EITI Open Day outreach events. Members of the media consulted stated that most media did not consult the EITIM website unless specifically instructed to do so. It was noted that there were few channels of dissemination of EITI information to the public, beyond summary reports for specific aimags and soums, the EITIM website and data portal and the different social media channels used by the EITIM Secretariat. Although EITI Reports were published and publicised once a year there was little follow up. Mongolia had one of the highest per capita media use in the world, particularly online social media. It was noted this could be used more actively than the current monthly updates to disseminate EITI information and engage the public in debating EITI disclosures. It was also noted that networks of journalists existed in various fields and it was recommended that the EITI and PWYP should develop such a network to feed through EITI information to the public. Several members of civil society highlighted the difference between the public “frenzy” surrounding the annual publication of asset declarations by politically exposed persons in February each year to the lack of public discussion of the EITI Reports when published (despite the fact that only 200 of the roughly 10,000 asset declarations by PEP are disclosed to the public).
A number of CSO representatives lamented the lack of civil society representation on some soum-level councils. However, representatives of subnational councils noted that in some cases no dedicated CSOs exist to take part in the sub-national council. In such cases, it was noted that alternative CSOs (not part of the PWYP or MECC coalitions) were invited to participate, such as associations of the elderly, youth and women. Several CSO members of subnational councils noted that there was no company representation on their soum-level EITI council and only tended to meet companies when EITI reports were disseminated. Members of the media consulted noted that there were significant discussions and debates at the local level and recommended that more efforts should focus on the local Citizens Representatives’ Khurals (subnational parliaments). Under the Minerals Law approval for new mining licenses was required to be granted in consultation with local Khurals, which met infrequently. This was seen as an opportunity for local Khurals to use the EITI in consultations with companies over mining license applications, which rarely happened. Several rural CSO representatives noted that the main focus of their EITI councils was on local hiring, environmental impacts of mining, license allocations and the ownership of exploration licenses.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. The MSWG has taken steps to ensure that the EITI report is comprehensible, actively promoted and publicly accessible. Through the organisation of subnational dissemination events and workshops, as well as the establishment of subnational MSGs, EITIM has ensured that the EITI has also contributed to public debate, particularly at the aimag and soum levels. Public debate has been generated by specific data from EITI Reports, such as information on licenses, social expenditure and environmental provisions, but the EITI has also provided a platform for discussions and debates about how the mining sector is managed. The MSWG may wish to consider establishing more formal mechanisms for subnational MSGs to provide input to national EITI discussions, to ensure discussions at the local level are reflected.

7.2 Data Accessibility (#7.2)

**Documentation of progress**

The EITIM Secretariat has made excel spreadsheets of EITI data available on its website for several years. Summary data templates for all EITI Reports are available for both government reports and company reports. Summary reports based on both the 2013 and 2014 EITI Report have also been produced for four aimags and 12 soums each (see above).

The Open Society Forum is also working with NRGI to establish a contracts portal, hosted on the OSF website but using the source code from NRGI’s www.resourcecontracts.org portal, to host the 20 PSAs in the oil and gas sector that are expected to be disclosed as a result of work by the MSWG working group on contracts. The contracts portal is expected to be launched in August 2016 and NRGI’s contracts portal will include copies of these contracts on its www.resourcecontracts.org portal. The PWYP coalition also organised a training seminar for journalists on using EITI data in November 2015.

---

The EITIM has also been supported by the EBRD in developing an eReporting platform aimed at automating EITI disclosures and improving accessibility of the data to the general public. In turn, this is meant to empower users with more accessible information to engage with mining companies and the government. The first phase of the project was undertaken by Adam Smith International in cooperation with local software developer Interactive LLC and was completed in August 2014, before being publicly launched in January 2015. The aim of the project was to improve the efficiency of the reporting process, in particular compilation and submission by both companies and government entities. The system stores data in a codified, electronic format in a single secure location. The e Reporting system provides for the following:

- Online submission of EITI Reports both companies and government
- Cadastral map of licenses on Google satellite image
- Online submission module for extractive companies
- Online submission module for government entities
- Reconciliation module for the IA to compare reports and input adjustments
- Publicly accessible data portal to show and analyse EITIM data

The e Reporting system was used for the first time in for the 2014 EITI Report, with 987 companies and 35 government entities submitted their reports via the e Reporting system by the deadline of 31 March 2015. The government entities provided information on 1570 companies. Once submitted, all reports are publicly available via the portal and end users are able to find reports by company name, mineral type, license numbers and so on. This has improved the timeliness of data available to the public and increased the accessibility to general users.

The second phase of the e Reporting project was launched in August 2015 and will be completed by December 2016. The main aims of the second phase include:

- A publishable, high quality case study on the e-Reporting pilot phase – this will be the first step in replicating the system in other EITI implementing countries.
- Redesigned reporting forms, field/definitions (online help files), and alternative submission proposals.
- On-going on-demand support during the 2015 reporting period.
- Upload of available historical data to demonstrate selected tools.
- Integration of data feeds and automated updating of e-Reporting database. Approval has already been secured for integrating the General Department of Taxation database through the National Data Centre. The integration of MRAM’s four separate database, which are not interoperable, will take longer, although we note a feasibility study supported by the World Bank on the integration of the four MRAM databases onto the NDC was on-going in November 2015.
- Modifications to the reconciliation process to include an option to ‘drill down’ into the details of any one transaction, with automatic reporting by exception and/or analysis of reports selected by the Reconciler.

185 http://e-reporting.eitimongolia.mn
• Upload of available additional datasets, including environmental data.
• Demonstrable export of all data (or selected subset) in XML/XSD software.
• Selection, acquisition and implementation of demonstrator tools, integration guide for manipulation and generation of reports for tabular, graphical and cadastral data.
• Design documents for disaggregating data to explain the process, the templates in Excel, import via XML/XSD and acceptable demonstration of the process/software.
• Training plan, description of training curricula, training materials and training feedback.
• Enhancements to the reporting part of the admin module, with automatic generation of tables, graphs and maps (showing user locations).

By 20 April 2016, when the Secretariat, together with the EBRD, Adam Smith International and the Ministry of Mining, ran a workshop for around 30 journalists on the rebranded EITIM data portal, the project had reached a landmark. Having uploaded historical EITIM data for the period 2006-2014, the project was on track to integrate the data portal with the General Department of Taxation, allowing for automatic exchange of information. While MRAM had thus far refused automatic exchange of information, despite the absence of technical constraints, agreement was reached on manual exchange of cadastral information on a monthly basis. The remaining eight months of the project in 2016 were to be focused on end-user applications and data visualisation/analysis.

Stakeholder views

Several government representatives noted they did not use EITI information in their work, although others from the Revenue Department and NSO noted they used EITI data to reconcile revenue data and GDP figures respectively. It was noted that following the implementation of the July 2014 Law on Glass Accounts a scandal erupted when an illegal payment was found in early 2015, but that no such scrutiny took place as a result of the publication of an EITI Report. One government representative noted he did use EITI information in his work, as a means of comparing and confirming the statistics his own department produced. A representative from the MNAO noted that they consulted EITI data particularly in their work with SOEs, although they noted their need for “official” figures, noting they did not consider EITI figures as “official”, noting the MNAO’s concerns about the reliability of EITI data. CSOs expressed doubt that government entities like the MoF used EITI data, but highlighted PWYP’s ‘data mining’ project using EITI data launched in 2013. Industry representatives consulted stated that they did not use EITI data for their own work, noting that they considered the EITI data to be outdated by the time of publication. While these representatives praised the development of subnational EITI summary reports, they considered that insufficient outreach had taken place to ensure that citizens in aimag and soums received these reports. Several rural-based CSOs noted that the new information provided by EITI on the legal ownership of exploration licenses was particularly useful for local communities and governments, who often did not know how many companies were operating in their communities.

Members of the media noted while EITI reports contained much useful data for citizens, they were difficult to make sense of with so many data tables. The EITIM efforts to develop subnational (soum and aimag) summary EITI reports were very helpful in making relevant information accessible to the public. It simplified the information, made it more reader-friendly (presenting information in graphs and infographics) and was tailored to the specific interests of local citizens according to their location.

Several CSOs noted that a major concern was the lack of integration between government IT systems and
the EITIM data portal, which caused inconsistencies in data depending on sources, although the inclusion of links to the relevant government databases in the 2014 EITI Report and work on integrating the systems in 2016 were welcomed. All stakeholders consulted praised the EITIM Data Portal for making more data than was previously accessible through the MRAM website more accessible to a broader section of stakeholders. CSOs in particular noted the data portal addressed CSOs’ significant concerns previously about the lack of accessibility of EITI information.

**Initial assessment**

The International Secretariat’s initial assessment is that the MSWG has made significant progress in making data in EITI Reports accessible. The EITIM data portal is a significant improvement in rendering this data accessible to the broader population, notably in a way that provides for location-based queries.

### 7.3 Lessons Learned and follow-up on recommendations (#7.3)

**Documentation of progress**

The National Council and MSWG have both discussed recommendations from the 2014 EITIM Report and Mongolia’s November 2015 pilot Validation report, although only in general terms. The MSWG discussed some of the recommendations of the draft 2014 EITI Report at its 11 December 2015 meeting. The discussion focused on the recommendation to engage the IA earlier in the year to ensure its input in data collection through the eReporting system and the recommendation for a comprehensive review of the eReporting system to ensure integrity of the data. While a CSO representative raised the issue of recommendations from the pilot Validation report in general terms, but this did not include discussion of specific recommendations.

The National Council considered the recommendations from the 2014 EITI Report at its 18 December 2015 meeting, including a presentation by the IA. Several CSO representatives expressed support for the recommendation to engage the IA earlier in the year. The National Council decided to follow up on all 12 recommendations from the 2014 EITI Report, although the EITIM Secretariat was designated as the entity to follow up and implement 11 of the 12 recommendations. While the National Council discussed the fact that the pilot Validation had taken place in November 2015, there do not appear to have been discussions about the specific recommendations of the pilot Validation report.

The 2016 EITI workplan includes activities related to following up on recommendations from the 2014 EITI Report and the pilot Validation report, but only in general terms. Activity 10.4 of the workplan includes a general activity to prepare for and organise Validation, submit final findings to National Council and “have discussions”, as well as a footnote indicating that unspecified “additional work” is planned to follow up on recommendations of the pilot Validation report. Ahead of implementation of Requirement 1.5.c.iv from 31 December 2016, the MSWG should consider including activities related to following up on specific recommendations from EITI reporting and Validation in its 2017 EITI workplan.

