

**Project Final Report
on
Public Monitoring of
Corruption in the Mongolia's Mining Sector**



2007, Ulaanbaatar

Mongolian Language Terms:

<i>Aimag</i>	Second level of The Government divided; largest political territorial division in Mongolia (English equivalent “Province”)
<i>Soum</i>	Third level of Government divided; second largest political territorial division in Mongolia (English equivalent “District”)
<i>Bag</i>	Fourth level of Government divided; smallest political territorial division in Mongolia.

Acronyms used:

CRKh	Citizen Representative Parliament
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
EPP	Environmental Protection Plan
Go M	Government Mongolia
HMA	Hydro Meteorological Agency
MNE	Ministry of Nature and Environment
NGO	Non Government Organization
PA	Protected Area
PTF	Partnership for Transparency Fund
SSIA	State Specialized Inspection Agency
WWF MPO	World Wild Fund for Nature, Mongolia Programme Office

BASIC DATA

Project title:

**Public Monitoring of Corruption in the Mongolia is mining Sector,
Mongolia**

Estimated Project period:

January to December 2007

Estimated Total Budget:

Total Cost	27 860 USD
Requested from ADB (PTF)	21 500 USD
WWF, Mongolia PO	6 360 USD

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EXECUTIVE SUMMARY

- PROJECT NAME:** PUBLIC MONITORING OF
CORRUPTION IN THE MONGOLIAN
MINING SECTOR
- PROJECT SITES:** Yoroo *soum*, Selenge *aimag*;
Khovsgol *aimag*,
Batshireet, Binder, Bayan-Adarga *soums* of Khentii
aimag.
- PROJECT DURATION:** January –September 2007
- PROJECT FUNDER:** Asian Development Bank
(Partnership for Transparency Fund)
- IMPLEMENTER:** WWF Mongolia Program Office
Human Rights and Development Center, Mongolia

Brief Introduction:

The project supported with funding from the ADB Partnership for Transparency Fund (USD 21,500) was implemented by WWF Mongolia Program Office jointly with the Human Rights and Development Center, Ulaanbaatar based NGO for a duration of 9 months.

The project has covered the areas in Khovsgol *aimag*, the major tourist destination and Yoroo *soum* of Selenge *aimag*, the agricultural region of Mongolia where majority of large scale mining activities take place and *soums* of Batshireet, Binder, Bayan-Adarga from Khentii *aimag*. The region falls under the Daurian Steppe Eco-region, one of 200 global hotspots designated for biodiversity conservation because of their uniqueness and representativeness

At local level, the local environmental NGOs and local grassroots environmental movements joined the project for implementation. Three major objectives were achieved within the project frame include:

Objective 1: Advocacy and Awareness work for improving public knowledge on the newly amended laws of Mongolia on Mineral Resource and Anti-corruption;

Objective 2: Conduct Public Monitoring Implementation status for both legislative acts;

Objective 3: Develop Recommendations for improved implementation of legislations on mineral resources and anti-corruption

In total, 3 teams were formed for implementation of the project from local community members for covering 3 project selected sites and some of the members were invited to Ulaanbaatar to attend the skill and knowledge transfer workshop for Trainers of Trainees. The participants were taught in monitoring methodologies for legislative acts monitoring. The participants were distributed with handouts and reference materials methodological hand book on “*Monitoring on the Implementation of the Mining and Anti-corruption Laws*”. The trainers then shared their knowledge with others in their relative areas once they were back.

Brief Results Under Each Objectives:

1. Advocacy and Awareness work for improving public knowledge on the newly amended laws of Mongolia on Mineral Resource and Anti-corruption.

All the existing and available media and communication mediums were mobilized for effective information dissemination and awareness raising on those two newly adopted laws and their provisions. All the existing and available media and communication mediums were mobilized for effective information dissemination and awareness raising on those two newly adopted laws and their provisions.

This activity resulted in:

- Production and publication of 2 different Handbooks on Public Participation and Monitoring of Corruption in exploration sector;
- A series of capacity improvement and skill transmission trainings (5);
- Public Participation, Right, Obligation for the Anti-corruption Law /handbook/;
- Public participation, Right, Obligation for the Mining Law/handbook/;
- Important meetings (12) were organized with local authorities, on anticorruption issues and public right for access to environmental information;
- FM Radio broadcastings and TV programmes (6) with open access public debates /National TV, TV9, TV25 and Local TV channels/;
- Following documentaries and TV programs produced by the WWF Mongolia Programme Office were broadcasted on local TVs at minimum 10 times with repetition “Silent Death”, “The Lost”, “Money At Expense of Extinction”, “Tragedy of Mongolia- Degradation of Mongolia’s Natural Heritage” /each 20-40 min/;
- FM advertisements with 10 different short messages 3-5 second-lengths;
- Q&A, “Debjee” Contest;
- “Dalai Eej” newspaper’s special column on legislation;
- “Dalai Eej”, “Uragshaa” newspaper’s special Q&A sections ;
- Information Boards regularly functioning;
- An Appeal to Local community was issued by the Khovsgol “Delgermoron movement” on local daily paper of “Dalai Eej”;
- The leaflets and flyers on a range of legislative acts governing the application of chemical toxics were produced and distributed;

Public awareness on legislative acts improved as a result of the project and guidance manuals were highly appreciated by people.

2. Conduct Public Monitoring Implementation status for both legislative acts.

2.1. Reporting on process of mining license re- registration for mining companies:

An adoption of the newly revised legislative act has necessitated renewal and update of all existing data and licenses in mining sector.

A GIS based registration renewal for mining licenses possessed by mining companies operational on territories of 3 select provinces were completed by Mineral Resources and Petroleum Authority by March 2007.

In Khovsgol aimag, 142 licenses were issued as of July 09, 2007: out of this, one gold mining and 2 smaller scale coal mining activities were found operational for summer of 2007. There are 52 licensed for prospecting plots on territories of Batshireet, Omnodelger, Tsenkher, Mandal, Binder and Jargalkhaan soums., out of which Batu-mining company was operational during the past summer on territory of Batshireet soum.

In Yoroo soum of Selenge aimag, 41 exploration activities were observed fully operational out of 147 registered companies/ licenses were registered.

All the previously registered entities and companies were re-registered within the specified deadline. As the new law amendment provisions for licensing of only the economic entities, licenses hold by individuals were cancelled. This facilitated decrease in license numbers and decline in coverage of licensed areas. However, provision on local authorities, especially of the Citizen representative khurals submitting their final decision back to the central government relevant agencies within 30 days from the receipt of the notice by them is not being implemented on ground. Lack of such a reply shall be considered automatically as a consent for the central level decision. As it has been proven to be ineffective and unrealistic for implementation, this provision needs to be amended and changed with extended duration of at minimum 90 days for obtaining local voice.

2.2. Reporting on Aimag Level Inspections and Monitoring of Mining Exploration Process:

In Khentii province: During the project period, the local resident representatives conducted the Introductory Meeting with the management from the Batu-Mining company. More than 300 ninja miners were educated on the provisions of the newly adopted mining law in Binder soum's Shakhhal mining site. The law awareness raising work has been successful thanks to effective cooperation with Government authorities.

In Selenge Province: Upon several attempts, we have managed to succeed in representation from the local river movement into the local monitoring board for inspecting 19 gold mining company sites. Prior to this, there has not been formalized representation from local citizen groups.

In Khovsgol aimag, illegal mining activities undertaken by 8 individuals were suspended fully on June 15, 2007 upon inspection under the supervision of Mr. Batbaatar, SSIA Department Head in Rinchinlkhumbe soum as of June 2007 and 8 individual hand mining activities were suspended. At present, there 150 ninja or artisanal miners in Altargana river valley of Bayanzurkh soum.

The project team visited the Tunel, Erdenebulgan, Alag-erdene and Burentogotkh soums of Khosvol aimag for inspecting on ground the enforcement status for he newly adopted law of Mineral resources and meetings were conducted with local authorities and on non-compliance relevant parties were informed and recommended were the correctional actions.

For protection of the Burenkhaan mountain, it has been decided to take it under the local protection and through establishment of local community group at the last meeting of the community groups from Burentogtokh soum.

Revealed were that 22 articles of 12 specific law provisions were not implemented at the local level.

- For license issuance, lack of written notification and communication by central government authorities down to local level authorities hinders the smooth management process. 30 day deadline for local level decision to reach the central level-this requirement is unrealistic and it needs to be amended to minimum of 90 days.
- De-gazetting of local protected areas for mining and exploration activities still occurs. Lack of public participation and local community involvement in decision making process result sin issuance of 20 licenses for 70 thousand hectares of locally protected land in Selenge aimag.
- Poor Compliance with EIA requirement (12 out of total 25 companies had EIAs).
- Implement the Environmental Protection Plan as part of the compliance with the EIA requirements and submit one copy of the EPP to the environmental inspectors on site.
- Making Restoration and reclamation work mandatory.
- Provision on 50 % minimum deposit into the special account for restoration expenses was hard to inspect in reality.
- Provision for local employment opportunity breached (with only 2 companies complying with this requirement out of inspected 20 companies).
- Classicmoto, JUMP, Kharganat Uurkhai, Anish, Bayalag Gazar, Zolotaya Victorya and Berleg Mining company activities in Selenge aimag were temporarily suspended and other violations and breaches of legal provisions were reported and the companies were tasked to take correctional measures. The same applies to monitoring process in other two aimags.
- For monitoring of anti-corruption law enforcement status, the hotline for public access was first time applied. This was the first ever piloted initiative at the nationwide level that was implemented by the grassroots organization.

- With the income statement by civil servants, we have emphasized the coverage for civil workers to be enrolled into this new exercise. Findings of reports and info from individuals show that corruption incidences are even higher in other sectors of the public service such as health care; judicial system and other public services.

3. Develop Recommendations for improved implementation of legislations on mineral resources and anti-corruption

Based on the findings of the project activities, there was developed a set of recommendations for further improvement of legislative acts. These recommendations will be submitted to consideration by relevant authorities of Mongolia, i.e, Parliament of Mongolia at the central level and GoM agencies such as Mineral Resources and Petroleum Authority, Ministry of Nature and Environment, the National Agency for Anti-Corruption, Local Governors Offices and Local Citizen Representative Khurals.

