

**The Government of Mongolia
The Ministry of Mining and Heavy Industry (MMHI)**

STAKEHOLDER ENGAGEMENT PLAN (SEP)

**Mongolia: Strengthening Transparency of the
Extractives Industries through EITI Implementation
Project (P176874)**

February, 2022

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List of Abbreviations & Acronyms

BO	Beneficial owner
BOD	Board of Directors
CGA	Customs General Administration
CIT	Corporate Income Tax
EITI	Extractive Industries Transparency Initiative
EPP	Environmental protection plan
GAPCSP	Government Agency for Policy Coordination on State Property
GBG	General Budget Governor
GDP	Gross Domestic Product
GDT	General Department of Taxation
IAS	International Accounting Standards
IFRS	International Standards on Financial Reporting
ISA	International Standards on Auditing
JSC	Joint Stock Company
GLDF	General Local Development Fund
LDF	Local Development Fund
LLC	Limited Liability Company
MEITI	Mongolia Extractive Industries Transparency Initiative
MLSP	Ministry of Labor and Social Protection
MMC	Mongolian Mining Corporation
MMHI	Ministry of Mining and Heavy Industry
MNAO	Mongolian National Audit office
MET	Ministry of Environment, and Tourism
MOF	Ministry of Finance
MPC	Mineral Professional Council
MRPA	Mineral Resources and Petroleum Authority
MSG	Multi-Stakeholder Group
MUST	Mongolian University of Science and Technology
NGO	Non-Governmental Organization
NSO	National Statistics Office of Mongolia
PAM	Petroleum Authority
PoM	Parliament of Mongolia
PSA	Product Sharing Agreement
PWYP	Publish what you pay
SAM	Sustainable artisanal mining
SE	Stock Exchange
SIF	Social Insurance Fund
SOC	State-Owned Company
SOE	State-Owned Enterprise
SOJSC	State-Owned Joint Stock Company
SPIA GASI	General Agency for Specialized Inspection
TEFS	Technical and Economic Feasibility Study

1. Introduction and Project Description

The extractive sector is a major part of the economy and main source of economic growth of Mongolia, and in 2019 it represented 23.7% of GDP and earned USD 6.7 billion in exports, which equals to 83.7% of total exports for the year. It is also accounted for 57.5% of total industrial production and 49.9% of total investments (at current prices).

The Government generates a significant proportion of its income from the extractive companies, and in 2020 received **MNT 3.2 trillion** from the sector¹. The government also participates directly in extractive activities through shareholdings in mining companies, especially from Erdenes Mongol LLC and its subsidiaries with its full ownership.

In 2019, the general government budget revenue amounted to MNT 11.9 trillion, which was an increase by MNT 1.9 trillion or 18.6% compared to the same period of the previous year. According to the National Statistics Office of Mongolia (NSO), out of it revenue generated from mineral resource sector amounted to MNT 2.9 trillion, which has increased by MNT 590.7 billion or 25.4% against the previous year. Extractive sector revenue that we confirmed is about MNT 900 billion higher than the statement of NSO due to multiple revenue streams outside the budget, which were covered in the reconciliation.

Perceptions of the sector are deteriorating with more than 75% of the population perceiving corruption to be common practice in Mongolia and mining is regularly cited as one of the most significant problem areas. This is in part due to the lack of public understanding and the absence of opportunities for the public to engage in projects that directly affect them. Furthermore, confusion over functional responsibilities, particularly between local and central government, makes the sector more opaque and difficult to engage with. Some companies make efforts to ensure that local populations benefit from their presence, but this is not systematic or well regulated. There are opportunities to reverse the deteriorating perception trend. Several databases have been created to improve information availability. These are a/ the Computerized Mining Cadaster System, b/ the MonGeoCat: publicly accessible meta-database on geological data and maps, c/ the E-reporting system for Exploration and Production (InfoRep), and d/ the EITI e-reporting system. Improving the information available to citizens including the presentation and communication format of the data, along with clearer functional assignments in the sector, will increase the understanding of the public and make it easier to engage in the sector.

The Government of Mongolia committed to implement EITI in December 2005 and was admitted as EITI Candidate on 27 September 2007, and after successful Validation against the old EITI Standard of its implementation, the country achieved compliance on October 19th, 2010. Since being admitted to EITI, Mongolia has produced fourteen reports; now produces the first flexible in era of Covid-19 pandemic or fifteenth in total sequence.

In January 2017, the EITI Board approved the 2016 Mongolia EITI results for the first Validation. Later the assessment was made in January 2018 regarding Mongolia's progress in addressing eight corrective actions established by the EITI Board following Mongolia's first Validation. In February 2018 Mongolia became the second country to meet all the requirements of EITI standard among over 50 resource-rich countries joined the EITI, which was the remarkable achievement for the country. The national EITI process is overseen by a multi-stakeholder group of composed of government, civil society and business.

¹ Mongolia EITI 2020 or 15th Report, flexible, Inception Report, page 5, produced by Grant Thornton audit LLC.

In 2018, the EITI Secretariat transferred from Prime Minister’s office to MMHI² and the chairman of EITI National Council was transferred to Minister of Mining and Heavy Industry.

The World Bank, mainly through the EITI Multi-Donor Trust Fund (MDTF and EGIP in 2007-2018) had been providing assistance to the Government of Mongolia in implementation of EITI, where Mongolia has made impressive progress in the extractive sector is transparency.