---

The 2015 annual activity report\textsuperscript{189} includes the list of 12 recommendations in the 2014 EITI Report and a copy of the executive summary and key recommendations of the pilot Validation report. While the 2015 AAR states that most of the pilot Validation’s recommendations were included in the 2016 EITI workplan, only a general reference to following up on these recommendations is included, as noted above. However the 2015 AAR does confirm the National Council’s approval at its 18 December 2015 meeting to accept and follow up on all recommendations from the 2014 EITI Report and pilot Validation report. However, it should be noted that at the time of writing (April 2016) that EITIM has faced a funding gap in the six months since publication of the 2014 EITI and pilot Validation reports, delaying implementation of key activities in the 2016 EITI workplan.

The MSWG and the IA have systematically followed up on discrepancies in the financial reconciliation section of the 2013 EITI Report. The MSWG has clearly stated at several meetings\textsuperscript{190} that one of the main goals of EITI implementation was to eliminate discrepancies, which explains the significant attention devoted to following up on discrepancies. During discussions of the draft 2013 EITI Report at its meeting on 10 October 2014, the MSWG discussed discrepancies in detail. The MNT 55 billion discrepancy recorded in PetroChina Daqing Tamsag’s disclosures for 2013 were explained by the fact that PetroChina booked revenue from oil sales through its Chinese subsidiary rather than its Mongolian subsidiary, but that following the July 2014 Petroleum Law it would be obliged to account for such sales through its Mongolian subsidiary.\textsuperscript{191} The other discrepancies are mostly due to lack of clarification from the customs service on the disaggregation of customs tax, VAT on imported goods and customs service fees as well as the lack of reporting by three companies (p.80 of the 2013 EITI Report).

The issue of following up on past EITI recommendations has been one of the main points of discussion on the MSWG and the National Council since 2013 in particular. Two CSOs – the Center for Human Rights and Development and the Zorig Foundation – completed a “Monitoring Report on the Implementation Status of Recommendations Provided by the EITI National Reconciliation Reports” in 2014. Evaluating the follow up of recommendations in the 2006-2011 EITI Reports, the study surveyed 89 recommendations included in these six EITI Reports, of which 40 were distinct recommendations. There were several repeated recommendations: three were included in five EITI Reports, 28 were included in two to four EITI Reports and 12 were included in only one EITI Report. The recommendations were all focused on the EITI reporting process itself, rather than including broader suggestions for sector reform. The study found five key types of recommendations:

- Recommendations on reporting templates
- Recommendations on reporting scope
- Recommendations on reporting parties
- Recommendations on arranging reporting processes
- Recommendations on improving EITI importance and effectiveness

It noted that EITI Report recommendations were discussed at eight of the 11 meetings of the National Council at

\textsuperscript{189}http://eitimongolia.mn/sites/default/files/uploads/wokplanandreport/Mongol%20EITI%20AAR%202015%20report%20in%20English.pdf
\textsuperscript{190} Most recently at its 10 October 2014 meeting.
\textsuperscript{191} MSWG meeting minutes, 10 October 2014, p.4.
Council between 2006 and 2014. While the study noted that the EITIM Secretariat estimated 27 of the 40 distinct recommendations were implemented, the study estimated a lower number of eight recommendations implemented. The main reasons for this lack of implementation of 32 recommendations were the lack of actionable recommendations and lack of clarity in the parties responsible for implementation. Further, the study noted four key challenges in following up on recommendations:

- Recommendations were too general, sometimes unclear and in some cases contravened legislation
- Lack of resources for effective implementation of the recommendations
- Long process and absence of responsibility for implementation of the recommendations
- Insufficient cooperation between EITI stakeholders in implementing recommendations

**Stakeholder views**

Several government representatives and the EITIM Secretariat noted the inclusion of follow-up on recommendations from the 2014 EITI Report and Mongolia’s pilot Validation in the 2016 work plan, under activities 10.1-10.5. Several CSOs noted that the two sets of recommendations had been discussed by the MSWG and National Council in December 2015, but noted the lack of implementation of related work plan activities in the first half of 2016 due to budget constraints. However one CSO noted that activities related to following up on EITI recommendations did not necessarily require funding, citing examples of MSWG meetings or discussions with government representatives about information gaps.

One government representative noted that the main recommendation they were partly responsible for implementing was that covering quality assurance of government EITI disclosures and that this had yet to be implemented. An official letter had been sent to the State Audit Agency during the spring of 2015 requesting the agency undertake audits of the government’s EITI disclosures. The agency responded that this would be possible, but only if included in its future workplan and approved by the Great Khural as part of the national budget. This was not included this in the draft 2016 National Budget. The State Audit Agency also noted that they would only provide full assurance, which would entail a first audit of government submissions and a second audit of the final EITI Report. Several government representatives were aware the issue of data quality assurance would pose challenges at Validation given that it has consistently featured as a recommendation of past EITI Reports.

The structure of the National Council and MSWG did not support effective follow-up on EITI recommendations, according to a MNAO representative consulted. While there were many such multi-stakeholder councils in Mongolia, covering issues ranging from HIV prevention to labour rights, given that these were not considered government entities their recommendations tended not to be taken as seriously as internal government recommendations according to the representative. He noted that if the EITI Report was submitted to Parliament or to a government structure directly, recommendations would be more effectively implemented. Several government representatives stated they considered most of the work related to implementing EITI recommendations was the responsibility of government.

Two government representatives noted that the EITI recommendations were useful and that it was attempted to incorporate them into the various Ministries’ activities. However the challenge was that individuals responsible for implementing recommendations were not identified in the EITI Reports. It was expected that the five working groups constituted by the MSWG in January 2015 would lead to more
actionable recommendations however. A high-level government official closely involved in the EITI conceded that recommendations would be better implemented if high-level government officials were more involved in the process. However the Prime Minister was consistently briefed on EITI developments. Two industry representatives noted that EITI recommendations never made it to the top of the government’s list of priorities. All industry representatives noted that the lack of implementation of recommendations had been discussed in detail since 2013, with no clear results. They had not considered the use of EITI Reports as instruments for lobbying government on areas of regulatory uncertainty however. One CSO noted that the impact of EITI Reports had been low due to the lack of implementation of past recommendations. Given the membership of high-ranking officials on the National Council, it was noted that the follow-up on recommendations should be feasible but that lack of political will was the cause of poor implementation.

One CSO and a representative from the Anti-Corruption Agency noted the lack of formal investigations launched on the basis of discrepancies identified through EITI reporting, which concerned the CSO given the cumulative MNT 51 billion in discrepancies identified through nine fiscal years of EITI reporting.

Initial assessment

The International Secretariat’s initial assessment is that Mongolia has made satisfactory progress in meeting this requirement. While recommendations of EITI Reports are not consistently implemented, the MSWG has held consistent debates over the recommendations, particularly over the past three years. The MSWG has established ad hoc working groups to follow up on specific recommendations.

7.4 Outcomes and impact of implementation (#7.4)

Documentation of progress

While both the National Council and MSWG have discussed the need for an assessment of the outcomes and impact of EITI implementation in Mongolia, most recently at the National Forum in November 2015, a review of meeting minutes shows that no attempt at wider stakeholder consultations or a formal impact assessment has been made.

The 2015 Annual Progress Report (APR), published on 30 December 2015, was split into two documents: a narrative report and a matrix of the 2015 work plan with details of progress achieved. The 2015 APR provides an overview and summary of activities undertaken in 2015, but no detailed assessment of progress in meeting each EITI Requirement. While its second section is dedicated to the “Status of meeting each EITI requirement and progress,” it consists of a verbatim quote of the pilot Validation report’s executive summary.

Section 2.2 states “Mongolia EITI 2014 or 9th Report covers all necessary information required by the standard,” which is difficult to reconcile with comments on the 2014 EITI Report from various stakeholders identifying gaps with requirements of the EITI Standard. The APR refers to the MSWG’s follow-up of recommendations, but only in broad terms and only those from the 2014 Report. It cited, for instance, that the National Council agreed to follow up on all recommendations from the 2014 EITI Report but no indication of the order of priority or practical steps to be undertaken. The 2015 Annual Progress Report does not refer to follow up on any recommendations from prior EITI Reports, despite the fact there had been progress on several recommendations from the 2013 EITI Report. The Annual Progress Report does include an overview of steps taken to exceed the requirements (mainly in the area of the eReporting system and subnational implementation).
While the 2015 Annual Progress Report notes that 47 of the 50 planned activities had been completed in 2015 (90% completion rate), it does not note whether the objectives of the workplan were achieved, nor does it recall the objectives of EITI implementation. Although the Annual Progress Report comments that stakeholder engagement is not regular, it does not provide reflections on past efforts to strengthen participation or thoughts on future efforts to improve participation.

The International Secretariat did not find evidence of wider consultations around the development of the 2014 or the 2015 Annual Activity Reports and gathered that the MSWG and National Council approved both the 2014 and 2015 annual activity report after limited debate and consultation. More generally, there was little evidence of discussions or feedback provided on the EITI process and the impact of the EITI in general beyond the MSWG.

CSO representatives have made significant efforts to assess and advise on strengthening EITI implementation in Mongolia. In May 2014 NRGI published a gap analysis on the EITI process in Mongolia. The gap analysis based on EITI Report2012 identified significant gaps between reporting practices and the new Standard and provided recommendations for the 2013 EITI Report. NRGI made a presentation of the study to mining companies, CSOs and government representatives in July 2014 and also sent it to the EITI Secretariat, but did not believe the gap analysis had been shared more widely with stakeholders. NRGI itself held two meetings with the IA in 2014 to share the outcomes of the analyses and provide advice on ways of addressing specific gaps. The Independent Research Institute of Mongolia (IRIM) has developed a model of impact assessment for EITI. The development of the model was the first stage but the second stage – an actual impact analysis – has not yet been approved and implemented as of November 2015. The model shows how EITI principles supported a theory of change, and highlights questions such as why Mongolia was implementing the EITI, the potential impact of implementation and the need to focus not on inputs but on outputs and outcomes of EITI for the country.

**Stakeholder views**

All stakeholders consulted agreed that CSOs were the only MSWG members to have provided substantive input to the draft annual activity report. While most stakeholders referred to the AAR as “the document prepared for the EITI International Secretariat”, one CSO said they had raised this at a MSWG meeting and argued for the document to be a means of communicating EITI achievements, challenges and recommendations to the broader Mongolian public.