The Recommendations include following:

To the Parliament of Mongolia-Great Khural members:

1. Review and revise the specified 30 day notice period as indicated in Article 19.4 on automatic consideration of the consent from the Aimag Governors in case of lack from their side the final responses within 30 days of first time notice for the final consent.
2. Compensation and reimbursement with losses caused to the environment under the “Polluter Pays Principle” and develop the legislative acts regulating the “Ecological and economic value thresholds” in order to compensate losses caused to local communities
3. Revise and amend the EIA Law

To the Government of Mongolia its relevant agencies and Ministries to act on :

1. *Adopting of Aimag and soum level land use plan; no go zones for mining to be identified in relation to protected areas; local worship and cultural monument/heritage sites and cancel/cease the licenses for companies non compliant with the restoration pre-requisites.*
2. Offering alternative solutions to license compensation
3. Completing the re-registering process for all the previously issued licenses by 2009.
4. Conducting the EIAs at the river basin and watershed levels in order not to allow river water diversion and change of river dynamics and ensure sustainable use and conservation of surface water resources
5. Developing the detailed standards for prospecting, exploration and restoration work in mining sector
6. Monitoring expenditure and income of the pre-required deposit equal to 50% of the total restoration work cost into the special account set up with the Governors at local level
7. Publicizing Income statements for civil servants.

8. Timely collecting water and land use fees and fees from licenses for mining and report back to public on their expenditure.
9. Negotiating with the companies operating on territories within the authority of *soum* and *bag* governors on employment creation for local community representatives, registration of foreign labor forces and monitor the labor force flow.
10. Supporting/collaborating with the local level environmental protection movements and institutions and conduct 3 partite agreements involving the mining companies, local community and local authorities; and
11. Concluding the Three-Partite Agreements with the mining companies; local authorities and local communities.

Project Outputs and Outcomes:

- 35 local resource people were trained and developed public monitoring strategy
- Mass media activities, trainings workshops for trainees
- Advantages of joint interventions and its potentials were demonstrated to public for ensuring joint solutions to conflicts and environmental protection from mining impacts
- Conducted Monitoring on mining activities and the implementation of the laws
- Recommendations for improved implementation of the laws
- As a result of the project, local community movements and environmental protection activities are unified and such alliances and their capacities were improved through numerous skill development trainings and joint practical activities such as protest acts; inspections and investigations etc.
- 2 series of pre and post project surveys were administered amongst the local community involving 200 residents on level of public awareness on legislative acts on corruption and mineral resource use. The survey findings show an increase of 54-65% against 35-44% for awareness of corruption law and 23-34% to 45-60% on mineral resources law.
- Empowered local communities, activated local movements will continue to control law implementation as conservation and law enforcement are in their interest

I. The Project Objectives.

Objective 1: Knowledge of the public on the revised mineral resource and anti-corruption laws is increased and public monitoring strategy developed.

In order to achieve this objective, we are preparing information materials (hand-outs, teaching kits and video materials) on legislation acts, including information on mineral resource exploration and exploitation, and anti-corruption. These materials will be disseminated to the public through mass media and at public meetings, where River Movement organizations are active. Also, we will train 5 resource people of three selected River Movement organizations (three gold-mining sites) during a 1-week workshop. An exact public monitoring strategy will thereby be developed together with these people who are actively involved and have local knowledge in their respective mining areas. These resource people will give seminars, hold meetings and disseminate information on mineral resources and anti-corruption.

Objective 2: Implementation status of both mineral resource and anti-corruption laws are actively monitored through the public.

In order to achieve this objective, we will establish an effective public monitoring system at local and national level that includes active involvement of the public. The exact monitoring strategy will be worked out during a workshop with 5 selected resource people from three different River Movement organizations/sites (see objective 1). The monitoring process will be carried out at a local level in three selected mining areas where these respective organizations of the Alliance of the River Movements are active. These organizations will take necessary actions (media campaign, inform relevant authorities and legal processes) if cases of violation against these laws occur.

Objective 3: Recommendation for improved implementation of legislations on mineral resources and anti-corruption is developed and disseminated.

In order to achieve this goal, we will collect information allowing for the justification of the desired legislative improvements, conduct necessary advocacy work, and develop actual recommendations that shall be submitted to the authorities for approval.

II. Project Activities

1.1. Preparation of educational materials: handouts, pamphlets and newspaper articles with information on

- a) current situation,
- b) explanation of laws,
- c) rights and responsibilities of public, mining companies and authorities

1.2. Workshop trainings for resource people in Ulaanbaatar for 5 selected members of 3 River Movement organisations/areas:

- 1) Khovsgol 2) Selenge 3) Khentii.

1.3. Information dissemination and public education in target areas through seminars and meetings

2. Site Monitoring of implementation mineral resource and of anti-corruption laws

3. Elaboration of Recommendation

III. The Actions /Activities

1. Preparation of education materials

a) Current Situation

Mining sector has been highlighted as the priority sector within the framework of the GoM policy on support of export oriented industry development. It is expected to contribute to overall macro-economic level achievements of creating more jobs through promotion of mining sector development based on increased investment into the exploration sector and introducing innovative technologies.

An increase 8-10 times in production and extraction is being expected to be observed for coming decades against the 2006 level. Officially the sector employees 30,000 individuals and the number is expected to triple in next 10 years (*Citation from the Speech delivered by Mr. Davaadorj, Minister for Trade and Industry at the 7th Congress of Artisanal Mining*)

To present , there are 65,600 individuals engaged in mining business of various scale on territories of 80 *soums* of 10 *aimags*. 10 different kinds of minerals are being extracted. In recent years, an increase in mining activities facilitated spurge of negative impacts and side effects of the production process.

Especially, the gold places mining activities cause diversion of river water flows negatively affecting the water quality and quantity. The scientists and researchers warn the public of an alarming rate of land degradation and water pollution in Tov and Bayankhongor *aimags*.

Due to lack of post mining restoration work, large areas in Zaamar *soum* of Tov *aimag*, Selenge, Khentii, Omnogobi and Dundgobi *aimags* undergo degradation. This in turn causes ecosystem level changes and local communities of fauna and flora species experience hardships of adaptation often threatened; reaching the brink of extinction and loss of habitat.



This leaves irreversible footprint on livelihoods of local communities who are in turn dependent on natural resource base in these areas.

Herders are affected to the same extent with their traditional camping sites gone for their livestock leaving behind the shuttered livelihoods. In response to this, the local communities mobilize against the gold extractors.

The explored deposits in their anticipation of due extraction process and official policy favoring mining sector development, application of highly toxic chemicals such as cyanide and mercury need to be monitored and controlled.

There are many companies with no proper licensing for undertaking exploration activities: for instance, in Zaamar, Bornuur, Jargalant *soums* of Tov *aimag*, the mercury operated mills for gold washing were operational till recently with no proper licensing. Due to virtual lack of monitoring over the trade, export and import process for mercury, its indoor use is spreading.

Cyanide's Storage



The illegal mining, especially the army of artisanal miners counts for ten thousands engaged. Lack of regulatory mechanism in effect causes land degradation to greater extent. In placer mining sites of Tov, Selenge, Darkhan Uul *aimags*, and artisanal mining activities do take place all year round using the highly toxic chemicals of mercury and cyanide.

The last instance of pollution has occurred in Darkhan Uul *aimag* with into contamination of the ground water cyanide discharging. The soil samples tested from the area proves 100-1025 times greater content of cyanide sodium in soil and 3738 times

higher than permissible level in the discharged waste water. The mercury was found 900 times higher and 26 times greater content of the cyanide sodium in groundwater well.

In 2006, the 1997 version of the Law of Mongolia on Mineral Resources was amended with provisions for transparency and greater accountability in the mining sector and public participation and monitoring of the extractive industry activities. For increasing awareness and knowledge of the new Law provisions for exercising effectively the citizenship rights guaranteed, advocacy and awareness work needed to be taken.

For enforcement of the new law, public role in monitoring of the law enforcement status and its provisions for transparency and accountability is pivotal. This requires improving of civil society participation from mined areas for ensuring safe living environment and environmentally sound practices by industries. International experience demonstrates that the key to success is in integrating and responding to community concerns.

The project (ADB PTF) implemented by the WWF MPO aims at providing public monitoring over the enforcement of the newly amended Law of Mongolia on Minerals and Law of Mongolia on Anti-corruption in the mining sector. Along the way, the project aims to take the stock of barriers and obstacles for effective enforcement of the law provisions and inform the relevant authorities on immediate findings.

b) Explanation of Laws,

Mongolia adopted its Anti-corruption law in summer 2006 and set up the Anti-corruption unit to combat corruption and rent seeking. Conveying messages to public, making people aware and informed of the legislative amendments and changes require broader scale advocacy and awareness work targeting various social strata. The communities are expected to be able to make informed decisions upon obtaining skills and proper trainings on how to do such monitoring; detection and handling of breaches and corruption incidents; prevent from such failures and protect their genuine interests.

c) Rights and Responsibilities of Public, Mining Companies and Authorities

For training and guidance of the project field teams working in 3 different *aimags* (Khovsgol, Khentii and Selenge) there was published the Methodological guidebooks (for trainers) on Public participation in Corruption and compliance monitoring in mining sector.

Two additional reference materials (for public) on public participation and citizen roles and responsibilities were produced for wider use by public. The reference materials cover following issues to some extent: /**Appendix 1.**/



2. Workshop training for resource people.

Training seminar was provided on the topic of “Public participation in Mining sector monitoring” for the 35 representatives of NGO sector: Human Rights and Development Center, Public Education Center and local community movements such as “Khovsgol Dalai” (Khovsgol *aimag*) , “Ardiin Elch” (Selenge *aimag*) and “Onon-Ulz”(Khentii *aimag*) river areas.



