

<b>Australia-Mongolia Extractives Program Phase 2 (AMEP 2)</b>	
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**Executive Summary**

The AMEP facility has been running since 2013. It aims to improve government capacity to manage a vital resource for Mongolia, and underlines Australia’s political and commercial interest in a well-functioning extractives sector in the country. It works primarily with the Ministry of Mining and Heavy Industry and the Mineral Resources and Petroleum Authority of Mongolia. Following a review in July 2018, it is proposed to continue the facility as AMEP 2 for a further four years from April 2019 with an allocation of \$8.5 million.

The review found that AMEP is relevant to Australia’s interests in Mongolia and to Mongolia’s development priorities, that it has good brand recognition as a source of high quality advice, and that it is well integrated in the sector. It has had one outstanding success in the creation of a digital database for Mongolia’s geological information, and has provided other well-regarded pieces of technical assistance. No other donor provides this kind of flexible and responsive assistance in the sector.

Governance issues in the extractives sector remain serious. The sector is over-dependent on two major investments, the major copper-gold mine Oyu Tolgoi and the more uncertain expansion of the Erdenes Tavan Tolgoi coking coalmine. Public opinion has turned in many areas against mining, the exploration pipeline is drying up, current investments have had multiple difficulties with national and local government, and a number of foreign investors have left the country. In the light of these circumstances, AMEP 2 will focus on the environment for domestic and foreign investment, which might cover work on licencing, fiscal issues, transparent and fair regulation, environmental protection regimes and government capacity to provide pre-competitive services. The end of program outcome is

*Government, civil society and the private sector collaborating to develop the investment environment for the extractives sector in Mongolia.*

AMEP 2 will work towards this goal by widening the range of partnerships beyond the current two partners, in the first instance to other ministries with responsibilities in the sector but eventually to professional associations, the private sector and civil society. It will allow its activities to emerge from the priorities of partners, giving preference to organisations working together on common problems. It will provide technical assistance and research and assist with building relationships between industry players. Flexibility will be built in to promote public-private partnerships consistent with the overall objective and to allow contributions from other donors. A robust monitoring and evaluation system will help to keep the program accountable for its contribution to the outcome.



In a challenging operating environment, differences in opinion within government as to appropriate extractives policy settings, and with public institutions subject to a high degree of churn, progress will be difficult. Some partnerships will fail. The program will manage the portfolio with careful attention to the risk inherent in all partners, and will aim to reduce the risk of failure by maintaining a range of partnerships and activities. As for the previous phase, Ulaanbaatar post will exercise frequent informal supervision and will participate in the program's review and planning processes. AMEP has avoided any accusation that it is linked inappropriately to Australia's commercial interests, and the continuation of the facility model will enable DFAT to keep the arm's length relationship that has helped so far to build trust between the facility and its interlocutors.

The facility will be contracted to a value of \$8.5 million.

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## List of Abbreviations

AIG	Australian Institute of Geoscientists
AMEC	(Australian) Association of Mining and Exploration Companies
AMEP	Australia-Mongolia Extractives Program
ASM	Artisanal and Small-scale Mining
AusIMM	The Australasian Institute of Mining and Metallurgy
BCM	Business Council of Mongolia
CRIRSCO	Committee for Mineral Reserves International Reporting Standards
DFAT	Department of Foreign Affairs and Trade
EBRD	European Bank for Reconstruction and Development
EGPS	Extractives Global Programmatic Support
EITI	Extractives Industry Transparency Initiative
EL	Exploration Licence
GA	Geoscience Australia
GDP	Gross Domestic Product
GIO	Gross Industrial Output
IMF	International Monetary Fund
JORC	Joint Ore Reserves Committee
LPA	Locally Protected Area
M4SD	Mining for Sustainable Development
MCA	Minerals Council of Australia
MMHI	Ministry of Mining and Heavy Industry
MNMA	Mongolian National Mining Association
MPIGM	Mongolian Professional Institute for Geology and Mining
MRPAM	Mineral Resources and Petroleum Agency of Mongolia
OT	Oyu Tolgoi
SESMIM	Strengthening extractive sector management in Mongolia
TI	Transparency International
TT	Tavan Tolgoi

## ANALYSIS AND STRATEGIC CONTEXT

### *Policy Alignment*

Mongolia remains as dependent on its extractives industry as it was when Australian support in the sector was first envisaged in 2012. Although AMEP has been able in its first phase to make valued technical inputs to the capacity of the government in minerals policy, safety, valuation of deposits and aspects of geoscience management, the underlying governance problems in the sector are still serious and constraining to effective development of the sector. Mongolia has a number of laws and policies which if implemented would go some way towards creating a modern and well-regulated industry, and a strong desire in theory to learn from international practice.

Mongolia values its relationship with Australia as one of its ‘third neighbour’ friends and acknowledges that there is much in the Australian mining experience from which it could learn. There is a substantial body of returned Australian award holders who retain their Australian links.

Australia has a strong interest in Mongolia’s sustained economic development. Over 50 Australian companies are engaged in Mongolia, including several large companies operating in the mining sector, such as Rio Tinto (a leading investor and the operator of the Oyu Tolgoi Mine project). AMEP is not aligned to Australian commercial interests, but it underlines Australia’s commitment to making a success of the sector for the people of Mongolia, and provides Australia with a basis for discussion with the Government of Mongolia.

There is no Australian Aid Investment Plan for Mongolia. However, in order to prioritise within limited funds and staff capacity at Post, the bilateral country aid program is largely dedicated to support for the extractives sector and to Australia Awards.

### *Economic and social environment*

In 2017 Mongolia’s economy started to recover from a marked slowing in growth, and is projected to grow only modestly in the short term. The recovery is uncertain (IMF 2018). It depends crucially on the continuation of one major copper-gold mine, Oyu Tolgoi (OT), and the more uncertain expansion of the Erdenes Tavan Tolgoi (TT) coking coalmine, as well as (long desired) diversification of the economy. Ideally, diversification would include the enhanced ability of small and medium enterprises (SME) to take advantage of the increased revenues created by industrial-scale extractive businesses, catalysing more business start-ups and SME market expansion. In turn, this greater distribution of economic opportunities would contribute to more support for the extractives sector than currently exists.

Frequent changes of government and the bureaucracy presents challenges for consistent policy implementation. In addition, perceptions of corruption have resulted in generalised mistrust of foreign investors and in central government stewardship of natural resources. Appeals to resource nationalism are popular and works against community support for the expansion of the extractives sector. Mongolia has been slipping down the Transparency International Corruption Perception Index in recent years.

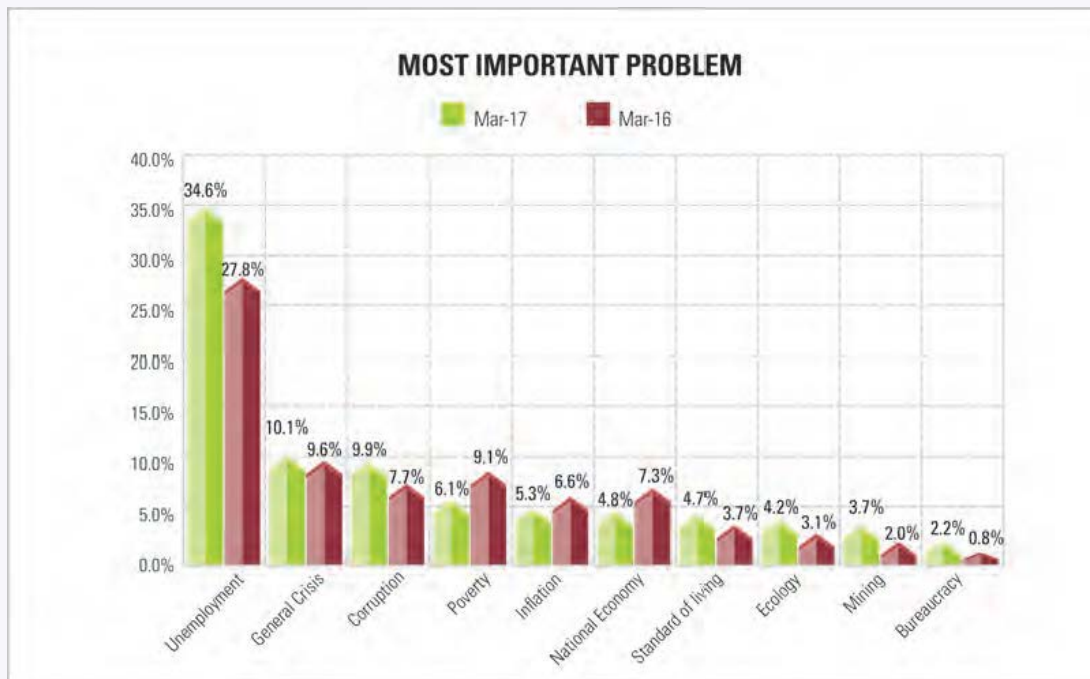
Mongolia sought assistance with its debt in 2017 in the form of a USD5.5 billion package from the International Monetary Fund (IMF), World Bank, the Asian Development Bank and the governments of Japan and South Korea. According to the Natural Resource Governance Institute: ‘Mongolia’s debt crisis was caused by a combination of wildly over-optimistic revenue projections based on unrealistic expectations of mineral sector revenue growth, off-budget spending and a plethora of small infrastructure projects with questionable economic development benefits’ (Bauer et al. 2017: 1). The IMF approved the fourth

drawdown of funds under this arrangement in June 2018. This international financial support package aims to:

- stabilise the economy
- reduce the fiscal deficit and debt
- rebuild foreign exchange reserves
- introduce measures to mitigate the boom-bust cycle
- promote sustainable and inclusive growth.

The final two points are of particular relevance to AMEP 2. The terms of the IMF package require the cutting back of many government services and jobs with the result that many people feel that the economic growth that has occurred over the past decade has been built on a foundation of crippling debt and has mainly benefited elites. In a 2017 survey of the most important problems facing Mongolia by the well-respected Mongolian public opinion polling company, the Sant Maral Foundation, in collaboration with the Asia Foundation, both corruption and mining featured in the top ten and had increased in importance over the previous year as shown in Figure 1 below.

Figure 1: Major Problems in March 2017 (top 10, only valid percentage)



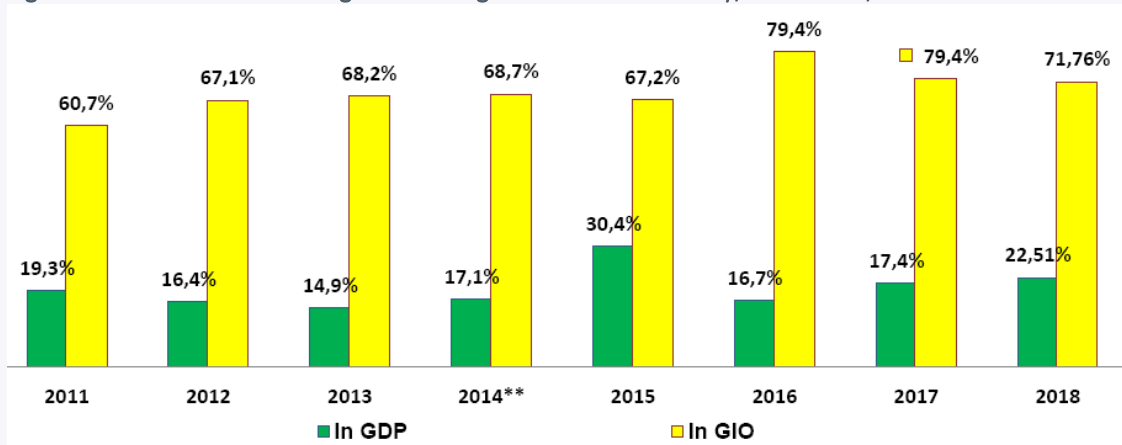
Source: Sant Maral 2017b:14

In another survey on private sector perceptions of corruption in 2017, the Mineral Resources Authority showed the greatest increase in perception of corruption of any public agency between 2016 and 2017, increasing from 3.3% to 13.3% (Sant Maral 2017a:24).