The development goal of project is to support Mongolia-EITI to implement its 2022/ 2023 Workplans, and thereby achieve transparent systematic reporting to strengthen public accountability for the management of Mongolia’s mineral wealth. The project is consistent with one of the Bank’s commitments to supporting resource-rich countries on EITI implementation and broader reforms on sector transparency and good governance. The project is aligned with the CPF focus area of public institutions, and sustainability concerted with Public Financial Management which focuses on improving the quality, professionalism, transparency, and predictability in the interface between the state and its citizens/enterprises. The project will focus on (i) Strengthening participation and collaboration among EITI stakeholders; (ii) Preparing for EITI mainstreaming. This SEP in accordance with the World Bank’s Environment and Social Framework (ESF).

2. Brief Summary of Previous Stakeholder Engagement Activities

The project preparation has been engaging with various project stakeholders since April 2021. The basis of the grant proposal is the official request from the Ministry of Finance on April 21, 2021. The Table below summaries the methods used to consult with key informants.

Table 1. Summary of Previous Engagement Activities

<i>Project stage</i>	Topic of consultation	Methods used	Timetable: Location and dates	Target stakeholder s	Responsibilities	Key issues raised
<i>Preparation</i>	Project scope and design outlines	one-on-one meetings, Discussions	April 2021, Ulaanbaatar , Mongolia	MMHI, MOF	WB team, EITI International Secretariat	- Achievements from previous EITI projects funded by WB, - opportunities for new funds;
	Project implementation arrangements	Discussions	EITI National Secretariat, WB Team and ADB (online) April 2021,	Implementing agency	EITI National Secretariat	Country status in EITI and perspectives discussed.
	Project design	Summary findings	April 2021, Ulaanbaatar, Mongolia	MMHI	EITI National Coordinator	Finalizing key activities for new EITI project

The environmental and social documents of the Project including Stakeholders Engagement Plan (SEP), Environmental and Social Commitment Plan (ESCP) and detailed project activities lists were disclosed in both English and Mongolian on November 30th, 2021 on the Mongolia EITI website

² In accordance with the resolution of Government No.289,2018.

(<http://www.eitimongolia.mn/a/201>) for comments and feedback using project communication channels such as project email and telephone. No comments or feedback have been received by the end date as set in formal announcement.

3. Stakeholder identification and analysis

The ESS 10 recognizes three broad categories of stakeholders such as Project affected parties; other interested parties and Disadvantaged/vulnerable groups . **Project-affected parties** include those likely to be affected by the project because of actual impacts or potential risks to their physical environment, health, security, cultural practices, well-being, or livelihoods. These stakeholders may include individuals or groups, including local communities. They are the individuals or households most likely to observe/feel changes from environmental and social impacts of the project. The term “**Other interested parties**” (OIPs) refers to: individuals, groups, or organizations with an interest in the project, which may be because of the project location, its characteristics, its impacts, or matters related to public interest. For example, these parties may include regulators, government officials, the private sector, the scientific community, academics, unions, women’s organizations, other civil society organizations, and cultural groups. **Disadvantaged/vulnerable individual or groups** refers to population who often do not have a voice to express their concerns on project activities.

3.1 Stakeholder Mapping

Project recognizes that national stakeholders are diverse and heterogeneous, therefore stakeholder mapping is done horizontally. Each stakeholder/ group is rated for the relative importance- starting from rating from 1 to 5 stars. Five being high and is to be accorded full scale attention. This helps in assigning importance for further analysis. The Universal mapping and the relative importance are presented below.

Table 2. Stakeholder Mapping

#	National Stakeholders	Significance
1.	Ministry of Mining and Heavy Industry	*****
2.	EITI National Council	*****
3.	EITI MSG	*****
4.	World Bank	***
5.	EITI International Secretariat	****
6.	EITI National Secretariat	****
7.	Ministry of Finance	****
8.	Ministry of Environment and Tourism	***
9.	Mineral Resources and Petroleum Authorities of Mongolia	***
10.	Extractive companies in National Council and MSG	****
11.	Civil society (NGO Coalition members) in	****

	National Council and MSG	
12.	Donors (ADB, GIZ, EBRD)	**
13.	Sub-national EITI Council	***
14.	General department of Taxation Authorities	***
15.	Anti-Corruption Authorities	****
16.	Local community including rural herders, farmers and cooperatives	****
17.	Local authorities (Governor of aimags, administrator of soum and bagh, members of local citizens hural and etc.)	****
18.	Local partnerships	***

3.2 Stakeholder Analysis.

The stakeholders of high and substantial significance (ranked 5* and 4* during universal mapping) are analyzed in the Table below. The analysis includes the current status of the stakeholder, raised concerns and issues during consultations, their expectations from the project, significance of the risk of unmet expectations and enabling conditions required to mitigate those risks.

Table 3. Stakeholder Analysis

Stakeholder	Current Status	Concerns and issues	Expectations	Risks	Enabling Qualifiers
Ministry of Mining and Heavy Industry (MMHI)	Chairs both National Council and MSG, Project Steering Unit	Has poor connections with local authorities	Lead in enacting law on transparency in mineral resources sector;	Substantial	Facilitates the work of National Council and MSG
Ministry of Finance	MOF has sufficient experience in implementation of donor-funded projects.	Poor support of Sub-national Councils.	Successful implementation of the project's objectives through efficient use of allocated funds.	Substantial	Facilitates the donor coordination, monitor implementation of the Project.
EITI National Secretariat	MEITI is the key stakeholder in coordination and implementation of the EITI in the country.	Lack of effective cooperation between stakeholders and EITI processes.	As a implementing unit, successful implementation of the project objectives in line with Work Plan activities and EITI Standard requirements, close coordination with all stakeholders.	Substantial	Executes all decisions made by National EITI Council and MSG, assists in implementing corrective actions issued by International EITI Secretariat and EITI Board.

