

Mongolia



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Mongolia has significant copper, gold, coal, molybdenum, fluorospar, uranium, tin, and tungsten deposits. Minerals accounted for 46 percent of gross domestic product in 2010 and 80 percent of exports in 2007. The economy grew 18 percent in 2011, largely on the strength of commodity exports to China and other near-

Mongolia	2000	2005	2011
Population (million)	2.41	2.55	2.80
GDP (constant 2011 international \$ billion)	1.5	2.9	8.8
GDP per capita, PPP (constant 2005 international \$)	2,208	2,862	4,187
Extractive exports (% total exports)	42%	63%	80%

SOURCES: World Bank. Extractive exports 2011 data from 2007.

by countries.

Mongolia's Performance on the RGI

Mongolia received a "partial" score of 51, ranking 26th out of 58 countries. A very good Institutional and Legal Setting score was contrasted with Mongolia's poor performance on the Reporting Practices component.

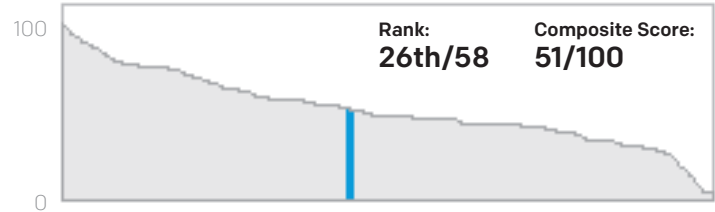
Institutional and Legal Setting

(Rank: 9th/58 Score: 80/100)

Mongolia's "satisfactory" score of 80 reflects clear revenue collection mechanisms and a range of reporting requirements that are not always fulfilled in practice.

Mongolia's Mineral Resource Authority regulates the sector and grants licenses on a first come, first served basis in exchange for royalties and taxes. It is independent of the state-owned company Erdenes MGL. The Finance Ministry collects payments from mining companies and places all resource-related revenues in the national treasury.

Environmental impact assessments are required by law prior to the award of any mineral rights. Mongolia adopted a Freedom of Information Act in 2011, but it still is possible for



businesses and government agencies to keep some documents confidential. Mongolia has been an Extractive Industries Transparency Initiative (EITI) compliant country since 2010.

Reporting Practices

(Rank: 41st/58 Score: 39/100)

With little government data on the national mining company, Mongolia received a "failing" score of 39.

Legislation governing the licensing process is readily accessible, but little information about the mineral deposits to be licensed is made public. Contracts are rarely published and environmental impact assessments are available only for projects already underway.

The Finance Ministry publishes regular information on production volumes, prices, the value of mineral exports, names of companies operating in the country, production data by company, royalties, special taxes, dividends, and license fees. The Mineral Resources and Energy Ministry also publishes information on industry operations, including investment in exploration and development, but does not report revenues. The Mineral Resource Authority publishes information on commodity prices, estimates of investment in exploration and development, the names of companies operating in the country, royalties, and license fees, but without comparative years. Mongolia's 2010 EITI report includes comprehensive information on disaggregated revenue streams.

Safeguards and Quality Controls

(Rank: 37th/58 Score: 49/100)

Mongolia received a "weak" score of 49, reflecting a lack of public oversight of the state mining company.

Mongolia's Minerals Law limits the discretion of the Mineral Resource Authority in awarding licenses. Third parties are allowed to appeal licensing decisions. The National Audit Office reviews the government's budget annually. The parliament's Budget Committee reviews the audits within one year but does not separately scrutinize resource-related revenues. Mongolia recently adopted a conflict of interest law requiring government officials with a role in oversight of the mining sector to disclose their financial interest in any extractive activity.

Enabling Environment

(Rank: 20th/58 Score: 48/100)

Low global rankings for corruption control and government effectiveness contributed to Mongolia's "weak" score of 48.

State-Owned Companies

(Rank: 38th/45 Score: 20/100)

The government established Erdenes MGL to represent the state's interest in strategically important mineral deposits. Almost no information is available on the functioning of the

company. It publishes no financial reports, despite a legal obligation to do so.

Subnational Transfers

(Rank: 19th/30 Score: 56/100)

According to the Minerals Law, 30 percent of royalty payments and 50 percent of special license fees go to local governments. These transfers are published by the central government, which generally follows the rules of resource revenue sharing. Local governments do not report their receipts.

Mongolia's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
26	COMPOSITE SCORE	51
9	Institutional and Legal Setting	80
	Freedom of information law	67
	Comprehensive sector legislation	67
	EITI participation	100
	Independent licensing process	83
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	50
	SOC financial reports required	100
	Fund rules defined in law	..
	Subnational transfer rules defined in law	100
41	Reporting Practices	39
	Licensing process	67
	Contracts	33
	Environmental and social impact assessments	17
	Exploration data	83
	Production volumes	67
	Production value	56
	Primary sources of revenue	67
	Secondary sources of revenue	50
	Subsidies	33
	Operating company names	67
	Comprehensive SOC reports	0
	SOC production data	0
	SOC revenue data	0
	SOC quasi fiscal activities	0
	SOC board of directors	0
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	0
37	Safeguards and Quality Controls	49
	Checks on licensing process	89
	Checks on budgetary process	78
	Quality of government reports	58
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	0
	SOC reports audited	0
	SOC use of international accounting standards	0
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	0
	Government follows subnational transfer rules	67
20	Enabling Environment	48
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	31
	Open Budget (IBP Index)	78
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	56
	Government effectiveness (WGI)	32
	Rule of law (WGI)	41

■ Satisfactory	■ Weak
■ Partial	■ Failing