Mining will continue to dominate the Mongolian economy during the period of AMEP 2 and well into the future. As seen in the chart below, minerals account for around 20% of Gross Domestic Product (GDP), a proportion that has remained roughly stable since 2011. Further, minerals have contributed more than 60% of Mongolia's Gross Industrial Output (GIO) since 2012, sometimes almost 80% (MRPAM 2018).<sup>1</sup>

<sup>1</sup> In a personal communication with the review team, one economist specialising in the sector estimated that the true contribution to GDP was nearer 30% on average when all contributory goods and services are taken into account. GIO is an indicator favoured by the Mongolian National Statistics Office in its economic reporting.

Figure 2 Contributions of mining to the Mongolian national economy, 2011–2018, GDP and GIO



Source: Mineral Resources and Petroleum Authority of Mongolia (MRPAM) Statistical Report May 2018: 8

The dependence upon just two major projects, both of which have intermittent political problems with Mongolia's frequently changing governments, focuses risk in the short term and does not assure sufficient revenue in the medium term to secure Mongolia's public finances or growth for poverty reduction. The government's recent initiative to sell up to 30% of its shares in TT on local and international stock exchanges in a partial initial public offering to raise revenue has been the focus of attention for policy makers at the expense of wider governance issues in the extractives sector (*The Assay* 2018).

Data provided by the Business Council of Mongolia illustrate how closely tied the Mongolian economy is to the OT project. In 2009, when work stopped on the mine until the investment agreement with the government of Mongolia was concluded and also due to low commodity prices, Mongolia's GDP growth rate plummeted from around 10% per annum to one per cent. The same thing happened in 2014–16, when OT Phase 2 construction was halted, due to disagreement between the company and the government of Mongolia. Foreign Direct Investment mirrored this pattern, falling from about USD\$4.5 billion during peak OT construction in 2011 and 2012 to around US\$500 million in 2014–2016 when construction was halted (BCM 2018).

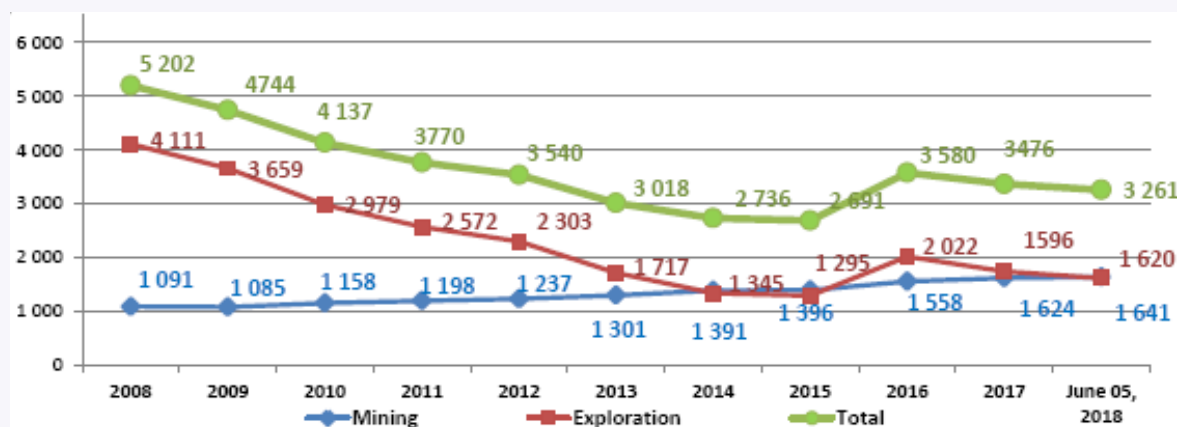
Public sentiment has turned against the extractives sector, with attitudes hardening during the first phase of AMEP. One Mongolian province (Khuvsgul) has recently announced its decision to allow no further mining in its territory, and others are expected to follow (Ariuntuya 2018). There are many reasons for this, including the environmental damage created mostly by artisanal and small-scale activities, the lack of mining revenues returned from the central government to the hosting provinces and the low number of jobs available in the high-technology large-scale mines. Policy making around the extractives sector is as highly contested now as when AMEP started. Political consensus around the balance between a viable sector and environmental safeguards and ensuring fair distribution of income streams is hard to achieve. As for all resource-rich countries, in the absence of platforms for debate and sharing of evidence, positions can become entrenched and polarised.

Partly as a result of policy paralysis, but also because of other poorly understood factors, the current exploration pipeline in Mongolia is almost dry, limiting the prospects of new projects being discovered and developed in the coming years. Almost 90% of existing active (termed 'historical') exploration licences have only about three years to run, and only cover about 2% of existing exploration ground (BCM 2018: 4-5). The Mongolian National Mining Association (MNMA) reported that its company membership list had fallen from around 180 in 2011 to about 40 in 2018. Many of the companies that had left Mongolia because of the stagnant extractives market were goods- and service-providing companies. International accounting firms are understood to be seriously considering withdrawing from Mongolia as business volume decreases. In



addition to the direct losses of revenue from exploration and mining, the loss of the multiplier effects from the service and supply companies will have a negative effect on economic growth.

Figure 3 Number of valid licences, 2008 to June 2018



Source: MRPAM Statistical Report May 2018: 16.

The government declared a four-year moratorium on issuing new mineral exploration licences (ELs) from 2010 to 2014, to act as a ‘circuit breaker’ to the high level of corruption that had grown up around the issuing of ELs (A. Cuthbertson 2018, pers. comm.). When the moratorium was lifted, the auction and electronic application methods, apparently designed to prevent speculation and corruption, did not work well, with the result that the licensing system is still dysfunctional (see Biastoch 2017 for a detailed exploration of the problems associated with the Mongolian licensing system). Most new ELs that have been granted are being held for speculation and are not being actively explored. The percentage of Mongolian land under exploration licence dropped from 6.49% to 5.3% between mid-2017 and mid-2018 (MRPAM 2017). The graph above demonstrates that the number of ELs issued and maintained (through reported activity and expenditure) has been in fairly steady decline over the past ten years.

Unless the investment environment for extractives in Mongolia is improved and the current negative trend halted, there are likely to be severe economic consequences within the short to medium term (possibly within the next five years). The current constraints apply to both domestic and foreign direct investment, but Mongolia is a small economy and cannot be expected to raise enough domestic investment to develop its minerals industry in the short term. Improving the environment for foreign direct investment is therefore a high priority. The private mining sector on its own is unable to bring about the desired change. Efforts by some companies to improve their image among the public have not succeeded in gaining widespread public acceptance. This could be because the sector is not sufficiently united in its campaigns, but also quite likely because they have tried to paint an exclusively positive picture of their contributions and not admit to the negative aspects of the industry that need to be managed properly.

Mongolia has adopted the Extractives Industry Transparency Initiative (EITI); monitoring under the initiative is supported by Australia through the World Bank. The country was assessed in 2018 as having made satisfactory progress in implementing the EITI standard. EITI reports provide comprehensive information on licencing, ownership, payment and revenues. EITI has been a significant factor in increasing transparency and accountability in the sector. Nevertheless, the basis for evidence based debate to influence public sentiment and create incentives for political action is weak.

### *The extractives sector in Mongolia*

Profoundly differing incentives have contributed to the inability of industry players to unite in actions that could improve the extractives investment climate in Mongolia. This section provides a broad overview of the key ones.

#### *Government*

The economic crisis and the implementation of the resultant IMF package has been a priority for the government in recent years, rather than developing long-term plans for the sustainability of the extractives sector. National policy sets out a vision for a modern, well-regulated industry open to investment, but detailed implementation pathways need developing. Although there is significant interest in other jurisdictions' extractives management practices and a desire to implement international standards, challenges to taking advantage of such learning remain.

Local government is taking an increasing role in economic decision-making, with popular backing. Perception of local administration reliability has increased steadily over the last decade, with support having grown from slightly over a third of respondents in March 2006 to over half in March 2017 (Sant Maral 2017b:26). Provincial governors have been given a role in approving exploration and mining licences, although they have poorly defined criteria to operate with and insufficient information and experience on which to base their decisions. Transparency International (TI) Mongolia has highlighted that this situation lends itself to practices such as threatening to declare potential mining areas Locally Protected Areas (LPAs) unless favours are granted by mining companies.

The bureaucracy is well trained and contains substantial expertise. While frequent changes of national government have been associated with the movement of civil servants, making policy continuity difficult to achieve, many officials have shuffled within the government, rather than leaving it altogether. This includes movements within the same ministry, so there is some continuing depth of experience. There are several bureaucrats with a decade or more tenure in the Ministry of Mining and heavy Industry (MMHI), albeit in a variety of positions.

Policy priorities are driven by basic laws and policies, although the complexity of some of the reforms demanded by this framework is daunting. For example, although Mongolia's State Mineral Policy 2014–2025 says that Mongolia should establish a national geological survey, the practicalities have prevented solid progress to date. Some in government would like to see Mongolia adopt the Australasian Joint Ore Reserves Committee (JORC) valuation code and develop its own version of the Australasian Institute of Mining and Metallurgy (AusIMM), even though these are private sector institutions in Australia. There is a desire to build a pool of Mongolian 'competent persons' (as required under the JORC) to undertake independent and expert valuations of ore bodies and projects. There are highly qualified and experienced Mongolian geologists who could form a nucleating corpus for this professional pool. Officials are also very familiar with the Australian extractives sector, following efforts by DFAT to build up contacts and familiarity with Australian systems. They also believe that practical know-how rather than research-based expertise is what is needed at present.

#### *Private sector*

The number of major private companies involved in the Mongolian extractives sector has been greatly reduced by their effective exclusion from obtaining secure tenure for investment in exploration and mining, as explained above. Related to systemic issues in the tenement application process, companies report problems with obtaining international finance for their operations. They also report strong localised environmental pressure groups with mixed motivations, and concerns that security in the face of disturbance is being left to the companies themselves. Although improving the integrity of the licence application and grant system is clearly a top priority for companies, they would also benefit from concerted efforts to balance the national debate about mining. Improved dialogue and knowledge could build mutual trust, help the companies to function and assist communities and local governments to achieve the beneficial outcomes envisaged under the Mongolian Minerals Law.

