

PRIME INTERVIEW

HEAD OF DMROM UNDERLINES THE IMPORTANCE OF INVESTMENT FOR FINDING NEW DEPOSITS

Trans. by B.DULGUUN

Mongolia needs to improve jurisdiction and transparency to attract more foreign investment, according to B. Baatartsogt, the Head of the Department of Mineral Resources and Oil Mineral (DMROM), formerly known as the Mineral Resource Authority.

B. Baatartsogt spoke about investment prospects in mining and exploration fields, licensing, and ongoing research and projects in this field in the interview below.

You were promoted to the Head of the DMROM right after the new government was established. What have you accomplished to date?

A new government was founded after the 2016 parliamentary election and the Mineral Resource Authority and Petroleum Authority, which used to operate separately, were merged. I've been reconstructing the internal structure and trying to stabilize activities since my appointment. Our department then conducted an analysis on ways to attract investment for geological exploration and the oil sector, and improve the legal environment.

There are international research organizations that assess investment attractiveness for mining and exploration companies worldwide. Mongolia didn't get a good evaluation in this field in 2015, according to the results of a survey conducted by Fraser Institute, an independent non-partisan research and educational organization. Mongolia ranked in 85th out of 109 countries. This organization has a high reputation among mining and exploration investors. Fraser Institute analyzed that Mongolia has a good legal system but has too many overlapping laws, regulations and standards. We also fell back in rank due to poor transparency in mining and exploration fields. In other words, our reporting practices aren't transparent and we don't provide sufficient information to investors.

The Natural Resource Governance Institute



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ders are announced for fields that have already been identified to have resources, and those that have undergone prospecting and feasibility studies with state funds. Companies are selected based on their bid and company assessment, which includes exploration experience, capital, personnel capacity, and technological capacity.

The second method is issuing licenses to the one who sends a proposal first. This method has been implemented through an online system since 2015. However, the online system is very lacking. It needs to be updated. The procedure for license issuance through application will be changed, but the online application will be continued. The system will become more developed and transparent. Currently, we're issuing exploration licenses through tenders.

There's a suspicion that authorities of smaller communities give away lands depending on donations from companies. For example, authorities cancel special use permits to allow another company that bought a new ambulance for a local hospital to explore the land instead. Shouldn't this be regulated?

Two things need to be enforced to manage this through economic incentives. First, companies must allocate 30 percent of their royalty to the local soum's development fund. Secondly, 50 percent of license fees must be given to the local authority. These two things are specified in the law. The Ministry of Finance needs to implement them.

Presently, royalties and license fees are centralized to the state budget, and then, evenly distributed to smaller communities. This has to be discussed at government level. Soums and provinces that are doing exploration and mining activities need moderate funding. By following the law and funding soums and provinces, authorities will start to give significance to mining. Mining and exploration companies are required to sign a cooperation agreement with local authorities, according to government regulations. Companies must clarify how much they will spend on infrastructure development and envi-