The trainees were selected by the project as local mobilizers and focal points for conducting regular monitoring and advocacy and awareness work for aforementioned two legislative acts. During the training process, ideas has been exchanged on challenges and priorities to be addressed for instituting an effective governance system in mining sector. The participants enjoyed the opportunity to interact with the parliament members who initiated and worked on the draft bills.

The Parliament Members visiting the training and lecturing the trainees include Mr. Damiran, Head of the Working Group drafting the Bill, Member Parliament of Mongolia, D. Lamjav, Advisor to the Working Group drafting Anti-Corruption Law Bill, Ts. Davaadorj, Director general, Ministry of Trade & Industry, D. Gantomor, MNE officer, A. Namkhai, Head, Protected areas bureau, MNE, D. Monkhaatar, Director general, Ministry of Construction and Urban Development, Ts. Ganbold, Coordinator for Transparency Initiative for Extractive Industry and Ms. Saran, Head of the Department, SSIA.

/Appendix 2/

The trainees attended the GIS and RS classes at the National University of Mongolia in order to get familiarized them with the skills of working on maps and ground truthing the licensed areas in their relevant *soums*. /Appendix 3/

3. Information dissemination and public education in target areas through seminars and meetings

Khovsgol aimag, Training and advocacy work conducted in:

FM advertisements: using the existing FM radio channel popular in Khovsgol aimag with an audience of 15 000 regular fans, 6 hours radio programs were run on advocacy of Mongolian Laws on Mineral Resources and Anti-corruption. 10 different short messages of 3-5 second-lengths with texts as follow were transmitted during such radio programs. The messages include:

1. Corruption undermines the democratic society values of justice, fair and equal access and social progress.
2. Corruption is a source of disparity, poverty and social ills.
3. Citizens should enjoy their constitutional right for access to environmental information; participation in decision making and monitoring the enforcement of decisions.

Radio Debates: 2 radio discussions were organized jointly with the National Radio Broadcasting Company as well as with the local FM radio for the period from July to August. We estimate that nearly 30 000 people received the programs.

TV Programs with Open Access Debating: Discussions were held on Law of Mongolia on Mineral Resources and Law of Mongolia on Anti-corruption in extractive industry sector with the help of “DES” Studio in Khovsgol aimag on September 08, 2007. 23 representatives from local area participated in the discussion. The CDs were produced on the recorded and shortened version of the 1,5 hour TV program and distributed to local TV stations of “Lkha”, “Dalai Van” and “DES” for public broadcasting. As a result the program has achieved 25000 viewers with 3 times broadcasting.

“Devjee” Contest: The contest amongst the cultural and educational institutions of Khovsgol aimag was organized in 2 stages. The major purpose of the contest was to increase the level of ecological education amongst children and undertake advocacy activities on two newly adopted legislative acts for the extractive industry sector.

Q&A contest: amongst the high school students was organized in 3 stages involving 128 school children. A 30 question questionnaire was produced and the last two stages were recorded and broadcasted for wider public viewing reaching out to 40,000 viewers.

“Dalai Eej” newspaper’s special column on Legislation: for duration of 6 months starting from March through September of 2007, Ms.Bayarmaa, the project leader had run a regular column on local newspaper consisting of the Notes from the Author series describing the new law provisions and community participation in it.

“Dalai Eej” newspaper’s special Q&A section: was run by Ms.Sarantuya, team member of the project where the objectives and principles of the laws were explained to people in an adapted version.

An Information Board: regularly functioning was installed in a strategically important location next to Khaan Bank building in Moron *soum*.

With the start of 2007, there has been running a very strong advocacy campaign promoting the heavy exploration of phosphorous deposit in Burentogtokh *soum* of Khosvgol *aimag*. All 6 licenses issued for the site were in the center of public attention. Local people are not well aware of the sound production technologies and potential impacts on local livelihood and environment. With this reason, people in general are hesitant to explore the area for meanwhile as Khovsgol *aimag* is one of the most popular tourist attraction sites and the locals act with caution in order to keep the place safe.

Due to its high profile, the project team focused more on these high profile *soums* and conducted following activities within the framework of the project:

1. 4 hour training sessions were conducted for Tuya *bag* residents of Burentogtokh *soum* on newly adopted laws and their provisions; methodological guidance on public participation. 46 individuals attended the training sessions and they were documented with recording by TV 9 channel from Ulaanbaatar.
2. Upon completion of the training, the local community convened their Citizen Representative Khural (local parliament) resulted in issuing the Decree demanding the Cancellation of Licenses for local sites.
3. A petition with 600 signatures supporting the local demand on license cancellation was submitted to the Burentogtokh *soum* Governor's office.
4. During the training, a series of documentary films produced by WWF Mongolia on toxic chemicals and their application were transmitted and a few extra copies were distributed.
5. The leaflets and flyers on a range of legislative acts governing the application of chemical toxics were produced and distributed.
6. A TV program on controversial issue of licensing and its procedures for the phosphorous deposit in Burentogtokh *soum*, Khosvgol *aimag* was produced and broadcasted through TV 9 channel in Ulaanbaatar city.
7. With the professional help of Ms.Navchaa, journalist from the Daily Paper, one of national dailies, a series of articles were produced and published on licensing.
8. An Appeal to Local community was issued by the Khovsgol "Delgermoron movement" on local daily paper of "Dalai Eej".
9. Upon review of the Local community petition submitted to relevant local authorities (Governor's office and Citizen Representative Khurals; Land Use Planning officer and environmental inspector), it has been decided to submit the Will of Local people to the Parliament of Mongolia.
10. During the *Bag* meeting at Tuya *bag*, the *bag* residents agreed to set up the local community group overseeing the protection of Burenkhaan mountain and elected Mr. Myagmarchuluun as the Head.

Khentii aimag, Training and advocacy work conducted in:

- Discussions were held jointly with 220 residents from Binder and Onon *bags* of Khentii *aimag* on provisions of the Mongolian Laws on Anti-corruption and Mineral Resources. As a result, the Governor of Binder *soum* and Chair of the Citizen Representative Khural agreed to cooperate closely on enforcement of these law provisions.
- Local authorities held their consultative meeting with local communities where their work plans were discussed for integrating citizen concerns to be addressed on an immediate nature. Local TV stations broadcasted the documentary movies produced by WWF Mongolia office.
- For increased awareness of legislative provisions, there were conducted contests and essay writings. The winner of the contest was provided with the paid column on local newspaper and information boards were run with her essays and other top place work.
- There were conducted a series of meetings at Dadal, Bayan-Adarga *soums* at which the goals and objectives of the project were introduced to local residents. In Dadal *soum* opinion polls were conducted for 120 direct beneficiaries of the awareness work.
- An information board with comprehensive description of the Mongolian Laws on Anti-corruption and Mineral resources in publicly visited area was installed.
- The “Uragshaa” local daily paper runs a special column on public discussion of the Anti-corruption and Mineral Resource law provisions.
- With our awareness work on downsides of nija mining, the project helped 300 nija miners to return home resulted from refusal from health detrimental artisanal mining practice in Shakhel area of Binder *soum*, Khentii *aimag*.

Selenge aimag Yoroosoum, Training and advocacy work conducted in:

- TV Programs: Two sessions of Public discussion and debate were organized around the legislative acts on fighting corruption and mineral resources use on local TV.
 - *Bag* level community meetings were held in Bugant and Yoroosoums where status of local enforcement for the newly adopted legislative acts was discussed and documentary films on mercury contamination and its impacts were aired for local community viewing.
 - Resource center was functional during the project implementation period premised at the office of the Local River Movement called “Ardyn Elch” or “People’s messenger”.
 - Green school competition was organized amongst the local schools and the winners were awarded.
 - Following documentaries and TV programs produced by the WWF Mongolia Program Office were broadcasted on local TVs at minimum 10 times with a repetition.
1. Tragedy of Mongolia-Degradation of Mongolia’s natural heritage (30 minutes)

2. Silent Death'(30 minutes)
3. The Lost (20minutes)
4. Money at expense of extinction (40minutes)
5. Tanneries and Toxic Chemicals Application (20 minutes)

IV. Monitoring of Implementation Mineral Resource Law and of Anti-corruption law

Monitoring of Mineral resources Licenses:

The process of renewing the registration of previously issued permits in all three project sites were completed by March 2007. The July 2006 list of all the registered companies licensed for prospecting and exploration activities were reviewed and the validity of their licenses were checked and GPS coordinates were entered into the digitized mapping system.

In Khovsgol *aimag*, 142 licenses were issued as of July 09, 2007: all the documentations were verified at each *soum* level and 200 copies of the renewed list were produced for distribution to local residents of Burentogotkh, Erdenebulgan, Ulaan-Uul, Khatgal and Alag Erdene *soums*.

There are 52 licensed for prospecting plots on territories of Batshireet, Omnodelger, Tsenkher, Mandal, Binder and Jargalkhaan *soums*. In Yoroo *soum* of Selenge *aimag*, 147 licenses were registered.

All the registered entities and companies were re-registered companies under the newly adopted law provisions. As the new law provisions for licensing only the economic entities, licenses hold by individuals were returned. This facilitated decrease in license numbers and shrinkage of licensed areas.

In Yoroo *soum*, 90 economic entities were registered as licensed: with 41 entities licensed for exploration activities, 31 for prospecting, 2 applied for exploration work licensing and 26 entities applied for prospecting licensing. All the entities in total posses 119 licenses.

With the new law provision for licensing conditions, the number of companies and economic entities increased whereas the licenses hold by individuals were cut drastically. This is one of major contribution by the newly adopted law regulating the chaotic licensing process in mineral resource exploration sector.

Exploration activities at aimag level:

Khentii aimag.

Batshireet soum: For issuance of the exploration license to the “Batu Mining” CoLTD, the *soum* authorities especially the Citizen Representative Khural presidium have neither notified the local residents and nor consulted with them.

When the gold mining companies are approached by representatives of local communities on their negative practices, they yet continue their wrong-doings while giving away a small amount to local budget or distributing sacs of flour and rice to herders for keeping them quiet.