Extractive companies	Representing extractive sector in EITI, participating in preparing yearly EITI reconciliation reports	Lack of understanding of the EITI benefits	Fully participation at EITI Report preparation, shall seek to meet EITI standard.	Substantial	Enabling information disclosure about payments and beneficial owners for the EITI report
Civil society (NGO Coalition members)	One of the active and responsible stakeholders in the process, providing consultancies in performing activities with Work Plan	Coordination with Coalition.	Providing consultancies, trainings, seminar and informational campaigns at national and local levels will raise public awareness	Substantial	Providing advocacy and capacity building activities Members of NGO Coalition "Transparency for Development" engaged in transparency and accountability, environment and budget transparency issues
Local herders, famers and rural cooperatives		Lack of understanding on EITI, poor cooperation with local governor office, mine operators		Substantial	

4. Institutional analysis

The national institutions of high significance have been analyzed in the below Table.

Table 4. Institutional Analysis

No	Sub group/agency	Current Role	Change/ Adjustments suggested	Rationale
1	EITI National Secretariat (MEITI)	Facilitation and implementation of EITI process in the country	EITI National Secretariat will be the PIU staff to procure consulting services to implement all components of the project	Secretariat is familiar with International EITI requirements, policies and procedures.
2	EITI MSG	Supervision of EITI activities and control over Work Plan implementation	EITI MSG will implement effective outreach activities with civil society groups and companies, to inform stakeholders of the government's commitment to implement the EITI	MSG will address the bottlenecks and challenges during the project implementation, as it represents three sectors (government, private and NGOs) involved in the EITI
3	MMHI	Development and implementation of the state policy and creating favorable environment to attract national and foreign investments	Will establish the PIU to implement the EITI activities	The MMHI mandate and the EITI objectives are common, therefore the MMHI was assigned as the implementing agency
4	PWYP coalition and other CSOs	Providing assistance in EITI promotion and advocacy	CSOs will provide assistance in conducting surveys, trainings, round tables and informational campaigns	Coalition of CSOs "Transparency for Development" was instrumental in promoting EITI concept at local, regional and national levels.
5	Extractive Companies	Annual reporting for EITI	Consultation in law enactment and support	Transparency law is needed for companies to make the sector open and responsible.
6	Local Governments and Sub-national EITI Councils	Annual reporting for EITI	They will promote EITI at local level to community	More trust and promotion are needed at local level.

5. Impact Assessment and Risk Management

The role and responsibilities of different (key) actors are listed at different levels. Please note impacts, as of now are ‘potential’.

Table 5. Potential Risks/Impacts and Mitigation Measures

Positive Impacts	Negative Impacts	Risks	Mitigatory Measures (may include enlisting NGOs, capacity support, capacity building etc)
<p>The project will enhance the capacity of the EITI National Secretariat and Multi-Stakeholder Group in Mongolia to comply with the EITI Standards.</p> <p>It will set out mechanisms to identify and engage with stakeholders to generate wide and active public debate on extractive sector transparency issues.</p>	None	<p>The first risk is associated with conservative attitude and pessimism of pertinent officials and policy makers towards the government commitments to EITI requirements and standards, the other is related to unwillingness of private and state-owned extractive companies to disclose financial and production data, and the final one is due to low advocacy capacity of CSOs and poor awareness about the EITI activities and processes among the public at large.</p>	<p>The project will develop and implement “Strengthening participation and collaboration among EITI stakeholders and Preparing for EITI mainstreaming” for 2022-2023 and support EITI processes in the country.</p> <p>The project will finance diverse range of capacity building and outreach activities to improve capacity of key stakeholders and increase awareness raising among population at large about extractive industries and engage citizen for accountability and policy-making processes that have constrained development progress in Mongolia.</p>

6. Resources and Responsibilities for Implementing SEP

6.1 Implementation Arrangements

Ministry of Mining and Heavy industry will be the implementing agency for the project. The Project Implementing Unit (PIU) will be Mongolia EITI Secretariat under the MMHI, which will be responsible for day to day management of project activities. It will recruit the National EITI Secretariat staff to join the PIU staff to support implementation of the project activities. The PIU will hold administrative, fiduciary, procurement, environmental and social (E&S) risk management, and monitoring responsibilities. The PIU will also deploy the staff needed for proper implementation of the environmental and social risk mitigation measures, as this project will be implemented under the new ESF standards.

6.2 Roles and Responsibilities

The PIU Communication Specialist will take responsibility for and lead all aspects of the stakeholder engagement. He/She will coordinate and implement various activities envisaged in the SEP. The PIU will

need to closely coordinate with other key state and non-state stakeholders. The roles and responsibilities of key actors/stakeholders are summarized in the table below.