Artisanal and small-scale mining (ASM) has not been the focus of AMEP. A large part of the environmental damage that has turned many Mongolians against the extractives sector is created by ASM, and small-scale miners will on occasion contribute to the insecurity of larger enterprises in the hope of getting access to their resources. Safe and well-regulated ASM that provides livelihoods for poor people is a long-term aim of the government but the routes to this objective remain unclear.

Practice in respect of community engagement by some large mining companies is well advanced in Mongolia, although company performance is inconsistent. The best example is the Gobi Oyu Development Support Fund, established under the Oyu Tolgoi – Umnugovi Cooperation agreement. The Fund, financed by the Oyu Tolgoi mine, provides \$5 million a year under a broadly representative, transparent governance structure and has financed a broad range of successful community projects since 2015.

#### *Professional associations*

There are more than 30 professional mining associations in Mongolia but many are small and they are poorly coordinated. There are few recognised professional standards in the industry. Because for the present the associations do not have the kind of official status that professional bodies have in other jurisdictions, they are regarded as NGOs. They include the Mongolian Geophysics Association, the Mongolian Economic Geologists Association, the Association of Mongolian Women Geologists, the Mongolian Exporters Association and the Mongolian National Mining Association. Mongolian professionals feel the lack of a coordinating body like the AusIMM which is not only the lead organisation administering the JORC in Australia but also takes responsibility for the professional development and accreditation of its more than 13,000 members. The growth and enhancement of professional extractives associations is regarded in Australia as a healthy part of the extractives industry, playing a vital role in minerals management and administration alongside relevant public agencies, as the AusIMM does.

Mongolia has joined the Committee for Mineral Reserves International Reporting Standards (CRIRSCO), represented by the Mongolian Professional Institute for Geology and Mining (MPIGM), established for the purpose. But it does not yet have a full array of accredited experts ('competent persons') able to value minerals properties and projects, nor a full valuation system or code for valuation in place. AMEP has done extensive background work on the minerals valuation process in Mongolia but the government has not yet embraced the private sector aspect that makes it function well in Australia. The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves is administered by the Joint Ore Reserves Committee (JORC), a body that comprises AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA). The first two institutes are bodies of combined professional associations. Additionally, the Australian Association of Mining and Exploration Companies (AMEC) is Australia's leading representative body for small- to mid-tier exploration and mining companies. The MCA as a body of major mining companies, and AMEC as body of smaller companies focused more on exploration and new mine development, could serve as models and partners for the MNMA, as both have a powerful voice in the Australian policy formulation process. Teaming the Mongolian MPIGM with one or more of the Australian JORC bodies might be the way to start this essential process.

#### *Civil society*

Civil society is free and active in Mongolia. There are a large number of community associations and single-issue activist groups who take an interest in mineral development, many funded by international partners and agencies. Some are very effective, and others simply support small numbers of office bearers in the national capital. The labour force in large mines is strongly unionised and union leaders frequently speak out on tax and safety issues affecting their members. A number of NGOs such as Development Solutions work to improve livelihoods by providing training and consultancy services to industry. At the larger end of the market, Mongolia has branches of international networks such as the Asia Foundation and the Natural Resources Governance Institute.

There are also Mongolian academics with strong credentials in research related to the extractives sector who make valuable contributions to public debate. Their current organisational affiliation is less important than the fact that they know each other, are well connected and knowledgeable and have a shared agenda to make the extractives industry work for Mongolia.

#### *Other donors*

A number of donors have taken an interest in the extractives sector in Mongolia in recent years. Australia is part of a donor coordination group that has included in the recent past Canada, the United States, Japan, Switzerland, Germany, the EBRD, the IMF and the World Bank. However, the group now meets infrequently and donor contacts suggest that the sector is seen as important but difficult, prompting development partners to reconsider their involvement. Germany continues to support technical education for the mining sector (with some recent Australian co-funding), and Switzerland is supporting a Sustainable Artisanal Mining project that aims to provide recognition and a legal framework for an industry that generates livelihoods for many poor families. Canada funds the Strengthening Extractives Sector Management in Mongolia (SESMIM) project providing capacity building to a number of public agencies involved in the sector, but with a change in aid policy is unlikely to provide such sectoral support when the program ends.

The EBRD has been supporting changes to the Mining Law, and also geoscience work alongside AMEP. It has recently agreed to provide a grant to further the development of the national geoscience database and has entered into a parallel contract with the current service provider to channel the grant through AMEP.

Australia is highly appreciated as the only development partner providing flexible responsive technical assistance, and with AMEP 2 will be the only one working with government and non-government organisations across the sector.

#### *The AMEP story so far*

The AMEP facility was set up in 2013 with a budget of AU\$2.98 million over three years, the remaining balance of a larger project that was not implemented because of cuts to the country program, with the objective of helping to improve regulation, governance and stakeholder collaboration in the extractives industry. It was subsequently extended and the budget increased in stages to \$5.03 million. The program has established close relationships with MMHI and MRPAM and built a portfolio of activities from among the priorities of the two agencies. It has gained a reputation for responsiveness and high quality and timely technical support.

By staying close to MMHI and MRPAM, AMEP has been able to operate in a relatively safe space between supporting routine business and purely transactional change on the one hand and controversial departures on the other. The development of Mongolia's Geological Information Cataloguing System (MonGeoCat), launched in August 2017, has been the stand out success from this strategy. This open-access digital platform is starting to bring together a web-based map interface with metadata from geological studies held by MRPAM, allowing data on specified locations to be viewed together.

AMEP has operated an 'on-demand' service, but has largely been able to shape its own portfolio. At the start of the program, promising activity proposals were filtered against a set of useful criteria comprising relevance and ownership, alignment to program objectives, value for money, Australian linkages and supporting the investment climate. As the program has progressed, one strand of activity, geoscience, has become a prominent core element. In the last year of the current program, new on-demand work is expected to take around one-fifth of activity expenditure, with the rest allocated to ongoing support for geoscience IT platforms and networks. This focus has been deliberate, agreed with DFAT and driven partly by an existing association between Mongolian agencies and Geoscience Australia (GA). The result has been a cluster of well-regarded and interrelated activities aimed at modernising geoscience governance and service delivery. There is now a body of opinion in government that the focus on geoscience has gone on for long enough and that AMEP should shift its attention to other aspects of the sector.

A review of the first phase in June 2018 found that:

- AMEP is relevant to Australia's interests in Mongolia and to Mongolia's development priorities.
- The program has high brand recognition and is regarded as a largely independent source of high quality advice.
- It is immersed in the political economy of the sector and has invested heavily in maintaining relationships, which are not an overhead but an essential part of creating trust and so a productive working relationship.
- Although there is good information on outputs, there has not been sufficient attention to linking them to an outcome.
- AMEP would have benefited from a greater degree of external (supportive) challenge.

#### *Opportunities for AMEP*

Given the complexity of the issues surrounding extractives in Mongolia and the modest financial resources available to a future AMEP, ambitions for encouraging reform in the sector should be limited. However, there is a case for encompassing the interests of other entities with a stake in the sector beyond the current partners. For sustained meaningful change to take place in a complex context, ownership needs to be broadly based. The wider the consensus around a course of action, the wider is the range of voices contributing to its design and lobbying for its enactment or implementation. If AMEP can become less institution-based and more issues-based there is a stronger chance of it being able to use its networks and knowledge to encourage sustainable change in the key constraints to mineral resource development.

A program is issues-based if it analyses constraints to development in a political, technical, social and economic context and identifies entry points for influencing relationships, knowledge and attitudes. It proposes pathways for change and works with competent institutions capable of influencing outcomes, rather than with predetermined partners. The set of relationships AMEP might develop can be seen as a set of concentric circles through which it might move with time (Figure 4).

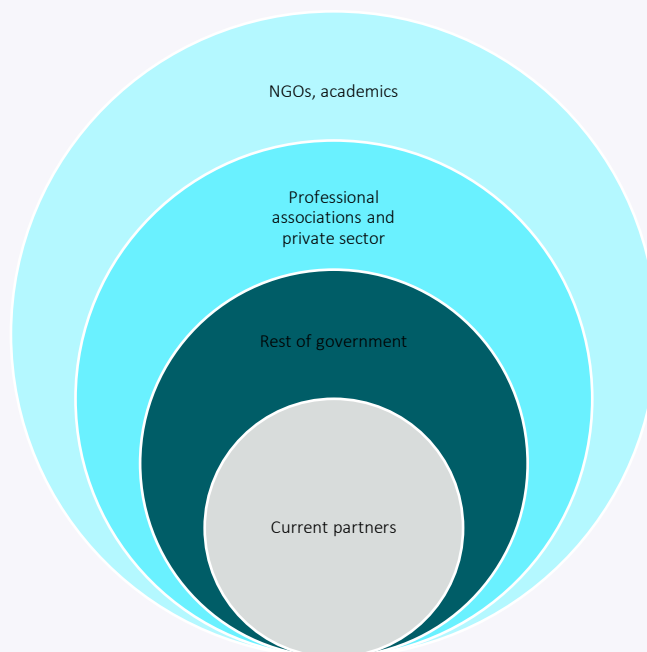


Figure 4: A relationships schematic for AMEP 2

In the first instance, if government is to continue to be a focus of AMEP attention, it would be reasonable to extend assistance to the Ministries of Finance and Environment and Tourism, with preference given to activities involving inter-ministry collaboration. Beyond that, attention may be given to professional associations with pragmatic, experienced constituencies, and the private sector, who have a legitimate interest in being brought more closely into policy making and implementation (see the section on 'Inclusion' below). Finally, consideration should be given to working with and through local and international civil society and academic institutions.

AMEP should also draw on the substantial intellectual resource available in alumni of the former Australian International Mining for Development Centre, consultants involved in previous design work for AMEP and community relations managers of mining companies.

## INVESTMENT DESCRIPTION

### *Objectives*

The **goal** of AMEP 2 is that:

*Mongolia's citizens experience equitable and sustainable growth from their mineral resources.*

This was the goal for the first phase of AMEP and continues to represent the ultimate objective of Australia's engagement in the extractives sector in Mongolia.

The **outcome** of AMEP 2 is:

*Government, civil society and the private sector collaborating to develop the investment environment for the extractives sector in Mongolia, measured by policy and regulation processes that involve stakeholders and achieve widespread consensus, an increasingly transparent, fair and predictable environment for domestic and international investors, enhanced capacity of government to provide services in the sector, increased availability of evidence to inform public debate and increased information on better international practice.*

AMEP will, in consultation with the Embassy, build up a portfolio of activities from the priorities of an expanded range of partners, and take its own initiatives where necessary to promote collaboration between stakeholders. Priority will be given to activities that encourage exchange or co-working between two or more organisations. Each activity will have a results chain linking it to the overall outcome; the level of detail will be proportionate to the complexity of the intermediate outcome aimed at. AMEP will map the different interventions it will need to undertake with different participants over the life of an activity to encourage sustainable outcomes. An overall theory of change is at Annex 1.