When grievance handling team arrives to the mining company sites for testing the water quality and environmental status complained by local communities, the officials from MNE, SSIA, Water Agency and *aimag* EPAs are usually bought up and bribed as the local witnesses confirm. This alters the findings of the ground testing and research. All these ill facts need to be compiled, documented and brought up to the attention of local communities so public can pressurize and correct the misconducts.

During the project period, the local resident representatives conducted the Introductory Meeting with the management from the “Batu-Mining” Co LTD. The company started their mining activities since 2007 and employees 18 workers. Possesses the licenses# 8370; 12384; 8039 and 8369.

The Environmental Protection Plan that is recommended upon the EIA for their compliance and enforcement was not in place: with even less than half of the required amount to be deposited into the special account for post mining restoration activities placed into the account.

“Gutai Mining” Co LTD Started their production process in 2001. The extraction stopped in October 2006. Currently it is not functional. Possesses the License # 2274 A. River flow diversion project was evaluated by “Nemer International” company. As the river dynamics altered, the river flow has changed resulted in drying out of the river beds. A total area licensed for exploration amounts to 286 hectares of land, of which 61 hectares had been explored. Though they claim for restoration work on 3 hectares of mined land, technologies for restoration work were not complied adequately: with uneven top soil and natural regeneration process in some areas.

The local community representatives agreed to enter into Bilateral Cooperation Agreement with the mining company. Mr. Tsagaan, head of the drilling sites expressed his readiness to shut down exploration activities upon breach of the cooperation agreement provisions.

When they were asked on the total monetary amount that was contributed to the local budget, the reply was confirming on contribution matching with whatever amounts requested by local authorities. As the information was of discretionary nature, we have requested and instructed the local authorities to act following and report back to public:

1. Report back on amounts contributed by mining companies and their spending
2. Provide official explanation to local communities on bias and breaches in licensing procedure for mining activities at local level
3. Report back on follow-up actions for enforcement of the newly adopted law, i.e., on cancellation of licenses not meeting the new legislative requirements for re-registration

4. Report on spending for restoration work deposits placed in the special account with the *soum* governors

Once we approached the local authorities, a total lack of information and knowledge on public participation in decision making that is what was observed with local authorities.

Batshireet *soum* working group brought up copies of the WWF produced documentaries for public viewing. More than 150 local residents viewed the programs and the documentaries. In addition to this, the integrity of protected area territories was monitored through monitoring and registration of licenses for the areas designated under protection. As Batshireet *soum* has announced of its orientation towards ecologically balanced development and committed to designation of up to 40% of its territory under local protection, nothing much has been achieved on-ground except the very good will that is appreciated.

Binder soum: More than 300 ninja miners were educated on the provisions of the newly adopted mining law in Binder *soum's* Shakhhal mining site. The law awareness raising work has been successful thanks to effective cooperation with Government authorities.

The guidance manuals on public mobilization and participation in ensuring transparency in extractive industry sector and the documentaries produced by WWF Mongolia were received by local communities with great interest.

It has been established that no decisions made on license re-issuing were consulted with local communities and this sort of information were kept in high privacy from public access.

Bayan Adarga Soum: The guidebooks were very much welcomed by communities from this *soum*. During the visit clarifications and investigations were made on licensing of the locally protected Pine tree forested area for mining by Koreans. As it has been revealed out the permission was granted based on request from the Minister for education, science and culture. We have informed local authorities on the pre-requisite for public consultation and discussion especially for de-gazetting the existing protected areas and agreed in principle to work together.

Yoroo soum, Selenge aimag.

Upon several attempts, we have managed to succeed in representation from the local river movement into the local monitoring board for mining activities undertaking on territory of Yoroo *soum*. Prior to this, there has not been formalized representation from local citizen groups.

Many remote areas are being mined in Yoroot *soum* without a proper licensing permission referring to the permission from Cadastral Service Agency. The monitoring group consisting of local representatives and the project focal points visited those sites and following breaches were recorded:



We have visited mining sites of 19 gold mining companies functional on territory of Yoroo *soum*. /Appendix 3/

1. “SAAS International” Co LTD has been mining the area under the Prospecting license of 8696.
2. “Erdes” Co LTD was using the water guns; the right on use was suspended later on with the visit of Inspectors from SSIA.
3. The common breaches include non compliance with the restoration requirements. No any trace of biological restoration has been noticed in all these sites. Restoration activities are limited to putting back tilled land.
4. Placer mining companies were not complying with the management of waste water from their gold washing ponds. It was a common to discharge the waste water directly to rivers feeding livestock and human population in many areas.
5. De-gazetting of locally protected areas still continues with even more licenses issued to more mining companies. /Appendix 4/

It is highly recommended to take actions on aforementioned common breaches of legislative provisions and corrective actions to take by professional agencies.

Khovsgol Aimag.

In total, 142 exploration licenses are registered at aimag level. Amongst them following 3 companies had the full scale EIA and Environmental Protection Plan that has been revised last time as of 2007 by Mr. S. Ganbat, the environmental inspector. Those 3 companies are as follow:

1. “Mogoin River” Co LTD, A holder of License as of June 28,1995 for 384 licenses for 103 hectares of land (coal mining)
2. 443 Unit of the Correctional Facility: A holder of the License as of Sept 25, 1996 for 1356 licenses covering an area of 82,8 hectares of land (coal mining)
3. “Mon Ajnai” Co LTD : A holder of the License as of Sept 29, 1998 for 1361 licenses covering an area of 25 hectares of land

Illegal mining instances were suspended upon inspection under the supervision of Mr. Batbaatar, SSIA Department Head in Rinchinlkhumbe soum as of June 2007 and 8 individual hand mining activities were suspended.

However, in Ulaan Uul *soum*, there are few ninja miners illegally extracting gold. At present, there is no trace of mercury and cyanide application in these areas, however the rumors confirm of their visit to Zaamar *soum*, Tov *aimag*, the artisanal mining hot spot for learning the in-house application techniques for cyanide and mercury application.

The project team visited the Tunel, Erdenebulgan, Alag-erdene and Burentogotkh *soums* of Khosvol *aimag* for inspecting on ground the enforcement status for the newly adopted law of Mineral resources.

While visiting the areas, meetings were conducted with local authorities and on non-compliance relevant parties were informed and recommended were the correctional actions.

For protection of the Burenkhaan mountain, it has been decided to take it under the local protection and through establishment of local community group at the last meeting of the community.

These are the breaches of legislative provisions identified throughout the site visits and recommendations were provided on follow-up correctional actions. The Law of Mongolia on Mineral resources and its provisions were monitored in order to get an understanding of the law enforcement status on ground /Appendix 6/.

In Yoroo *soum* a serious violation of power abuse was noticed when government officials used the public money for irrigation system for implementing their own project on public land that was confiscated from locals.

“Nippon Koi” CoLTD was exploring the areas greater than their allowed areas limiting local herders access to pasture. The local herders protested this and their actions resulted in restoration of the areas and return of the land to locals.

The cultural and archeological heritage sites are being explored and no any action has been undertaken by relevant authorities.



V. Monitoring the Enforcement of the Anti-corruption Law Provisions

On Income Statement for Local Government Officials:

The personal income statements by the Governor and Chair of the Citizen Representative Khural were produced and publicized in the local daily so it can be an encouragement and role model for other officials as well. The list of government officials obliged to produce their personal income statements was compiled and sent to the Anticorruption unit.

For 800 people, income statements were collected in Khovsgol *aimag*. Among them there were 452 individuals, the government officials out of 465.

The government officials were fully due diligent: with 100 percent submission of income statements, whereas those who are in private sector or livestock herding business were reluctant to do so.

While doing the field work, we have noticed following flawed assumptions that might lead to failure of law enforcement:

1. Too board category of individuals obliged to state out their personal income. For instance, at *soum* levels, provisioning the *soum* Citizen Representative Khural members for income statement is unrealistic for way too many people. Therefore, it is suggested to narrow down the categories of officials only to government officials.
2. The provision on dismissal of officials from their current post/position is not applicable to local Citizen Representatives permanently employed in private sector or livestock herding.
3. Inadequate time period for preparation of the income statements
4. The provision limiting the publishing of income statements on “Toriin Medeelel” government newsletter and on the Anticorruption office website is viewed by rural residents inappropriate and not well grounded into Mongolia’s condition: with less number of people having access to internet service and subscription of the government newsletter.
5. The law provision of article 14.2 states out on the free access to information on income statement. Nevertheless the controversial internal procedure# 89 regulating the use and submission of Income Statements that was issued by the Head of Anti-corruption office creates unnecessary bureaucratic bottlenecks for the process.

Reporting on Corruption incidences:

The free access telephone hotline 22118 is functional in Khosvgol *aimag* to fight effectively the corruption, so the communities can report on such incidences.

The monthly monitoring procedure is set up for the hotline and report back to public. The project team got actively involved into the monitoring process in regard to mining sector and for analysis of the information collected, the team holds the discussion session with representatives from public.

For the period of 4 months from 26 November 2006 through March 31, 2007 there were reported 164 cases of corruption shown in the next table according to institutions:

	Institution Name	Reported cases	Percentage
1.	Hospital and health care	29	17.7
2.	Schools	24	14.6
3.	Social care/services	14	8.5
4.	Police	13	7.9
5.	SSIA	13	7.9
6.	Citizen registration bureau	11	6.1
7.	Kindergarten	10	6.1
8.	Governor's office at bag levels; <i>aimag</i> and <i>soums</i> ; CRKh, Government Single Treasury; EPA; HMAgency; Statistics office; Administrative offices		
	TOTAL	164	100

May 1, 2007-August 31, 2007 Corruption Incidence Reporting through the hotline

	Institution	Number of reports	Percentage
1	Hospital	11	11.1
2	Police	10	10.1
3	<i>Soum</i> Governor's office	8	8.1
4	<i>Soum</i> Governor	7	7.1
5	<i>Bag</i> Governor	7	7.1
6	Court	6	6.1
7	Citizen registration Bureau	5	5.1
8		45	45.3
9	TOTAL REPORTS	99	100

Summaries on Corruption incidents:

1. Hospital: Health care service workers render their services promptly only with some gifts and presents. Connections, nepotism and kinship play major factors for obtaining proper and prompt treatment.
2. Police: Police officers lack of communication skills, aggressive and bureaucratic. The road police officers abuse their power and use cars from street for their personal matters. Bureaucracy is one of the largest obstacles for the system.
3. *Soum* Governor's offices: inefficiency in work resulted in delays for months; rent seeking for their service and improper treatment of local residents approaching

the office for inquiries. Not doing their job properly; lack of well-described information and instructions on formalities and application procedures.

