



EXTRACTING DATA
ANALYSIS OF EITI NATIONAL
REPORTS FOR 2006-2011

Ulaanbaatar
2013

EXTRACTING DATA:
ANALYSIS OF EITI NATIONAL REPORTS FOR 2006-2011

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Abbreviations and Glossary

- Auditor** Independent consultants with experience in financial auditing whose task is to prepare reconciled EITI reports which include the reconciliation of payments by companies and receipts by the government and explains any discrepancies between companies' and the government's reports of payments and receipts.
- Company reports** Annual reports by extractive companies in accordance with special reporting templates approved by EITI National Council. Reports contain detailed information of official payments that the company made to the central and local government, such as taxes, fees etc., as well as other types of payments such as grants and donations.
- EITI** Extractive Industries Transparency Initiative; a global initiative to improve transparency of extractive sectors by having countries produce EITI reports under the oversight of EITI Multi-Stakeholder Groups.
- EITI (Mongolia) National Council** A tri-partite group consisting of representatives of the government, industry and civil society, established by a decree of Cabinet of Ministers and overseeing the implementation of EITI in Mongolia. The Council is headed by Prime Minister of Mongolia.
- EITI (Mongolia) Secretariat** Full time support unit for EITI implementation in Mongolia, funded by the World Bank/MDTF and providing day-to-day management of EITI process in Mongolia and supporting EITI National Council and Working Group.
- EITI (Mongolia) Working Group** A tri-partite group consisting of representatives of the government, industry and civil society which provides technical support to the EITI National Council. The Working Group is headed by the Senior Advisor to Prime Minister.
- EITI Multi-Stakeholder Groups** Groups comprised of representatives of the government, industry and civil society who govern the implementation of EITI at the national level; National Council and Working Group in case of Mongolia.
- EITI reports** In this report, the term 'EITI Reports' is used in two ways. First, EITI Reports are the reports prepared by auditors/reconcilers which provide a detailed comparison of Companies Report and Government' Report and explain any discrepancies between the corresponding payments and receipts in these reports. Second, EITI reports mean the reports either companies or the government prepares under the EITI reporting templates approved by the EITI National Council, i.e. pre-reconciliation reports.
- Government reports** Annual reports by the government in accordance with special reporting template approved by EITI National Council. The reports contain detailed information of official payments that the government received from extractive companies, such as taxes, fees, etc., as well as other types of payments such as grants and donations.

- Local budget** As defined by Budget Law of Mongolia; revenues to the local budget comprise of certain types of payments such as land use payments, water use payments, dividends to local government owned property, a portion of mineral royalties and license fees etc.
- Local community** In the context of this report, province (aimag) and sub-province (soum) residents where mining takes place are considered local communities.
- Payments** The term 'Payments' is used in several ways in this report. Firstly, for the general understanding, we describe any records captured in the EITI reports as 'payments' by companies to the government, even though they might include official taxes, some cost related information such as environmental rehabilitation costs, grants and donations to state and non-state actors, and even the volume of sales. Secondly, 'payments' comprise one type of 'official taxes', the other two being 'taxes' and 'fees', in accordance with Mongolian tax legislation. Also, in places where payments are shown by type of payment breakdown, 'other payments' would mean all other taxes, payments and fees, but do not include grants and donations and any other costs reported.
- PSA** Production Sharing Agreements; agreements signed between the government and oil companies specifying rights and responsibilities of the two parties with regard to a given company's oil exploration and production activities and division of produced oil between the government and the company.
- PWYP** Publish What You Pay; a coalition of civil society organizations from around the world promoting transparency of extractive industries including transparency of payments, licenses, contracts, and spending of revenues derived from extractive activities. PWYP Mongolia is a coalition of 26 civil society organizations and has been active since 2006 in promoting EITI and contracts and licensing transparency in mining sector in Mongolia.
- Reconciler** Please see Auditor.
- Reconciliation** The process of verification of payments and receipts reported by companies and the government under EITI.
- Reconciliation reports** Reports prepared by an auditor/reconciler detailing the level and type of payments companies paid to the government and explaining any discrepancies between the payments and receipts.
- State budget** As defined by Budget Law of Mongolia; could be understood as the central government budget. The state budget, local government budgets, social insurance fund and human development fund comprise general government budget in Mongolia. Revenues to the state budget comprise of certain types of payments such as key taxes including corporate income taxes, customs duties, value added taxes etc., production share in accordance with production sharing agreements in oil sector, and a portion of royalties and license fees etc.

Foreword

Ensuring all around transparency in extractive industries, the backbone of Mongolia's development, has been a larger policy priority with every passing year. Oil and mining sectors not only had direct and indirect effects on the livelihoods of a small part of the population or communities in mining areas, but have had enormous impact on the entire society. Therefore, it is clearly not sufficient that only the government, companies, or experts have access to or use information about the sector, and the affected general public, who are the true owners of minerals, should also have access to and utilize information about the sector.

Extractive Industries Transparency Initiative, implemented in Mongolia since 2006 and aiming to disclose information about payments by companies to the state, has done a remarkable work and collected a large amount of different types of data. However, delivering these data to citizens in a comprehensible way, and using data for policy analysis and formulation have been inadequate. To address this gap, Open Society Forum, together with Publish What You Pay Mongolia, a coalition of civil society organizations working for transparency of the extractive sector, has embarked on implementing this study. The aim of this study was to transform the accumulated data into a simple-to-use format, introduce some methods for analysing the data, and eventually improve the use of data and bring them closer to the needs of ordinary people. In parallel, we have touched upon the issues that need to be resolved at the policy level in order to ensure transparency and accessibility of information and data pertaining to the extractives sector, and prepared a set of recommendations. Furthermore, we have specifically included recommendations on how ordinary people in different mining communities can access and process information about mining companies operating in their neighborhood.

We would like to express our gratitude to World Bank and its EITI multi-donor trust fund for providing financial support making it possible to carry out this study. We would also like to express our gratitude to Mr. Sh. Tzolmon, Coordinator of EITI Secretariat in Mongolia, for providing all data used in this study. Special thanks go to Ms. N. Bayarsaikhan, Coordinator of PWYP Mongolia Coalition and Chairwoman of Steps without Boundaries, a non-governmental organization, and other members of PWYP Mongolia who have participated in a tedious work to compile the database and prepare the report, especially Mr. D. Tserenjav, Executive Director of Transparency Foundation.

We believe that this study will contribute to advancing the agenda to make extractive industries more transparent and open.

P. Erdenejargal,
Executive Director of Open Society Forum
Member of National Council of Extractive Industries Transparency Initiative

1. Introduction



Mongolia, endowed with a wealth of natural resources, is increasingly reliant on its extractive sector. The sector comprises more than 20 percent of its economy and has fueled double digit economic growth rates in the recent years. The impact of such extensive growth of the economy and the mining sector on improving people's lives has not been straightforward, though. In the country where traditional large pastures based livestock herding has been the backbone of the economy and people have lived in harmony with the Mother Nature and feeding off its gifts for centuries, many communities feel left out of this economic growth, whilst environmental and social impact of mining and inadequate policy response cause broad based resentments in the society. Recognizing the importance of good governance in extractive industries in ensuring efficient management of natural resources and building public trust in the extractive sector, the Government of Mongolia joined

Recognizing the importance of good governance in extractive industries to ensure efficient management of natural resources and build public trust in the extractive sector, the Government of Mongolia joined Extractive Industries Transparency Initiative (EITI) in 2006.



Extractive Industries Transparency Initiative (EITI) in 2006. The EITI aims to set a global standard for transparency of extractive industries through ensuring transparency of financial flows from extractive companies to the government. Under EITI, extractive companies and the government provide reports on payments paid to or received by the government, respectively, and the numbers in these reports are reconciled by an independent auditor in order to ensure the quality of reports. EITI utilizes multi-stakeholder decision-making process, with the government, companies, and civil society engaged in the implementation of all EITI related activities. Therefore, the EITI reports are the ‘heart’ of the EITI process, while the multi-stakeholder nature is the ‘soul’, as described by EITI International Secretariat, which provides assistance in implementation of EITI in more than 35 countries around the world.

Mongolia is going through the sixth EITI cycle and has produced five EITI reconciliation reports, one for each of the financial years over the 2006-2010 period. EITI process evolved significantly over the years. For instance, EITI reporting templates have been amended several times to reflect changes in legislation which mandates payments by extractive companies to the government, and in response to desire from public and companies to include many types of information that were not in EITI reporting

templates from the beginning. The number of companies participating in EITI increased, so did the number of companies whose reports are reconciled. In other words, final reconciliation reports do not include reconciliation of payments of all companies reporting or for which the government reported receipt of payments, due to practical and materiality concerns, still the total number of companies included in reconciliation increased significantly over the years and the materiality thresholds lowered. EITI reporting templates require reporting of many different types of information, far beyond payments, and include grants and donations, costs for environmental rehabilitation, capacity building of employees, production and sales volumes etc. Reconciliation reports have been done by specially selected consultant firms with strong auditing experience. EITI stakeholders agreed to require that the auditors also know Mongolian situation well, so consortia of Mongolian and internationally accredited EITI auditors produced EITI reports in recent years.