### *Delivery approach*

AMEP has built up a reputation for flexible, rapid and high quality technical assistance in support of government efforts to improve regulation and support the development of the sector. The brand is widely recognised, even outside the partners with whom it works most often. It has not sought to set agendas, but to support the priorities of the two focus institutions. AMEP 2 will use the credibility and networks set up in the first phase to widen the range of partners with whom it works, to encourage joint working across ministerial boundaries and with other bodies with legitimate interests, and to move its focus towards issues of importance to the long-term sustainable growth of the sector. The conclusion from the design process was that the best option to allow it to do so would be to continue and expand the current facility model.

Some of the lessons from the first phase that determine the delivery approach are:



- The need to encourage local solutions and work at the pace of change that suits local partners.
- The importance of developing an understanding of the agents and opponents of change in the sector to determine what initiatives in policy and practice are likely to succeed.
- Relationships are a part of the process of developing and managing a portfolio of activities, not an unproductive overhead. Time spent discussing needs and refining requests can often be as valuable as contracted technical inputs.
- Investment in relationships helps to create the mutual trust that, on the one hand, requests from Mongolia will be reasoned and based on established policy and, on the other, that Australia will provide appropriate support.
- Positioning a program as a source of disinterested advice helps to create informal accessibility and a sense of ownership by Mongolia, even if it is well understood that the support provided also meets Australia's interests.
- Maintaining a distinctive identity and brand attracts potential partners.
- The ability to blend international and local expertise is highly appreciated in Mongolia.
- Communication on the progress of activities is essential to creating trust and ownership.

The design considered three delivery options:

- Policy dialogue and strategic management led by the Embassy, with a less expensive contractor presence providing contracting and logistical support.
- Shifting the focus entirely to the potential contribution of Australian institutions by setting up a twinning arrangement along the lines of the Government Partnerships Fund in Indonesia.
- A facility along current lines combining policy dialogue, strategic management and activity management.

The first option would give the Embassy greater control, and would provide cost savings if it relied on current or slightly enhanced staffing levels at Post. However, Embassy staff would find it impossible to spend the time that current AMEP staff do maintaining relationships and dialogue over current and pipeline activities, and would not have the capacity to map and support the proposed widening of the AMEP network. The perceived independence and accessibility of AMEP are important selling points, and much goodwill would be lost if AMEP became more difficult to communicate with or acquired a more obviously Australian official identity.

The twinning option would build on the relationship that already exists between Geoscience Australia and MRPAM. It would enhance the role of Australian institutions and the profile of Australia, but would necessarily concentrate on the few Mongolian institutions in a position to benefit from external expertise and would not achieve the proposed outcome. The program would struggle to be coherent and to develop a convincing narrative of overall effectiveness.

The option of continuing the current facility is the only one that allows AMEP the time and skills to build on the credibility and relationships generated in the first phase, to manage a sequenced expansion of its network, to act as a disinterested broker of ideas and debate and to develop a coherent portfolio. The current facility has demonstrated value for money by running with a lean structure, with no full time expatriate presence and no ancillary staff, and with the limited staff complement flexibly undertaking professional and support roles. A slightly larger and more ambitious AMEP 2 may require greater inputs, but the costs of maintaining a physical presence will form a lower proportion of a higher annual spend. A facility also has the advantage that it is scalable to support other Australian interventions in the sector, for example those promoted by the International Mining Hub, or inputs by other development partners.

AMEP activities will include, but not be limited to:

- Provision of Mongolian or international technical assistance to work with ministries and agencies, the private sector and civil society at their request to help them to develop policy or carry out functions within their mandate.
- Developing an understanding of and documenting constraints to sustainable long-term development of the extractives sector.
- Engaging with people and institutions with influence over change and building coalitions for change.
- Supporting partners to define issues where research<sup>2</sup>, evidence or policy briefing is required, and commissioning suitable research products to meet partner requirements. AMEP may also commission research, evidence or policy briefing products on its own account.
- Supporting forums at which ideas are discussed and experience shared on policy or practice, and Mongolian attendance at such forums abroad.
- Engaging with the private sector where appropriate to promote public-private partnerships to further the programme's objective.
- Supporting the Embassy's dialogue with the government of Mongolia and with other development partners.

AMEP will retain and build on the strategies that have been identified as contributing to its effectiveness. These are building relationships of trust from which problem identification and potential solutions can arise; working with broad consensus around initiatives to reduce the risk of failure when single champions of change are moved on; and supporting local leadership by allowing partners to lead on implementation of activities, and accepting local judgements about how far and fast to push reform. In line with international practice in programs that seek to influence a policy environment, the program will maintain a broad set of activities and relationships (or 'irons in the fire') to increase the chances of identifying reform opportunities when the time is right.

AMEP will provide support in kind (contracting technical assistance, research, or other services, or covering specific costs of meetings or travel required to meet objectives). It will not:

- provide grants
- provide study awards more appropriate for Australia Awards
- cover the costs of long term institutional support or salaries for partners
- contribute to campaigning or unilateral lobbying of the government by any interest group

Research will be strongly policy-oriented, that is, it will be sufficiently robust to add to public debate but should not involve lengthy studies. Timely and tailored research will not by itself promote evidence-based decisions, but it will help to promote reflection, and to reduce imbalances in knowledge, within government and dialogue between government and external stakeholders. As well as responding to requests from partners, AMEP may commission research for itself on issues which are not yet in the public eye or the policy sphere but which may be important for future management of the sector.

The program will collaborate with other DFAT funded global extractive investments operating in Mongolia including:

- support provided by the World Bank through the Extractives Global Programmatic Support (EGPS) multi-donor trust fund, principally supporting the implementation of the Extractive Industries Transparency Initiative (EITI)
- assistance provided by the IMF through the Managing Natural Resources Wealth Topical Trust Fund to improve Mongolia's medium-term macro-fiscal framework, fiscal reporting system and public investment management

<sup>2</sup> 'Research' is used in this design document as a shorthand for a variety of products including briefings on the implications of policy options; elucidations of constraints affecting the sector; perceptions surveys; surveys of the management of the extractives sector compared to comparable countries; and studies of women's participation in the sector.



- Australia's Mining Alumni Network managed by the University of Western Australia and the University of Queensland
- Transparency International Australia's Mining for Sustainable Development (M4SD) Program Phase 2. The M4SD Program is seeking to strengthen the Mongolian Minerals Law, with a focus on the selection of areas of tender and the prevention of speculation and license stockpiling; support the development of an improved online application system for licencing; and seeking to increased public access to information on the mining sector through partnering with the Mongolian government.

AMEP will maintain close links with these investments and will ensure, under the direction of the Embassy, that its interventions are complementary and presented as an integrated Australian package of assistance.

### *Criteria for intervention*

At the start of AMEP, potential activities were sifted against a set of criteria comprising relevance and ownership, alignment to program objectives, value for money, Australian linkages and supporting the investment climate. AMEP 2 is departing in certain respects from the practice of the first phase, in particular steering its portfolio according to the proposed program outcome rather than by the work program of specific institutions. It will need a set of clear criteria for intervention as part of its communications strategy to signal the change in direction, and as a way of prioritising proposals for inclusion under its modest budget. Criteria for intervention are set out in Table 1 below.

**Table 1: Intervention criteria**

The criteria are applicable alongside DFAT's normal investment criteria. All activities proposed for financing should be consistent with DFAT's policies, including that they should represent value for money, be inclusive and be environmentally sustainable.	
Definition and clarity	Is the proposal formulated as a change helping to remove a constraint to sustainable development of the sector? Is it possible to define an interim outcome and is there a sufficient line of sight to the AMEP outcome?
Ownership	Who wants the proposed change? Is there a wide enough interest in the change to ensure that it is likely to be supported and implemented?
Partnership	Does the proposal promote working together across government, or between government and the private sector and/or civil society?
Risk	Does the proposal expose AMEP or the Australian Embassy to any reputational risk? Does the proposal do no harm to existing relationships between Mongolian institutions?

### *Inclusion*

AMEP's modus operandi has not left significant room for promoting voice and inclusion to date. Working with officials who have the strongest voice in policy for the sector has been part of establishing AMEP as a credible and independent partner with no agenda of its own. AMEP 2 provides an opportunity for extending the promotion of inclusiveness based in the Mongolian context.

As frequently noted, Mongolia is unusual in that female educational levels tend to surpass those of men, although labour force participation rates and numbers of women in leadership positions fall short of commensurate gender equity goals. Mining in particular (everywhere) is a strongly male-dominated industry. There are initiatives underway on increasing the profile of women in the Mongolian extractives sector that

could be built upon. Whilst gender will not be AMEP's primary objective, AMEP activities will consider gender impacts and look for opportunities to close gender equality gaps across its program of activities.

Without reinstating the community development aspects of the original AMEP design, it may be possible to develop innovative approaches to wider social engagement about extractives, founded on static earlier efforts (such as placing documents on a ministry website and making a documentary film), by harnessing the power of social media platforms to draw in young people, people in the regions and others traditionally excluded from extractives programs. Using a technological base and ensuring that ownership lies within a Mongolian organisation would mean that there would be no need to have a significant on-the-ground presence in regional areas but programs could still have provincial reach. The purpose of this would be to encourage the dissemination of good evidence and to attract a wider proportion of the population into demanding and supporting progressive policy.

In order to provide a framework for increasing inclusion, the contractor for AMEP will commission the development of an inclusion study and strategy within three months of mobilisation (terms of reference at Annex 4). The study will consist of a stakeholder mapping of interests and influence in the sustainable development of the extractives sector. The strategy will:

- Identify groups and organisations that AMEP can engage with as part of the process of widening its range of partners.
- Distinguish between those with current capacity to engage in national debate on policy and practice and those that may need greater effort to reach.
- Recommend an outreach and communications strategy that balances the need to encourage diverse participation with practical recognition of what AMEP can do with limited resources in the available time.
- Develop a simple analytical tool for AMEP staff to use when considering activity proposals designed to ensure that opportunities for encouraging inclusion or inclusive behaviour are considered for each proposal.

The strategy will also include scoping for a social media forum as outlined above, to be considered by AMEP according to program criteria and in the light of other priorities at the time. The inclusion strategy will be submitted to the Embassy for approval before it is implemented.

### *Resources*

The budget for AMEP 2 is \$8.5 million over the four years from April 2019 to March 2023 (covering five Australian financial years).

With the exception of an allowance for research and the Advisory Committee, the main costs for AMEP 2 are the same as for the first phase, and can be estimated using outcomes to date:

- International management staff
- Locally engaged staff
- International and local technical assistance
- Office costs
- Research and communication
- Costs of the Advisory Committee
- Contractor fees.

As part of a tender process, DFAT will seek views on budget breakdowns for program elements. AMEP 2 will be contracted through an approach to market, and the contractor appointed will manage the budget,

reporting to the Australian Embassy in Ulaanbaatar. Implementing the program through a contractor will not require any further resources at Post or in Canberra.