Table 6: Responsibilities of key actors/stakeholders in SEP Implementation

Actor/Stakeholder	Responsibilities
MMHI/PIU	<ul style="list-style-type: none"> • Planning and implementation of the SEP; • Leading stakeholder engagement activities; • Management and resolution of grievances; • Coordination/supervision of contractors on SEP activities; • Supervision/monitoring of implementation Consultants; • Manage the Grievance Redress Mechanism (GRM) and maintain the GRM database; • Monitoring of and reporting on environmental and social performance to GOM and the World Bank
National EITI Council and MSG	<ul style="list-style-type: none"> • Develop and approve the strategic development trends and decisions; • Represent the EITI at the public outreach activities;
Contractors/sub-contractors/individual consultants	<ul style="list-style-type: none"> • Support PIU in the public outreach activities implementation; • Prepare, disclose and disseminate various information and advocacy materials; • Develop and implement the capacity building activities;
Publish What You Pay Coalition and its members	<ul style="list-style-type: none"> • Support in community outreach; • Participating in campaign • Actively participate in the project activities.

6.3 Stakeholder Engagement Methods to be used

a) Mass/social media communication

Mongolia EITI website <http://www.eitimongolia.mn/>, Mongolia-EITI-Facebook-page, (<https://www.facebook.com/EIT,IMongolia/>), Twitter (<https://twitter.com/eitimongolia>) and other social media channels, will be used to communicate with the population at large throughout the project's lifecycle. Social media channels will be used as much as possible to disseminate information as rates of social media use (especially Facebook) appear to be high across users of different age and background throughout the country.

b) Communication materials

Written information will be disclosed to the public via a variety of printed materials including brochures, flyers, posters, etc. They will be designed specifically and distributed both in print and online form. EITI will also update its website regularly (at least on a quarterly basis) with key project updates and reports on the project's environmental and social performance both in Mongolian and English. The website will also provide information about the grievance mechanism for the project

(see next sub-section).

c) Training, workshops

Trainings and workshops will be provided to build the capacity of key stakeholders to promote and advocate for EITI development in the country. Broader training on EITI to civil society and other stakeholder groups (e.g. Media, Public Organizations, Parliamentarians) will be implemented to increase knowledge and generate interest on extractive sector and EITI.

d) Study tours

Exchange of experience with other EITI countries will be implemented to enhance the national capacity to leverage EITI for broader extractive sector reforms.

Tools and Techniques for Stakeholder Engagement under Covid-19 Situation

With the outbreak and spread of COVID-19, people have been mandated by national or local law, to exercise social distancing, and specifically to avoid public gatherings to prevent and reduce the risk of the virus transmission. Government of Mongolia has taken various restrictive measures, some imposing strict restrictions on public gatherings, meetings and people’s movement. At the same time, the general public has become increasingly aware and concerned about the risks of transmission, particularly through social interactions at large gatherings. Recommendation on public and stakeholder engagement in WB funded projects will be adopted subject to evolving

6.4 Information Disclosure

The website of the Mongolia EITI (www.eitimongolia.mn) is being used to disclose EITI project related documents, including those on environmental and social performance in Mongolia and English during project preparation. All future project related materials will be disclosed on this website. Project updates and easy-to-understand guides to the EITI terminology will also be provided on the website. All information brochures/fliers will be posted on the website. Contact details of the Grievance Focal Point will also be made available on the website. MMHI PIU will update and maintain the website regularly (at least on quarterly basis); the National EITI Council will maintain and sustain the website upon the project completion.

6.5 Resources

Funding resources \$ 10,000 will be allocated from component 1 of TF and MMHI for implementation of SEP including trainings and publication, as component 1 is entirely is designated for Strengthening participation and collaboration among EITI stakeholders.

7. Stakeholder Engagement Activities

In order to meet best practice approaches, the project will apply the following principles for stakeholder engagement:

- **Openness and life-cycle approach:** public consultations for the project will be arranged during the whole life-cycle, carried out in an open manner, free of external manipulation, interference, coercion or intimidation;
- **Informed participation and feedback:** information will be provided to and widely

distributed among all stakeholders in an appropriate format; opportunities are provided for communicating stakeholders' feedback, for analyzing and addressing comments and concerns;

- **Inclusiveness and sensitivity:** stakeholder identification is undertaken to support better communications and build effective relationships. The participation process for the project is inclusive. All stakeholders at all times encouraged to be involved in the consultation process. Equal access to information is provided to all stakeholders. Sensitivity to stakeholders' needs is the key principle underlying the selection of engagement methods.

Table 7. Summary of Stakeholder Activities and Preferred Notification Means

Subgroup	Levels of Engagement	Project Phases	Channels of Engagement	Venue	Frequency	Instruments	Purpose	Responsible party
Ministry of Mining and Heavy industry	Notification	Implementation, post implementation	Written requests via official letters and e-mails	virtual, visits, official meetings	As needed	Progress reports, Official requests and letters	To keep informed On Progress	PIU
World Bank	Interactive Collaboration	Planning, Implementation	E-mails, preparation, implementation support and supervision missions, prior review of bids, mid-term review	virtual, site visits to the target districts, VCs	Quarterly reports, biannual missions, regular monitoring visits as needed	Aide Memories, monitoring reports, Due diligence reports	To keep informed about the project implementation progress, challenges faced and seek for approvals for the project transactions and procurements	PIU
EITI International	Interactive	Implementation	E-mails, implementation	virtual, site, VCs	reports, missions,	Validation reports,	To keep informed	National EITI

Secretariat	Collaboration		ation support and supervision		regular monitoring as needed		about the project implementation progress	Secretariat
EITI National Council	Information	Implementation, post implementation	implementation support and supervision	SIC conference hall	quarterly	Council meetings	To keep informed about the project achievements and seek for advice on strategic decisions	National EITI Secretariat
Extractive companies	Information	Implementation	face-to-face meetings, workshops	virtual, official meetings	as needed	progress reports	To keep informed about the project achievements	National EITI Secretariat
Civil society and Mass Media	Information	Implementation	face-to-face meetings, workshop	virtual, official meetings	quarterly	progress reports	To keep informed about the project achievements	National EITI Secretariat
National EITI Secretariat	Notification	Implementation, post implementation	face-to-face meetings, workshop	khukuma t office	as needed	progress reports	To keep informed about the project achievements	PMU

8. Grievance Redress Mechanism

Having an effective GRM in place will also serve the objectives of: reducing conflicts and risks such as external interference, corruption, social exclusion or mismanagement; improving the quality of project activities and results; and serving as an important feedback and learning mechanism for project management regarding the strengths and weaknesses of project procedures and implementation processes.