Another major concern is that despite the wealth of information about extractives created by EITI, communities affected by mining are still far from using that information in understanding the sector, monitoring mining activities, and engaging in a fruitful dialog with local authorities and mining companies in ensuring effective local contributions by the sector. Reasons might include the complex nature of information created by the EITI, which is inadequate with the needs and capacity of local communities, and poor communication efforts by EITI. The report therefore looks at the EITI data in terms of its usefulness to local communities.

This report aims to look at gaps in existing EITI data and procedures, and for opportunities to improve them. As this report shows, the EITI data do not allow tracking payments made by extractive companies to specific local governments. Auditors' reports, while provide important insights into the nature of payments flowing from extractive companies to the government, do not include payments reported by or for all companies. In addition, they do not allow understanding extractive sector payments over the time horizon, as they focus only on a given financial year, and do not provide a verification of whether all extractive companies participate in the process.

It should also be noted that EITI data alone cannot shed light on the industry as a whole. Besides payments of companies to the governments, which is the focus of EITI, citizens can benefit greatly from other types of information, such as mining and oil production contracts, licensing information, and information on environmental and social impacts. Also, extractives related information, especially those produced under EITI, should be read under the macroeconomic context, in relation to the overall economic activity.

Synergies among such types of information are therefore especially important to understand the role of extractives in the country.

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Therefore, our objectives under this project are the following:

- Shed more light on payments by all reporting companies and/or companies included in Government reports, in order to provide a sense of whether EITI in Mongolia is inclusive of all extractive companies, one of the requirements of EITI, and whether payments made by the extractive industry are made transparent in full under EITI.
- For the first time in Mongolia, provide some insights analyzing EITI data across different financial years, because all reconciliation reports so far focused only on a given financial year. In that sense, we are not aiming to replicate information already contained in the reconciliation reports, rather, we try to complement the information contained in reconciliation reports in an attempt to better understand EITI reports and the whole process more in depth.

- Attempt to link the EITI database with the macroeconomic and license databases in order to show payments information in a larger context in which extractive companies operate, with a special focus to attempt to see if mining communities can trace back payments that companies operating in their vicinity make to local governments.

This report has been prepared by Publish What You Pay (PWYP) Mongolia, a coalition of more than 25 independent non-governmental organizations in Mongolia. PWYP Mongolia is a member of PWYP International, a global coalition of more than 600 civil society organizations, and the key civil society actor involved in implementation of EITI in Mongolia. Implementing this project is not only a mere reflection of inherent interest of PWYP Mongolia in EITI process, but also a response to the need to make EITI data more relevant and useful for EITI stakeholders, policymakers, civil society and others, but especially for local communities who are most affected by extractive industries.

We demonstrate what information relevant to their communities citizens living in mining regions can be retrieved from EITI and licensing databases.

Section 2 of this report introduces key conclusions from the analysis, and provides specific recommendations to relevant EITI stakeholders as to what improvements need to be undertaken for EITI data be more relevant, comprehensive and usable.

Section 3 provides a detailed analysis of EITI database, especially with regard to who participates in EITI, what types of and how much payments have been made, and what

information can be extracted from the EITI database with regard to who participates in the EITI reconciliation process and how comprehensive the process is.

Section 4 is the attempt to use the licensing database in order to enrich information that can be retrieved from EITI reports with other useful information not contained in EITI database, with special focus on whether local communities can track payments by mining companies to their respective local governments. In other words, we demonstrate what information relevant to their communities citizens living in mining regions can retrieve from EITI and licensing databases.

We use only 2011 data for practical purposes, but our conclusions and recommendations derived from this exercise should still be very much relevant for improving the utility of EITI data for local communities in Mongolia. The report is concluded by some methodological remarks about how EITI data were processed in order to arrive at the findings included in this report.

2. Conclusions and Recommendations



This report reveals that EITI in Mongolia, despite many advancements, still has a long way to go in order to be an initiative that is well understood and used by ordinary citizens and communities affected by extractive industries.

EITI reports in Mongolia achieved a significant progress over the 2006-2011 period in terms of coverage of extractive companies and various payments that companies pay. Data for almost a thousand companies can be found in the reports. Overall, the number of companies participating in EITI increased over time. While few companies drop from the process, more and more new companies join EITI each year. EITI reports provide a great detail in terms of types of flows of payments that take place from companies to the government, as 83 different

Data for almost a thousand companies can be found in the reports. Overall, the number of companies participating in EITI increased over time. While few companies drop from the process, more and more new companies join EITI each year.

types of payments are recorded in the reports. EITI reports also shed light on the contributions of mining sector to economic growth and budget revenue. Reconciliation process seems to have worked well as the major part (91 percent) of payments is reconciled and unexplained discrepancies are relatively insignificant.

Despite such achievements, EITI in Mongolia still has many problem areas, especially in terms of comprehensiveness and accuracy of information collected and reported under

EITI. These issues include:

- Data collected and maintained by EITI Mongolia is not complete. How the EITI database is maintained as of today, it is also not readily comparable across different years. Incomplete data which are hard to compare across time further reduce the use of data by different stakeholders and have potentially harmed public's interest in EITI.
- Not all companies participate in EITI. Government's reports contain information of a much larger number of companies than the actual number of companies reporting. Many companies' records appear only on one side of reporting, i.e. either by the government or the company itself, but not in both reports. Furthermore, many companies who hold either exploration or production licenses do not report under EITI.
- It is unclear if uranium and oil sector companies fully participate in EITI. Licensing of uranium and oil sector companies is overseen by government agencies other than the Mineral Resources Authority of Mongolia. While Mineral Resources Authority discloses detailed information on licensing it oversees, the other two agencies do not provide such information to public. Therefore, EITI reports and licensing database are not sufficient to verify as to whether all uranium and oil sector companies participate in EITI.
- While the number of companies reporting is much lower than the number of companies in the government's reports, the value of payments reported by companies is much higher than that reported by the government. Companies tend to provide much more information on grants and donations, and 'voluntary' information such as investment costs, sales volumes etc. While the government obviously collects such information, as can be seen from the fact that such information can be located from its reports on a limited basis, it does not include such information in its EITI reporting.
- The destination of payments, whether they go to the central or local government budget, or somewhere else, cannot be directly verified from the EITI data. While some payments can be traced as going to local governments, it is not possible to verify how much of a given payment goes to a specific local government. Such information would have been very useful for local communities, and for improving interest in EITI by some key stakeholders such as local governments, or members of parliament.

In short, because of these many reasons, EITI has not become the source of complete and comprehensive information about the extractives sector in Mongolia. Despite EITI reports being produced annually, and auditors reconciling payment records, reasons such as the timing of EITI reports; not all companies being reconciled; not being able to verify if all companies are participating in EITI; large discrepancies in initial reporting; and gaps between EITI reports and other sources of information such as Ministry of Finance's data on revenues from the mining sector make it difficult for an average user of EITI data to fully rely on EITI.

Therefore, we draw the following recommendations to improve EITI reporting and data use.

- EITI National Council and Working Group ensure that all extractive companies participate in EITI. The current level of participation of companies needs to be reviewed in terms of requirements and objectives of EITI. In this regard, the government should produce the complete licensing data for mineral resources including uranium, and for oil sector, as part of its EITI reports.
- EITI National Council and Working Group improve its oversight as to why the government is far behind the companies in reporting information on production and sales volumes, grants and donations received by the government agencies, and so-called 'voluntary' information such as investment costs, environmental costs etc., and take specific actions to ensure that all information prescribed in EITI reporting templates is mandatory for both the government and companies. Also, the completeness of information on licenses, production and sales, required in the first part of EITI templates needs to be scrutinized by EITI National Council and Working Group as to why this information is not fully reported.
- EITI National Council and Working Group revisit reporting templates and the reporting process in a way that payments can be tracked to specific government entities including central and local governments and any other government funds so that mining communities and general public can trace revenues from extractive industries.
- The government provide explanation as to how EITI data compares to and is linked with information on government revenues from extractive industries produced by Ministry of Finance and other agencies, and why the EITI data do not often match with such information.
- EITI Secretariat review the format in which it holds EITI reports produced by the government, companies, and auditors. While the current database in panel format (by companies and payment types) is useful, the Secretariat should maintain the database for each payment record in a codified manner, so that an easy analysis of the data can be performed by all stakeholders which in turn would help improve EITI reporting, reconciliation, and use of data.
- EITI Secretariat produce each year analytical reports using EITI database, much similar to this report, in order to serve interested stakeholders and general public with information that can be derived from the EITI database.