Contractors will be invited in their proposals to put forward a cost-effective mix of international and local skills. Between them the AMEP team will need to have skills and experience in:

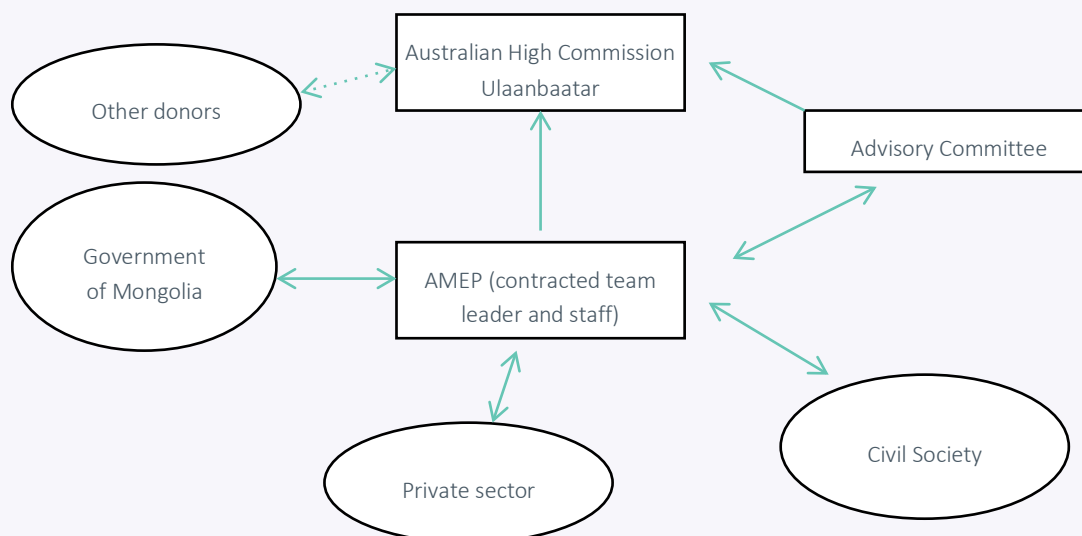
- Direction, planning, monitoring and reporting at a strategic level
- Social and economic analysis
- International and local practice in the extractives sector, and knowledge of where to source specialist technical assistance
- Identifying and maintaining relationships with a wide range of stakeholders inside and outside the industry
- Client relations (steering partners through the preparation and implementation of activities)
- Monitoring and evaluation of programs with emergent or non-linear results
- Commissioning and disseminating research for policy-makers
- Procurement of technical assistance and financial management
- Communications, including on social media.

## IMPLEMENTATION ARRANGEMENTS

### *Management and governance*

The management and governance arrangements for AMEP 2 are summarised in figure 4 below. They are the same as for the first phase except for the addition of an Advisory Committee.

Figure 4: Outline management arrangements for AMEP 2



AMEP will be supervised as at present by the First Secretary at Post, assisted by the Senior Program Manager. The Post confirmed during the review of the first phase that the formal points at which its involvement is required (quarterly financial statements and six-monthly progress reporting), and informal briefings, have amounted to a proportionate demand and an appropriate call on limited supervisory capacity. The creation of an Advisory Committee and annual reflection on progress as part of the monitoring and evaluation arrangements will entail a requirement for Post to participate in a set of annual meetings to consider effectiveness and forward plans, although these should in turn allow more confident completion of annual quality checks.

The review of the first phase found that AMEP would have benefited from a more active external challenge to keep it focused on the overall effectiveness of its portfolio. In theory such a challenge could come from Post, but staff rarely have the time or skills to fulfil this role adequately. It is common practice in other facilities supported by DFAT to have an advisory body that looks critically but constructively at results reporting and helps the facility make sense of events over a fixed period (usually a year), tests the conclusions of facility staff on effectiveness and efficiency, and provides advice for the next planning period. DFAT will therefore set up an expert Advisory Committee for AMEP 2 of up to five individuals appointed by the Australian Ambassador to Mongolia, of whom a majority should be Mongolian and the remainder International experts, including from Australia. One of the Mongolian members should be nominated as the chair. Representation should be invited from professional bodies, such as the Australasian Institute of Mining and Metallurgy, and non-government organisations. AMEP staff will provide the secretariat for the Committee which should meet annually to review the draft substantive AMEP annual report (see reporting requirements below), give feedback to the team on the robustness of their conclusions, and provide strategic advice on the work plan for the next year. Post staff will participate in the meetings. The chair will report informally to the Ambassador at the end of each annual meeting. Members of the Committee should also be available for informal consultation between meetings. Terms of reference for the Committee are at Annex 5. The Committee should be in place in time to examine AMEP's first work plan due three months after mobilisation.

### *Portfolio management*

In the first instance AMEP 2 will inherit the portfolio of the first phase, and honouring commitments already made will be a first call on resources. In particular, provision will need to be made for a degree of continuing collaboration between Mongolian agencies, Geoscience Australia and the European Bank for Reconstruction and Development. Within three months of mobilisation the AMEP contractor will propose for Post's approval a pipeline of activities up to March 2020 based on consultations with potential partners. In following years, AMEP will prepare a work plan for Post's approval prior to the start of the AMEP year (April-March). Each activity within the work program will be justified with reference to the intervention criteria; activities stretching over more than one year may be included. For approved activities, AMEP will draw up an agreement with the partner (or lead partner in the case of a group of partners) specifying what AMEP and the partner will provide, the intermediate outcome sought and monitoring arrangements.

Proposals for research will normally arise from the requirements of partners. A dialogue about what needs to be known in order to make sensible policy decisions is a helpful entry point for AMEP. A judgement will need to be made about the scope of any enquiry and how urgently a product is required; however, AMEP will normally commission studies taking a few weeks rather than months. Each decision to commission a study will be accompanied by an agreed dissemination and utilisation plan.

AMEP will be responsible to the Post for maintaining a balanced portfolio as regards the spread of partners, activities with short and long-term outcomes and risk. Some activities will fail. A culture of acceptance of a level of risk and of learning from what goes wrong will be essential at all tiers of management of AMEP.

### *Monitoring and evaluation*

A consistent approach to monitoring and evaluation (by way of regular collective assessment of results and formal evaluation events) will be essential for:

- Structuring periodic reflection and planning
- Exercising accountability to DFAT and providing information for quality processes
- Managing the risks of the program.

One of the main findings of the review of the first phase of AMEP was that the outcome to which it was working did not adequately express what the facility was attempting to do (because the outcome was inherited from a larger program that was not implemented). It also found that, despite decisions taken to allocate resources away from monitoring and evaluation, the program could have done more formally to rate its portfolio for effectiveness rather than assessing outputs. The redesign provides an opportunity to set a more realistic outcome target and to introduce streamlined monitoring and evaluation practice drawing on the experience of other facilities.

A facility seeking to promote change operates by identifying space for reform and supporting local actors to bring it about with flexible and responsive support, adapting to setbacks and changed opportunities as they arise. For monitoring and evaluation the implications are:

- That there are no pre-set targets against which to monitor results.
- Monitoring is more akin to research, ie seeking evidence of change and developing defensible conclusions about contributions to it.
- Monitoring and evaluation should be shaped by the need to learn what is working and to transform the resulting assessment quickly into operational changes to ensure that the program is supporting the top priority (or most feasible) reform requirements at the time.

AMEP will provide a modest contribution in a complex political and social environment in which significant change will come about through external shocks and/or political accommodations made between different interest groups. AMEP needs to be realistic about what it can achieve and the extent to which it can claim a contribution to change. Nevertheless, it must be clear about what it intends to achieve, at least from year to year, and the areas where it will look for intermediate and longer term outcomes. The proposed monitoring and evaluation framework developed for AMEP 2 (set out in detail in Annex 2) defines the accountabilities of AMEP; establishes arrangements for monitoring and reporting on activities; sets out domains in which the program will seek and assess results; and establishes a timetable for an annual cycle of monitoring, reflection and reporting.

AMEP will be **directly accountable** for those things within its control. These will include:

- The quality and timeliness of inputs – both contracted technical assistance and the inputs by AMEP staff to advising on requirements, refining activity proposals and participating in discussion of policy and practice
- The choice of portfolio
- The range and effectiveness of relationships and promotion of networks and coalitions for change
- Creative and full use of the research budget
- Understanding of context and opportunities
- Sound monitoring and evaluation practice.

Assessment questions to facilitate monitoring against these responsibilities are in the annex.

For each activity included within its portfolio, AMEP will draw up a simple **results chain** along the lines provided in the annex. The intermediate outcome that contributes to the end of program outcome will be agreed with the relevant partner and means of assessment of progress will be established at the same time. The intermediate outcome may depend on actions of others outside the control of AMEP; in this case

AMEP's contribution, and the other factors needed to achieve the outcome, will form part of the results chain.

AMEP will be responsible for **monitoring change** in domains that it is seeking to influence. These may not remain exactly the same throughout the program, although it would be helpful in constructing a narrative of progress if there were core areas of focus throughout the program. The domains may include the quality of pre-competitive services provided by the government; ease of acquiring licences; environmental, safety or operational regulation; taxation regimes; requirements for operators to provide information; valuation practice for mineral resources and reserves; consultation practice by government and its agencies; the quality of dialogue over environmental issues in mining; the quality of evidence available to decision makers; availability of information on better international practice; and investor and operator sentiment. The coverage of the program should arise from the priorities of the three groups targeted in the proposed outcome, and tailored by AMEP and DFAT in the light of the limited resources available to the program. A cost-effective way of establishing the ambit of the program and setting baselines for domains of change would be to use a launch workshop for AMEP 2 to draw out stakeholder priorities (see the annex).

For each domain of change, AMEP should gather evidence as it arises and document its own contribution. Some evidence of change will be available annually, but it will not be cost-effective to carry out the surveys and assessments likely to be necessary to track change every year. They should be assessed at the mid-point of the program and at the end. DFAT will commission independent mid-line and end-line reviews of progress to validate and document results at this level.

Overall responsibility for monitoring and evaluation will be divided between the Embassy and the contracted AMEP team. The Embassy will be responsible for contracting and managing the mid- and end-term evaluations, and for assessing at least annually the quality of internal monitoring and evaluation and external reporting. The AMEP team will be responsible for the program's internal monitoring and evaluation and its use for accountability and learning. It will be a central responsibility of the AMEP team leader to ensure that the monitoring and evaluation arrangements are maintained, understood and regularly reviewed; that lines of sight from proposed activities to program objectives are sound; and that information is being regularly collected. AMEP staff will individually take the lead on specific interventions and on monitoring outcomes from those activities. The dedicated monitoring and evaluation inputs are likely to be part-time facilitation for the annual reflection and assessment process, to ensure that information is collected in a form that contributes constructively to discussion with the Advisory Committee and DFAT; and an independent evaluator or evaluators for the mid-line and end-line reviews. These have been separately costed in the budget.

An annual reflection process will precede the preparation of the annual work plan. Detailed arrangements, including how the Advisory Committee will be involved, will be left to the discretion of the AMEP team. However, it should ensure that the following questions are covered:

- How are our interventions performing against expectations? What more do we need to do to ensure that they meet expectations?
- Are all our current interventions potentially leading to end of program outcomes?
- What are we learning about the factors for successful intervention?
- Is our portfolio balanced for risk, long and short-term returns and the spread of partners?
- Have we contributed to a diversification of voices heard in discussions of policy and practice?
- What do we need to drop?

The last question is of particular importance, since experience of other flexible programmatic interventions is that regular reflection leading to portfolio refreshment (dropping non-performing activities) is essential for managing the risk of resource capture by less effective partners.