4. *Bag* Governors: Bureaucratic and inefficient. Aid and assistance from the central government never reaches the intended beneficiaries due to unfair distribution of services and goods by *bag* governors. Nepotism and kinships rule their day to date management.

There was no any report on corruption incidences in mining sector.

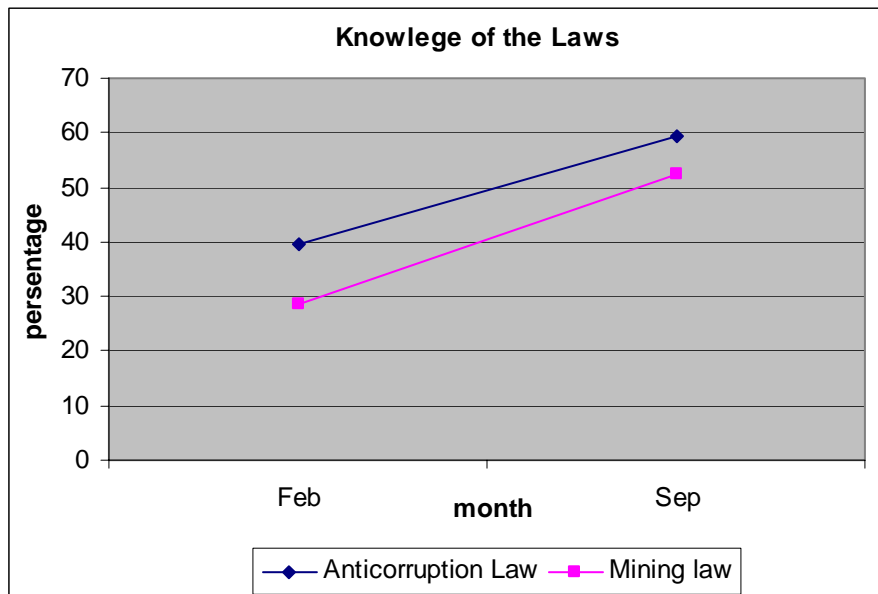
In Bayan-Adarga *soum* of Khentii *aimag*, even though there is no presence of functional mining companies, many residents suspected some government officials on possible corruption cases. The reason for suspicion is described with the Bayandurlig forested area taken under local protection due to its high cultural value (203 graves from Gunn’s time) but being dogged recently by visitors from outside the area.

Local people expressed their concern over this and stressed out that this is 1 of only 5 remaining places where the graves from Gunn’s time are kept well preserved and suspect that local officials are involved in the process by issuing the permissions required. Thus, they agreed to integrate this concern into action plan and act on this.

VI. The Major Ouputs

1. Resource Materials for Public and Resource People
2. Trainings for Resource People and Public Monitoring Strategy
3. Public Outreach Activities on Mining and Anti-corruption Laws

1. As a result of the project, local community movements and environmental protection activities are interlinked institutionally unified into an alliance, and such alliances and their capacities were improved through numerous skill development trainings and joint practical activities such as protest acts; inspections and investigations etc.
2. 2 series of pre and post project surveys were administered amongst the local community involving 200 residents of each *aimags* on level of public awareness of corruption and mineral resource use legislative acts. The survey findings support increase in awareness level from 35-44% to 54-65% on corruption law and 23-34% to 45-60% on mineral resources law.



4. Monitoring of Law Enforcement Through River Movement Organizations in Three Selected Areas (gold-mining sites)

5. National Seminar With Decision-Makers

5.1. This event was organized on 25 of October, 2007 in Ulaanbaatar, Mongolia jointly with the Human Development and Rights Center. The primary objectives of the workshop were to 1) report to public and decision makers on the ground level enforcement status of law provisions under the Law of Mongolia on Mineral Resources and Law of Mongolia on Anti-Corruption; 2) elaborate and exchange views on issues to be taken into account in regard to law enforcement and develop recommendations for further action. The consultation meeting was opened by Mr. Chimed-Ochir, Director for WWF Mongolia Program Office.

The Parliament Members including Ms. Monkhtuya, Head of the Parliament Standing Committee on Foreign Policy and Mr. Myagmarsuren, the Advisor to the Standing Committee on Environment and Food and Agriculture, Mr. Ts.Banzragch, Head of the Department of the Natural resource management for Ministry of Nature and Environment and, other relevant officials, Ms. Saran, Head of the Environment, Geology and Mining Department with the SSIA, governors from 3 aimags and soums local Parliament Members attended the consultation process /Appendix 7/.

5.2. TV Debate direct broadcasting was organized 26 of October, 2007 . The Channel 25, the major TV station in Mongolia has aired the direct broadcasting of the special program on public participation and monitoring of the law enforcement process for Laws of Mongolia on Mineral Resources and Anti-corruption. The peak hour of broadcasting (8 p.m- 9 p.m) was chosen in order to reach effectively to public. The parliament member Ms. Monkhtuya, Head of the Parliament Standing Committee on Foreign Policy, Mr. Banzragch, Head of the Department of Ministry for Nature Environment, Mr. Purevjav, Head of the Department with the Mineral Resources and Petroleum Authority of Mongolia, Mr. Chilkhajav, Senior Inspector of the SSIA, Mr. Chimed-Ochir, Director for WWF Mongolia Program Office and Ms. Dolgormaa, Toxics and Mining Officer from WWF Mongolia, Citizen Representative Khural heads of 3 aimags, L. Otgontsetseg, head of the local river movement “Onon-Ulz”, Governor Bayarmaa and other representatives of local NGOs participated in the TV Program. A one-hour TV program elaborated more on the needs for the law enforcement and measures to be taken in order to improve it.



VII. The Major Achievements and Impacts:

Prior to the project commencement, local communities barely received info on mining activities and corruption related matters. This limited the public participation in decision making process and hindered the exercising of personal rights to free access to information.

With the help of the guidance book on public participation in mining activity monitoring where methodologies are provided for public, with joint inspection and site visits to the sites, people were empowered and convinced of their leading role in decision making and enabled them to stand up for environmentally sound development for their areas. People were persuaded through the ground work on advantages of working in groups via cooperating with each other.

Not only layman people, as well as government officials were informed with latest updates on legislative acts and their provisions. This enables the local communities and authorities to discuss and debate for the best optimal version of the development path for their counties and provinces.

As a result of the project, 2 new local movements were formed in Selenge and Khovsgol *aimags* and previous movements opened their own local branches at *soum* levels. The movements are expanding and gaining support from local residents.

The project activities are highly appreciated by local communities. In their own words, the project had been an eye-opener exercise for many of them getting them exposed to mining activities and making them aware of potential problems and most importantly aware of ways dealing effectively with the problems at local levels.

People in Yoroo *soum* are activated and mobilized for protection of their native land and are eager to learn more on development of needed capacity and skills for monitoring of mining activities and their health and environmental impacts for preventive purposes.

The project team worked hard on rendering assistance to local communities and was equipped well with necessary reference and resource materials that so much needed at local levels.

The project findings on environmental violations and non-compliance instances were shared with decision makers and for follow up and correctional measures they tend to cooperate with local communities and the project staff, which was a good sign.

The project served as a kick off for the mutually beneficial cooperation between the river movements and local authorities: government officials learning to listen to concerns of people.

The notion for three-partite agreements between local communities, local authorities and mining companies was welcomed by many parties. This will enable the parties to prevent from potential non-compliance instances and make the info on mining company investment into local economic development transparent and open to public.

Sharing of all the findings and info compiled during the project implementation period was very much appreciated and welcomed by local communities.

The communities are aware of their roles and responsibilities and knowledgeable of ways for addressing problematic issues such as pressurizing parties for non-compliance so the proper actions to be taken.

VIII. Recommendations:

One. To the Parliament of Mongolia-Great Khural members:

4. Review and revise the specified 30 day notice period as indicated in Article 19.4 on automatic consideration of the consent from the Aimag Governors in case of lack from their side the final responses within 30 days of first time notice for the final consent.
5. Compensation and reimbursement with losses caused to the environment under the “Polluter Pays Principle” and develop the legislative acts regulating the “Ecological and economic value thresholds” in order to compensate losses caused to local communities
6. Revise and amend the EIA Law

Two. To the Government of Mongolia:

1. *Aimag* and *soum* level land use plans to be adopted; no go zones for mining to be identified in relation to protected areas; local worship and cultural monument/heritage sites and cancel/cease the licenses for companies non compliant with the restoration pre-requisites.
2. Offer alternative solutions to license compensation

Three. To Mineral Resources and Petroleum Authority of Mongolia:

1. By 2009, all the issued licenses are to be re-registered and renewed. The deposit area reserve size, technologies to be applied for exploration, application of environmentally sound technologies and compliance with standards are to be considered for re-issuance of licenses and in case of lack and non-compliance, the local authorities are to be held for guaranteeing the licenses and losses occurred.

Four. To the Ministry of Nature and Environment:

1. Emphasize on the quality of EIA work, identify and address the gaps and loopholes in existing system of EIA and increase the coordination and collaboration of local-level environmental protection bureau and specialized inspection agencies.
2. EIAs to be conducted at the river basin and watershed levels, not to divert and change the river dynamics, sustainable use and conservation of surface water resources
3. Develop the detailed standards for prospecting, exploration and restoration work in mining sector
4. Monitor expenditure and income of the pre-required deposit equal to 50% of the total restoration work cost into the special account set up with the Governors at local level

Five. To the National Agency for Anti-Corruption:

1. Income statements to be publicized. Public monitoring is ineffective when access to this information is limited and disclosure of the info is non-transparent.