- EITI Secretariat make an effort to improve the accuracy and user-friendliness of the EITI data it maintains, as described in the Data Clearance section of the Annex to this report. Specifically, the Secretariat should be responsible for collecting missing data, aligning formats and even correcting spelling used for company names, payment titles, codifying payments data etc.

3. What Do Numbers in EITI Reports Tell?



This section provides some insights drawn from the EITI Mongolia reports for the period of 2006-2011, including statistics and dynamics on companies involved in EITI, the type and size of payments reported by companies and the government, and some reconciliation statistics provided by the reconciler. While we aim to provide some useful and interesting statistics from EITI reports and our explanation of these through our analyses, we also demonstrate the type of information one can get from the EITI data, and provide some suggestions for improving EITI reporting templates and data collection in the future.

Who is participating in EITI reports?

Payment records of a total of 965 companies were included in EITI reports over the course of 2006-2011. The number of companies participating in EITI reporting has increased over the years, from 150 in 2006 to 579 in 2011, as can

be seen from Table 1. It should be noted that the number of companies included in the government's reports far exceeds the number of companies submitting their EITI reports. In other words, many companies are still outside the EITI reporting even though it is mandatory. This causes a significant burden to EITI implementation, especially on reconciliation process, but also shows the need for improved oversight from EITI National Council.

Table 1. The number of companies in EITI reports over 2006-2011 period, by reporting parties

EITI reports	2006	2007	2008	2009	2010	2011
Overall number of companies	150	196	221	386	587	579
Government report	137	184	183	358	476	518
Companies reports	64	102	112	129	268	201

Predominantly, companies in EITI operate in mining sector, while in 2011 report, the data for a total of 13 oil (exploration) companies can be found. Overall, 13 oil and 952 mining (either exploration or exploitation, or both) companies partook in EITI reporting over the six year period. Unfortunately, due to the lack of transparency in oil sector, one cannot determine whether these 13 companies are an exhaustive list of companies operating in Mongolia.

Table 2. The number of companies in EITI reports over 2006-2011, by sector and reporting parties

Sector	Reporting Party	2006	2007	2008	2009	2010	2011
Oil	Government	1	3	3	3	8	9
	Companies	1	1	1	2	10	13
	TOTAL	1	3	3	3	10	13
Mining	Government	63	101	111	127	258	188
	Companies	136	181	180	355	468	509
	TOTAL	149	193	218	383	577	566

Of the 965 companies, only 61 (6.3%) figured in all six rounds of EITI reporting, while more than half of them were included in only one of the six reports, as shown in Table 3.

Table 3. Participation in EITI over 2006-2011

No. of reporting cycles	No. of companies	Percentage in Total
6 cycles	61	6.3
5 cycles	80	8.3
4 cycles	59	6.1
3 cycles	79	8.2
2 cycles	194	20.1
1 cycle	492	51.0
TOTAL	965	100.0

Seventy-four percent of companies are limited liability companies (LLC), while a small percentage of the companies are joint stock companies, state owned enterprises, limited partnerships and cooperatives.

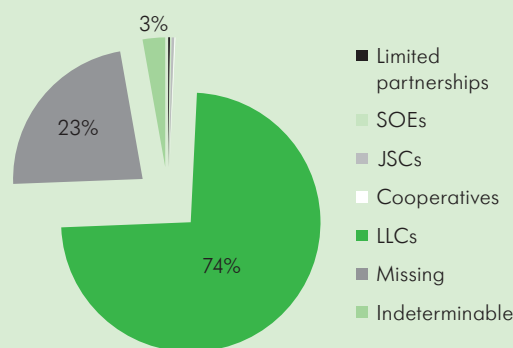
Whether the large number of companies figuring in only one EITI report should be a concern could be sensed from Table 4 which shows that each year, more and more companies partake in EITI. Companies appearing in 2007 and 2008 reporting have all participated in more than one cycle of EITI except for three and five companies respectively.

Table 4. Breakdown of companies appearing in only one EITI cycle

Year	2006	2007	2008	2009	2010	2011	Нийт
Companies appearing in only one EITI cycle	23	3	5	34	140	287	492

Turning to the data indicating the form of incorporation by the extractive companies included in EITI, it should be noted that the database contained by EITI Mongolia Secretariat does not provide clear and complete information that can be usefully analyzed. As shown in Figure 1 below, for 23 percent of companies it is not clear what the form of their incorporation in EITI reports is, either because information is missing or the records show multiple types of incorporation. Seventy-four percent of companies are limited liability companies (LLC), while a small percentage of the companies are joint stock companies, state owned enterprises, limited partnerships and cooperatives. For 26 companies, EITI records show multiple forms of incorporation – while this might be the consequence of change of form of incorporation over the years, the likelihood is high it is a simple mistake in the database. Same comments about incompleteness and inaccuracy can be made with regard to some other information contained in EITI reports, like the tax office companies pay their taxes to, and company’s state registration number, which are contained in some reports, for some years, but cannot be analyzed from year to year in a more complete fashion.

Figure 1. Companies in EITI reports, by the form of liability



How much and what is reported to have been paid?¹

In this section, we provide some insights into what actually the government and companies reported to have received and paid, respectively, over the period of 2006-2011, according to EITI reports.

In Table 5, we summarize information on payments provided by the government and companies. Overall, 87,658 individual payments are recorded in the government reports, almost twice that reported by companies, largely because companies included in the government's reports outnumber companies preparing their own reports for EITI. It should be noted that the numbers presented in the database include information not only for payments mandated by law, such as taxes, but also many other types of information including grants and donations to government and non-government organizations, some costs of companies including costs on environmental rehabilitation, training of workers, investments etc. These data were included in the EITI reporting templates because they were deemed to be of significant interest to stakeholders, especially to local communities affected by mining.

The total value of payments is 5.146 trillion MNT as reported by the government, while the total reported by all companies is 2.75 times higher. Consequently, the average size of payments as reported by companies is much higher than that reported by the government. The maximum individual payment has been a staggering 4 trillion MNT, but this is, while recorded as a payment for EITI purposes, is actually the value of investments for Oyu Tolgoi project in 2011, and captured in EITI database because companies provide additional voluntary information on some expenditures including investment costs. The second largest payment record is actually not a payment, or a cost, but the sales volume reported by Erdenet LLC for 2007, of about one trillion MNT. These two records are outliers significantly affecting general conclusions in this analysis, so where needed, we will exclude these two records for our purposes, or show results separately. But it should be noted that the government has not reported on these significant records, and EITI would be much more complete if such information was also prepared by the government and reconciled against companies' reports. A few negative payments were recorded, which can be explained by the cash base nature of the EITI reports and possible tax accounts reconciliation between companies and the government.

Table 5. Summary of payments, 2006-2011

Indicators	Government	Companies	Total	Difference	Ratio
Number of individual payments	87,658	43,160	131,488	(44,498)	0.49
Total value of payments	5,146,249,937	14,143,853,750	19,252,552,671	8,997,603,813	2.75
Average size of payments	58,708	327,707	146,421	268,999	5.58
Maximum payment	398,297,997	4,124,827,165		3,726,529,168	10.36
Minimum payment	(7)	(6,047,622)		(6,047,615)	861,190.21
Standard deviation	2,841,332	21,050,855	12,282,275	18,209,523	7.41

¹ All payments are presented in thousand Mongolian Tugrugs ('000 MNT) unless otherwise provided. Some payments recorded in the EITI reports in US Dollars have been presented in '000 MNT using the official average exchange rates for the given year.

Measured by the size of payments, government reports provide mostly base (mandatory) information, while companies' reports contain much more diverse information, including voluntary information on donations and grants, as well as on some costs, as shown in Table 6. If we take out the two maximum payment records by companies, base information covers 62.3 percent of payments in companies reports, still much lower than that in government reports. While the desire of companies to fully report their contributions to the government coffers and to the development of local communities is understandable, the lack of accountability on the government side on donations and grants it receives, or detailed information on some costs that might be useful for citizens is something of concern.