The GRM will be accessible to a broad range of Project stakeholders who are likely to be affected directly or indirectly by the project. These will include beneficiaries, community members, project implementers/contractors, civil society, media—all of who will be encouraged to refer their grievances and feedback to the GRM. The GRM can be used to submit complaints, feedback, queries, suggestions or compliments related to the overall management and implementation of the EITI.

The project stakeholders and citizens can submit complaints regarding the EITI project activities through the **Project-based Grievance Redress Mechanism (GRM)** and the **World Bank Grievance Redress Service (GRS)**.

The project based GRM will be set-up by the PIU based on the relevant Laws of Mongolia on Settlements of Complaints³ as well per requirement of the ESS-10 of ESF. The project based GRM will be set up no later than 30 days after effectiveness of the grant agreement and maintained throughout Project implementation. This SEP will be updated after the establishment of this GRM.

Access method to GRM. To ensure that the GRM is accessible, the stakeholders and citizens will have the option to report their complaint/feedback through the website and/or to the PMU designated member who will also serve as the grievance focal point (GFP) at the project level. The PIU will strengthen its website by adding a specific tab which dedicated to collect grievance/feedback.

Responsibility: The GFP will be responsible for maintaining feedback logs, and if needed, for liaising with other government structures. Grievances can be submitted directly to PMU in person, or by email using following contact addresses:

Mr. Tsolmon Shar, EITI lead Specialist Room # 314, Tuushin LLC Office Street: PM A.Amar- 14200 Ulaanbaatar, Mongolia Tel: 976-70110525 Email: grievances@eitimongolia.mn Website (www.eitimongolia.mn)
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Grievance Log. The Grievance Focal Point will maintain the grievance log to ensure that each complaint has an individual reference number and is appropriately tracked, and recorded actions are completed. The log should contain the following information:

- Name of the PAP, his/her location and details of his / her complaint.
- Date of reporting by the complaint.

³ <https://legalinfo.mn/mn/detail/294> (Law of Mongolia on complaint, 1995, amended in 2003, 2009, 2015, 2016 and 2017)

- Date when the Grievance Log was uploaded onto the project database.
- Details of corrective action proposed, name of the approval authority.
- Date when the proposed corrective action was sent to the complainant (if appropriate).
- Details of the Grievance Committee meeting (if appropriate).
- Date when the complaint was closed out.
- Date when the response was sent to the complainant.

Timelines. The timeframe for acknowledging receipt of a feedback will not exceed **14** days from the time that it was originally received; if an issue is still pending by the end of **30** days the complainant will be provided with an update regarding the status of the grievance and the estimated time by which it will be resolved; and all grievances will be resolved within **45** days of receipt. To enhance accountability, these timelines will be disseminated widely to Project stakeholders.

Monitoring and Reporting. The PMU Grievance Focal Point will collect and analyze the qualitative data on the number, substance and status of complaints and disclose it on the project website bi-annually.

Appeal Mechanism. If the complaint is still not resolved, the complainant may escalate/appeal to a higher level of GRM within the project at the central level. If s/he is not satisfied with the decision, then s/he can submit his/her complaint to the appropriate court of law.

B. The World Bank GRS. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

A complaint may be submitted in Mongolian, English, although additional processing time will be needed for complaints that are not in English. A complaint can be submitted to the Bank GRS through the following channels:

- By email: grievances@worldbank.org
- By fax: +1.202.614.7313
- By mail: The World Bank, Grievance Redress Service, MSN MC10-1018, 1818 H Street Northwest, Washington, DC 20433, USA
- Through the World Bank Country Office in Mongolia, 5th Floor, MCS Plaza Building, Seoul St 4, Ulaanbaatar eapnews@worldbank.org, Tel. +976 7007 8200

Appendix 1: Description Of The Administrative, Policy And Regulatory Framework

The Stakeholder Engagement Plan derives its legitimacy through Article 6.2 of the constitution of Mongolia which was adopted on 13 January 1992 and amended two times, in 14 December, 2000 and 11 November 2019. As the fundamental law of the State, the Constitution defines the structure of the government, basic rights, liberties and responsibilities of its citizens, as well as the powers of the legislative, executive and judicial branches. Article 6.2 mandates that: The land, except owned by the citizens of Mongolia, subsoil, its wealth, forests, water resources, and wildlife shall be the state public property. The state policy on use of the natural resources shall rely on the long term development policy to endorse rights of each citizen in current and future generations to live in healthy and safe environment, consolidate returns from land subsoil wealth at the National Wealth Fund for equal and fair distribution. A citizen shall have the right to know about the impact on the environment from exploitation of land subsoil wealth as part of the right to live in healthy and safe environment. The legal basis to allot a majority of the benefits gained from mineral deposits of the strategic importance in compliance with the principle, under which natural wealth is to be under the people's control, shall be determined by laws." */This 6.2 paragraph was amended by the law of 14 November, 2019/*