Six. To Local Governor's Offices and Citizen Representative Khural Presidiums:

1. Timely collection of water and land use fees and fees from licenses for mining and report back to public on their expenditure.
2. Negotiate with the companies operating on territories within the authority of *soum* and *bag* governors on employment creation for local community representatives, registration of foreign labor forces and monitor the labor force flow.

Support and collaborate with the local level environmental protection movements and institutions and conduct 3 partite agreements involving the mining companies, local community and local authorities.

IX. What Follow up Actions are Needed to Secure These Achievements and Take the Process Forward:

We propose to extend the project activities on ground for another one year and extend the coverage area to other critical provinces and *soums*. As a result of the project, the

project team was empowered through capacity improvement and new skill development.

Through scaling up the project activities, local communities in other areas can be mobilized and able to stand up for protecting their native land and their interests.

We find this bottom up approach the most optimal and effective way of addressing environmental challenges for the country and balancing the competing interests for economic development and environmental protection.

Appendix 1.

The Content of Publications produced under the Project

<p>Content: Foreword</p> <p>Chapter One. Rent seeking and prevention method</p> <ol style="list-style-type: none"> 1. Into Rent seeking corruption <ul style="list-style-type: none"> • Corruption and its impact • The forms of rent -seeking • Corruption and politics • Corruption and Economics • Corruption and Society • Liabilities for corruption • Victims of corruption • Public participation in anti corruption activities • Office general for Anticorruption 2. Corruption prevention and Legal litigation <ul style="list-style-type: none"> • Income statement by civil service officer • Legal litigation <p>Chapter Two. Public control and anticorruption activities in mining sector</p> <ol style="list-style-type: none"> 1. Public participation <ul style="list-style-type: none"> • Access to into • Bilateral agreements with mining companies 2. Environmental Protection <ul style="list-style-type: none"> • Mining company liabilities 	<p>3. Human Right Aspect</p> <p>4. Mining sector, Transparency initiatives</p> <p>Chapter Three. For Guidance on Monitoring Corruption in Mining Sector</p> <ol style="list-style-type: none"> 1. Renewal re registration of a special permit according to the newly revised Law of Mongolia 2. Exploration license issuance 3. Exploitation license issuing 4. license renewal extension 5. license transfer 6. Environmental Impact Assessment, Environmental Protection Plan, and it's implementation 7. Capital investment its expenditure into environmental protection and local development by the license holder  <p>Attachment 1, Anti-corruption Law of Mongolia Attachment 2, Mineral Law of Mongolia</p>
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The handbook includes 3 sections: to take precautions from corruption in mining sector, to include public participation in order to control and monitor corruption as well as information materials and Legislation acts.

The handbook's aim is to promote of implementation the Laws of Anticorruption and Mining, and an effective public monitoring system at local and national level that includes active involvement of the public.

Procedures:

Monitoring of the renewal process for prospecting and exploration licenses requires updating of information compiled upon the 1997 Law on Mining. Thus we provide below the comparative analysis of provisions regulating the issuance of licenses under the new Law of Mongolia on Mineral Resources and its previous version from 1997.

The handbook includes 3 sections: to take precautions from corruption in mining sector, to include public participation in order to control and monitor corruption as well as information materials and Legislation acts.

The handbook's aim is to promote of implementation the Laws of Anticorruption and Mining, and an effective public monitoring system at local and national level that includes active involvement of the public.

1. Effective Monitoring of Prospecting Licenses: Procedures to be followed;

	Licenses issued upon newly adopted Law of Mongolia on Mineral Resources	Required Background Info	Law articles
1	Special purpose land areas do not overlap with reserve and mining sites	<i>Geology and Mining Cadastral Center</i> provides info: The Prospecting Area Cadastral Map; Registration records of requests and licenses; Payment Receipts; The Licensing Certificate copy <i>From Aimag Governor:</i> Date of incoming/ outgoing correspondence <i>Soum Governor</i> provides: Citizen Representative Khural Recommendation/ Decision	2006 Law on Mineral resource: Articles 11.1.5 and 11.1.22; Articles 17-20 Article 57
2	Legally bound size under the prospecting license: 25-400,000 hectares		
3	Official consent from the Aimag Governors The Aimag Governor's decision based on Soum Citizen representative khural recommendations Submission of final decision within the specified deadline (30 days)		
4	Integration of Aimag Governor decision into the license re-issuance		Article 20
5	50 % deposit for restoration work placed into the special account within the specified deadline (10 working days)		
6	A 30 day pre-selection period valid for public announcement for license suspended areas	The Office of Geology & Mining Cadastral mapping provides: Public Announcement for Selection of Final License Holders Registration & selection process related documents	
	Records kept in chronological order of all submitted requests/documents/materials		
	Compliance with the Government regulatory acts		

2. Procedures to follow for effective Public Monitoring for Exploration License Renewal process:

Applies to License Re-issuance under 2006 Law of Mongolia on Mineral resources			
	Points to consider	Required Background Info	Law articles
1	No overlapping between the reserve/special purpose areas and areas not accessible to mining	The Office of Geology & Mining Cadastral Mapping issues:	Law of Mongolia on Mineral Resources 2006: Article 11.1.5 Article 11.1.22 Article 57 Articles 24-26 Article 35.4 Law of Mongolia on Water Articles: Article 16.1.5; Article 24 Article 26 Article 31
2	Adequacy of income from mineral resource exploration for compensating the ecological loss caused from mining	Licensed Area Cadastral Map; Registration of requests & licenses; Payment Receipts; The Licensing Certificate Copies;	
3	Status of restoration work during the exploration stage		
4	Relative ratio of prospecting and exploration sites	Mineral resource Management Committee Findings	
5	The MNE accepted EIA findings and inspections per provisions under the Mongolian Laws on Water; Wildlife and Plants	MNE and Environmental Inspector at soum levels shall provide copies of following documents: EIA reports	
6	EIA findings reflect local community concerns and local consultation process documented. MNE considers local community concerns for approval of EIA findings	Soum Governor Decree on Use of Common resources and Agreement w/Mining Company	
7	Payment of fees/deposits for initial first year within the specified deadline (10 working days)	Assessment report for restoration activities	
8	Agreement w/Soum governor on use of water and ground resources	Aimag level SSIA Finding & Recommendation for Mining Activities	
9	Aimag level SSIA findings	Office of Geology and Mining Cadastral Mapping provides:	
10	Availability of procedures ensuring fair selection process for the final license holder	A copy of the documents on Selection Process	

3.Procedures to be followed for Effective Monitoring of License Extension Process:

License Extension			
	Points to consider	Info Sources	Legislative provisions
	30 days prior request for extension of licenses	Office of Geology & Mining Cadastral Mapping provides: The Licensed Area Cadastral Map Request/license registration Payment receipts The Licensing Certificate Copy SSIA & Office of Geology & Mining Cadastral Mapping issues: Restoration costs equal or greater than the prospecting costs Aimag/Soum Environmental Inspection Agencies: Reports on Implementation Status for Environmental protection plans	Law on Mineral Resources (2006): Article 11.1.5 Article 11.1.22 Article 57 Article 22
	License Payment status		
	Compliance with the Environmental Protection Plan		
	Amount of financial resources allocated/spent for restoration activities		
	Suspension/cancellation of licenses expired licenses		

4. Monitoring of License Transfer Process:

Extension of licenses upon transfer			
	Points to consider	Info Sources	Legislative provisions
1	License transfer due to structural changes or transfer of ownership	Office of Geology & Mining Cadastral Mapping provides: The Licensed Area Cadastral Map Request/license registration Payment receipts The Licensing Certificate Copy Local SSIA report on restoration work	Law on Mineral Resources (2006): Article 11.1.5 Article 11.1.22 Article 57 Article 22
2	Tax payment status	Payment receipts for transfer of deposits for restoration work obtained from Soum Governor and MNE	

3	Restoration work completed prior to the transfer process	Statement from National registration center for Economic entities	
4	Placement of deposits required for restoration work into the special account		

5. Effective Monitoring of compliance with the EIA findings and implementation of the individual EPP (Environmental Protection Plans):

	Points to consider	Info sources	Law Articles
1	EIA reliability and authenticity in regard to: Impacts identified over natural integrity; underground and surface water resources; fauna and flora communities; air; soil and human population Recommended technology in mining An array of chemicals to be applied	Copies of EIA reports and EPPs obtained from MNE & local environmental inspectors Compiling info on chemicals use from SSIA; environmental inspectors and local community Verification w/MNE on mining company requests for List of Legally banned toxic chemicals and Legal permission for certain chemicals application	2006 Law on Mineral resources: Articles 37-40 Article 56 Article 57.4 Article 66.3 Article 66.4 Law of Mongolia on EIA Law of Mongolia on Environmental Protection: Article 4
	Realistic estimation of environmental protection and abatement costs	Official Copies of Standards on Permissible Levels of Chemicals in Air, Soil and Water	Law of Mongolia on Fauna: Article 6 Article 7.4 Law of Mongolia on Flora: Article 7.5. Law of Mongolia on Water: Article 16.1.5 Article 24 Article 26 Article 31
	Adoption and approval of annual restoration plans, if not, requests from soum	Statements from MNE & soum governors on deposits placed in the special account	

	Governors & Environmental Inspectors addressing to MNE for license suspension	by Mining companies	
	At least 50% of restoration expenses per annum to be placed in the special account w/soum governors for prospecting work and MNE account for exploration work; if not activities suspended		
5	Proper use of restoration expenses		
6	Application of mercury and cyanide		
7	Undertaking abatement actions for cyanide neutralization		

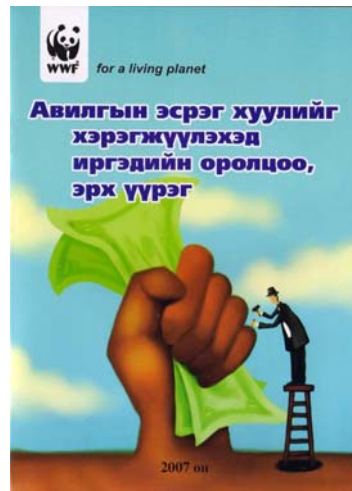
6. Monitoring of Investments into Local development and funds comprised of fees collected for water and land resources:

	Points to consider	Info sources	Legislative provisions
1	Investments supporting local development upon agreement with local authorities	Statement from License Holder on size of investments and copy of agreement w/local authorities	2006 Law on Mineral Resources: Article 47 Article 48.10 Article 43
2	Transparency & accountability on Agreement concluding	Verification with Local community	Article 42
3	Accountability and reporting by local authorities on spending of funds received from License holders	Copies of the Agreements Verification w/Soum governors and CRKHs Info on labor forces from aimag level SSIA offices	
4	Selection of community representatives into the Monitoring Committee		
5	Payment of annual fees for natural resource use		
6	Employment creation		

opportunity for Mongolian citizens up to 90% of total employees		
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The book on “Public participation, Right, Obligation for implementation of the Mining Law”

The book on ““Public participation, Right, Obligation for implementation of the Anticorruption Law ”



Public participation in Corruption and compliance monitoring in mining sector

1. Definition of Corruption
2. Corruption forms and types
3. Adverse impacts of corruption
4. Liability for corruption
5. Victims of corruption
6. Citizen Right to Information Access
7. Right to formalize and unite into groups
8. Grievance and complaints
9. Public participation in decision making
10. Public monitoring in prevention from corruption
11. Entering into Agreement with the Mining Companies
12. Licensing, license transfer and canceling
13. Informing on corruption incidences
14. Anti-Corruption Agency and its roles
15. Income statement by government officials
16. List of civil servants obliged to submit their income statements
17. Monitoring of Income Statements
18. Court Appeal on Corruption offenses

A Booklet on Citizen rights and responsibilities for Mineral Law enforcement

1. Definition of Public participation
2. Principles of Public Participation: access to information; rights to participation; filing the case; legislative and regulatory act on public participation; Constitution of Mongolia and Law of Mongolia on Mineral Resources
3. Entering into Agreement with the Mining Companies: Parties; agreement details; conditions; stages and monitoring of enforcement
4. Environmental Protection: Roles and due diligence by mining companies
5. Exercising your rights
6. Extractive Industry Transparency Initiative: Mongolia

B Booklet on conducting monitoring:

1. Licensing and re-registration of licenses: Details and legislative background
2. Licensing procedure: Details; baseline data; Legislative background
3. Issuing license for exploration: Details; baseline data; Legislative background
4. Extension of licenses: Details; Baseline data; Legislative background
5. License transferring: Details; Baseline data; Legislative background
6. EIA and Environmental Protection Plan: Details; Baseline data; Legislative background
7. Expenditure of income from fees collected for water and other natural resource use: Details; Baseline data; Legislative background

Appendix 2.

**Agenda for Training Seminar on
Enabling the Public Participation in Monitoring of Mining Activities**

February 05, 2007 Monday

**9:30 –10:00 Opening remark by Mr. Chimed-Ochir, Director, WWF Mongolia
Program Office**

Training Seminar

10:00-11:20 Intro into the Anti-Corruption Law of Mongolia: Possible Corruption incidences related to mining, prevention and monitoring

by Mr. Lamjav, Advisor

11:20-11:40 Coffee Break

11:40-12:50 Question and Answer

13:00-14:00 Lunch

14:00-14:20 Law of Mongolia on Mineral resources: Concepts and governing principles

by Mr. Ts. Damiran, Parliament member

14:20-14:50 Question and Answer

14:50-16:00 Provisions of the Law of Mongolia on Mineral resources on local governance presentation

by Mr. Davadorj, Head, Department for heavy industry and Mining, Ministry of Trade and Industry (limited use and no go zone land use; prospecting, exploring of mineral resources; dealing with requests and

issuing licences; re-issuance of the licences; pre-requisites; roles and responsibilities of license holders; extending the license terms; license transfer, cancellation of licenses; investment agreements; environmental protection plan and its enforcement; planned activities and assessment; cooperation with local governance institutions; sanitary and hygienic conditions; fees for natural resource use; return of the site; post exploration restoration activities; dispute resolutions; conflict and complaint handling; monitoring and assessment; regulatory mechanisms; liability and relevant governing rules and regulations).

16:00-16:20 Question and Answer

16:20-16:40 Coffee Break

16:40-17:30 **Law of Mongolia on EIA provisions**

by Gantomor, Department of Environment and Natural Resources Management, Ministry of Nature and Environment (Scoping and detailed EIAs; Environmental Protection plans; monitoring and evaluation and independent evaluation)

17:30-18:00 Question and Answer

February 06, 2007 Tuesday

09:30-10:00 **Law of Mongolia on Special Protected Areas: Current Status and Challenges.**

by Mr. Namkhai, Head, Protected Areas Bureau, MNE

10:00-10:30 **Law of Mongolia on Environmental Protection**

by Erdenetsetseg, Officer, Department of Environment and Natural Resources, Management, Ministry of Nature and Environment

10:30-11:00 Question and Answer

11:00-11:20 Coffee Break

11:20-12:20 **Law of Mongolia on Land resources, Land use planning and monitoring**

by Mr. Monkhubaatar, Head, Department of Land Use and Registration, Ministry of Urban planning and Construction

12:20- 13:00 Question and Answer

13:00-14:00 Lunch

14:00-14:40 **State Budget and local level allocation and disbursements (budget income and expenditure; check & balance systems;**

by Batjargal Head of the Department of the Ministry of Finance (percentage of fees for natural resource use practices; taxes; pre-requisites for advance deposits and its expenditure)

14:40-15:40 **Transparency in Mining Sector**

by Mr. Ganbold, Foundation for Transparency Initiative for Explorative Industries

15:40-16:00 Coffee Break

16:00-18:00 Question and Answer Session

February 07, 2007 Wednesday

09:30-10:30 **Environmental impacts of mining prospecting and exploration stages**

by Ms. Saran, Head, Department on Environment, geology and Mining,
State Specialized Inspection Agency

10:30-11:00 **Application of Toxic Chemicals in Mining Sector**

by Otgon, State Inspector on environmental, geological and mining
activities, SSIA

11:00-11:20 Coffee Break

11:20-12:20 Question and Answer

12:20-13:40 Lunch

13:40-17:30 **License and Its registration**

Practical exercise in GIS Lab by all participants

February 08, 2007 Thursday

9:30-10:00 **Conducting the Public Monitoring**

A Joint Presentation by Ms. Narangerel, Head, Citizen Education Center
and Ms. Bayarmaa, Head, Hovsgol Dalai Local Environmental Movement

*Working in working groups: dividing into 3 working groups (Khosvgol;
Selenge and Khentii) Facilitator: Ms. Narangerel*

12:00-13:00 Reporting back on Working Group findings

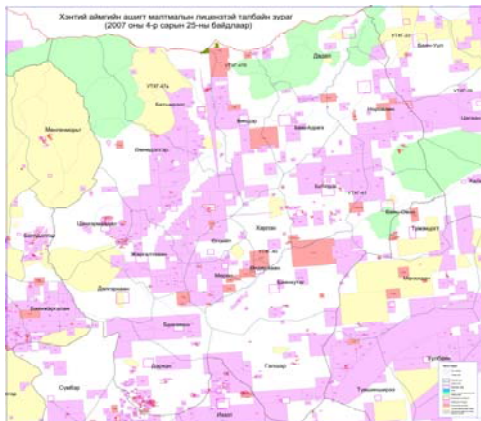
13:00-14:00 Lunch

14:00-15:00 Other work

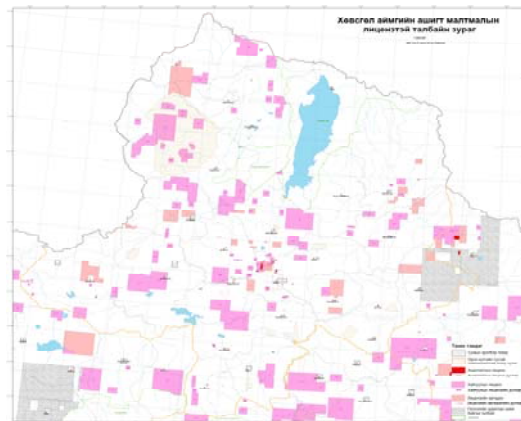
Appendix 3.

The Licensed Areas in Khentii, Khovsgol and Selenge aimags

Khentii aimag



Khovsgol aimag



Appendix 5.

Overlap of Licensed area with locally Protected areas

No	Data of Licenses Issued	Terretoty (ha)	Name of the land	Name of the CoLTD	Director Name
1.	2004.12. 09	1406	Bayan gol	Bold tomor Yoroo gol	B.Delgersaikhan
2.	2005. 09. 01	87	Tohkoi	Temuulen-Od	M.Batsaikhan
3.	2005.10. 18	430	Hunguich	Egshiglen-Uul	G.Ganbold
4.	2005.11. 14	1025	Ikhzoom	Senterragold	Kelli Klier
5.	2005. 11. 14	8896	Khiitgeen Ondor-Uul	Senterragold	Kelli Klier
6.	2005. 12. 02	1948	Dalan-Uul	Ar Ir Ai Ti	Go UI Chu
7.	2005. 12. 26	2532	Saikhan-Nuruu	KHOM	S.Monkhat
8.	2006. 01. 02	181	Chuluut-2	DarkhanJonon	B.Battogs
9.	2006. 01. 10	23	Eroo-Gold	Khokh Sharagchin	S.Monkhubayar
10.	2006. 01.10	12129	Sharlangiin gol	Allyansgold	L.Onorkhuag
11.	2006. 01.19	73	Khereengol	KHasy	Ch.Tsedev
12.	2006. 01. 25	437	Ikhsoom gorkhi 14	Senterragold	Kelli Klier
13.	2006. 01. 25	945	Ikh Soom Gorkhi	Senterragold	Kelli Klier
14.	2006. 01. 25	1257	Gakhait	Senterragold	Kelli Klier
15.	2006. 01. 27		Arilgikhiin gol	Allyans gold	L.Onorkhuyag
16.	2006. 02. 13	23459	Dartsagt Ovoo	Domogt Xero	M.Ider
17.	2006. 03. 22	223	Khojuult	Shine erel	B.Enkhjargal
18.	2006. 04. 03	918	Olont	Setgehsgui trade	L.Gankhuyag
19.	2006. 05. 22	80	Namhseriin Tolgoi	Ariun Trade	D.Gantomor
20.	2007. 07. 26	16073	Tsongol Uul	Dorniin Chuluulag	E. Erdenetsogt

Appendix 6.