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Table 6. Categories of payments, by reporting parties

Type of information	Government	Companies	Companies (excl. 2 top payments)
Base information	99.9%	39.7%	62.3%
Voluntary information	0.1%	46.5%	27.2%
Other information	0.0%	13.8%	10.6%
Total	100.0%	100.0%	100.0%

In Mongolia, official payments by companies to the government are all legislated, and take the form of taxes, payments, and fees. Payments go to either central government (state) or local budgets. EITI reports in Mongolia have aimed to cover not only these official payments, but also all other payments made by companies to the government, including those on voluntary basis, and some other information related to expenditures

Table 7. Destination of payments, by reporting parties

Destination of payments	Government	Companies
State budget	90.1%	32.1%
Local budget	1.7%	1.7%
Grants and donations	0.4%	0.6%
Other payments	7.8%	65.7%

that companies make for the good of general public or local communities. Ninety percent of payments reported by the government goes to the state budget, while only 1.7 percent goes to local government budgets, and for 7.8 percent payments cannot directly be traced to go either to the state or local budgets. For companies, because the size of payments related to voluntary information, including investment costs, is very high, their contributions to the state budget is much lower compared to the government's reports, as shown in Table 7.

A further analysis of payments data shows that taxes comprise 62.88 percent of payments in government reports while only 22.73 percent in companies' reports, as shown in Table 8. While government reports do not contain much information on 'voluntary' types of information, the mere existence of such data in its reports suggests that the government could have been much more active in locating and reporting such data.

Table 8. Types of payments, by reporting parties

Types of payments	Government	Companies	Companies excl. top 2
Taxes	62.88%	22.73%	35.63%
Payments	23.18%	8.47%	13.28%
Payments in line with PSA	2.59%	2.35%	3.69%
Fees and charges	1.18%	0.47%	0.74%
Other payments	0.33%	0.92%	1.44%
Dividends	6.55%	2.83%	4.44%
Grants and donations to government entities	0.37%	0.48%	0.75%
Grants and donations to other entities	0.01%	0.07%	0.11%
Social insurance	2.41%	0.81%	1.27%
Environmental protection costs	0.43%	0.35%	0.55%
Costs	0.08%	60.52%	38.11%
Total	100.00%	100.00%	100.00%

As can be seen from Figure 2 below, each year the size of total payments included in government and companies reports increased. Especially since 2009, the size of payments reported by companies increased dramatically, especially because of inclusion of some really high values on investment and production by a few companies.

Figure 2. Payments in government vs. companies reports

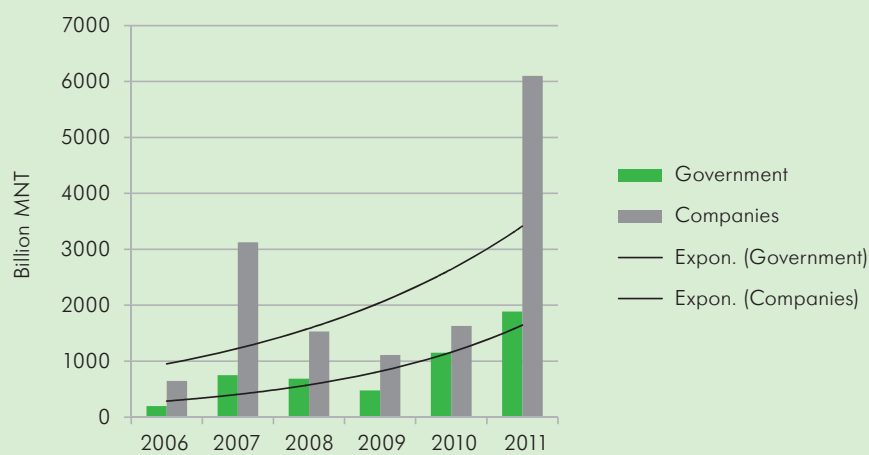
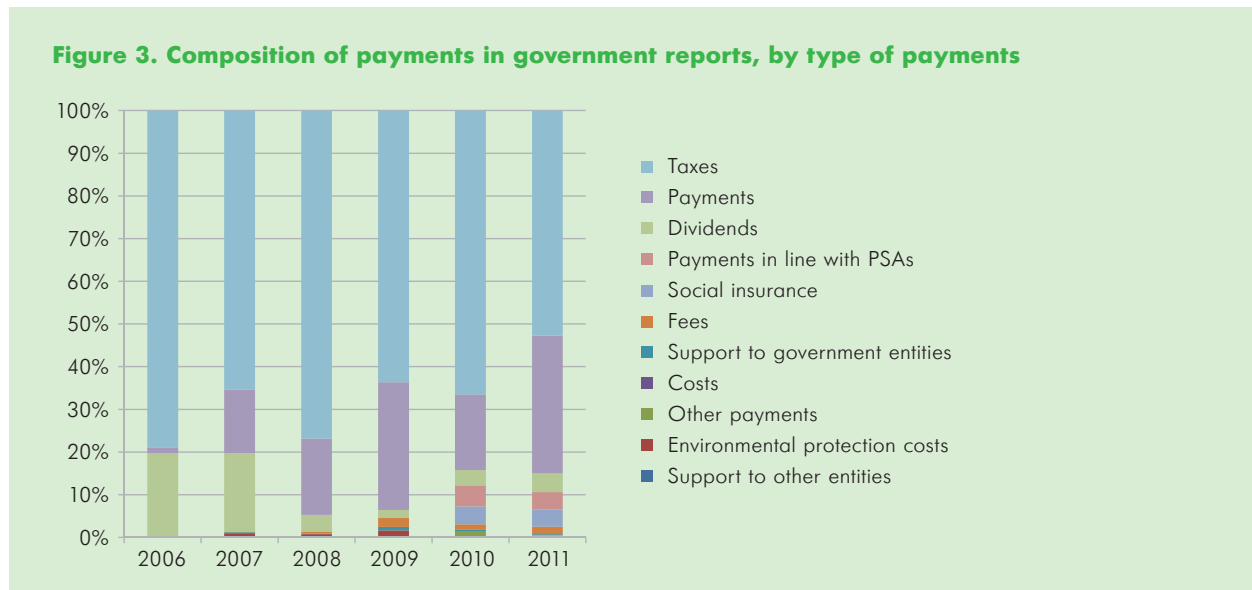
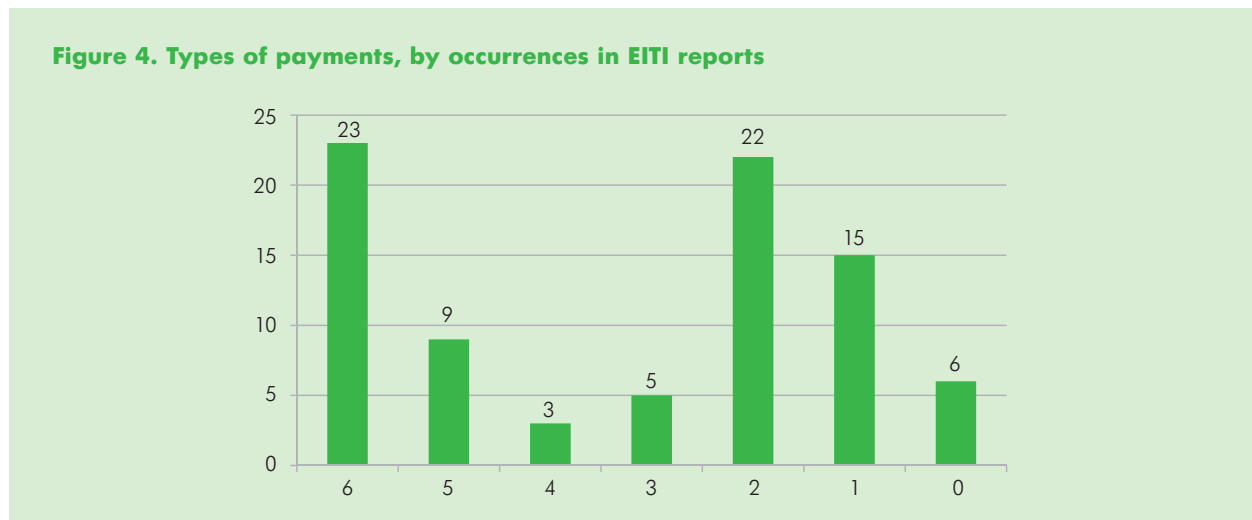


Figure 3 provides more details on the composition of payments in government reports. As one can see, taxes comprise the major part of government receipts, although declining in importance in recent years. The next significant item is payments, such as royalties, and their share in total payments has been increasing. Dividends, the third significant item, have been lower in importance in recent years as compared to 2006. It should also be noted that the government is now reporting that it receives payments in a much more diversified way compared to the early stages of the EITI process when only few types of payments comprised the report.



Turning to individual payments, 83 different types of payments were included in either government or companies EITI reports over the six year period. Figure 4 shows the occurrences of individual payment titles in EITI reports over 6 reporting cycles. 23 payments occur in all 6 EITI reports, while 6 types of payments do not occur in any of the EITI reports, even though they figure in EITI reporting templates.