Several government and past IA representatives noted that the EITI had had a definite impact in that many people in local communities and local government now understood the mining sector and its contribution to the economy much better. Protests over mining, which they admitted had a poor reputation, continued but the level of understanding had grown. This was confirmed by several CSOs consulted, although they emphasised conflict with local communities had only reduced in some instances, but that dissemination of EITI information had also served as an example for larger mining and oil companies, who now also held public meetings with local communities. Several government representatives also noted that revenue transparency in revenues and expenditures created a supportive environment for investment, created grounds for building trust with local communities and ensured a social license for extractives companies to operate. However, government representatives noted that the EITI was not sufficient in and of itself, citing other recent transparency-related reforms such as those requiring disclosures of government expenditure, procurement and conflict of interest.

Several mining industry representatives noted that the EITI had brought more transparency to the mining sector, but that they did not consider this to be an impact in itself. For there to be substantial impact, EITI
recommendations had to be consistently implemented according to these representatives. Oil and gas companies consulted noted that they considered the increased transparency through EITI to have reduced public suspicions about the industry. A past IA noted that it appeared that tax compliance, at least by larger companies, had increased in the past decade and drew the link to EITI implementation. Some CSOs linked improvements in Mongolia’s mining cadastre since 2007 to EITI implementation, albeit noting that there were other factors involved.

A government representative noted there was scope for the EITI to have a greater impact, for instance in the area of data reliability. The Tavan Tolgoi project was cited as an example: while the planned project was significant and included associated infrastructure, there was very little public information about the project. Companies involved in Tavan Tolgoi had hired high-cost auditors, yet the government had reservations about the audit methodologies employed and this was an area where more information could be disclosed through the EITI. Several government representatives also noted that beneficial ownership disclosure in future EITI reporting would likely have a big impact on public oversight of extractive industries governance.

**Initial assessment**

The International Secretariat’s initial assessment is that Mongolia has made meaningful progress in meeting this requirement. While the MSWG has held regular discussions on the impact and outcomes of EITI implementation in Mongolia, these have tended to remain ad hoc and informal. Civil society organisations produced a monitoring report on the implementation of EITI recommendations in 2014, assessing the impact of the EITI Process on policies and practices. The MSWG has also considered undertaking an impact assessment by each stakeholder group in its development of the 2016 work plan, although this has yet to be undertaken. The 2015 annual activity report is not used as a means of assessing the impact of EITI implementation.

**Table 7 - Summary assessment table: Outcomes and impact**

<table>
<thead>
<tr>
<th>EITI provisions</th>
<th>Summary of main findings</th>
<th>International Secretariat’s initial assessment of progress with the EITI provisions (to be completed for ‘required’ provisions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public debate (#7.1)</td>
<td>The MSWG has sought to ensure the EITI Report is comprehensible, accessible and actively promoted, particularly through aimag and soum level reports. EITI information has generated public debate, particularly at the subnational level.</td>
<td>Satisfactory progress</td>
</tr>
<tr>
<td>Data accessibility (#7.2)</td>
<td>EITI data is accessible, references international classifications, machine-readable and actively disseminated through the eReporting website.</td>
<td></td>
</tr>
<tr>
<td>Lessons learned and follow up on recommendations (7.3)</td>
<td>Recommendations of EITI Reports are followed up on by the MSWG, even if they are not consistently implemented.</td>
<td>Satisfactory progress</td>
</tr>
</tbody>
</table>
Outcomes and impact of implementation (#7.4)  
The MSWG has produced annual progress reports documenting progress and outcomes of implementation, although not tracking its impact. It appears that only one of the three stakeholder groups provided input to the 2015 annual activity report. Further work on assessing impact should be needed and stakeholder engagement in developing the annual progress report should be strengthened.

Meaningful progress

<table>
<thead>
<tr>
<th>Recommendations:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The MSWG may wish to consider establishing more formal mechanisms for subnational MSGs to provide input to national EITI discussions, to ensure discussions at the local level are reflected.</td>
</tr>
<tr>
<td>2. The MSWG should consider discussing the role the EITI could play in achieving national priorities in reform of the extractive industries as part of its annual review of the workplan.</td>
</tr>
<tr>
<td>3. The MSWG could consider establishing clear public reporting mechanisms for ad hoc working groups that follow up on EITI recommendations and set timeframes for completing their work.</td>
</tr>
<tr>
<td>4. The MSWG may wish to undertake an impact assessment with a view to identify opportunities for increasing the impact of implementation.</td>
</tr>
<tr>
<td>5. The MSWG could consider presenting the findings of EITI Reports to Parliament’s Standing Committee on Economic Affairs annually, in line with Government Resolution 222 of 2012.</td>
</tr>
<tr>
<td>6. Local Khurals may consider using the subnational EITI councils for consultations with industry and civil society on the approval of new mining licenses, in line with the new Minerals Law.</td>
</tr>
<tr>
<td>7. The MSWG may wish to clarify specific stakeholders responsible for following up on individual EITI recommendations, to ensure more effective follow up and implementation of relevant recommendations from EITI reporting and Validation.</td>
</tr>
</tbody>
</table>

7.5 Impact analysis (not to be considered in assessing compliance with the EITI provisions)

Documentation of progress

**Impact:** The EITI process in Mongolia has had some impact, even if stakeholders agree it has been limited to awareness raising and focused on the reporting process. As part of the International Secretariat’s assessment of the impact of the EITI in Mongolia in its ten years of implementation, all stakeholders were asked why Mongolia was implementing the EITI. One government stakeholder noted that Mongolia had decided to implement the EITI in 2005 when the extractive industries were opaque and at a time when the government was seeking to attract foreign investment in the mining sector. The EITI was thus seen as a tool to attract investment. One of CSO representative noted that the end-goal of implementing EITI was to reduce poverty in Mongolia.

Several CSOs noted that before the EITI (pre-2006), no communities knew how much money the government was getting from the sector. People now have access to this information and the level of national and subnational debate over the governance of the extractive industries has grown, even if this was seen as due to the mining boom since 2009. Now that local communities had access to information on how much money their local governments were receiving from extractives companies, they were now eager to know more on issues of licenses (including their allocation), employment, environmental issues, etc. The number of NGOs focused on transparency has also grown, and transparency is now a regular topic of discussions among parliamentarians, students and government officials. CSOs also noted the government used Mongolia’s compliance status as a sign of prestige, even if they were concerned over
the lack of meaningful support for the process and disclosures required under the EITI Standard. Civil society also considered their campaigning for a mining legislation and on specific deals, like the Erdenes Tavan Tolgoi deal halted in early 2015, as a concrete outcome of the EITI in the sense that CSOs could now refer to the government’s commitment to its EITI compliance status in their lobbying and as a means to ensure public oversight of mining deals. While government representatives noted that EITI compliance status reflected their commitment to transparency and securing a social license to operate for companies, industry did not highlight a significant impact of implementation.

Several government, industry and CSO representatives noted that the most significant evidence of the impact of the EITI was the formation of subnational councils, which had brought much closer ties between government agencies like MRAM, companies and local communities and local governments and was starting to build trust amongst stakeholders. However it was noted that the main interaction was at specific events and follow-up contact was entirely conducted through the EITIM Secretariat. A few CSOs noted that the EITI could yield more benefits to citizens by, in particular, disclosing more information on beneficial ownership, which could reduce the risk of conflict of interest and corruption, and publishing contracts, to enable citizens to judge the “fairness” of deals.

The May 2016 study on corruption risk assessment in Mongolia’s mining sector, produced by the UN Development Programme together with the Ministry of Mining and IRIM Mongolia, highlights the limited impact of EITI implementation on corruption in the mining sector.192 However the report’s description of the impact of EITI implementation focused only on the reduction in discrepancies during the EITI reconciliation rather than a broader focus on disclosures of information related to the extractive industries value chain required under the EITI Standard. The report only notes that “no action was taken and no one was held accountable when required disclosures (...) were missing.”

Sustainability: The EITI process also faces significant risks to its sustainability, both financially and in terms of consistency of engagement. A draft Law on Mineral Resource Sector Transparency (the “EITI Law”) has been in preparation for almost three years now.

The financial sustainability of the EITI process also poses a risk. The EITIM has had to operate without funds for several months at a time on an annual basis in recent years, due to delays in accessing World Bank grant funding. While disbursement of MDTF grants covered expenses retroactively, the transition to the Extractive Industries Global Programmatic Support (EGPS) fund from January 2016 led to a six-month gap in funding for the EITIM Secretariat.

At the political level, the sustainability of the EITI process faces some risks given the potential impact of June 2016 parliamentary elections on government representation and chairing of MSWG meetings, given experience of the lack of National Council meetings in 2014 as a result of political changes.

### Annexes

#### Annex A - List of MSG members and contact details

**List of National Council members and contact details (as of 11 July 2016)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>E-Mail</th>
<th>Member since</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ch. Saikhanbileg</td>
<td>Prime Minister of Mongolia</td>
<td><a href="mailto:saikhanbileg@parliament.mn">saikhanbileg@parliament.mn</a></td>
<td>Nov 2014</td>
</tr>
<tr>
<td>R. Jigjid</td>
<td>Minister for Mining</td>
<td><a href="mailto:jigjid@mm.gov.mn">jigjid@mm.gov.mn</a></td>
<td>Dec 2014</td>
</tr>
<tr>
<td>B. Bolor</td>
<td>Member of Parliament, Minister for Finance</td>
<td><a href="mailto:bolor@parliament.mn">bolor@parliament.mn</a></td>
<td>Sep 2015</td>
</tr>
<tr>
<td>N. Battserg</td>
<td>Member of Parliament, Minister for Tourism, Environment and Green Development</td>
<td><a href="mailto:battserg@parliament.mn">battserg@parliament.mn</a></td>
<td>Sep 2015</td>
</tr>
<tr>
<td>Ch. Ulaan</td>
<td>Chairman of Standing Committee on State Budget of Parliament</td>
<td><a href="mailto:ulaan@parliament.mn">ulaan@parliament.mn</a></td>
<td>Oct 2015</td>
</tr>
<tr>
<td>A. Zangad</td>
<td>General Auditor of Mongolia</td>
<td><a href="mailto:a_zangad@yahoo.com">a_zangad@yahoo.com</a></td>
<td>Nov 2012</td>
</tr>
<tr>
<td>S. Mendsaikhan</td>
<td>Chairman of General Agency of Registration and Statistics</td>
<td><a href="mailto:mendsaikhan@nso.mn">mendsaikhan@nso.mn</a></td>
<td>Jan 2009</td>
</tr>
<tr>
<td>N. Ganbold</td>
<td>Chairman of Independent Authority Against Corruption</td>
<td><a href="mailto:bat-otgon@iaac.mn">bat-otgon@iaac.mn</a></td>
<td>Nov 2011</td>
</tr>
<tr>
<td>D. Bayarbat</td>
<td>Governor of Tuv aimag</td>
<td></td>
<td>Dec 2012</td>
</tr>
<tr>
<td>N. Bayarsaikhan</td>
<td>Head of Step without Border NGO</td>
<td><a href="mailto:swb.ngo@gmail.com">swb.ngo@gmail.com</a></td>
<td>Mar 2009</td>
</tr>
<tr>
<td>G. Urantsooj</td>
<td>Head of Human rights and Development Center</td>
<td><a href="mailto:gurantsooj@rocketmail.com">gurantsooj@rocketmail.com</a></td>
<td>Dec 2006</td>
</tr>
<tr>
<td>P. Erdenejargal</td>
<td>Executive Director of Open society forum</td>
<td><a href="mailto:jargal@forum.mn">jargal@forum.mn</a></td>
<td>Dec 2006</td>
</tr>
</tbody>
</table>
## Validation of Mongolia: Report on initial data collection and stakeholder consultation