The List of Commonly recorded Legal Breaches

	Article #	Description	breaches	Comment
1.	Article 19.3	“...When licensing is feasible, the central government agencies shall notify on such a decision the local level authorities and governors in a written” form	No any correspondences with local level authorities and local level officials are not aware of this provision	Lack of transparency hindered the process of inspection and access to needed information during the project field work
2	Article 19.4	“Upon receipt of the notification by central government agencies, the local authorities, especially the Citizen Representative Khural shall submit their final decision back to central government agencies within 30 days from the receipt of the notice. Lack of such reply shall be considered as consent for the decision”.	The process of Re-registration of licenses under the newly adopted law is not enforced at local level: communities are not consulted on renewal of licenses.	We propose to change this provision as it was found not well-grounded.
	Articles 17.2.2. 17.2.3.	“17.2.2 stating on avoidance of overlapping of lands under special use with reserve areas. 17.2.3 provisioning for areas not overlapping under the previously issued licenses and application for license from the previous rounds”.	“Lands of special use and reserve categories overlap with mining sites in many areas: “Monti Mines” Co LTD runs 1406 hectares of land in Yoroo <i>soum</i> , Selenge <i>aimag</i> , “Altan Dornod” Co LTD explores under the license 7553 & 7554 in Khosvgol <i>aimag</i> ; “Duurlig Pine” forest area is being digged by foreigners; “Batu-mining” CoLTD explores the area in Khan Khentii PA”	
	Article 20.1.1.	“On de-gazette areas, exploration licenses shall be issued through bidding process and 30 day advance	Not enforced in all places. Government officials at all levels are not aware of this provision.	Once advertised in the daily papers, yet local people have limited access

		notification issued to public by Mining authority”		to printed media
	Article 25.1.6-25.1.7.	“Pre-requisite for EIA and compliance with the Environmental Protection Plan per EIA”	No EIAs and restoration activities undertaken during prospecting	
	Article 38.1.1.	“On Env.Protection Plan to be developed jointly with the local authorities and EPA within 30 days from licensing”	No Env.Protection Plan	
	Article 38.1.2.	Follow up on Article 38.1.1: precautionary actions not to exceed the pollution level from the permitted level; put back tillage and undertake restoration activities so the land can be used for common purposes;	No any areas restored in all inspected areas	
	Article 38.1.3.	The Environmental protection plan to be submitted to the Governors of <i>soum</i> and <i>aimags</i> for their endorsement;	No enforcement at all. Only 5 mining sites had the Env. Protection Plan	
	Article 38.1.4.	Share with local Environmental inspection and monitoring authority with one copy of the EPP that is finalized and endorsed by the governor;	The Environmental inspection and monitoring authority never receives the copy	
	Article 38.1.5.	Environmental impacts and violations to be recorded and reported in the annual report that is submitted to local authorities: Governor and environmental inspectors;		
	Articles 35.3.7. 38.1.6.	The Annual report on implementation status for Environmental protection plan to include information on conservation measures; innovative technologies preventing negative impacts and damages and amendments to EPP;	No trace of implementation of the EPP. The local <i>soum</i> level authorities were requested to share the info on which there was no any action. The EPP is not recorded with many mining companies active in the areas.	
		No agreement on land and water resource use;	Many sites w/breaches by companies:	

			<p>“Classico Moto”, “Jump” “Volter” “Zolotaya Victorya” “Batu Mining” CoLTD</p>	
	Article 39.1.1	Prior to licensing and upon licensing through bidding process, the parties shall be liable for undertaking EIA and implementing the EPP	In Yoroo <i>soum</i> , out of 61 mining activities, only 19 is undertaking the EIA. “Batu-Mining” in Kentii <i>aimag</i> though holds 10 licenses none of them had EIAs. The EPPs are required to be kept at the mining sites, yet they are kept in UB HQs.	
	Article 39.1.6.	The copies the Final EIA Reports and EPPs shall be delivered to relevant local authorities: Governors and Environmental Inspectors.	None of companies share the copies of both documents.	
	Article 57.4	The EIA reports, annual reports on EPP, reports on use of toxic chemicals to be placed on the web for enabling wider public access to information	No enforcement to date. The info is hard to get in its simplest form directly from the authorities.	
	Application of chemicals		Of all 20 mining sites visited, 2 companies, namely the “Men Khun” CoLTD and “Run Can” Co LTD companies were suspected in use of mercury and official requests for site investigation and inspection, possible suspension of licenses were forwarded to environmental inspectors.	
	Article 38.1.8	As a due diligence for environmental protection, the companies shall deposit at least 50% of the total amount required for restoration work into a special account with local authorities/Governors	It was hard to monitor this aspect: both sides the companies and governors offices were reluctant to share info. Assumptions made by locals on improper spending of these funds and mostly for covering the budget deficits. No proof to this.	
	Article	The license holders shall	No info officially compiled	

	48.10	report on products, income and taxes within 1 st QTR of the following year.	and disseminated in this respect.	
	Article 43.1	The license holders are expected to contribute to creation of job places for Mongolian citizens and up to 10% of total employees could be contracted from foreign nationals.	“Huan jinlen” CoLTD in Yoroo <i>soum</i> breached the law provision by hiring sole Chinese workers.	
	Article 43.2	Per exceeded quota for foreign nationals the companies are expected to pay the amount equal to 10 times of the monthly minimum wage per employee	Not enforced on ground.	

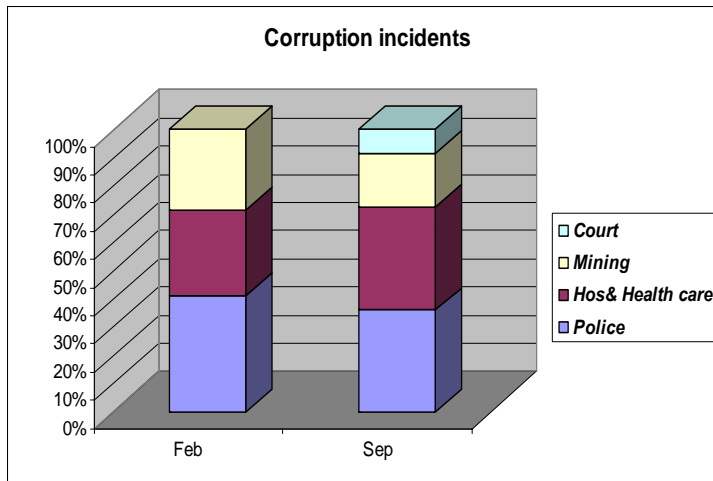
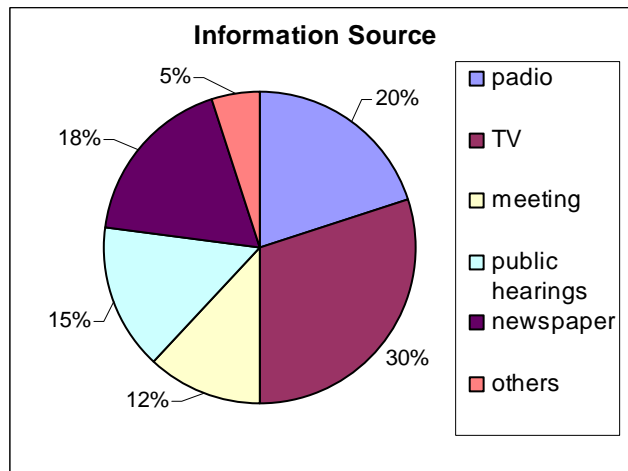
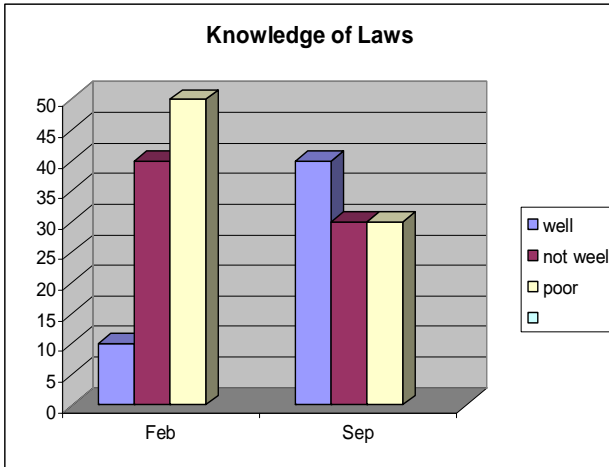
Appendix 7.

Meeting Agenda for the Project Final Output and Result Discussion

Date: October 25, 2007

- 9:30-10:00 Opening Remark by Mr. Damiran, Member, Parliament of Mongolia
Mr. Chimed Ochir, Director, WWF Mongolia Program Office
- 10:00-10:30 Presentation of Findings on Monitoring and Assessment of Mining activities on territory of Yoroo *soum*, Selenge aimag by Narangerel, Team Leader
- 10:30-10:40 Question and Answer
- 10:40-11:10 Awareness and advocacy activities for promotion of newly approved laws on Mining and Anti-corruption in Khovsgol aimag, presentation by Ms. Bayarmaa, Team Leader
- 11:10-11:20 Question and Answer
- 11:20-11:40 Coffee Break
- 11:40-12:10 Public participation and enforcement of legal provisions under the laws of Mongolia on Mining and Anti-corruption in Khentii aimag, presentation by Ms. Otgontsetseg, Team leader
- 12:10-12:20 Question and Answer
- 12:20-13:20 Finalizing the Draft Recommendation on Effective Enforcement of Law provisions for Mongolian Laws on Mineral Resources and Anti-

Appendix 8. The Project Surveys Result Diagram



Appendix 11. Selected Photo Documentation