On average, investment expenditures, royalty payments, value added tax, and corporate income tax have been the largest payments in 2011, as can be seen from Table 9 below.

Looking into who pays how much, Table 10 below shows the top paying companies over the course of 2006-2011. The runaway leader, Erdenet, Mongolia-Russia joint venture, has been reported to have paid 2.7 trillion MNT over the six year period. Next comes Ivanhoe Mines, which is developing the massive Oyu Tolgoi copper-gold mine, Tavan Tolgoi, a coal mine, and two gold operators, Mongolian Gold Corporation and Boroo Gold. While not shown in the table, 10 companies were included in EITI reports, but have reported zero payments.

Table 9. Highest average size of payments in the government and company reports in 2011, by type of payments

Title of payments	Average payments
Investment expenditures	6,180,104.0
Minerals royalty and additional royalty payment	1,324,609.0
Value added tax	977,960.9
Corporate income tax	793,192.7
Value added tax (customs)	657,040.0
Royalties (oil)	400,715.0
Expenditures on geology and exploration	306,060.9
Customs duties	268,432.6
Government's production in line with PSA	262,325.3
Value added tax (tax office)	183,222.8
Social insurance payment by employer	180,446.2
Windfall profits taxes	156,092.9
Penalties	140,080.8
State property dividends	130,903.1
Other taxes	113,531.0
The average of all other types of payments	11,967.8

Table 10. Top paying companies, as reported by government, mln. MNT

Top paying companies	2006	2007	2008	2009	2010	2011	Total
Erdenet	172582.0	599962.6	549631.1	264391.6	608430.6	545780.3	2740778.3
Ivanhoe Mines Mongolia Inc (Oyu Tolgoi)	2.7	5830.3	1611.7	1292.6	36231.2	438757.9	483726.4
Tavan Tolgoi	2657.4	10864.1	18551.3	38563.3	58460.1	171354.6	300450.9
Mongolian Gold Corporation	370.0	824.9	5509.3	20602.2	89883.9	157779.3	274969.6
Boroo Gold	92.1	46890.2	29694.3	37544.9	45721.2	16520.5	176463.1
Energy Resource	0.0	0.0	0.0	13381.5	31466.3	80213.4	125061.2
Petrochina Dachin Tamsag	36.1	1033.1	1408.0	1676.9	40395.8	58260.0	102810.0
Tsairt Minerals	3011.0	8432.9	19530.8	13140.4	34084.2	22740.4	100939.8
Bold Tumor Eroo Gol	0.0	637.4	6808.6	12044.4	35727.1	38945.1	94162.6
Southgobi Sands	0.0	0.0	0.0	13727.0	7726.3	54012.4	75465.7
Altan Dornod Mongol	459.9	31473.3	11102.3	277.3	306.0	1076.5	44695.4
Chinhua Mak Nariin Suhait	45.5	879.8	4246.1	4472.6	9953.1	20212.3	39809.5
Donshen Oil	0.0	123.0	86.9	192.0	17524.9	19522.6	37449.4
Magnai Trade	0.0	0.0	0.0	0.0	0.0	35673.5	35673.5
Monrosvetmet	301.8	3415.5	4555.2	2647.1	9545.6	7115.4	27580.4
Altain Huder	0.0	0.0	0.0	103.1	4169.5	19565.5	23838.1

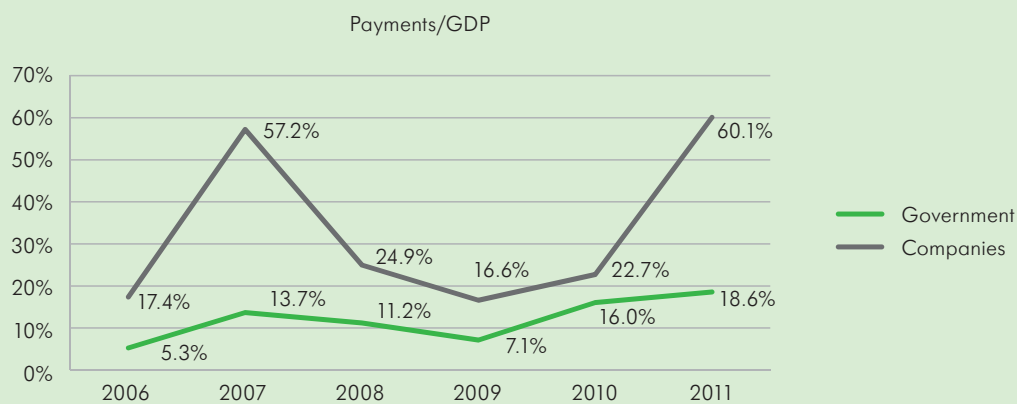
Payment records reported by the government show that the ten top paying companies paid 4.47 trillion MNT over the six year period, and that was 6.7 times higher than all the payments of all other 816 companies paid in the same time period, as shown in Table 11. In other words, 10 largest companies, or 0.1 percent of companies included in the government, paid 87 percent of all payments on record. Average payments per company for the six year period were 447.5 billion MNT for the top ten companies, and 822.8 million MNT for the rest of the companies. This obviously brings to spotlight the issue of the role of large vs. small mines in Mongolia, but we do not try to analyze it further as it is not the aim of this report.

Table 11. Payments for 2006-2011 for highest paying 10 companies vs. other companies as reported by the government

	Top 10 companies	Other 816 companies
Total payments	4,474,827,487	671,422,450.1
Percentage of total	87%	13%
Average payments	447,482,749	822,821.6

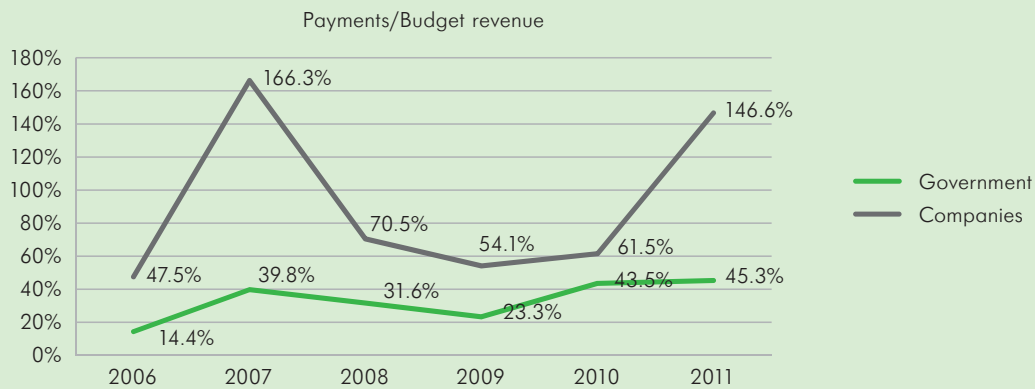
The next three figures compare payments data reported under EITI to some important macroeconomic indicators. For instance, contributions of mining companies as a share of GDP, as shown in Figure 5, increased from 5.3 percent in 2006 to 18.6 percent in 2011, as reported by the government, and from 17.4 percent in 2006 to 60.1 percent in 2011, as reported by companies. Companies have reported a much higher payments total than the government, largely due to significant information on voluntary payments, which the government did not report on.

Figure 5. Payments reported under EITI as a share of GDP



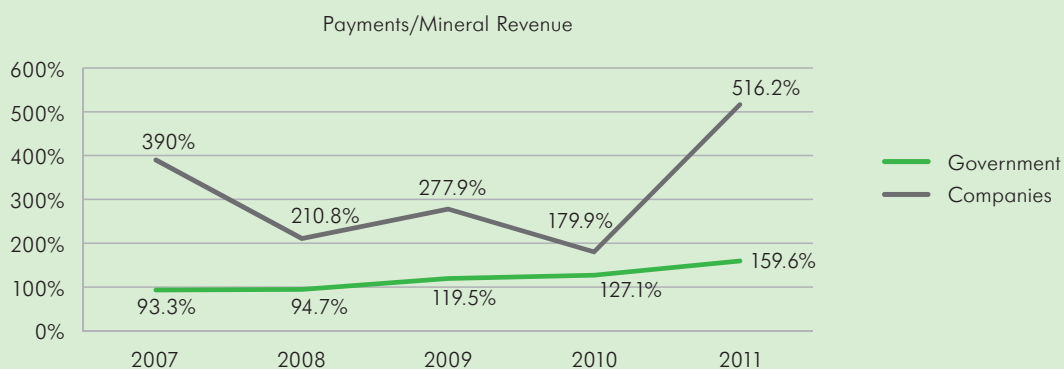
Payments reported under EITI as a share of government budget revenues is shown in Figure 6. Mining companies contributed up to 45.3 percent in 2011 as reported by the government, and as high as 166% in 2007 in company reports.