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>E-Mail</th>
<th>Member since</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.Tserenjav</td>
<td>Executive director of Transparent Foundation NGO</td>
<td><a href="mailto:tseren2005@yahoo.com">tseren2005@yahoo.com</a></td>
<td>Jul 2012 to May 2013; Jul 2015</td>
</tr>
<tr>
<td>N.Narantsetseg</td>
<td>Head of Baigali Ehiin Avral San NGO</td>
<td><a href="mailto:naraa_green@yahoo.com">naraa_green@yahoo.com</a></td>
<td>Jul 2015</td>
</tr>
<tr>
<td>B.Bayarmaa</td>
<td>Head of Owners of Khuvsl Lake Movement NGO</td>
<td><a href="mailto:khuvsguldalainezed@yahoo.com">khuvsguldalainezed@yahoo.com</a></td>
<td>May 2013</td>
</tr>
<tr>
<td>L.Dolgormaa</td>
<td>Member of Board, Responsible Mining Initiative NGO</td>
<td><a href="mailto:dolgormaa-ehc@live.com">dolgormaa-ehc@live.com</a></td>
<td>May 2013</td>
</tr>
<tr>
<td>O.Otgonsaikhan</td>
<td>Head of My Mongolian Land Movement NGO</td>
<td><a href="mailto:onomoooonoo@yahoo.com">onomoooonoo@yahoo.com</a></td>
<td>Jul 2015</td>
</tr>
<tr>
<td>B.Batbold</td>
<td>Member of Board, Civil Council for Environment</td>
<td><a href="mailto:tadaa_uba@yahoo.com">tadaa_uba@yahoo.com</a></td>
<td>Jul 2012</td>
</tr>
<tr>
<td>N.Algaa</td>
<td>President of the Mongolian National Mining Association</td>
<td><a href="mailto:algaa@miningmongolia.mn">algaa@miningmongolia.mn</a></td>
<td>Jun 2014</td>
</tr>
<tr>
<td>L.Davaatsedev</td>
<td>Head of Board of Coal Association</td>
<td><a href="mailto:davaatsedev@me.com">davaatsedev@me.com</a></td>
<td>Jul 2012</td>
</tr>
<tr>
<td>T.Ganbold</td>
<td>President of Mongolian Gold Producers Association</td>
<td><a href="mailto:ganboldt@adm.mn">ganboldt@adm.mn</a></td>
<td>Dec 2014</td>
</tr>
<tr>
<td></td>
<td>Executive Director of Petrochina Dachin Tamsag LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G.Tsogt</td>
<td>Vice President of the Mongolyn Alt MAK LLC</td>
<td><a href="mailto:tsogt@mak.mn">tsogt@mak.mn</a></td>
<td>Jul 2012</td>
</tr>
</tbody>
</table>
## Validation of Mongolia: Report on initial data collection and stakeholder consultation

### List of MSWG members and contact details (as of 11 July 2016)

<table>
<thead>
<tr>
<th>№</th>
<th>Name</th>
<th>Position</th>
<th>E-Mail</th>
<th>Member since</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>B.Delgermaa</td>
<td>Senior Advisor to the Prime Minister of Mongolia</td>
<td><a href="mailto:delgermaa@cabinet.gov.mn">delgermaa@cabinet.gov.mn</a></td>
<td>Dec 2014</td>
</tr>
<tr>
<td>2</td>
<td>E.Sumiya</td>
<td>Senoir Officer of Cabinet Secretariat of Government of Mongolia</td>
<td><a href="mailto:sumiya_e@cabinet.gov.mn">sumiya_e@cabinet.gov.mn</a></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>B.Bat-otgon</td>
<td>Head of Enlightenment and Prevention Department,</td>
<td><a href="mailto:bat-otgon@iaac.mn">bat-otgon@iaac.mn</a></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Name</td>
<td>Position</td>
<td>Email</td>
<td>Notes</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>4</td>
<td>Kh. Purevsuren</td>
<td>Head of Accounting Policy Department, Ministry of Finance</td>
<td><a href="mailto:purevsuren_kh@mof.gov.mn">purevsuren_kh@mof.gov.mn</a></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><a href="mailto:zulai_g@mof.gov.mn">zulai_g@mof.gov.mn</a></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>N. Enkhbayar</td>
<td>Head of Strategic Policy and Planning Department, Ministry of Mining</td>
<td><a href="mailto:enkhbayar@mm.gov.mn">enkhbayar@mm.gov.mn</a></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><a href="mailto:zuk_mn@yahoo.com">zuk_mn@yahoo.com</a></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>G. Nyamdavaa</td>
<td>Head of Natural Resources Department, Ministry of Tourism, Environment and Green Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>S. Purev</td>
<td>Chairman of General Department of Taxation and Customs</td>
<td><a href="mailto:enkhtuya.da@mta.mn">enkhtuya.da@mta.mn</a></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Ts. Sharavdorj</td>
<td>Chairman of General Agency for Specialized Inspection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>D. Uuriintuya</td>
<td>Chairwoman of Mineral Resources Authority</td>
<td><a href="mailto:oyuntsetsegnyamjav@yahoo.com">oyuntsetsegnyamjav@yahoo.com</a></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>G. Ulziiburen</td>
<td>Chairman of Petroleum Authority of Mongolia</td>
<td><a href="mailto:bazarvaani_oyun@yahoo.com">bazarvaani_oyun@yahoo.com</a></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>N. Batdorj</td>
<td>Deputy Governor of Selenge aimag</td>
<td><a href="mailto:batdorj89@yahoo.com">batdorj89@yahoo.com</a></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>D. Enkhbold</td>
<td>CEO of Mongolian National Mining Association</td>
<td><a href="mailto:enkhbold@miningmongolia.mn">enkhbold@miningmongolia.mn</a></td>
<td>Jun 2014</td>
</tr>
<tr>
<td>No.</td>
<td>Name</td>
<td>Position and Company</td>
<td>Email</td>
<td>Date</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------</td>
<td>----------------------------------------------------------</td>
<td>--------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>13</td>
<td>T.Naranzaya</td>
<td>Executive director of Gold Producers Association</td>
<td><a href="mailto:nrnzaya@mongoliagold.org">nrnzaya@mongoliagold.org</a></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>I.Batmunkh</td>
<td>Officer of Erdenes Tavan Tolgoi LLC</td>
<td><a href="mailto:batmunkh.i@erdeneszt.mn">batmunkh.i@erdeneszt.mn</a></td>
<td>Feb 2014</td>
</tr>
<tr>
<td>15</td>
<td>Ch.Ochirlkham</td>
<td>Director of Finance and Economic Division of Baganuur JSO</td>
<td><a href="mailto:enhk1990@yahoo.com">enhk1990@yahoo.com</a></td>
<td>Feb 2014</td>
</tr>
<tr>
<td>16</td>
<td>Kh.Lkhamaa</td>
<td>Advisor of Stakeholders Engagement of Oyu Tolgoi LLC</td>
<td><a href="mailto:lkhamaakh@ot.mn">lkhamaakh@ot.mn</a></td>
<td>Sep 2012</td>
</tr>
<tr>
<td>17</td>
<td>P.Bolormaa</td>
<td>Senior Tax Accountant of Boroo Gold LLC</td>
<td><a href="mailto:bolormaa.p@centerragold.mn">bolormaa.p@centerragold.mn</a></td>
<td>Feb 2014</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>Director of PR Department of Southgobi Sands LLC</td>
<td></td>
<td>Feb 2014</td>
</tr>
<tr>
<td>19</td>
<td>Ch.Byambasuren</td>
<td>Communications manager of CGBEM LLC</td>
<td><a href="mailto:byambasuren@mongoliaminerals.com">byambasuren@mongoliaminerals.com</a></td>
<td>Feb 2014</td>
</tr>
<tr>
<td>20</td>
<td>Ts.Enkhjargal</td>
<td>Director of SDLA Department of Areva Mongol LLC</td>
<td><a href="mailto:Enkhjargal.tserendorj@areva.com">Enkhjargal.tserendorj@areva.com</a></td>
<td>Sep 2015</td>
</tr>
<tr>
<td>21</td>
<td>T.Amarzul</td>
<td>Executive director of Petro Matad LLC</td>
<td><a href="mailto:amarzul@petromatad.com">amarzul@petromatad.com</a></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
<td>Executive director of PetroChina Dachin Tamsag LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>N.Bayarsaikhan</td>
<td>Head of Step without Border NGO</td>
<td><a href="mailto:swb.ngo@gmail.com">swb.ngo@gmail.com</a></td>
<td>Mar 2009</td>
</tr>
<tr>
<td>No.</td>
<td>Name</td>
<td>Position</td>
<td>Email</td>
<td>Date</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>---------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>24</td>
<td>G.Chagnaadorj</td>
<td>Head of Sacred Stupa Movement</td>
<td><a href="mailto:ariunsuvraga@mail.mn">ariunsuvraga@mail.mn</a></td>
<td>May 2013</td>
</tr>
<tr>
<td>25</td>
<td>N.Narantsetseg</td>
<td>Head of Baigali Ehiin Avral San NGO</td>
<td><a href="mailto:naraa_green@yahoo.com">naraa_green@yahoo.com</a></td>
<td>Jul 2015</td>
</tr>
<tr>
<td>26</td>
<td>L.Tur-Od</td>
<td>President of Transparency International Mongolia</td>
<td><a href="mailto:lturod@gmail.com">lturod@gmail.com</a></td>
<td>Sep 2015</td>
</tr>
<tr>
<td>27</td>
<td>B.Bayarmaa</td>
<td>Head of Owners of Khuvsul Lake Movement</td>
<td><a href="mailto:khuvsguldalainezed@yahoo.com">khuvsguldalainezed@yahoo.com</a></td>
<td>May 2013</td>
</tr>
<tr>
<td>28</td>
<td>L.Dolgormaa</td>
<td>Member of Board, Responsible Mining Initiative NGO</td>
<td><a href="mailto:dolgormaa-ehc@live.com">dolgormaa-ehc@live.com</a></td>
<td>May 2013</td>
</tr>
<tr>
<td>29</td>
<td>N.Baigalmaa</td>
<td>Officer of Center of Human rights and Development</td>
<td><a href="mailto:chrd@mongolnet.mn">chrd@mongolnet.mn</a></td>
<td>May 2013</td>
</tr>
<tr>
<td>30</td>
<td>D.Tserenjav</td>
<td>Executive Director of Transparency Foundation NGO</td>
<td><a href="mailto:tseren2005@yahoo.com">tseren2005@yahoo.com</a></td>
<td>Jul 2012</td>
</tr>
<tr>
<td>31</td>
<td>O.Otgonsaikhan</td>
<td>Head of My Mongolia Land Movement</td>
<td><a href="mailto:onomoooonoo@yahoo.com">onomoooonoo@yahoo.com</a></td>
<td>May 2013</td>
</tr>
<tr>
<td>32</td>
<td>B.Batbold</td>
<td>Member of Board, Civil Council for Environment</td>
<td><a href="mailto:tadaa_uba@yahoo.com">tadaa_uba@yahoo.com</a></td>
<td>Jul 2012</td>
</tr>
<tr>
<td>33</td>
<td></td>
<td>Member of Board, Civil Council for Environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Sh.Tsolmon</td>
<td>Coordinator of MEITI Secretariat</td>
<td><a href="mailto:eiti.secretariat.mn@gmail.com">eiti.secretariat.mn@gmail.com</a></td>
<td>Jul 2012</td>
</tr>
</tbody>
</table>
Annex B - List of stakeholders consulted (96)