1. Current situation of the legislation system for mining, oil and nuclear energy sector

Geology, mining, petroleum and heavy industry sectors are governed by around 30 laws including laws on: Minerals, Subsoil, Petroleum and Petroleum Products, Prohibiting Mineral Exploration and Production Near Water Sources, Protected Areas and Forests, Regulations for implementing the Law on Prohibiting Mineral Exploration and Production Near Water Sources, Protected Areas and Forests, on Industrial and Technology Parks, Nuclear Energy, on Common Minerals, Licensing of Business Activities, and 40 relevant other regulations. However, there are a few instances of inconsistencies between the laws and regulations, and non-clarity in implementation mechanisms.

When global trends in mining are increasingly developing towards sustainable, mutually beneficial, and green development movements, there is a greater need for more tailored regulations, particularly on matters such as public services, the sustainable investment environment, and local community engagement.

According to Corruption Risk Assessment in Mining Sector of Mongolia (2016), main reasons for potential corruption risks occurring between the phases of "license granting" and "exploitation" were identified by legal documents in mining sector as follows: 1 – Overly generalized and lack of specialized regulations, 2 – unclear requirements of any regulations, 3 – related rules and procedures are not adequately based on professional methodologies.

Mongolia was assessed as "satisfactory in governance performance" in the 2017 Resource Governance Index Report issued by Natural Resource Governance Institute. However, there were component scores 54 of 100 in Revenue Management, 40 in "Governance of state-owned enterprises" and 42 in Sovereign Wealth Fund or Fiscal Stability Fund of Mongolia, respectively. In other words, the country scored lower than average in these key components and exhibit weak resource governance.

The Law on Minerals and the Law on Subsoil do not provide a comprehensive legal framework for all relations across mine lifecycle, and some of the provisions are not in line with latest development trends. The Minerals Law primarily regulates the relations concerning "licensing", whereas those relations concerning the investment in and construction in the mining sector, exploitation, processing, production,

rehabilitation, and mine closure are out of fair inclusion in the law, so there are still room for advancing and reforming the applicable laws and regulations.

2. Main laws regulating the sector, and recent amendments

The Minerals Law, 2006 (amended twice in 2017, and amendments in 2018, 2019)

Amendments in 2019: Enabled registration and reporting of cooperatives and partnerships operating artisanal mining without license, including entities who purchased, exported minerals from them, generating royalty payment from concentrators and processing plants without exploitation license. Moreover, the amendment enabled an increase of the country's foreign exchange reserves without reduction in the amount of gold sold to the Bank of Mongolia and growth of the budget revenue through the expansion of tax base and full collection of royalties.

Law on Controlling the Circulation of Explosives and Explosive Devices, 2013, (2020 revision in 2020)

The Law on Subsoil, 1988

The Law on Common Minerals, 2014

The Law on Nuclear Energy, 2009

The Law on Petroleum, 2014 (revision in 2017)

The Law on Petroleum products, 2005

The Law on Prohibiting Mineral Exploration and Production near Water Sources, Protected Areas and Forests, 2009

The Law on Regulations for the Compliance of the Law on Nuclear Energy, 2009

The Law on Regulations for the Compliance of the Law on Prohibiting Mineral Exploration and Production Near Water Sources, Protected Areas and Forests, 2009, 2015

3. State Policies on the Extractive Industry

3.1 State policy on Mining Sector Development until 2025

The State policy in the mining sector is aimed at protecting genuine national interests by developing transparent and responsible mining based on the private sector and creating an economy with diversified sectors and the balanced structure within short-to- middle term.

The objectives of the State policy is to enhance quality of exploration, mining, processing of minerals, produce the value-added products and strengthen the competitiveness at the international market through creating the stable environment for its investments and supporting the environmentally-friendly advanced equipment, technology, and innovations.

This policy document intends to define the principles adhered in the mining sector and the sources of growth and improve governing systems. These principles and governing systems will be mainstreamed throughout the sector legislations, middle and long-term programs, sub-programs, and projects.

3.2 State policy on the development of petroleum sector (2018-2027)

In order to increase investments for the sector, and to improve capacity and qualifications of human resources "The State policy to adopt for the petroleum sector until 2017" was approved by the Government resolution #169 dated 2018.

The major objectives of the State policy on the development of petroleum sector are to intensify petroleum prospecting and exploration, increase petroleum reserves, increase extractions in the petroleum sector of Mongolia, construct a refinery plant and ensure reliable supply of petroleum products.

In order to ensure effective implementation of 6 main objectives reflected in this policy document, the “Action plan to implement the state policy on oil sector development until 2017” was adopted by MMHI minister’s order #A/163 dated 2019. This revised policy will be realized in two phases, namely the 1st phase covering the period of 2018-2027: deepen the socio-economic impacts and enhance the sector’s competitiveness through the streamlining the state policies and legislative framework for the petroleum sector, improving infrastructure, increasing investments, and establishing a fully or partially state-owned petroleum company; the 2nd phase covering the period of 2012-2027: build solid foundations of the national petroleum sector to ensure stable supply of the petroleum products through the intensification of the prospecting and exploration activities in the areas with strategic importance; increasing the petroleum reserves and its extraction; operationalizing oil refinery plant; and strengthening the capacity of the sector’s human resources.