Figure 6. Payments reported under EITI as a share of government budget revenue



More tellingly, Figure 7 indicates that the government's estimates of mining revenue, as provided by the Ministry of Finance, and mining companies contributions reported in EITI reports, differ significantly. Specifically, companies reported as high as 5.16 times (in 2011) the mineral payments estimated by the government, and even the government's EITI reports show payments that exceed by 59.6 percent of its own estimate of mineral revenues. It should be noted however that these two numbers are not directly comparable because the government's estimates of mineral revenues are not perfect, and EITI reports include much more than payments to the government budget only, but also non-official items such as donations and grants. Also, EITI reports include payments from oil sector.

Figure 7. Payments reported under EITI as a share of mineral revenues



How about reconciliation?

There have been five reconciliation reports published covering the period of 2006-2010 under EITI in Mongolia. Of the 781 companies participating in EITI over the course of this period, 185, or 23.7 percent, have been included in reconciliation reports, as shown in Table 12. As we look at the rate of reconciliation for individual years, the average has been increasing slightly over the years, but the rate remains low, indicating that a large number of companies are not included in the final reconciled reports even though these companies submit their reports to EITI, or their records are included in the government's reports submitted to EITI.

Table 12. The number of companies participating in EITI vs. reconciled in EITI reports

Year	Reconciled		Companies Not Reconciled		Total Number
	Number	Percentage	Number	Percentage	
TOTAL	185	23.7%	596	76.3%	781
2006	24	16.0%	126	84.0%	150
2007	38	19.4%	158	80.6%	196
2008	45	20.3%	177	79.7%	222
2009	101	26.2%	285	73.8%	386
2010	149	25.4%	438	74.6%	587

Table 13. The number and frequency of companies audited

No. of reconciliations	No. of companies
5	16
4	10
3	16
2	44
1	99
Total	185

An interesting fact is that the number of companies reconciled, as reported by the reconciler, differs from the initial government and companies reports in two instances. In 2006, while Mongol Gazar LLC submitted only one report in EITI, the reconciler did two separate reports for this company, including one separately for its subsidiary, Mongol Gazar Holding LLC. In 2010, Ten Hun company's reports are not found in initial government or companies' reports, but is included in the reconciler's report. Therefore, the total number of companies reconciled, as reported in the table above, differs from that of the EITI reconciliation reports in two instances, in 2006 and 2010, by one company each time.

Records of a total of 185 companies have been reconciled by an independent auditor over the five EITI reconciliation cycles. Of that, 86 companies' reports were reconciled in multiple years, while 16 companies figured in each of the five reconciliation reports since the start of EITI in Mongolia.

Turning to the size of discrepancies, over the years, the government's and companies' reports amounted to 11.9 trillion MNT, of which about 91 percent has been actually examined through reconciliation process. Unresolved discrepancies average 1 percent of total audited discrepancies, as shown in Table 14.

Table 14. Initial and unresolved discrepancies

	Initial Discrepancies	Audited Discrepancies (%)	Resolved Discrepancies	Unresolved Discrepancies	Unresolved Discrepancies (%)
2006	488,039,851.58	97%	440,834,188.76	32,151,129.73	6.8%
2007	2,567,758,022.34	97%	2,463,817,473.26	16,653,241.00	0.7%
2008	1,013,060,464.39	72%	723,118,451.70	4,399,193.00	0.6%
2009	854,680,717.46	92%	786,408,546.13	64,797.00	0.0%
2010	782,024,085.29	95%	738,896,593.08	1,214,772.80	0.2%
2011	6,233,655,474.65	-	-	-	-
Нийт	11,939,218,615.71	91%	5,153,075,252.94	54,483,133.53	1.0%

4. What Information Is There for Local Communities?



EITI provides significant information on extractives sector and extractives revenues in Mongolia, and in the previous section we have shown some of the type of analysis and insights that can be made using the EITI database. However, the database is limited in a sense it does not allow easily tracking information about payments to specific mining license holders, nor does it show which regions and provinces, and which local governments, are recipients of reported mining revenues. In other words, for an average citizen in a mining affected community, the EITI database does not provide clear information on which companies operate in their soum, and what types and amount of payments these companies contribute to the local government. We have tried to address this issue by looking beyond EITI data, namely at the license database published by Mineral Resources Authority.

The license database contains information on license holders, the location of the licensed areas, the size of the areas, and the type of licenses.

The license database contains information on license holders, the location of the licensed areas, the size of the areas, and the type of licenses. In other words, we could use the common information in EITI and license databases, namely the company names, and attempt to enrich the EITI data with information contained in the license database. As an illustration of what sort of information valuable to ordinary citizens could be

retrieved, we do some analysis that can be done linking the two databases, but for practical purposes we take data only from one year, 2011.

It should be noted that the license database is for mineral resources exploration and mining activities, but do not include either oil sector, data for which is not publicly available from the corresponding regulatory agency, Petroleum Authority, or uranium, for which 16 companies are reported to have held licenses as of April 2012. The uranium sector is regulated by Nuclear Energy Agency.

As of early 2011, 1904 companies held mineral licenses. Of these companies, only 511, or about 27 percent, figured in EITI reports. In other words, many companies are either not included in EITI, or do not have active operations while still holding licenses. Remaining 1393 companies, while holding licenses, have not participated in EITI reporting, so EITI Mongolia need to clarify whether these companies should be a part of EITI in terms of materiality of payments. In addition to these 511 companies, EITI reports include 13 oil sector companies and four uranium companies, or 526 companies in total. Records of another 49 companies² are included in EITI reports, but there is no information that they possess any licenses. In other words, these 49 companies might operate without licenses, or operate on someone else's license and report under EITI. Since all license holders should report under EITI, these companies should be scrutinized by the EITI Secretariat and auditors for 2011 report. The following analysis focuses on these 511 companies who reported under EITI and also are listed in the licensing database.

Types of licenses held by companies are shown in Table 15. For 2011, 511 companies included in EITI reports held 2488 licenses in total (or only about 60 percent out of a total of 4129 licenses registered), of which 72.7 percent were exploration licenses and 27.3 percent were mining licenses. On average, one company held roughly five licenses.

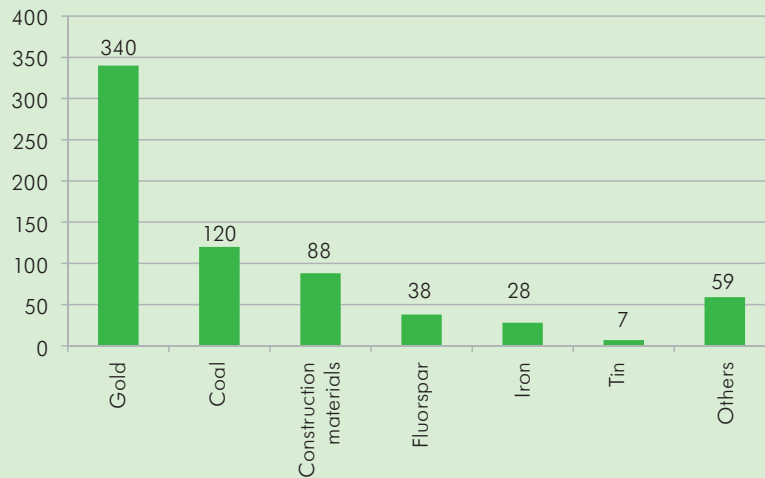
Table 15. The number and types of licenses held by companies included in EITI for 2011

Mining License	Exploration License	Total	Average per company
680	1808	2488	4.87
27.3%	72.7%	100%	

² Uranium and oil sector licenses are not public; therefore, some of these companies might hold either uranium or oil licenses.

Overall, 29 types of minerals were registered under 680 mining licenses. The breakdown of key types of minerals exploited by companies in EITI reports are shown in Figure 8 below. There have been 340 gold mining licenses given, followed by coal and construction material licenses.

Figure 8. Types of minerals exploited by companies in EITI reports for 2011



Below we provide some statistics from the license database for companies that are in EITI reports. It appears that there is little statistical correlation between payments companies pay to the government, and the size of the area the company holds under the license. Average payments per hectare, as reported by the government, are 5.2 million MNT. It is also evident that many companies participating in EITI reports do hold licenses in more than one province, making it difficult to track payments reported as being paid to local governments under EITI to specific provinces or sub-provinces.