### *Planning and reporting cycle*

AMEP will prepare an annual report in a format to be agreed with DFAT by the end of April 2020 and in April of subsequent years, except the final year when it will produce a completion report. The report will be accompanied by a work plan and budget for the following year. The report and work plan will reflect assessments by the team of their own progress and consultations with DFAT and the Advisory Committee. It should be in a form that can be published and shared widely with partners.

AMEP will also provide to DFAT quarterly financial reports and a short report midway between annual reports drawing attention to any major risks, changes to assumptions or significant lack of progress on individual initiatives.

### *Sustainability*

In the first phase the relationships developed with the two key partner agencies have been an important part of the sustainability strategy. Understanding the context, the legal framework and the range of support for an initiative is important to forming judgements about whether it is likely to be carried through to operation. Ownership is the basis for sustaining programs after the withdrawal of external support. On this basis, MonGeoCat and the other digital platforms being developed have a high chance of adaptive continuity: MonGeoCat is already providing a convenience to users that it would now be difficult to manage without, and there are good prospects for the other two systems. The government is already putting its own money into the development of a National Geological Database.

Nevertheless, depth of ownership by one or two organisations depends on the limits of those organisations' influence and does not often by itself lead to significant change. Some AMEP activities have stalled when they came up against agencies that did not participate in the original concept. AMEP 2 will add to the chances of sustainability for the initiatives it supports by encouraging coalitions of interest around specific reforms in policy and practice. The wider the consensus around a course of action, the wider is the range of voices contributing to its design and lobbying for its enactment or implementation. At the most basic level, legislative or regulatory action will need active involvement from other ministries, which the program is already facilitating in some areas. Quality and impetus can be further improved, and ineffective practice avoided, by ensuring that professionals and the private sector have a chance to contribute.

The sustainability strategy of the first phase will also be built on through the use of results chains. These will ensure that individual inputs, such as, for example, advice on Australian practice, is seen in the context of a chain of inputs that will lead to changed practice, and will encourage thinking by AMEP and its partners on other wrap around support that might be required to ensure that individual pieces of assistance give their full value.

### *Risk*

The primary **external** risk to the achievement of the outcome is the political and social environment in relation to national attitudes to the extractives sector. Attitudes to investment at national and local level may harden and negate attempts to encourage more consensual approaches; it is likely that the environment will continue to be difficult to some degree during the life of AMEP 2. AMEP is designed to manage this risk by adapting its ambitions to circumstances while keeping open relationships with stakeholders to expand its activities if opportunities arise.

**Internal** risks include:

- Failure to reach the intermediate outcomes across a wide range of interventions.
- Damage to DFAT's reputation if AMEP funds are used to support organisations who cannot deliver on their commitments, do not share AMEP's agenda, or use the platforms provided by AMEP to polarise discussion.

- Failure by AMEP to communicate to its current partners that their priorities are not necessarily a first call on AMEP 2 resources and that activities will need to be strongly linked to the overall outcome.
- A perception that a shift to a focus on the investment environment is due to inappropriate commercial pressure by Australian mining interests.
- A breakdown in partnership with an important stakeholder, leading to overall loss of trust in AMEP.

AMEP will address these risks by a careful choice of partners and activities, with the advice of an Advisory Committee with a majority of knowledgeable Mongolians, and by maintaining a balanced portfolio with regard to risk of achieving outcomes. It will continue the practice of the first phase of building trust by investing in relationships. An early effort will be made to communicate the objectives and scope of AMEP 2 to all parties, including an emphasis on AMEP's continued separate identity and its objective to encourage the development of the extractives sector in the interests of all Mongolians (goal statement).

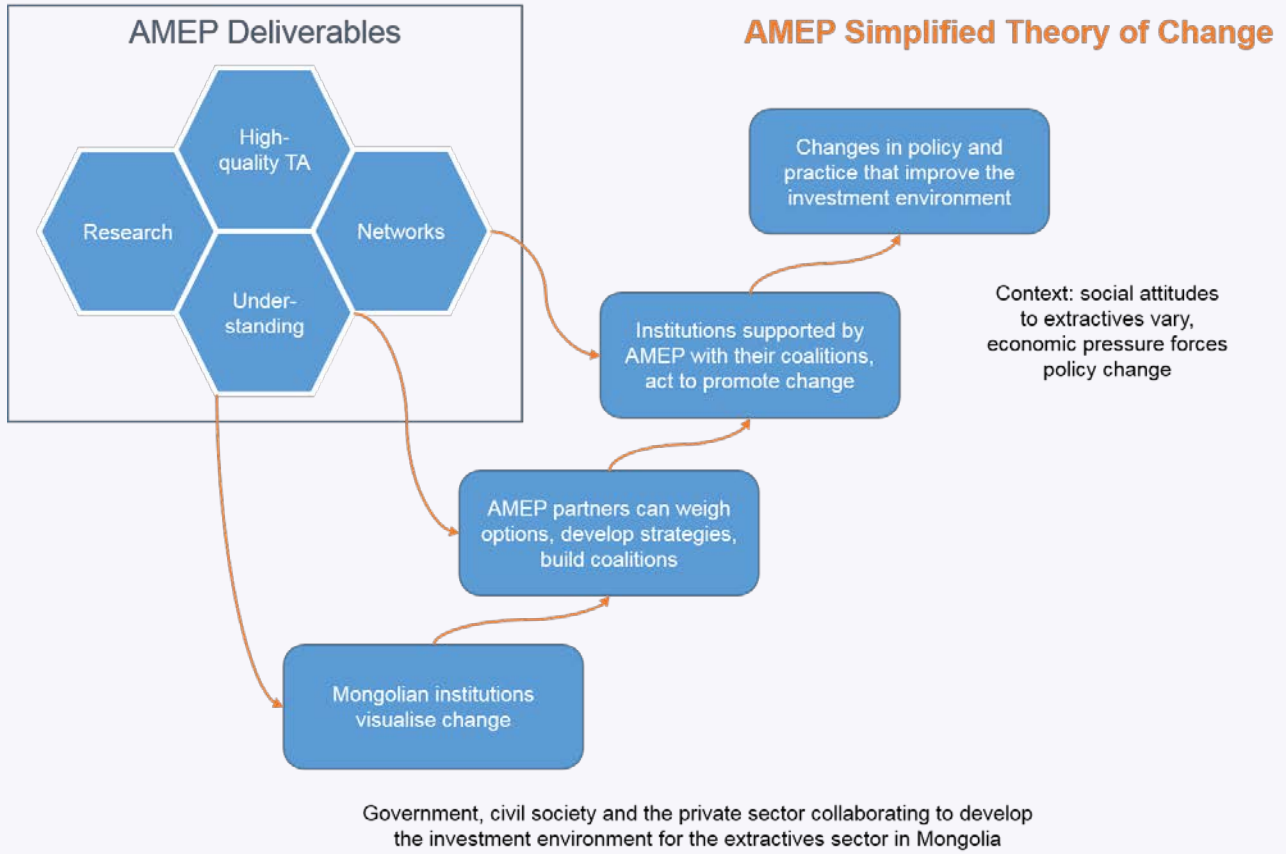
The risk of fraud is low. The contractor will manage all expenditure under the program, and will be required to have similar financial controls in place as for the first phase.

The extractives sector that AMEP promotes has an inevitable impact on the environment. The aim of the program will be to encourage Mongolia to adopt better international practice to manage the environmental consequences of mining. However, there is a moderate risk that AMEP activities will lead to variations in environmental regulation that do not command full consensus within the country. This risk will be addressed by seeking as wide a range of support for any change as possible, and ensuring that any changes are made fully within the processes set by Mongolian legislation and led by the appropriate agencies.

A full risk register is at Annex 3.



### ANNEX 1: AMEP SIMPLIFIED THEORY OF CHANGE



## ANNEX 2: MONITORING, EVALUATION AND LEARNING

AMEP does not have planned interventions or targets from the outset. Experience in the first phase shows that it is relatively easy to report on achievement of annual work plans and quality of inputs, but that reporting on effectiveness in the sense of progress towards an objective is more difficult. A facility usually relies in assessing its effectiveness on making sense retrospectively of the links between its inputs and observed change. It therefore needs:

- A simple framework for gathering timely data to be fed into a reflection and reporting process.
- Provision for structured reflection that enables program staff to assess the quality of the portfolio overall.
- Incentives for honesty in the reflection process provided by constructive external challenge.

The primary users of monitoring and evaluation information are AMEP staff. The information generated should be sufficient for them to be able to make and defend decisions based on documented evidence about the direction of the program and to be able to assist DFAT in its quality management and reporting processes on the basis of existing information. Secondary users of the information are DFAT Post, who will use monitoring information to make decisions on work plans based on evidence of progress to date, and the Advisory Committee who will help AMEP to analyse the information, to draw defensible conclusions and to think through the implications for the remainder of the program.

The information collected by the AMEP monitoring system will be at three levels:

Information category	AMEP's level of accountability	How often?
<b>AMEP's core deliverables</b>	AMEP is fully accountable to DFAT for its deliverables	Annually
<b>Individual interventions</b>	AMEP shares accountability with its partners	Annually
<b>Domains of change in the sector</b>	AMEP is accountable for understanding change and its own contribution	At mid- and end-term

### *AMEP's core deliverables*

The theory of change at Annex 1 suggests that AMEP 2 will not make inputs at the bottom of a chain in order to see results at the top, but will intervene throughout the policy process to keep change moving and to provide supplementary inputs if required. Its accountabilities therefore go further than the provision of good quality technical advice.

The basic accountabilities of a facility are:

- The quality and timeliness of inputs – both contracted technical assistance and the inputs by AMEP staff to advising on requirements, refining activity proposals and participating in discussion of policy and practice
- The choice of portfolio
- The range and effectiveness of relationships and promotion of networks and coalitions for change
- Creative and full use of the research budget
- Understanding of context and opportunities
- Sound monitoring and evaluation practice.

Monitoring questions to guide assessment of performance are in the monitoring framework below. These accountabilities are in addition to those imposed on any contractor by DFAT rules, particularly the need to demonstrate value for money (see below).

#### *Individual interventions*

For each intervention AMEP will develop with the participating partner (or lead partner in the case of a group of partners) a simple results chain linking the activity to the program outcome. A possible format is given at the end of this annex. Use of the results chain during implementation will allow AMEP to assess with the partner the current value of the intervention. This will implement learning from the first phase in which AMEP occasionally provided inputs whose subsequent value was undocumented because they had disappeared into government processes, or because they emerged as part of a wider policy on which AMEP made no quality judgement as part of its assessment of effectiveness.

AMEP will depend on the efforts of its partners for a successful contribution to the intervention outcome, and therefore has a shared accountability. Some initiatives will fail for reasons beyond AMEP's control. However, at the level of the whole portfolio AMEP should be able to demonstrate that most interventions are on course to succeed following a careful choice of partners and activities based on an understanding of the context and appropriate management of risk.

