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## **MONGOLIA: MINING SHOULD SERVE SUSTAINABLE DEVELOPMENT**

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The mining sector in Mongolia should play a truly transformative role and serve as a catalyst to ensure the realisation of economic, social and cultural rights, and spur human development, says a UN expert at the end of a visit to the country.

Mongolia is rich in natural resources which can be both a blessing and a curse. Its current economic model is based on mineral extraction and the exploitation, management and sharing of mineral revenue should help to secure the realisation of rights, said the Independent Expert on foreign debt and human rights, Juan Pablo Bohoslavsky, presenting a preliminary statement at the end of his 10-day mission.

Changes in international mineral prices can affect the economy and consequently human rights. The economic downturn of 2015-2016, due to a sharp fall in commodity prices, contributed to an increase in both poverty and inequality. Today, one third of the population lives in poverty.

To ensure economic recovery the Government implemented significant economic reforms, a number of them recommended by the IMF, to try to restore macroeconomic stability and fiscal discipline. The measures included orthodox monetary policies but human rights impact assessments of reforms have not been a common practice in the country.

The current public debt of 58.9% of GDP is not alarming. However, debt sustainability analysis should include a human rights dimension by the relevant financial authorities.

Economic diversification is overdue in Mongolia, the expert said, and the Government has already committed to diversifying the economy while increasing competitiveness. I encourage the State to take more concrete steps on this matter and invest in research, innovation and technology, Bohoslavsky said.

I would like to highlight the Governments efforts to ensure sustainable and inclusive growth through the adoption of Mongolias Sustainable Development Vision 2030. This now needs to be translated into a concrete and coherent set of policies in all areas.

Mongolian laws oblige the Government to conduct an environmental impact assessment that also includes a social dimension before granting mining licences.

Mining activities have been associated with serious adverse human rights impacts, including on the rights to health, housing, water and sanitation. As private consultancy firms contracted by the mining corporations are in charge of conducting such assessments, I recommend this conflict of

interest in the system be addressed, the expert said.

I had the opportunity to visit Oyu Tolgoi, a mine located in the Gobi desert. Following a mediation agreement over various concerns including the impacts of the mines operation on water availability on the surrounding areas, I strongly encourage Oyu Tolgoi to continue its conversations with local communities, particularly herders, until a satisfactory solution to all parties is reached, or to consider other alternative water sources for the continuation of the project.

I also recommend the Government to establish a permanent multi-stakeholders platform to discuss environmental claims in the mining sector. For herder communities accessing water in the desert is the basis of their livelihood, Bohoslavsky said.

The expert described the current tax system, with its 10 per cent flat rate for personal income tax, as deeply regressive.

It is key to mobilising domestic resources through a robust redistributive and progressive taxation regime, he said.

The tax stabilisation clause targeting the mining industry must not allow the private sector to fully appropriate windfall profits which are produced at the expense of Mongolias natural resources. Implementing a floating royalty system with a rate that changes according to the market should be considered, he said.

I commend Mongolia for joining the Global Forum on Transparency and Exchange of Information for Tax Purposes in 2018 and the Inclusive Framework on Base Erosion and Profit Shifting. Given the size and multinational complexities of the mining sector, regulatory tools to minimise transfer pricing in this area need to be more sophisticated.

The Independent Expert will submit a comprehensive report on his visit to the UN Human Rights Council in March 2020.

<http://www.scoop.co.nz/stories/WO1909/S00087/mongolia-mining-should-serve-sustainable-development.htm>

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