Table 16. Some statistics from license database for companies in EITI

Statistics for 511 companies	Values
Correlation between payments and acreage	-0.00031
Average payments (as reported by government) per hectare	5,225,906 ₮
Companies in EITI reports holding licenses in more than one province	187
Companies in EITI reports holding licenses in one province only	324

Table 17. Companies with licenses in most provinces

Companies	Number of provinces with licenses
Tethys Mining	11
Ikh Mongol Mining	11
MRC MGL	10
Peabody Winsway Resources	9
MAK	9
Berkh Resources	9
Adamas Mountain	9
Samtan Mores	8
Sodgazar	8
Orchlon Ord	8
Gatsuurt	7
Niislel Orgoo	7
Erel	7

In Table 17, the list of companies who hold licenses in the largest number of provinces is shown, and the table again indicates that for local communities, it would be hard to track down either revenue generation from their neighboring mines or revenue from mining flowing to their local governments.

How many companies operate in a specific province can be tracked down from the license database, and such information for companies who participated in EITI is shown in Table 18. The fact that most of the provinces have many companies holding licenses at their territories indicates the potential for provincial level EITI. The last two tables indicate the merit for project level reporting for EITI, rather than simply company-by-company disaggregation, especially since the payments that can be tracked to come from specific mines and to specific provinces are of the most significance to local community members.

EITI in Mongolia needs to look carefully at the possibility of linking EITI with license database, and also restructure the current reporting templates to require project-by-project reporting, with clear identification of specific government units and local governments benefiting from specific types of payments.

In summary, linking license and EITI databases provides further details which might be useful for people in communities affected by extractives. However, many constraints exist to track down specific payments right back to local governments and communities. If a company operated one project only, in a single aimag and soum, all payments could easily be tracked down to that operation and a given community. However, as shown above, many companies do operate in multiple places, on many projects, so that payments cannot be tracked to a specific project. Therefore, EITI in Mongolia needs to look carefully at the possibility of linking EITI with license database, and also restructure the current reporting templates to require project-by-project reporting, with clear identification of specific government units and local governments benefiting from specific types of payments.

Table 18. Provinces and the number of companies with licenses in the province

Provinces	Companies in EITI with licenses in the province
Tuv	106
Dornogovi	85
Umnugovi	77
Selenge	62
Dornod	59
Hentii	56
Dundgovi	55
Ulaanbaatar	52
Bayanhongor	48
Sukhbaatar	46
Govi-Altai	44
Bulgan	41
Darkhan-Uul	27
Hovd	27
Bayan-Ulgii	23
Uvs	23
Huvsgul	21
Zavkhan	20
Arhangai	18
Uvurhangai	17
Govisumber	11
Orkhon	4

5. Annex 1: EITI data compilation, classification, and deficiency



In order to facilitate an easy access to and analysis of EITI data, we have gathered all data from multiple years and have compiled a single database as the first step of this study. The single database covers EITI reports for 2006-2011, and includes initial reports submitted by extractive companies and by the government, and includes additional data collected from the EITI reconciliation reports. The single database then has been reviewed thoroughly for formatting and consistency. The data collection, compilation and clearance process went through the following stages:

1. EITI data was requested and received from EITI Mongolia Secretariat

The project team approached EITI Mongolia Secretariat with the request to provide all EITI data for 2006-2011 financial years. We have obtained the following datasets:

- Initial EITI reports by governments, financial years 2006-2011, with exception of year 2009, for which the Secretariat does not have any database, all in MS Excel format
- Initial EITI reports by companies, financial years 2006-2011, all in MS Excel format
- EITI auditors' reports (narrative), in Adobe PDF and MS Word format

When initiating this project we hoped we would get access to EITI data in a spreadsheet format, but since some reports were not available in such format (the audited reports are available only in MS Word format, and for 2006 only in PDF format), it has taken a significantly larger effort to compile all the data in a consistent format. In this regard, the project team recommends that EITI secretariat improve its efforts to maintain all EITI records in a more structured and systematic way (pls see Recommendations).

2. Data compilation

For the data we have obtained, we have made a compiled dataset for all initial reports by companies and governments, so that different dynamic (cross-time) and comparative analysis can be done. The main challenge has been the transformation of data in a panel format (the format which EITI secretariat maintains the data; while simple, it is not easy to use for analytical purposes, especially for multiple years) into a detailed record-by-record format (each payment is presented as a unique data record). To illustrate:

EITI Secretariat Data for each fiscal year (n-number of companies; m-number of payment types):

	Company 1	Company 2	...	Company n
Payment type 1	Payment 1,1	Payment 1,2	...	Payment 1,n
Payment type 2	Payment 2,1	Payment 2,2	...	Payment 2, n
...
Payment type m	Payment m,1	Payment m,2	...	Payment m,n

Transformed Data for the entire 2006-2011 period:

Company name	Payment type	Payment
Company 1	Payment type 1	Payment 1,1
Company 1	Payment type 2	Payment 2,1
Company 1
Company 1	Payment type m	Payment m,1
Company 2	Payment type 1	Payment 1,2
Company 2	Payment type 2	Payment 2,2
Company 2
Company 2	Payment type m	Payment m,2
...
Company n	Payment type 1	Payment 1,n
Company n	Payment type 2	Payment 2,n
Company n
Company n	Payment type m	Payment m,n

The data for the EITI audit reports in PDF and MS Word format were transferred into MS Excel dataset format. This has proven to be a scrupulous work that the project team has not anticipated. The team tried to obtain from the auditors their work files, but they refused citing intellectual property issues.

3. Data classification

The EITI data then has been classified into different categories in order to allow an easy presentation of data in different forms and for different purposes. All payments can be presented for the following twelve classes:

1) Type of information:

- Core information
- Voluntarily provided information
- Other types of information (such as sales volumes, production and other information)
- Unresolved discrepancies (for reconciled data)

2) Destination of payments:

- State budget (or central government budget)
- Local budget (or local government budget)
- Donations and grants
- Other payments and costs (payments that cannot be clearly identified as flowing to either the state or the local budget).

This classification is not directly available from EITI reports, so the project team used General Budget Law in order to classify the payments flowing into each of the above categories.

3) Type of payment:

- Taxes
- Payments
- Fees and charges
- Payments made under Production Sharing Agreements
- Donations and grants to state entities
- Donations and grants to non-state entities

This is a classification largely in line with the Mongolian tax legislation according to which certain types of payments are classified as taxes, while others as payments or fees. Minerals royalties, for example, would be classified as payments, not taxes.

4) Title of payment:

83 unique titles of payments have been identified. For instance:

- Petrol and diesel tax
- Corporate income tax
- Expatriate workplace payment
- Support to aimags etc.

For different financial years, some titles of payments changed, or the same payments have been recorded differently. The project team cleaned the data to make the records comparable by payment title.

5) Names of companies:

- 965 unique company names registered in EITI reports over the course of 2006-2011.

6) Company registration number:

- Companies' state registration numbers have been recorded. It should be noted that some companies had multiple registration numbers (likely due to either the change of registration policies by the government or mistakes in data entry by EITI secretariat, companies, or the government) while for some others registration numbers could not be obtained.

7) Tax authority serving the company:

- All companies are assigned to certain tax offices, either through the geographical location of the operations of the company, or the size of activities. For many companies this data is missing.

8) Type of the liability of the company:

- Most of the companies are limited liability companies, while fewer are joint stock companies. This data is also incomplete.

9) Size of the payment

- This is the actual amount of the payment reported by the companies and the government through the EITI reporting templates. Many of these payments have never been audited due to thresholds used for identifying the number of companies to be reconciled.

10) Reporting side:

- Government,
- Companies, or
- Auditor; in this case, the unresolved discrepancies after the reconciliation.

11) Reporting year:

- This is the financial year for which the EITI reports were submitted by the companies and the governments.

12) Sector:

- Mining, and
- Oil.

4. Data clearance

The data obtained from the EITI secretariat had several deficiencies that we decided should be corrected. All these deficiencies are subject to careful scrutiny by EITI Secretariat in collecting and maintaining EITI databases in the future. These include the following:

1. **Different fonts used.** The database is entirely in Mongolian. Different types of Mongolian fonts are used on the computer. While visually a database using different Mongolian format fonts is alright, information cannot be analyzed if the fonts are not made uniform. For instance, the same word written in two codes would be read as two different words. Therefore, we have turned all the database into a Unicode Mongolian font.
2. **Formats aligned.** Some text data are entered with different spacing, for instance with spaces before and after the text. The same word written with and without a space before or after the text would be written differently. Such unnecessary spaces were removed.
3. **Different spelling of names and titles aligned.** For instance, the name of a company would be spelt differently, causing double counting in the analyses of data. Such misspelling, across all dataset, was corrected.
4. **Missing data.** The EITI data from year to year have changed dramatically, because of the change in the reporting templates, increase in the number of companies reporting, and data compilation without a single data format. Therefore, some information in certain years is missing as compared to the same information in other years. For instance, information such as the type of company reporting and the tax office serving the company is recorded for some years, but not for others. We have obtained such information from available years and filled in the missing parts for other years, but still this was not possible for some companies/payments.