#### *Domains of change*

AMEP cannot work across all the factors that lead to an improvement in the investment environment, and will need to prioritise. It would be consistent with AMEP's practice to date to ensure that those priorities arise from the concerns of current and potential partners, and they have not been specified in this design. But to ensure that priorities are not simply set as a list of activities, it would help AMEP to encourage its partners to think in terms of domains of change where they would like to see progress. Possible areas are the quality of pre-competitive services provided by the government; ease of acquiring licences; environmental, safety or operational regulation; taxation regimes; requirements for operators to provide information; valuation practice for mineral resources and reserves; consultation practice by government and its agencies; the quality of dialogue over environmental issues in mining; the quality of evidence available to decision makers; availability of information on better international practice; and investor and operator sentiment (not an exhaustive list).

A cost effective way to canvass opinion would be to hold a facilitated launch workshop or series of workshops for government, private sector and civil society participants and to ask what they see as the main factors affecting a sustainable development of the extractives industry in the medium term. The reasons for the priorities expressed by participants would in themselves be a useful part of a baseline, even if some areas of evidence might need to be backed up by more formal means such as surveys. A further filter would then need to be applied in AMEP work plans to ensure that it was not taking on too much too soon. The areas of focus may be expanded as AMEP progresses.

Change in domains at this level is not within AMEP's accountabilities, although the program will be responsible for monitoring it. It will not be quick, and it is unlikely that it will be worth assessing every year. However, AMEP should document change in areas selected for focus as evidence arises and if appropriate draw links to AMEP interventions (including those from the first phase). This evidence and possible contribution should be collected by the independent mid-and end-line reviews as part of the case for effectiveness.

#### *Annual review*

AMEP will arrange a facilitated annual review process prior to preparing the annual report and work plan, involving all staff, DFAT and the Advisory Committee in a format to be decided by the AMEP team leader.

The event will be prepared and led by a part-time monitoring and evaluation adviser contracted as part of the AMEP team. The review will use the monitoring and evaluation framework below to consider evidence for AMEP having achieved its deliverables, to review the progress of individual initiatives, to note the evidence of change in AMEP's focus areas and assessments of AMEP's contribution, and to arrive at a common assessment on some key management questions:

- How are our interventions performing against expectations? What more do we need to do to ensure that they meet expectations?
- Are all our current interventions potentially leading to end of program outcomes?
- What are we learning about the factors for successful intervention?
- Is our portfolio balanced for risk, long and short-term returns and the spread of partners?
- Have we contributed to a diversification of voices heard in discussions of policy and practice?
- What do we need to drop?

The last point is intended to guard against the risks of capture of AMEP resources by poor performers among partners. It will be important to AMEP's credibility that it is prepared to drop initiatives in consultation with Post.

#### *Roles and responsibilities*

The AMEP team leader will ensure that the monitoring and evaluation arrangements are maintained, understood and regularly reviewed; that lines of sight from proposed activities to program objectives are sound; and that information is being regularly collected. AMEP staff will be allocated to lead contact responsibilities for activities or partners and will be responsible for ensuring that evidence on the progress of initiatives is collected and presented. Individual staff may also be allocated responsibility for tracking progress in domains of change. This will be tied to their normal work of maintaining contacts and up to date sectoral information and is to be preferred to passing the task to a dedicated M&E resource.

A part-time (up to 30 days a year) monitoring and evaluation adviser and facilitator will help to ensure that the review process, and the involvement of the Advisory Committee, is well prepared, will run the review process, will contribute to the preparation of the annual report and will update the monitoring and evaluation framework as required. She/he will prepare an annual monitoring and evaluation plan showing actions to be taken and allocating responsibilities, and will provide distance support to the AMEP team as required during the year.

DFAT will commission and supervise mid- and end-line evaluations.

#### *Cost*

The additional cost of these arrangements beyond the mainstreaming of M&E duties in AMEP staff will be up to \$150,000 for the part-time adviser, and \$100,000 overall for the mid- and end-line evaluations.

#### **Monitoring and evaluation framework for AMEP 2**

<b>Domains of change</b>	
Key evaluation questions (mid-and end-line evaluation)	Sources

<p>Have the prospects for foreign and domestic investment changed?</p> <p>How has the legislative and regulatory context changed?</p> <p>What is the quality of public debate over the future of mining?</p> <p>Have government services to the industry improved?</p> <p>Has public consultation on policy and practice improved?</p> <p>Has collaboration between government, the private sector and civil society improved?</p> <p>What has been the AMEP contribution to change?</p>	<p>MRPAM reports</p> <p>Review of legislation and regulation</p> <p>Press reporting</p> <p>Review of pre-competitive services</p> <p>Survey of business and civil society sentiment</p> <p>Key informant interviews</p> <p>AMEP research</p> <p>AMEP evidence of change and contribution</p> <p>Case studies (commissioned or undertaken by evaluators)</p>
<b>AMEP initiatives</b>	
Key monitoring questions (annual review)	Sources
<p>How are our interventions performing against expectations? What more do we need to do to ensure that they meet expectations?</p> <p>Are all our current interventions potentially leading to end of program outcomes?</p> <p>What are we learning about the factors for successful intervention?</p> <p>Is our portfolio balanced for risk, long and short-term returns and the spread of partners?</p>	<p>Evidence collected against results chains</p> <p>AMEP ranking of interventions by contribution to outcome</p> <p>Annual review of portfolio</p> <p>Advisory Committee opinion</p>
<b>AMEP accountabilities</b>	
Key monitoring questions (annual review)	Sources
<p>Are AMEP inputs to partners high quality and timely?</p> <p>Does AMEP have a sufficient range and depth of networks to promote progress towards the objective?</p> <p>Has AMEP contributed to a diversification of voices heard in discussions of policy and practice?</p> <p>Is AMEP devoting adequate attention to monitoring, evaluation and reporting?</p> <p>Is AMEP using its research budget effectively?</p>	<p>Partner feedback</p> <p>Stakeholder and network mapping</p> <p>Records of external meetings</p> <p>Analysis of groups involved in AMEP networks and activities</p> <p>Progress against engagement and communications strategy</p> <p>Estimates of staff time</p> <p>Quality and number of research reports</p>
<u>Value for money (annual review)</u>	
Can AMEP demonstrate action to control its cost drivers (economy)?	AMEP financial and progress reporting

<p>Is the budget on course for full expenditure (efficiency)?</p> <p>Is AMEP spread too thinly (efficiency)?</p> <p>Is AMEP balancing high influence/low transaction cost partners with partners requiring higher transaction costs (efficiency)?</p> <p>Does AMEP have a majority of initiatives likely to succeed against their expected results (effectiveness)?</p>	<p>Stakeholder mapping</p>
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**Format for initiative results chain**

	What does success look like?	How/what will we measure?
What is the link to the AMEP program outcome?		
Outcome – what will change as a result of the initiative?		
Outputs – what will be the gain to the partner or partners?		
Activities – what will AMEP do? What will the partner contribute?		



## ANNEX 3: RISK REGISTER

Risk	Primary Existing Controls	Risk rating with existing controls in place			Is risk rating acceptable (without measures)? Y/N	Further Possible Risk Mitigation Measures	Responsibility for Mitigation Measures	Implementation Date for Mitigation Measures	Residual Risk (after Mitigation)		
		Consequence	Likelihood	Risk Rating					Consequence	Likelihood	Risk Rating
<i>Risk Category: Results</i>											
<b>The social and political environment for the extractives industry deteriorates.</b>	AMEP is designed to be flexible and to adjust the level of its ambitions to the context. If significant reform to the investment environment is impossible, AMEP will continue to maintain relationships and look for openings for modest change	Major	Possible	High	No	Review environment at mid-term review and adjust objectives	DFAT, AMEP, Advisory Committee	After the MTR, or as needed.	Moderate	Possible	High
<i>Risk Category: Implementation</i>											
<b>A high proportion of activities supported by AMEP fails to achieve outcomes</b>	Careful discussion of partner needs and assessment of likely sustainability. Balanced portfolio that allows some activities to fail while maintaining a performing set of activities overall.	Moderate	Unlikely	Low	Yes				Moderate	Unlikely	Low
<b>AMEP fails to communicate to current partners that the focus of AMEP has changed and broadened</b>	Early communication strategy stressing opportunities for all stakeholders to work with AMEP	Moderate	Possible	High	No	Escalate to Embassy	DFAT	When required	Moderate	Unlikely	Moderate
<b>AMEP supports organisations who cannot deliver on their commitments,</b>	Work with known partners; promote collaborative working	Moderate	Possible	Moderate	Yes				Moderate	Possible	Moderate

Risk	Primary Existing Controls	Risk rating with existing controls in place			Is risk rating acceptable (without measures)? Y/N	Further Possible Risk Mitigation Measures	Responsibility for Mitigation Measures	Implementation Date for Mitigation Measures	Residual Risk (after Mitigation)		
		Consequence	Likelihood	Risk Rating					Consequence	Likelihood	Risk Rating
do not share AMEP's agenda, or use the platforms provided by AMEP to polarise discussion.	around accepted objectives.										
<b>Widespread perception that a focus on investment is inappropriately driven by Australian commercial interests</b>	Stress continued independence of AMEP and objectives of new program	Moderate	Possible	High	No	Keep communications strategy under review	DFAT, AMEP	Annually	Minor	Possible	Moderate
<b>Major disagreement with significant partner</b>	Balanced set of partners, investment in relationships	Minor	Possible	Moderate	Yes				Minor	Possible	Moderate
<b>AMEP supports change in environmental regulation, or opening of investment opportunity that leads to environmental degradation or to public controversy</b>	Promote consensus around international best practice in environmental management. Ensure changes are made within Mongolian policy and practice and led by appropriate authorities.	Major	Possible	High	No	Ensure AMEP has access to high quality technical advice when supporting change to regulation with environmental implications	DFAT		Major	Unlikely	Moderate

Notes:

#1: **RED** fill indicates High risk that is not reduced after mitigation steps.

#2: **YELLOW** fill indicates Moderate risk that is not reduced after mitigation steps.



## ANNEX 4: TERMS OF REFERENCE FOR INCLUSION STUDY AND STRATEGY

### *Background and key issues*

AMEP, supported under the Australian bilateral aid program, has been active in Mongolia since 2013. It is only one of two major initiatives under the bilateral program (the other is Australia Awards). The first phase of AMEP comes to an end in March 2019, and a second four-year program will begin at the same time. AMEP 2 will build on the credibility and relationships developed during the first phase to expand the range of organisations with whom it works, firstly within government but moving to encompass professional associations, the private sector, academics and civil society.

The program will move from providing technical assistance to the Ministry of Mining and Heavy Industry (MMHI) and the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) to supporting the priorities of a range of partners and coalitions working to improve the investment environment for extractives in Mongolia. Most observers agree that unless the investment environment for extractives in Mongolia is improved and the current trend of lower exploration rates and loss of interest by major mining investors is halted, there are likely to be severe economic consequences within the short to medium term. Government, the private sector and civil society are driven by their own agenda and find it difficult to conduct a constructive dialogue about a future that accommodates their concerns in the interests of a sustainable income stream in future for the country. The objective of AMEP 2 is:

*Government, civil society and the private sector collaborating to develop the investment environment for the extractives sector in Mongolia.*

Progress will be measured by policy and regulation processes that involve stakeholders and achieve widespread consensus, an increasingly transparent, fair and predictable environment for domestic and international investors, enhanced capacity of government to provide services in the sector, increased availability of evidence to inform public debate and increased information on better international practice.