3.3 State policy for radioactive minerals and nuclear energy

The objectives of the State policy on the radio-active minerals and nuclear energy are to commence extensive use of nuclear energy for economic and social benefits and produce nuclear energy based on non-toxic for human health, ecologically clean, environmentally-friendly technologies through the deepening investigation of the reserves of these minerals and to becoming one of the leading countries which mine, process and export such minerals for peace intentions.

3.5 The legislation related to EITI implementation in Mongolia

Within the scope of implementing the EITI in Mongolia, amendments were introduced to the following six laws, namely the Minerals Law (2006), the Law on Nuclear Energy (2009), the Petroleum Law (2014), the Law on Common Minerals (2014), the Law on Infringement (2017), and the Law on Investigating and Resolving Infringements (2017).

The following policy documents were adopted in line with the EITI implementation:

- State Minerals Policy, 2014 sets out foundations for introducing the international initiatives on promoting transparent and responsible mining and institutionalizing the economic and social impact assessments;
- “The National Program on Combating Corruption” (2016) sets out provisions to ensure transparency of extractive industry;
- The Action Plan for the National Program on Combating Corruption (2017) approved by the GOM order includes 6 different measures to be implemented in two stages during the period of 2017-2023.
- The GoM issued the order no.381 of 2013 and approved the 2nd stage of the National action plan for Open Governance Partnership (2016-2018) aimed at ensuring the transparency on information of beneficial ownership to use the natural resources.
- The Order no.01 of 2006 issued by the GoM states the government commitments to join the the Extractive Industry Transparency Initiative (EITI) and other two orders (the Order no. 222 of 2012 and the Order no. 263 of 2017) of the GoM assigns the relevant stakeholders to implement the specific actions towards ensuring transparency in extractive industry. The GOM Orders no. 190 of 2010 assigned the governors of capital city, aimag, soum and districts to report on annual basis and inform public about taxes, fees, charges, and penalties transferred by minerals exploration and mining license holder to local budget, and cash or in-kind donations provided to the Governor’s secretariat office of capital city, aimag,

soum and districts or any budget organization. The template for cooperation agreement between Minerals license holder and local community administration was approved by Order no. 179 of 2016 by GoM; and the template for Product Sharing Agreement was approved by Order no. 104 of 2015 by GoM, respectively.

Over 15 regulations, procedures, memorandum, and plans were approved by Decree of the Prime Minister, and orders and resolutions of the respective Ministers in order to regulate sector specific activities.

By the Order A/37 dated 2020 “Approval of the form and instructions for its completion” of Minister of MHI, “Report on the activities of business entities and organizations engaged in mineral exploration, mining and production for 20 ... (3-EITI-1)” form was approved by Appendix 1, with instructions for their completion of Appendix 2 and “Report of Petroleum Exploration and Production Entities for 20.. (3-EITI-2)” was approved by Appendix 3, with instructions for their completion of Appendix 4.

Within the framework of this regulation, business entities and organizations engaged in mineral exploration, mining and production shall prepare their activity reports accurately with these forms and submit to the Mongolia Extractive Industries Transparency Initiative (EITI) e-reporting system by April 15 of the following year. Mongolia EITI secretariat shall submit electronically the reconciliation report of entities to the National Statistics Office before May 15th.

In addition, entities engaged in oil exploration and production shall also prepare their operating reports accurately and submit electronically to the EITI e-reporting system before April 15th of the following year. Similarly, Mongolia EITI secretariat shall submit electronically the reconciliation report of entities to the National Statistics Office before May 15th.

Fiscal policy and regulations

Budget revenue collection and its allocation

Budget means the financial instrument to implement socio-economic objectives, which represents the balance of income and expenditure including the total revenue to be collected in treasury fund for the current year and its allocation activities.

Budget revenue consists of tax and non-tax revenues and grants. Equilibrated revenue refers to total budget revenue net of Stabilization Fund and Future Heritage Fund.

Tax revenues comprise taxes, fees and payments as articulated by the General Tax Law. Nontax revenues comprise:

- dividends from fully and partially state and locally owned enterprises for the share of state and local property;
- royalties for the use of state and local property;
- proceeds from privatization, sale and renting of state and local property;
- fines and penalties;
- operational revenue from budget entity;
- loans and grants to the Government; and
- other types of revenues generated into the budget in accordance with respective laws.

Budget expenditures consist of recurrent and capital expenditures. Budget expenditures are consumed for implementing the state main functions such as education, health support services, national security, infrastructure, and social welfare.

Mongolia is a country with a general budget. The general budget of Mongolia comprises the state budget, local budgets, the budget of the Social Insurance Fund and the budget of the Health Insurance Fund. The local budget is comprised of aimag, capital city, soum and district budgets. The national Parliament must discuss and approve the State budget, the budget of the Social Insurance Fund and the budget of the Health Insurance Fund, whereas local budget requires approval from City Council of the relevant jurisdiction.

- **State budget** means a budget generated, allocated and expended by the President, the Parliament, the Government of Mongolia, the Ministries, and their agencies. State budget accounts for approximately 80% of the National budget.
- **Local budget** means a budget approved by Citizens' Representative Khurals and Governors of aimag, capital city, soums and districts are responsible for collection of revenues and for expenditure relating to their jurisdiction. The Parliament approves the financial support/transfer to local budget or transfers from local budget to the state budget.
- **The Social Insurance Fund budget.** Income for the social insurance fund shall come from social insurance premiums paid by employee and employer according to the Social Insurance Law and funding allocated from the state budget. The fund shall be spent to finance social benefits and pensions as specified in the Social Insurance Laws.
- **The Health Insurance Fund budget.** The purpose of the Fund is to finance health support services with health insurance premiums paid by the state, citizens and organisations according to the Health Insurance Law.