A note on license database

EITI reports contain significant information on payments made by companies to the government, but it is not possible to extract data on the regional allocation of payments – the information that would be most useful to the citizens in the mining affected regions. Therefore, after completion of the EITI dataset, we attempted to link this database to the licensing database (only for one year, 2011 since the licensing datasets are not available for each year for 2006-2011), so that we can track (approximately) the payments flowing to each of the mining affected provinces. Also, we linked the EITI dataset to other statistical datasets such as government budgets, macroeconomic indicators etc. to be able to provide some useful analytical answers to questions of concern by broad population. The next section, Annex 2, sheds some light on the typical information citizens of mining affected communities can get from license and EITI databases.

6. Annex 2: What information a mining community member can obtain from EITI and license databases?



A herder from Galuut soum of Bayanhongor aimag, Bold, has seen lots of mining activities take place in the neighborhood in recent years. He does not know what companies operate these mines, how many of them there are, what licenses they hold, and what they pay to the government in terms of taxes etc. He heard rumors that local governor receives significant financial support from mining companies, but he is hesitant to ask the governor on how he spent that money, because there is no reliable information on what he did receive from mining companies. Mining companies claim they are transparent and responsible, that they support EITI, and licenses they hold are publicly known but it is hard to know given the herder does not understand what specific information there is in these EITI reports and license databases. Bold therefore approached a citizens' movement in the soum, which claims to campaign to protect interests of local communities by demanding that mining companies adhere to principles of transparency and responsible mining. Here is the report that the coordinator of the local citizens' movement could give him.

At this point in time, 10 companies hold licenses in Galuut soum. These companies hold 17 licenses which cover in total the area of 524.7 thousand hectares

At this point in time, 10 companies hold licenses in Galuut soum. The list of the companies is presented in Table 1.

These companies hold 17 licenses which cover in total an area of 524.7 thousand hectares, as shown in Table 20. Of the 17 licenses, nine are production licenses (MV) while the others are exploration (XV). In other words, 56 percent of the territory covered by the licenses is exploration licenses, while the other 44 percent are at the territory covered by production licenses. Of these companies, Western Resources possesses four exploration licenses, while Erchim Impex has one production and two exploration licenses.

Table 19. List of companies with licenses in Galuut soum of Bayanhongor aimag

Companies
Bayalag Ord
MongolBulgarGeo
Jump Gold
Erchim Impex
Gatsuurt
Magnet Import
Reo
Hanshijir
Western Resources
Mondulaan Trade

Table 20. Types of licenses and area covered in Galuut soum

Company name	License type and number (XV-exploration, MV-mining)	Area (hectares)
Erchim Impex	XV-012289	106,962.9
Erchim Impex	XV-012287	76,706.3
Jump Gold	MV-016653	73,034.7
Gatsuurt	MV-011917	69,271.8
Hanshijir	XV-014932	55,802.9
MongolBulgarGeo	MV-000456	45,622.5
Hanshijir	XV-004371	28,623.3
Western Resources	XV-012057	15,951.6
Erchim Impex	MV-007752	14,228.0
Bayalag Ord	MV-000222	7,986.4
Western Resources	XV-007804	7,478.8
Jump Gold	MV-007741	7,317.1
Reo	MV-015643	5,858.1
Magnet Import	MV-012653	4,989.6
Western Resources	XV-008477	2,591.1
Western Resources	XV-006721	1,883.3
Mondulaan Trade	MV-000125	377.9
Total		524,686.1

Overall, companies operating in Galuut soum have reported to have paid to Mongolian government 4.243 billion MNT in 2011, while the government reported to have received 7.02 billion MNT. Two companies, Western Resources and Hanshijir, do not appear in the government report even though they did report payments to the government. In contrast, five companies who have licenses in Galuut soum have not reported under EITI in 2011, even though the government included them in its report. In other words, the EITI report for 2011 reveals the initial discrepancy between what was reported by the companies to have been paid, and what was reported by the government to have been received, of 3.83 billion MNT.

Table 21. Reporting by companies and the government under EITI for 2011

Company Name	Government Report	Companies Report	Total	Discrepancy
Bayalag Ord	118,199.5	126,185.0	244,384.5	7,985.50
Western Resources		4,710.0	4,710.0	4,710.00
Gatsuurt	1,980,118.7	2,063,827.3	4,043,946.0	83,708.60
Jump Gold	1,615,544.2	1,742,969.2	3,358,513.4	127,425.00
Magnet Import	66,805.4		66,805.4	(66,805.40)
MongolBulgarGeo	409,649.0		409,649.0	(409,649.00)
Mondulaan Trade	2,467,346.5		2,467,346.5	(2,467,346.50)
Reo	136,446.4		136,446.4	(136,446.40)
Hanshijir		305,712.0	305,712.0	305,712.00
Erchim Impex	227,069.7		227,069.7	(227,069.70)
Total	7,021,179.4	4,243,403.5	11,264,582.9	3,836,858.10

Let us now look at one company, Jump Gold. The company payments, as reported by the government and the company itself, are detailed in Table 22. Records show that the company paid 20 different types of payments, and the discrepancy between what is reported by the government and the company is 127.4 million MNT. The largest discrepancy items are the minerals royalty payment and the social insurance payment by employers, while there is no discrepancy for corporate income tax, environmental bond of 50 percent, and vehicles tax.

Table 22. Reporting under EITI for 2011, Jump Gold LLC

Title of payments	Government Report	Companies Report	Discrepancy
Minerals royalty and additional royalty payment	936495.4	1088930	152435
Corporate income tax	267228.6	267228.6	0
Social insurance payment by employer	312745.2	187288.4	-125457
Water and springs use payment	22084.6	43369.2	21284.6
Fee for licenses for mining and exploration of minerals	17917.6	36476.2	18558.6
Non-monetary support to aimags	0	41500	41500
Monetary support to aimags	40000	0	-40000
Monetary support to soums	0	24635.8	24635.8
Land payments	9080.6	9268.6	188
Expenditures on environmental protection measures	0	13800	13800
Compensation for deposits explored using state budget funds	0	12392.2	12392.2
Service fees paid to the central and local state administrative entities in line with specific legislation	1172.2	9666	8493.8
Payment of 50 percent of environmental protection costs in a special account	3000	3000	0
Expatriate workers workplace payment (agency)	5387.8	4829.8	-558
Expatriate workers service fees	0	522	522
Non-monetary support to soums	400	0	-400
Automobiles and vehicles tax	32	32	0
Expenditures on training and capacity strengthening of workers	0	30	30
Value added tax (tax office)	0.2		-0.2
Total	1615544	1742969	127425

This short review of data for mining related licenses and payments in Galuut soum shows that, by linking EITI and license cadastre data, one can in principle track lots of information related to mining companies operating in a given place to see what they pay at the local community level. But several limitations exist which at this point hinder exact tracking of specific payments right down to a given local government. Therefore, we list what information can be extracted from EITI and license databases, and what information is not possible, from the standpoint of local governments.

Table 23. Community-related mining company information in EITI and license databases

Type of information	EITI database	License database	Remarks
Company names	Yes	Yes	Company names are used to link the data in EITI and license databases as it is the common information in the two datasets.
Company registered owners	No	Yes	
Company beneficial owners	No	No	
Company registration numbers	Incomplete	Yes	The data in EITI reports over the years is incomplete, missing for some years, and sometimes companies have multiple registration numbers.
Licenses held	No	Yes	EITI Reconciliation report for 2011 is including information on licenses held by companies, but this information is not comprehensive and verified.
Type of licenses	No	Yes	Information whether license is production or exploration is provided in license database.
Aimags/soums with licenses	No	Yes	This type of information is crucial to disaggregate payments to local governments by specific aimags and soums.
Operating aimags/soums	No	Yes	
Area covered by licenses held	No	Yes	
Type of mineral exploited	Incomplete	Incomplete	License database contains information on the type of mineral exploited under production license.
Type of payments	Yes	No	Only an estimate of license fees payable is available from license database.
Payments to local government	Incomplete	No	It is unclear from EITI database what payments went to local governments; this information can be induced from the budget laws for a given year.
Size of payments	Yes	No	
Payments to a given local government	Incomplete	No	While payments to local budgets in general can be tracked in EITI reports with some additional analysis, the payments cannot be traced back to an individual local government in case companies hold licenses in more than one aimag/soum