AMEP will only be able to make a modest contribution to change over four years and will have to prioritise. Nevertheless, the rationale for diversifying the range of AMEP contacts over time is:

- There is a greater chance of sustainable solutions if a wider consensus can be generated.
- It helps to give a higher profile to groups who do not have the most influence in deciding policy and practice at present.

In its first phase AMEP's way of working and its focus on technical assistance made it difficult to integrate DFAT's policies on inclusion, particularly gender and disability. Given that the focus will still be on policy and practice at national level, the space for specific attempts to target the benefits of AMEP towards women or traditionally excluded social groups is limited. However, AMEP can go some way towards improving its support for inclusion both as a by-product of working with a greater range of organisations and by looking at specific means to amplify voices not generally heard in the national debate on extractives.

### *Scope of services*

The consultancy will have three objectives:

- To provide AMEP with a mapping of organisations and groups with a constructive interest in the sustainable development of the extractives sector in Mongolia, and therefore in the improvement of the environment for domestic and foreign investment (the 'study').
- To develop a differentiated engagement strategy for categories of stakeholders (the 'strategy').
- To develop a proposal for a broad based digital discussion platform to promote exchange and to enable people who do not participate in national policy processes to contribute (the 'project proposal').

For the study, the consultant(s) will undertake consultations in Mongolia (in Ulaanbaatar and two regional centres to be selected by the consultants) to identify as many relevant and active groups meeting the definition above as possible. It may be helpful to catalogue them within broad categories (such as national and local government, professional associations, development NGOs, environmental NGOs, national and regional women's groups, international and local private sector membership groups for the extractives sector, business associations). Using secondary sources where possible (ie without interviewing every group), the information should include a brief statement of each group's activities and their interest in the sector. Information should be presented graphically (eg by way of maps) as well as in narrative form.

The results will be turned in consultation with AMEP into a stakeholder map identifying

- Groups with which AMEP will in any case work in the normal course of business Including national ministries and agencies, and for which no special outreach will be required.
- Groups with the resources and motivation for AMEP to be able to establish working contact with modest effort.
- Groups that are geographically dispersed or poorly resourced, or that represent interests with which AMEP has not so far interacted, but who might repay more significant efforts to establish working contacts.
- Groups that have a marginal interest, or are very poorly resourced or too remote to be a realistic prospect as AMEP partners.

After discussion AMEP may commission more information on the second and third categories.

Based on the map, the consultants will prepare an engagement strategy for each group, identifying groups or types of groups that will be the priority for AMEP contacts. This strategy should help AMEP to balance its outreach within the resources available between low access effort/high return groups such as national ministries with high access effort/high return groups such as regional business associations who will help AMEP's objective of widening discussion about sustainable extractives development.

The engagement strategy should also consider the feasibility and usefulness of a general communications strategy targeting interested groups, for example use of a website, social media or newsletters.

In parallel to the strategy, the consultants should use the knowledge drawn from the stakeholder mapping and strategy preparation to develop a simple screening tool to prompt AMEP staff when considering interventions using technical assistance or other support to consider whether they have covered all the possibilities for a more inclusive approach. This may include prompts to decide whether views on the initiative should be canvassed, whether any smaller groups have anything to contribute to implementation, and how and when to disseminate results.

The project proposal will consider a specific project arising from the review of the first phase of AMEP. So far efforts supported by AMEP to involve the wider public have been static (such as placing documents on a ministry website and making a documentary film). Building on this experience may involve innovative approaches to wider social engagement about extractives, by harnessing the power of social media platforms to draw in young people, people in the regions and others traditionally excluded from extractives programs. Based within a Mongolian organisation, such an initiative could encourage the dissemination of good evidence and attract a wider proportion of the population into demanding and supporting progressive policy. A note on the proposal developed as a result of the first phase review is attached to these terms of reference.

For the project proposal, the consultant(s) will:

- Hold discussions with DFAT's Innovation Xchange on DFAT policy and experience on supporting technology for development and review relevant DFAT publications.
- Hold consultations in Mongolia to establish the feasibility of finding a Mongolian partner for the initiative and the resources available in Mongolia to make it work.
- Assess the benefits and risks for AMEP of supporting a digital platform.



- Develop and document the proposal<sup>3</sup> in the form AMEP will have prepared for the inclusion of initiatives in its work program for discussion with DFAT and the Advisory Committee.

### *Deliverables*

The consultants will provide the following outputs:

- A mapping of organisations and groups with a constructive interest in the sustainable development of the extractives sector in Mongolia, and therefore in the improvement of the environment for domestic and foreign investment. This should include a brief statement of each group's activities and interest in the AMEP outcome, its mandate and membership and its claim to representation.
- An engagement strategy for AMEP that is specific enough to guide the use of staff time in outreach.
- A wider communications strategy for identified stakeholders, if necessary and useful.
- A one-page analytical tool for use as a prompt when preparing AMEP interventions.
- A project proposal for a digital platform in a format to be provided by AMEP.

### *Skills required*

The design team should combine the following skills and experience and may require up to three consultants:

- Sound knowledge of the Mongolian extractives sector
- Understanding of how public policy and practice is developed in Mongolia, and where influence lies
- Experience of outreach and communications in a public policy setting
- Knowledge of digital democracy and cyber engagement platforms and techniques
- Strong familiarity with cross-cutting issues such as gender equality, disability inclusive development, climate change and environmental safeguards – as they relate to the extractives sector
- Excellent analytical skills, well-developed team skills, experience in gathering and interpreting data and information and writing constructive reports
- Ability to communicate effectively.

It is essential that the team members have between them substantial experience in Mongolia and Mongolian language skills.

### Attachment

An inclusive digital innovation platform could dovetail nicely with DFAT's Technology for Development goal<sup>4</sup>. The DFAT Innovation Xchange published a report on Technology for Development in January 2018 that could prove a good basis for developing a project in the Mongolian extractives sector, which has not so far been an area of focus although Mongolia is listed as a country in the 'scale leader' segment on adoption of technology and economic output (IDS and Caribou Digital 2018: 13). Elements of an innovative inclusion program could be:

- democratisation of data, so that people can learn and express concerns about extractives on an open platform, mediated by motivated professionals who help design interactions as they respond to citizens
- networking for professional associations so that they can work together to form an equivalent to AusIMM
- linkages for entrepreneurs, taking advantage of the increased revenues created by extractives.

<sup>3</sup> This need not be a full design, which would be part of the initiative if it is approved

<sup>4</sup> See [https://dfat.gov.au/international-relations/themes/cyber-affairs/aices/chapters/part\\_7\\_technology\\_for\\_development.html](https://dfat.gov.au/international-relations/themes/cyber-affairs/aices/chapters/part_7_technology_for_development.html)

The entrepreneurial aspect could be something that emerges later from the deliberations that comprise the digital democracy stage. A digital platform can open up access to both information and opportunities. This could include such innovations as citizen-generated data and blockchain technology, as described in the Technology for Development document (IDS and Caribou Digital 2018: 45-6). The platform needs to be started, designed and facilitated by innovative and credible Mongolians in partnership with innovative Australian service providers, guided by DFAT's Innovation Xchange.

#### *In Australia*

- DFAT Innovation Exchange Program staff
- DFAT Cyber Engagement Ambassador staff
- DFAT Mongolia Bilateral Program staff
- IM4DC Alumni Coordinator

#### *In Mongolia*

The people listed below could form a dynamic think tank to kick start the detailed design scoping process.

#### Key foundation national stakeholders

Name	Organisation	Engagement
Dr ENKHZAYA Chluunbaatar	German-Mongolian Institute for Resources & Technology	Design team member for AMEP 1, input to AMEP 2 design
Dr BYAMBAJAV Dalaibuyan	Honorary Research Fellow CSRM, UQ; post-doctoral fellow Tohoku University	IM4DC researcher, author UNDP Responsible Mining Training Course
Mr DORJDARI Namkhajantsan	Mongolia Manager, Natural Resource Governance Institute	Advisory panel for South Gobi Baseline study, input to AMEP 1 and 2 design
Dr TUVSHINTUGS Batdelger	Director, Economic Research Institute, National University of Mongolia	Economic impact assessor for mining projects, input to AMEP2 design
Ms KHALIUNGO Ganbat	Community Relations Manager, Centerra Gold	Input to AMEP 2 design
Ms URANTSOOJ Gombosuren	Chairperson, Center for Human Rights and Development	Advisory panel for South Gobi Baseline study, input to AMEP original design
Mr BAT-ORSHIKH Erdenebat	Executive Director, Development Solutions NGO	IM4DC Alumnus, input to AMEP original design
Ms AMGALAN Terbish Ms ONON Byambasuren	Gender Centre for Sustainable Development	IM4DC researchers, input to AMEP original design
Mr ERDENEBAT Sumaa	Gobi Oyu Development Fund, Dalanzadgad	Advisory panel for South Gobi Baseline study, input to AMEP 1 and 2 design

NB: Mongolian names in this document are presented in the Mongolian fashion, with the given name in capitals and the patronymic in lower case.

The Mongolian University of Science and Technology and National University of Mongolia have advanced programs in delivering digital participation for a range of purposes. There is also a pool of potential participants to be drawn upon through the IM4DC Alumni Network and through the Mongolian Association

of Australian Alumni. The table above lists a number of people and organisations that can be drawn upon to inform the basis for formulating the digital platform, noting their previous engagement in extractives-related social and economic development ventures. Each of these people will have their own network of others who could be brought into the program as needed, thus greatly expanding the pool of engaged stakeholders supporting this venture.

## ANNEX 5: TERMS OF REFERENCE FOR ADVISORY COMMITTEE

The Advisory Committee will be made up of individuals invited by the Australian Embassy in Mongolia. It will have up to five members, of whom a majority should be Mongolian citizens, and at least two women.

Members will be appointed by the Australian Ambassador to Mongolia and will be selected for their knowledge of the issues facing the extractives sector in Mongolia and/or experience of developing and managing the sector in Australia. Membership will be on a personal, not a representative, basis; delegation of participation to others will not normally be allowed. Members will serve on the Committee for two years in the first instance.

The Advisory Committee will meet annually in February or March, except for the first year when it will meet to consider the first AMEP work plan within three months of the start of the project. The meetings will form part of AMEP's strategic annual review process, which will also be attended by DFAT. Members may have individual contacts with the program between meetings.

AMEP will act as the Secretariat to the Committee. It will circulate papers to members five working days before a meeting, and the draft minutes within five working days of the meeting.

The responsibilities of the Committee are to:

- Advise AMEP on the relevance of its portfolio of activities to the promotion of the investment environment in Mongolia and on its areas of focus, balance of risk and inclusivity.
- Alert AMEP to possibilities for future support.
- Consider annual review information from AMEP and draw conclusions for its future direction.
- Advise the Australian Embassy on strategic direction to be given to AMEP.
- Provide constructive challenge to the assessment of portfolio performance, and to AMEP assessments of its contribution to outcomes.
- Provide inputs as key informants to the mid- and end-line evaluations.

## ANNEX 6: REFERENCES

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