Government

Delgermaa Banzragch, senior advisor to the Prime Minister of Mongolia and Chair of the MSWG
B.Bolormaa and G.Zulai, Department of Accounting Policy Department, Ministry of Finance
Damba Dorj, senior officer, division of mining policy, Ministry of Mining
Enkhbayar Nemekhbayar, director general, strategic policy and planning department, Ministry of Mining
Chinbaatar Nachin, director of cadastre division, Mineral Resources Authority of Mongolia (MRAM)
Battulga Sosorbaram, head of mining division, MRAM
Byambadagva Bayaraa, head of reserve and economic research subdivision, MRAM
Amraa Tsengemaa, vice chairman, Petroleum Authority of Mongolia (PAM)
Sunderiya Batjargal, chief legal officer, Erdenes Mongol
Tumurpurev Jamtsaa, mining project director, Erdenes Mongol
Mr ZANGAD Ayur, Auditor General of Mongolia
BATTUYA Buyandelger, Deputy Auditor General of Mongolia, Principal Auditor
B.Bat-otgon, Head of Enlightenment and Prevention Department, Independent Authority Against Corruption
Mrs Sarangere, Independent Authority Against Corruption;
Ayuna Nechaeva, National Statistics Office
Otgonbayar Chimeddorj, director Macro-economic Division, Ministry of Finance

Industry

Baigalmaa Shurka, General Manager of Communities, Oyu Tolgoi
Brian White, Principal Advisor Communications, Oyu Tolgoi
Lkhamaa Kh., advisor stakeholder engagement, Oyu Tolgoi
Enkh-Ariunaa Oidovdanzan, Principal Advisor Compensation Agreement, Oyu Tolgoi
Renchinpagma B., Officer External Relations, Oyu Tolgoi
Graeme Hancock, President and Chief Representative in Mongolia, AngloAmerican
Sunjidmaa Jamba, manager for corporate affairs and sustainability, AngloAmerican
Bolormaa, Boroo Gold
N. Algaa, president of the MNMA
D. Enkhbold, executive director of the MNMA
B. Boldbaatar of Mongolrsstsvetmet
Mrs Z. Sugarmaa, general manager of community relations department of Energy Resources LLC
Amarzul Tuul, executive director of Petromatad
Validation of Mongolia: Report on initial data collection and stakeholder consultation

Erinbileg, DongSheng Petroleum
Bolon, Petrochina Daqing Tantsag
Batmunkh Iderkhangai, foreign relation, local community, public relation officer, Erdenes Tavan Tolgoi
Gerelmaa Dambazaar, CSR officer, Erdenes Tavan Tolgoi
Naranzaya T., CEO, Mongolian Gold Producers Association

Civil Society
D. Tserenjav, executive director of Transparency Foundation NGO
Ts. Ogtgonsuren, journalist with Transparency Foundation NGO
Batbold B., member of the board of the MECC and head of the Green Parliament, Mongolian Environmental Civil Council
Jana Ganbaatar, chairman of the inspection committee, Mongolian Environmental Civil Council
G. Chagnaadorj, head of Ariun Suvraga Movement NGO
Namsrai Bayarsaikhan, member (and former National Coordinator) of PWYP Mongolia (+976 8872 4869)
Erdenechimeg Dashdorj, National PWYP Coordinator for Mongolia (+976 88077077)
Selenge Oyunbileg, OSF
Dorjdarj Namkhajantsan, National Coordinator for Mongolia, Natural Resource Governance Institute Numuun, NRGI
Namsrai Bayarsaikhan, member (and former National Coordinator) of the PWYP Mongolia coalition
Bolormaa L., founding editor, Mongolian Mining Journal
B.Oyunchimeg, journalist at the Mongolian National Broadcaster
L.Tur-Od, Transparency International- Mongolian National Chapter
N.Narantsetseg, Head, Mother Nature Save Foundation
O.Narangerel, Head, Khangaikhan Network for Regional Environment Conservation
E.Byambajav, Alumni Association of Irkutsk Economics University
Ts.Tuyatsetseg, Deputy Head, Mongolian Lawyers’ Association for Environment
Otgontsetseg, Onon and Ulz River NGO
S.Tserenpurev, CEO, New Administrative Initiative NGO
Ch.Tuya, Head, Khan Khentii Mountain and Khatan Onon River Protection Association NGO
Sanjaasuren Oyun, Zorig Foundation
Ganbaatar Jana, MECC
Altantsatsralt, MECC
Emil Omarov, PWYP Eurasia Regional Coordinator

Sub-national council members
Validation of Mongolia: Report on initial data collection and stakeholder consultation

Kh.Baasankhuu Secretary of EITI Sub-national council, Khovd aimag Governor’s Office
D.Natsagdorj, Deputy Mayor of Umnugobi aimag
B. Tuulaikhuu, Speaker, Airag soum Citizens’ Representative Khural, Dornogobi aimag
Ts.Aldarmaa, Secretary, Luus soum Citizens’ Representative Khural, Dundgobi aimag
S.Sukhdorj, Speaker, Khuld soum Citizens’ Representative Khural, Dundgobi aimag
B.Munkhbat, Member sub-national council, Governor’s Administration of Selenge aimag
Ts.Ganbat, Speaker, Shinejinst soum Citizens’ Representative Khural, Bayanhongor aimag
Kh.Enkhtur, Deputy Governor, Administration of Shinejinst soum, Bayankhongor aimag
Kh.Otgonmunkh, Speaker, Ulziit soum Citizens’ Representative Khural, Dundgobi aimag
E.Nandintsetseg, Ikhkhet soum, Dornogobi aimag
D.Batzul, Officer for Mining and Environment, Administration of Uvs aimag
O.Badarch, Tradition and Future NGO, Umnugobi aimag
P.Batsaikhan, Speaker, Galuut soum Citizens’ Representative Khural, Bayankhongor aimag
D.Sondor, Lawyer Center NGO
S.Battulga, Governor, Galuut soum, Bayankhongor aimag
N.Enkhjargal, Enkh Uran Itgel partnership
Mr. Munkhdelger, grassroots NGO based in Tsogt tssetsii soum, Umnugobi province
Mr Otgonmunkh.Kh, Chair, citizen’s representative khural, based in Ulziit soum, Dundgobi aimag
Mr Zandraa.B, Head, Mongolian national coalition of bagh and soums

Others
Mark Eberst, partner at KPMG Audit Mongolia
Sh. Nomindari, KPMG Mongolia
Alexis Majnoni D’intignano, KPMG France
Osorgarav Bookhuu, general director partner, Ulaanbaatar Audit Corp.
Erdenetsog Natsadorj, audit manager, Ulaanbaatar Audit Corp.
Tserengavaa JIGDEN, Dalaiva Audit
Jargalsuren J., Dalaiva Audit
Bryan Land, Task Team Leader, World Bank
James Anderson, Country Manager, World Bank Mongolia
Tuyen D. Nguyen, Resident Representative (Mongolia), International Finance Corp. (IFC)
Doljinsuren Jambal, UNDP Programme Manager
Dr. Stefan Hanselmann, Program Director IMRI Integrated Mineral Resource Initiative, GiZ
Richard Biastoch, Officer, IMRI Integrated Mineral Resource Initiative, GiZ
Validation of Mongolia: Report on initial data collection and stakeholder consultation

Nancy Foster, development consular at the Canadian Embassy

Oyunbileg P., communications manager, Australia-Mongolia Extractives Program (AMEP), Adam Smith International

Patience Singo, Project Director, "Sustainable Artisanal Mining" Project, Swiss Agency for Development Cooperation

Daniel Valenghi, head of programme, Swiss Agency for Development Cooperation
Annex C - List of reference documents

Workplans and Annual activity reports:

- Mongolia EITI Annual Activity Report 2015 -

- Report on Plan of Action 2015 of Mongolia EITI -

- Mongolia 2016 EITI Workplan -

- PLAN OF ACTION OF EITIM FOR 2015 (EITIM 2015 workplan)

- PLAN OF ACTION FOR THE YEAR OF 2014 OF EITIM IMPLEMENTATION (EITIM 2014 workplan)

- The EITIM mid-term strategy 2010-2014

- EITIM 2014 annual activity report, January 2015


- Action Plan of preparation for the EITI international validation, approved by the Prime Minister and Chairman of the EITI National Council, HE Ch. Saikhanbileg, 28 August 2015
  [http://www.eitimongolia.mn/mn/node/4872](http://www.eitimongolia.mn/mn/node/4872)

EITI Reports, Summaries, Validation Report and Secretariat Review:

- Mongolia ninth EITI Reconciliation Report 2014 -


- Mongolia eighth EITI Reconciliation Report 2013

- Mongolia 2012 EITI Summary Report (ОУИТБС-ын 2012 оны нэгтгэлийн тайлал)

- Mongolia 2009 Validation Report
  [https://eiti.org/files/Mongolia%20Final%20Validation%20Report.pdf](https://eiti.org/files/Mongolia%20Final%20Validation%20Report.pdf)
Validation of Mongolia: Report on initial data collection and stakeholder consultation

- EITI International Secretariat Review of Mongolia, September 2010

- The Monitoring Report on Implementation status of recommendations provided by the EITI National Reconciliation Reports, prepared by the Center for Human Rights and Development, in partnership with the Zorig Foundation, in 2014.

- EITIM (February 2016), Terms of Reference, Independent Administrator for the 2015 EITI Report -

- EITIM (March 2015), Terms of Reference, Independent Administrator for the 2014 EITI Report -
  http://www.eitimongolia.mn/sites/default/files/attachments/ToR%20for%20IAuditor%20en.pdf

**Legal documents and ToRs related to EITI implementation:**

- The Statute of EITIM Secretariat, order 62, 2007.06.27

- Law of Mongolia on Minerals (revised), 8 July 2006
  Mongolian version of the 2006 Law on Minerals (revised)

- Government resolution number 1, on 3 January 2006, on Mongolia’s intention to implement the EITI (Mongolian) (Олборлох угийдварлэлийн ил тод байдлын тухай санаачилтыг дэмжих тухай)

- Terms of Reference of the National Council committed to coordinate and monitor the Implementation of the Extractive Industries Transparency Initiative in Mongolia, 2012.11.28

- Terms of Reference of the Multi-Stakeholders’ Working Group committed to implement Extractive Industries Transparency Initiative, 2012.11.09

- Tripartite Memorandum of Understanding on effective implementation of Extractive Industries Transparency Initiative and partnership between Government of Mongolia, companies and NGO coalition

- Terms of Reference for Independent Administrator, 2014 EITI Report
  http://www.eitimongolia.mn/sites/default/files/attachments/ToR%20for%20IAuditor%20en.pdf

- Handbook for business entities on reporting to EITI, March 2014 (in Mongolian only) (ОЛБОРЛОХ УГИЙДВЭРЛЭЛЙН ИЛ ТОД БАЙДЛЫН САНААЧИЛГЫН ХЭРЭГЖИЛТИЙГ ОРОН НУТАГТ ХАНГАХ УУРЗГ БУХИЙ ДЭЭД ЗОВЛӨЛӨЛИЙН ГАРЫН АВЛАГА)

- Government of Mongolia (15 September 2012), Government Resolution 30,
Validation of Mongolia: Report on initial data collection and stakeholder consultation


Other documents online:

- EITIM eReporting system
  http://e-reporting.eitimongolia.mn/

- EITIM beneficial ownership interactive infographic http://www.eitimongolia.mn/en/beneficial-owners


Meeting minutes:

- Minutes of meeting of National Council of Mongolian Extractive Industry Transparency 3 March 2010

- Minutes of meeting of National Council of Mongolian Extractive Industry Transparency 24 June 2010

- Minutes of EITIM National Council Meeting (10 November 2011)


- Minutes of EITIM 10th National Council Meeting (28 November 2012)

- Minutes of 11th meeting of National Council of Mongolian Extractive Industry Transparency 23 December 2012

- Minutes of Mongolia Extractive Industries Transparency Initiative Multi-Stakeholder Working Group (29 April 2011)

- Minutes of Meeting of Multi-Stakeholder Working group of Mongolia Extractive Industries
Validation of Mongolia: Report on initial data collection and stakeholder consultation

- Minutes of Meeting of Mongolia Extractive Industry Transparency Initiative Multi-Stakeholder Working Group (23 December 2011)

- Minutes of Meeting of Mongolia Extractive Industries Transparency Initiative Multi-Stakeholder Working Group (24 January 2012)

- Minutes of Meeting of Mongolia Extractive Industries Transparency Initiative Multi-Stakeholder Working Group (12 October 2012)

- Minutes of meeting of Mongolia Extractive Industries Transparency Initiative Multi Stakeholder Working Group (18 October 2012)

- Minutes of meeting of Mongolia Extractive Industries Transparency Initiative Multi-Stakeholder Working Group (9 November 2012)

- 29th meeting of EITIM MSWG (14 December 2012)

- Minutes of 30th meeting of Mongolia Extractive Industries Transparency Initiative Multi Stakeholder Working Group (6 March 2013)

- Minutes of meeting of Mongolia Extractive Industries Transparency Initiative Multi Stakeholder Working Group (27 March 2013)

- Minutes of EITIM MSWG Meeting (15 May 2013)

- Minutes of Meeting of Mongolia Extractive Industries Transparency Initiative Multi-Stakeholder Working Group (3 December 2013)

- Minutes of meeting of EITIM Multi-Stakeholders Working Group (13 December 2013)

- Minutes of 12th meeting of EITIM National Council (13 January 2015)

- Minutes of 13th meeting of EITIM National Council (4 June 2015)

- Minutes of 14th meeting of EITIM National Council (18 December 2015)

- Minutes of 35th meeting of EITIM MSWG (11 March 2014)
Validation of Mongolia: Report on initial data collection and stakeholder consultation

- Minutes of 40th meeting of EITIM MSWG (22 April 2016) – unpublished as of 12 July 2016.

Secondary literature:

- PWYP Mongolia Coordinating Committee, 31 March 2015, unpublished, provided by the PWYP coalition.
- FT (30 June 2016), “Mongolia opposition scores landslide election victory”, http://www.ft.com/cms/s/0/fc03c8c8-3e66-11e6-8716-a4a71e8140b0.html#axzz4DRX5OA7M
• The UB Post (13 June 2016), ‘Cabinet to buy back Erdenes Tavan Tolgoi shares from the public’, http://theubpost.mn/2016/06/13/cabinet-to-buy-back-erdenes-tavan-tolgoi-shares-from-the-public/
• Moody’s (3 November 2015), Support for Development Bank of Mongolia to remain strong, https://www.moodys.com/research/Moodys-Support-for-Development-Bank-of-Mongolia-to-remain-strong--PR_337354
Validation of Mongolia: Report on initial data collection and stakeholder consultation
## Annex D - Details of Mongolia’s EITI and Validation Reports

<table>
<thead>
<tr>
<th></th>
<th>Contract amount (USD)</th>
<th>Contract amount (MNT)</th>
<th>Name of Independent Administrator</th>
<th>Date of Publication</th>
<th>Company disclosures - number of company</th>
<th>Government disclosures - number of companies</th>
<th>Numb er of companies reconcile</th>
<th>Unresolved discrepancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mongolia 1st Reconciliation Report 2006</td>
<td>101,564.40</td>
<td>N/A</td>
<td>Crane and White Associates (Australia)</td>
<td>May-08</td>
<td>64</td>
<td>137</td>
<td>25</td>
<td>4 billion MNT</td>
</tr>
<tr>
<td>Mongolia 2nd EITI Reconciliation Report 2007</td>
<td>121,000.00</td>
<td>N/A</td>
<td>Consortium of Mongolian and Malaysia audit firms Ernst and Young</td>
<td>Nov-09</td>
<td>102</td>
<td>184</td>
<td>38</td>
<td>775 million MNT</td>
</tr>
<tr>
<td>Mongolia 3rd EITI Reconciliation Report 2008</td>
<td>94,501.00</td>
<td>N/A</td>
<td>Consortium of Mongolian Ulaanbaatar Audit Corporation and British firm Hart Nurse</td>
<td>Jun-10</td>
<td>115</td>
<td>184</td>
<td>46</td>
<td>425 million MNT</td>
</tr>
<tr>
<td>Mongolia 4th EITI Reconciliation Report 2009</td>
<td>132,165.00</td>
<td>N/A</td>
<td>Consortium of Mongolian Ulaanbaatar Audit Corporation and British firm Hart Nurse</td>
<td>Jun-11</td>
<td>129</td>
<td>363</td>
<td>101</td>
<td>58 million MNT</td>
</tr>
<tr>
<td>EITIM Validation Report 2009</td>
<td>65,747.00</td>
<td>N/A</td>
<td>Consortium of British Coffey International Development and Mongolian audit firm Dalaivan</td>
<td>Mar-10</td>
<td>274</td>
<td>477</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------------</td>
<td>-----</td>
<td>----------------------------------------------------------------------------------</td>
<td>--------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>Mongolia 5th EITI Reconciliation Report 2010</td>
<td>144,860.03</td>
<td>202,278,203.00</td>
<td>Consortium of Mongolian Ulaanbaatar Audit Corporation and British firm Hart Nurse</td>
<td>Jan-12</td>
<td>301</td>
<td>518</td>
<td>200</td>
<td>360 thousand MNT</td>
</tr>
<tr>
<td>Mongolia 6th Reconciliation Report 2011</td>
<td>139,777.12</td>
<td>194,583,734.00</td>
<td>Consortium of Mongolian Ulaanbaatar Audit Corporation and British firm Hart Nurse</td>
<td>Nov-12</td>
<td>1529</td>
<td>1829</td>
<td>200</td>
<td>75 million MNT</td>
</tr>
<tr>
<td>Mongolia 7th Reconciliation Report 2012</td>
<td>109,603.30</td>
<td>181,294,812.00</td>
<td>Consortium Moore Stephens and Dalaivan Audit LLC</td>
<td>Dec-13</td>
<td>1180</td>
<td>1617</td>
<td>200</td>
<td>360 million MNT</td>
</tr>
<tr>
<td>Mongolia 8th Reconciliation Report 2013</td>
<td>116,727.69</td>
<td>220,101,739.00</td>
<td>Consortium of Mongolian Ulaanbaatar Audit Corporation and British firm Hart Nurse</td>
<td>Dec-14</td>
<td>1197</td>
<td>1617</td>
<td>250</td>
<td>36 million MNT</td>
</tr>
<tr>
<td>Mongolia 9th Reconciliation Report 2014</td>
<td>USD 84,000</td>
<td>MNT 169 million</td>
<td>Consortium of KPMG France and KPMG Mongolia</td>
<td>Dec-15</td>
<td>990</td>
<td>1570</td>
<td>236</td>
<td>577 million MNT</td>
</tr>
<tr>
<td>Description</td>
<td>USD</td>
<td>MNT</td>
<td>Organisation</td>
<td>Date</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>------</td>
<td>-----------------</td>
<td>--------------------------------------------</td>
<td>---------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mongolia 10th Reconciliation Report 2014</td>
<td>77,000</td>
<td>152,344,500</td>
<td>Consortium of Ulaanbaatar Audit Corp. And Hart Nurse</td>
<td>Dec-16 (planned)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,186,945.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: EITI Secretariat*
### Annex E – Results of the 2013-2015 Independent Administrator tenders

#### 2013 EITI Report Tender Results (in 2014)

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Technical score</th>
<th>Financial (MNT m)</th>
<th>Financial score %</th>
<th>Total score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KPMG</td>
<td>84.99%</td>
<td></td>
<td>65.0%</td>
<td>79.0%</td>
</tr>
<tr>
<td>2</td>
<td>Ulaanbaatar Audit</td>
<td>92.03%</td>
<td></td>
<td>57.0%</td>
<td>81.5%</td>
</tr>
<tr>
<td>3</td>
<td>Dalaivan</td>
<td>87.10%</td>
<td></td>
<td>55.0%</td>
<td>77.5%</td>
</tr>
</tbody>
</table>

#### 2014 EITI Report Tender Results (in 2015)

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Technical score</th>
<th>Financial (MNT m)</th>
<th>Financial score %</th>
<th>Total score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KPMG</td>
<td>93.87%</td>
<td></td>
<td>100.0%</td>
<td>95.7%</td>
</tr>
<tr>
<td>2</td>
<td>Ulaanbaatar Audit</td>
<td>90.21%</td>
<td></td>
<td>83.0%</td>
<td>88.0%</td>
</tr>
<tr>
<td>3</td>
<td>Dalaivan</td>
<td>93.17%</td>
<td></td>
<td>87.0%</td>
<td>91.3%</td>
</tr>
</tbody>
</table>

#### 2015 EITI Report Tender Results (in 2016)

**Round 1**

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Technical score</th>
<th>Financial (MNT m)</th>
<th>Financial score %</th>
<th>Total score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KPMG</td>
<td>89.44%</td>
<td>180.0</td>
<td>87.3%</td>
<td>88.8%</td>
</tr>
<tr>
<td>2</td>
<td>Ulaanbaatar Audit</td>
<td>86.39%</td>
<td>170.4</td>
<td>92.3%</td>
<td>88.1%</td>
</tr>
<tr>
<td>3</td>
<td>Dalaivan</td>
<td>88.01%</td>
<td>157.2</td>
<td>100.0%</td>
<td>91.6%</td>
</tr>
</tbody>
</table>

**Round 2**

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>Technical score</th>
<th>Financial (MNT m)</th>
<th>Financial score %</th>
<th>Total score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KPMG</td>
<td>92.29%</td>
<td>180.0</td>
<td>81.9%</td>
<td>89.2%</td>
</tr>
<tr>
<td>2</td>
<td>Ulaanbaatar Audit</td>
<td>88.18%</td>
<td>152.3</td>
<td>96.7%</td>
<td>90.7%</td>
</tr>
<tr>
<td>3</td>
<td>Dalaivan</td>
<td>95.76%</td>
<td>147.4</td>
<td>100.0%</td>
<td>97.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aimag /Name /</th>
<th>2013</th>
<th>Transferred Revenue /by each source/</th>
<th></th>
<th></th>
<th></th>
<th>Numbe r of project s carried out</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planned</td>
<td>Minier al Royalti es</td>
<td>VAT</td>
<td>Aimag Surplus / Capital City Surplus</td>
<td>Total</td>
<td>Fulfilled</td>
</tr>
<tr>
<td>Arkhangai</td>
<td>8,704,0 84.40</td>
<td>684.89 6.19</td>
<td>6,399,258.57</td>
<td>1,039,390.70</td>
<td>8,123,545.45</td>
<td>8,123,545.45</td>
</tr>
<tr>
<td>Bayan-Ulgii</td>
<td>7,646,6 48.60</td>
<td>699.19 7.39</td>
<td>5,464,334.17</td>
<td>899,631.39</td>
<td>7,063,162.95</td>
<td>7,063,162.95</td>
</tr>
<tr>
<td>Bayankhongor</td>
<td>10,176, 249.50</td>
<td>621.35 1.00</td>
<td>7,744,453.13</td>
<td>1,239,994.28</td>
<td>9,605,798.41</td>
<td>9,605,798.41</td>
</tr>
<tr>
<td>Bulgan</td>
<td>7,353,9 08.90</td>
<td>436.66 5.15</td>
<td>5,148,386.10</td>
<td>897,794.99</td>
<td>6,482,846.24</td>
<td>6,482,846.24</td>
</tr>
<tr>
<td>Gobi-Altai</td>
<td>9,959,8 21.00</td>
<td>436.80 3.31</td>
<td>6,830,168.27</td>
<td>1,237,319.88</td>
<td>8,504,291.46</td>
<td>8,504,291.46</td>
</tr>
<tr>
<td>Dornogobi</td>
<td>8,130,4 27.80</td>
<td>487.28 4.16</td>
<td>6,137,282.50</td>
<td>991,973.69</td>
<td>7,616,540.35</td>
<td>7,616,540.35</td>
</tr>
<tr>
<td>Dornod</td>
<td>8,907,8 79.30</td>
<td>566.02 4.73</td>
<td>6,156,009.46</td>
<td>1,082,386.58</td>
<td>7,804,420.78</td>
<td>7,804,420.78</td>
</tr>
<tr>
<td>Dundgobi</td>
<td>8,023,3 92.70</td>
<td>305.11 0.55</td>
<td>5,879,329.40</td>
<td>1,003,224.89</td>
<td>7,187,664.84</td>
<td>7,187,664.84</td>
</tr>
<tr>
<td>Zavkhan</td>
<td>8,218,4 12.80</td>
<td>518.33 3.06</td>
<td>6,340,013.05</td>
<td>999,139.50</td>
<td>7,857,485.60</td>
<td>7,857,485.60</td>
</tr>
<tr>
<td>Uvurkhangai</td>
<td>9,586,0 99.70</td>
<td>816.52 3.74</td>
<td>6,377,641.78</td>
<td>1,136,110.28</td>
<td>8,330,275.80</td>
<td>8,330,275.80</td>
</tr>
<tr>
<td>Province</td>
<td>Population</td>
<td>Gini Coefficient</td>
<td>Number of VOs</td>
<td>Number of VOs</td>
<td>Number of VOs</td>
<td>Number of VOs</td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
<td>------------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Umnugobi</td>
<td>9,737,900</td>
<td>563.95</td>
<td>6,562,718.20</td>
<td>1,190,828.78</td>
<td>8,317,506.20</td>
<td>85.4</td>
</tr>
<tr>
<td>Sukhbaatar</td>
<td>8,396,800</td>
<td>419.91</td>
<td>6,908,707.86</td>
<td>1,036,010.69</td>
<td>8,364,629.27</td>
<td>99.6</td>
</tr>
<tr>
<td>Selenge</td>
<td>7,174,180</td>
<td>804.55</td>
<td>5,038,808.51</td>
<td>823,504.29</td>
<td>6,666,870.54</td>
<td>92.9</td>
</tr>
<tr>
<td>Tuv</td>
<td>7,621,650</td>
<td>690.44</td>
<td>5,336,104.05</td>
<td>897,581.70</td>
<td>6,924,132.71</td>
<td>90.8</td>
</tr>
<tr>
<td>Uvs</td>
<td>8,095,160</td>
<td>590.88</td>
<td>5,953,745.52</td>
<td>973,055.29</td>
<td>7,517,684.87</td>
<td>92.9</td>
</tr>
<tr>
<td>Khovd</td>
<td>8,792,740</td>
<td>626.90</td>
<td>6,224,942.73</td>
<td>1,058,984.38</td>
<td>7,910,829.45</td>
<td>90.0</td>
</tr>
<tr>
<td>Khuvsgul</td>
<td>9,358,050</td>
<td>938.24</td>
<td>6,134,019.06</td>
<td>1,089,556.28</td>
<td>8,161,821.03</td>
<td>87.2</td>
</tr>
<tr>
<td>Khentii</td>
<td>8,332,410</td>
<td>539.72</td>
<td>6,711,731.40</td>
<td>1,011,046.60</td>
<td>8,262,498.50</td>
<td>99.2</td>
</tr>
<tr>
<td>Darkhan-Uul</td>
<td>6,915,340</td>
<td>752.15</td>
<td>4,994,438.70</td>
<td>797,050.09</td>
<td>6,543,644.45</td>
<td>94.6</td>
</tr>
<tr>
<td>Ulaanbaatar</td>
<td>35,030,643</td>
<td>9,790,36.17</td>
<td>14,765,220.11</td>
<td>3,210,330.95</td>
<td>27,766,28.72</td>
<td>79.3</td>
</tr>
<tr>
<td>Orkhon</td>
<td>7,511,360</td>
<td>757.60</td>
<td>5,383,787.21</td>
<td>873,899.79</td>
<td>7,015,290.64</td>
<td>93.4</td>
</tr>
<tr>
<td>Gobi-Sumber</td>
<td>5,940,630</td>
<td>111.53</td>
<td>4,568,063.68</td>
<td>758,585.59</td>
<td>5,438,182.83</td>
<td>91.5</td>
</tr>
<tr>
<td></td>
<td>209,613,810</td>
<td>22,158,845.54</td>
<td>141,059,163.47</td>
<td>24,247,40.60</td>
<td>187,465,409.61</td>
<td>89.4</td>
</tr>
</tbody>
</table>
## Aimag/Name
### Planned

<table>
<thead>
<tr>
<th>Aimag/Name</th>
<th>2014</th>
<th>Transferred Revenue /by each source/</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VAT</td>
<td>Mineral Royalties</td>
</tr>
<tr>
<td>Arkhangai</td>
<td>11,073,532</td>
<td>5,154,971.25</td>
</tr>
<tr>
<td>Bayan-Ulgii</td>
<td>9,638,474</td>
<td>4,425,490.56</td>
</tr>
<tr>
<td>Bayankhongor</td>
<td>12,789,162</td>
<td>5,882,341.55</td>
</tr>
<tr>
<td>Bulgan</td>
<td>9,253,561</td>
<td>4,552,402.30</td>
</tr>
<tr>
<td>Gobi-Altai</td>
<td>12,373,300</td>
<td>6,538,516.21</td>
</tr>
<tr>
<td>Town</td>
<td>Population</td>
<td>GDP</td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
<td>------</td>
</tr>
<tr>
<td>Dornodobi</td>
<td>10,164</td>
<td>284,975</td>
</tr>
<tr>
<td>Dornodoni</td>
<td>11,146</td>
<td>4,015</td>
</tr>
<tr>
<td>Dundgobi</td>
<td>9,947</td>
<td>84,497</td>
</tr>
<tr>
<td>Zavkhan</td>
<td>10,347</td>
<td>47,639</td>
</tr>
<tr>
<td>Uvurkhangai</td>
<td>12,163</td>
<td>63,947</td>
</tr>
<tr>
<td>Umunzobi</td>
<td>12,185</td>
<td>60,120</td>
</tr>
<tr>
<td>Sukhbatatar</td>
<td>10,495</td>
<td>95,067</td>
</tr>
<tr>
<td>Selenge</td>
<td>9,215</td>
<td>5,881</td>
</tr>
<tr>
<td>Tuv</td>
<td>9,618</td>
<td>824</td>
</tr>
<tr>
<td></td>
<td>4.23</td>
<td>1</td>
</tr>
<tr>
<td>----------------</td>
<td>-------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>Uvs</strong></td>
<td>10.1, 31.9</td>
<td>4,687,205.97</td>
</tr>
<tr>
<td></td>
<td>62.8 5</td>
<td></td>
</tr>
<tr>
<td><strong>Khoivd</strong></td>
<td>11.0, 02.5</td>
<td>5,380,369.65</td>
</tr>
<tr>
<td></td>
<td>56.5 7</td>
<td></td>
</tr>
<tr>
<td><strong>Khuvsugul</strong></td>
<td>11.9, 97.6</td>
<td>5,806,994.56</td>
</tr>
<tr>
<td></td>
<td>24.0 7</td>
<td></td>
</tr>
<tr>
<td><strong>Kheentii</strong></td>
<td>10.4, 61.5</td>
<td>4,787,896.52</td>
</tr>
<tr>
<td></td>
<td>35.9 0</td>
<td></td>
</tr>
<tr>
<td><strong>Darakhn-Uul</strong></td>
<td>8.54, 8.98</td>
<td>3,851,539.30</td>
</tr>
<tr>
<td></td>
<td>6.32</td>
<td></td>
</tr>
<tr>
<td><strong>Ulanbatar</strong></td>
<td>46.3, 30.6</td>
<td>15,581,801.23</td>
</tr>
<tr>
<td></td>
<td>54.4 9</td>
<td></td>
</tr>
<tr>
<td><strong>Orkhon</strong></td>
<td>9.45, 5.28</td>
<td>4,290,777.75</td>
</tr>
<tr>
<td></td>
<td>7.19</td>
<td></td>
</tr>
<tr>
<td><strong>Gobi-Sumber</strong></td>
<td>7.32, 8.76</td>
<td>3,734,959.86</td>
</tr>
<tr>
<td></td>
<td>0.09</td>
<td></td>
</tr>
<tr>
<td></td>
<td>265,</td>
<td>121,386,923.47</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aimag / Name /</td>
<td>2015</td>
<td>Transferred Revenue / by each source /</td>
</tr>
<tr>
<td>---------------</td>
<td>------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Planned</td>
<td>VAT</td>
</tr>
<tr>
<td>Arkhangai</td>
<td>5,049,164.24</td>
<td>3,121,836.31</td>
</tr>
<tr>
<td>Bayan-Ulgii</td>
<td>4,588,614.50</td>
<td>2,762,331.56</td>
</tr>
<tr>
<td>Bayankhongor</td>
<td>5,918,656.90</td>
<td>3,771,336.99</td>
</tr>
<tr>
<td>Bulgan</td>
<td>4,338,622.27</td>
<td>2,779,589.06</td>
</tr>
<tr>
<td>Gobi-Altai</td>
<td>5,733,752.41</td>
<td>3,766,348.50</td>
</tr>
<tr>
<td>Dornogobi</td>
<td>4,755,750.85</td>
<td>3,032,518.96</td>
</tr>
<tr>
<td>Dornogobi</td>
<td>5,173,098.81</td>
<td>3,280,819.07</td>
</tr>
<tr>
<td>Dundgobi</td>
<td>4,581,3037.4</td>
<td>245,04238.57124</td>
</tr>
<tr>
<td>Province</td>
<td>Area (km²)</td>
<td>Population</td>
</tr>
<tr>
<td>-----------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Zavkhan</td>
<td>4,840,9</td>
<td>3,082,3</td>
</tr>
<tr>
<td>Uvurkhangai</td>
<td>5,557,4</td>
<td>3,397,8</td>
</tr>
<tr>
<td>Umnugobi</td>
<td>5,649,2</td>
<td>3,604,9</td>
</tr>
<tr>
<td>Sukhbaatar</td>
<td>4,856,3</td>
<td>3,150,6</td>
</tr>
<tr>
<td>Selenge</td>
<td>4,450,0</td>
<td>2,605,1</td>
</tr>
<tr>
<td>Tuv</td>
<td>4,594,1</td>
<td>2,798,6</td>
</tr>
<tr>
<td>Uvs</td>
<td>4,693,1</td>
<td>2,930,4</td>
</tr>
<tr>
<td>Khovd</td>
<td>5,235,1</td>
<td>3,287,1</td>
</tr>
<tr>
<td>Khuvsugul</td>
<td>5,492,9</td>
<td>3,265,5</td>
</tr>
<tr>
<td>Khetii</td>
<td>4,946,1</td>
<td>3,141,0</td>
</tr>
<tr>
<td>Darkhan-Uul</td>
<td>4,241,5</td>
<td>2,484,4</td>
</tr>
<tr>
<td>Ulaanbaatar</td>
<td>24,576</td>
<td>10,314</td>
</tr>
<tr>
<td>Orkhon</td>
<td>4,577,2</td>
<td>2,706,9</td>
</tr>
</tbody>
</table>
## Validation of Mongolia: Report on initial data collection and stakeholder consultation

<table>
<thead>
<tr>
<th>Aimag /Name/</th>
<th>2016 /1-6 months/</th>
<th>Planned</th>
<th>Transferred Revenue /by each source/</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>VAT</td>
<td>Mineral Royalties</td>
</tr>
<tr>
<td>Arkhangai</td>
<td>4,107,64 6.64</td>
<td>673,639.37</td>
<td>109,914.95</td>
</tr>
<tr>
<td>Bayan-Ulgii</td>
<td>4,017,98 8.10</td>
<td>440,089.35</td>
<td>116,216.81</td>
</tr>
<tr>
<td>Bayankhongor</td>
<td>5,681,93 3.38</td>
<td>813,689.58</td>
<td>150,349.69</td>
</tr>
<tr>
<td>Bulgan</td>
<td>4,043,58 7.18</td>
<td>464,597.89</td>
<td>71,038.78</td>
</tr>
<tr>
<td>Gobi-Altaï</td>
<td>6,569,77 0.15</td>
<td>1,106,60 8.72</td>
<td>69,268.26</td>
</tr>
<tr>
<td>Dornogobi</td>
<td>6,366,66 1.01</td>
<td>542,847.69</td>
<td>78,732.08</td>
</tr>
<tr>
<td>Dornod</td>
<td>5,035,32 4.24</td>
<td>557,743.10</td>
<td>90,770.87</td>
</tr>
<tr>
<td>Dundgo</td>
<td>4,852,11</td>
<td>62,975.59</td>
<td>1,221,069.89</td>
</tr>
</tbody>
</table>
### Validation of Mongolia: Report on initial data collection and stakeholder consultation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Zavkhan</td>
<td>4,900,50</td>
<td>6.23</td>
<td>534,789.33</td>
<td>65,000</td>
<td>1.42</td>
</tr>
<tr>
<td>Uvurkhangai</td>
<td>4,444,61</td>
<td>2.93</td>
<td>547,719.20</td>
<td>132,000</td>
<td>1.73</td>
</tr>
<tr>
<td>Umnugobi</td>
<td>13,446,7</td>
<td>95.70</td>
<td>609,724.93</td>
<td>161,784</td>
<td>0.47</td>
</tr>
<tr>
<td>Sukhbaatar</td>
<td>5,188,52</td>
<td>1.59</td>
<td>512,011.96</td>
<td>73,272</td>
<td>0.49</td>
</tr>
<tr>
<td>Selenge</td>
<td>7,472,57</td>
<td>4.44</td>
<td>443,379.36</td>
<td>140,072</td>
<td>1.69</td>
</tr>
<tr>
<td>Tuv</td>
<td>6,679,82</td>
<td>7.41</td>
<td>464,544.68</td>
<td>113,834</td>
<td>0.71</td>
</tr>
<tr>
<td>Uvs</td>
<td>3,893,90</td>
<td>0.62</td>
<td>597,604.30</td>
<td>92,228</td>
<td>0.71</td>
</tr>
<tr>
<td>Khovd</td>
<td>4,419,90</td>
<td>2.75</td>
<td>546,408.02</td>
<td>98,894</td>
<td>0.71</td>
</tr>
<tr>
<td>Khuvsgul</td>
<td>4,435,98</td>
<td>8.69</td>
<td>556,709.73</td>
<td>150,559</td>
<td>0.71</td>
</tr>
<tr>
<td>Khentii</td>
<td>5,341,13</td>
<td>7.69</td>
<td>725,982.15</td>
<td>87,775</td>
<td>0.71</td>
</tr>
<tr>
<td>Darkhan-Uul</td>
<td>3,909,74</td>
<td>0.70</td>
<td>393,971.68</td>
<td>124,312</td>
<td>0.71</td>
</tr>
<tr>
<td>Ulaanbaatar</td>
<td>18,890,8</td>
<td>0.97</td>
<td>1,970,73</td>
<td>1,807</td>
<td>0.71</td>
</tr>
<tr>
<td>Orkhon</td>
<td>4,890,58</td>
<td></td>
<td>55,456.28</td>
<td>1,076,629</td>
<td>0.71</td>
</tr>
<tr>
<td></td>
<td>4.04</td>
<td>450,406.25</td>
<td>267,681.71</td>
<td>1,850,174.21</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>-------</td>
<td>------------</td>
<td>------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>Gobi-Sumber</td>
<td>2,453,421.65</td>
<td>358,612.02</td>
<td>19,123.57</td>
<td>861,464.74</td>
<td></td>
</tr>
<tr>
<td></td>
<td>131,043,347.52</td>
<td>13,923,291.85</td>
<td>4,090,116.39</td>
<td>30,992,321.64</td>
<td></td>
</tr>
<tr>
<td></td>
<td>131,043,347.52</td>
<td>13,923,291.85</td>
<td>4,090,116.39</td>
<td>30,992,321.64</td>
<td></td>
</tr>
</tbody>
</table>

/Thousand Tugrugs/