Budget laws

The main legislation applicable to the national budgeting consists of the Constitution of Mongolia, the Fiscal Stability Law, the Budget Law, and other legislative acts enacted in accordance with the Budget Law. The fiscal policy of Mongolia is regulated by the following laws.

Budget Law. The general budget is regulated by the Budget law. The purpose of this law is to establish the principles, systems, composition, and classification of the budget; to implement specific provisions of the budget; to define the rights, duties and responsibilities of bodies that participate in the budget process; and to regulate the procedures applying to budget preparation, budget approval, spending, accounting for, reporting and monitoring.

Fiscal Stability Law. The purpose of the Law is to determine and implement budget requirements and management principles to ensure fiscal stability; determine the rights and responsibilities of government organisations in monitoring fiscal stability; create renewable wealth; make investments that support economic development; and generate financial savings from mineral revenues. The Law consists of two major principal sections

- The percent of balanced loss in the future, permitted number of debts, percentage of expenditure increase, and estimation process of budget revenues were clarified by this law including:
- The consolidated budget revenue shall be estimated by using a structural revenue policy.
- The structural balance shall not exceed 2% of GDP of the current fiscal year.
- The percent of increase in total expenditure of the National budget of particular year shall not

exceed the greater of i) the percent of increase in non-mineral GDP of that year or ii) the average increase percentage of non-mining GDP of the previous consecutive 12 years,

- The present value of the Government debt shall not exceed 60% of GDP of that fiscal year (*this article is re-edited by the amendment law dated Sep 9, 2016*).

The budget policy shall be defined by the mid-term fiscal framework statement approved in accordance with the special requirements of budget. This framework statement shall involve the financial objectives of Government, the expected budget performance, macro-economic (employment level, Consumer Price Index, etc.) projections and budget projections (budget balance, budget investment) of three subsequent consecutive years.

Law on Special Funds of Government. The purpose of this law is to determine the type of Government special funds and to regulate relations with respect to generating, expending, reporting of performance, and monitoring of such funds.

The Law on Future Heritage Fund. The Law on Future Heritage Fund was enacted in 2016 and became effective on January 1, 2017. The purpose of the law is to:

- Establish the Future Heritage Fund to implement the principle of balanced distribution of revenues from non-renewable minerals to the present and future generations.
- Regulate relations may arise with respect to setting out the organizational system and structure which is responsible for revenue collection, wealth distribution and management, performance reporting and monitoring of the Fund.
- Build up sustainable and effective system for macro-economic governance.

Information on fiscal policy, the level of budget allocation, local transfers (via joint local development fund or directly to aimag), and the legal environment for mandatory local payments must be disclosed on the Ministry of Finance's websites such as www.mof.gov.mn, www.iltod.gov.mn, <https://shilendans.gov.mn>.

For the purposes of regular provision of knowledge and information about the budget to citizens, increasing citizens' control and participation in the budget and improving transparency, the Ministry of Finance has been preparing the "Citizens' Budget" brochure since 2018 in the form of "infographics" or "pictorial information" as an example of Mongolia's draft budget and budget execution information. The brochure is available at <https://mof.gov.mn/article/entry/citizenbudget> and social media pages of the Ministry of Finance.

- **World Bank Environmental and Social Standard on Stakeholder Engagement**

The World Bank's Environmental and Social Framework (ESF)'s Environmental and Social Standard (ESS) 10, "Stakeholder Engagement and Information Disclosure", recognizes "the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice" (World Bank, 2017: 97). Specifically, the requirements set out by ESS10 are the following:

- "Borrowers will engage with stakeholders throughout the project life cycle, commencing such engagement as early as possible in the project development process and in a timeframe that enables meaningful consultations with stakeholders on project design. The nature, scope and frequency of stakeholder engagement will be proportionate to the nature and scale of the project and its potential risks and impacts.
- Borrowers will engage in meaningful consultations with all stakeholders. Borrowers will provide stakeholders with timely, relevant, understandable and accessible information, and consult with

them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.

- The process of stakeholder engagement will involve the following, as set out in further detail in this ESS: (i) stakeholder identification and analysis; (ii) planning how the engagement with stakeholders will take place; (iii) disclosure of information; (iv) consultation with stakeholders; (v) addressing and responding to grievances; and (vi) reporting to stakeholders.
- The Borrower will maintain and disclose as part of the environmental and social assessment, a documented record of stakeholder engagement, including a description of the stakeholders consulted, a summary of the feedback received and a brief explanation of how the feedback was taken into account, or the reasons why it was not.” (World Bank,2017: 98).

A Stakeholder Engagement Plan proportionate to the nature and scale of the project and its potential risks and impacts needs to be developed by the Borrower. It has to be disclosed as early as possible, and before project appraisal, and the Borrower needs to seek the views of stakeholders on the SEP, including on the identification of stakeholders and the proposals for future engagement. If significant changes are made to the SEP, the Borrower has to disclose the updated SEP (World Bank, 2017: 99). According to ESS10, the Borrower should also propose and implement a grievance mechanism to receive and facilitate the resolution of concerns and grievances of project-affected parties related to the environmental and social performance of the project in a timely manner (World Bank, 2017: 100).

For more details on the WB Environmental and Social Standards, please follow the below links:

www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards