

MONGOLIA

Mining Infrastructure Investment Support Project (P118109) and Mining Infrastructure Investment Support Project - Additional Financing (P145439)

Inspection Panel

Third and Final Report and Recommendation

July 13, 2017

The Inspection Panel

Third and Final Report and Recommendation on a Request for Inspection

Mongolia: Mining Infrastructure Investment Support Project (P118109) and Mining Infrastructure Investment Support Project - Additional Financing (P145439)

A. Introduction

1. On February 10, 2015, the Inspection Panel (“the Panel”) received a Request for Inspection (“the Request”) from community representatives and local organizations in Mongolia and Russia raising concerns about potential harm from the activities financed under the “Mining Infrastructure Investment Support Project” (P118109) and the “Mining Infrastructure Investment Support Project – Additional Financing” (P145439) (hereinafter both referred to as “MINIS” or “the Project”). The Requesters asked the Panel for confidentiality, and appointed two representatives in Mongolia and Russia from the organization “Rivers without Boundaries” to receive correspondence related to the Request on their behalf.

2. MINIS is a technical assistance project financed by an IDA credit of US\$25M equivalent approved by the Board on May 10, 2011, with additional financing in the amount of US\$4.2M equivalent approved in 2014. The Project’s development objectives are to *“facilitate infrastructure investments to support mining and downstream processing, regardless of the funding source, and to build local capacity to prepare and transact infrastructure projects.”*¹

3. The Requesters claim that the Project is supporting assessment studies of two sub-projects, the Shuren Hydropower Project (SHP) and the Orkhon-Gobi Water Diversion Project (OGW), which in their view may have potential irreversible environmental and social impacts on the Selenge River in Mongolia and on Lake Baikal in the Russian Federation, a World Heritage Site. The Requesters also question the selection of these sub-projects and raise concerns about their transboundary and cumulative impacts, in addition to complaining about lack of consultation and disclosure of information.

4. The Panel registered the Request on March 13, 2015, and notified the Board of Executive Directors (“the Board”) and Bank Management (“Management”). On April 21, 2015, Management submitted its response claiming that MINIS had met the consultation and disclosure requirements of the Bank, since the Environmental and Social Management Framework (ESMF) and Terms of Reference (TORs) were translated into Mongolian. Management claimed that the Government of Mongolia (GoM) and the Russian Federation had engaged in bilateral discussions on the two sub-projects and that it *“intends to pursue the valid concerns and questions raised by stakeholders about the proposed sub-projects precisely by supporting the Recipient to implement*

¹ Project Appraisal Document on a Proposed Credit to Mongolia for a Mining Investment Infrastructure Support Project, World Bank, April 7, 2011, p. 4.

comprehensive Assessment Studies.”² Management added that it will ensure that consultations, disclosure and the Assessment Studies “*are conducted diligently and in line with Bank Policies and Procedures.*”³

5. After an eligibility visit to Mongolia and Russia, the Panel submitted to the Board its First Report and Recommendation on July 2, 2015, confirming the technical eligibility of the Request.⁴ In line with its Operating Procedures, the Panel established the existence of a plausible link between the potential harm alleged in the Request and the Project. The Panel considered that Management’s commitments on its Response provided ample opportunities to address the Requesters’ concerns and to introduce the necessary corrective measures to ensure that meaningful consultations take place with all stakeholders, including those in Russia. On the basis of these observations, the Panel deferred for one year its recommendation as to whether an investigation into the Bank’s actions or omissions was necessary. On July 27, 2015, the Board approved the Panel’s recommendation.

6. On July 6, 2016, the Panel submitted to the Board its Second Report and Recommendation.⁵ The Panel recognized that while progress had been made, there were still several pending actions to address the concerns of the Requesters that required more time to be implemented. Particularly, the consultations in Russia required bilateral negotiations and a formal agreement between both countries. The Panel stated that it needed to wait until further progress was seen, in order to assess the implementation of Management’s actions. In that context, the Panel recommended a second deferral and committed to report back to the Board within one year’s time, after assessing the progress and scope of the Environmental and Social Impact Assessment (ESIA), and the quality of the consultation process both in Russia and in Mongolia. On July 20, 2016, the Board approved the Panel’s recommendation.

7. Current Project Status. On July 27, 2016, the Bank approved a one-year extension of the Project until September 30, 2017, to enable progress towards the completion of the technical studies for SHP and OGW, which according to Management, would take around 24 months. Management explained in a June 2, 2017, Update Note (Annex I) that a new extension may be granted to allow time to complete the Regional Environmental Assessments (REA), and possibly subsequent ESIA’s and Feasibility Studies (FS). A decision about a new Project extension would be made upon completion of additional consultations in Mongolia, which were held in June-July 2017. The Panel was informed by the GoM during its June 2017 mission (see below) that it would be requesting another Project extension from the Bank.

² Management Response to the Request for Inspection Panel Review of the Mongolia Mining Infrastructure Investment Support Project and Mining Infrastructure Support Project – Additional Financing, World Bank, April 21, 2015, p.29-30.

³ Ibid. p.30.

⁴ Report and Recommendation on a Request for Inspection Mongolia: Mining Infrastructure Investment Support Project and Mining Infrastructure Investment Support Project Additional Financing, the Inspection Panel, July 2, 2015.

⁵ Second Report and Recommendation on a Request for Inspection Mongolia: Mining Infrastructure Investment Support Project and Mining Infrastructure Investment Support Project Additional Financing, the Inspection Panel, July 6, 2016.

B. Project Developments since the Panel's Second Eligibility Report

8. **Management Update Note.** In order to inform the Panel of progress made, Management submitted to the Panel three Update Notes dated June 2, June 26 (Annex II) and July 7, 2017 (Annex III). In these Notes, Management asserts that considerable progress has been made in the past year on the consultations and on revisions of the draft TORs.

9. Consultations in Russia: Management explains that from March to May 2017, the Project Management Unit (PMU) held 14 consultations in Russia, including 11 in the Republic of Buryatia and three in Irkutsk Oblast, to discuss the Project concept and the draft TORs. According to Management, 1,700 stakeholders attended the consultations, including local residents, non-governmental organizations (NGOs) and local authorities.

10. Management states that staff from the PMU traveled to Russia, jointly with a member of the World Bank team, one month before the consultations to agree on a consultation roadmap and distribute materials in Russian in public places. These materials included easily understandable brochures about the Project. Consultation materials were also made available in both Russian and English on the MINIS website, including the TORs for the SHP and OGW projects, technical and non-technical summaries of the TORs, a questions-and-answers document and the TORs for a Panel of Experts (POE). Management explains that the Bank hired a Russian translator to review the translations and ensure their quality.

11. Management notes that venue details were disclosed one month in advance and announced through the local mass media and local administrations. According to Management, consultations *“were conducted according to good international practice and World Bank Policy requirements.”*⁶ Translation between Russian and Mongolian was provided during the meetings, in addition to translation from Buryat language to allow indigenous peoples (IPs) to express their concerns. The Bank team attended all the meetings as observers. Consultation minutes were prepared and signed by both governments, in accordance with Russian legislation. Management explains that the main concerns raised during the meetings were related to adverse environmental impacts on the Selenge Delta and Lake Baikal, the need to consider alternative energy sources and to prepare an REA prior to the development of the ESIA and FS.

12. Consultations in Mongolia: Management states that given that stakeholders had raised concerns about the quality of consultations in Mongolia, the GoM had agreed to conduct additional consultations in accordance with international good practice. In its July 7, 2017, Update Note, Management explains that 19 consultation meetings were carried out in six provinces and Ulaanbaatar from June 28 to July 3, 2017. Consultation materials in Mongolian were distributed two weeks prior to the consultations and made available at local premises and on the MINIS website. Announcements were made through TV and radio channels and newspapers. Management states that while the consultations took place right after the presidential elections on June 26, 2017, and a runoff was planned for July 7, 2017, *“the elections did not materially affect the consultations, except for one place where the local officials cancelled the meeting.”*⁷

⁶ Management Update Note to the Inspection Panel, June 2, 2017, p.3.

⁷ Management Update Note to the Inspection Panel, July 7, 2017, p.4

13. According to Management, disclosure and consultation activities were carried out “*in full compliance with Bank policy requirements.*”⁸ More than a 1,000 people participated in meetings, including local officials, NGO and private-sector representatives and local residents who may be potentially affected. Management states that “*presentations had adequate content tailored to non-professional audiences, and were delivered in an accessible manner, using language and terminology that are understandable to all stakeholders.*”⁹ The main concerns raised included potential impacts on fertile soil, pasture land, historical sites, fauna and flora, and water quality, as well as adverse impacts on nomadic herding lifestyle and livelihoods. Some stakeholders expressed opposition to the projects, while others shared concerns about seismic risks, climate change and water levels. Management explains that participants can send their comments for an additional 14-day period ending July 17, 2017, and MINIS will prepare and disclose response matrices by early September.

14. Adjustments after the consultations. Management emphasizes that the PMU is currently implementing several suggestions in response to the consultations:

- REA and ESIA: The GoM has agreed to prepare a stand-alone REA prior to the development of project-specific ESIAs. The TORs for the REA are being informed by the feedback received from the consultations, and a response matrix will be published on the MINIS website once the results from the Mongolia consultations are received. The REA will cover both the SHP and OGW projects and focus on broad strategic options for the region. It will comprise an analysis of alternative investments and technology, including wind, solar and/or alternative water power energy options, in addition to the “no project” scenario. The REA will also contain a cumulative impact assessment of potential projects in the Selenge River basin in Mongolia. The GoM will hold public consultations on the draft REA. Management explains that it will support the PMU in the review of the TORs, which could be completed by August 2017, and estimates that the contract for the study could be signed in 2018 and a draft report could be ready by 2019. Subsequent to the REA, the FS and ESIAs will be prepared at the same time and inform each other.
- Panel of Experts: The POE will consult with Russian and Mongolian experts, review the draft studies, including the REA, and make a recommendation on whether to proceed with detailed ESIAs and FS.

15. Grievances: Management notes that in April 2016, the MINIS launched its Grievance Redress Mechanism (GRM) to identify concerns of potentially affected stakeholders, implement a timely and responsive approach to resolving grievances, and monitor and report issues of concern. The GRM publishes bi-monthly reports on complaints received on its website. The first GRM report is already available in the MINIS website, while the second one will be published pending clearance from the Bank.

16. From April 2016 to November 2017, the GRM received 10 complaints and one request for information. These included concerns related to the quality of the consultations in Mongolia, the quality of the MINIS website, failure to disclose consultations reports from previous meetings and

⁸ Ibid, p.3

⁹ Ibid.

the pre-feasibility studies, lack of response to an independent public hearing in the Kabansk district in Russia, the poor quality of information materials, and failure of the GRM to register complaints. As of the June 2, 2017, Management Update Note, all complaints except two had been assessed and response actions completed. Management points out that in response to complaints received, the PMU is holding additional consultations with enhanced non-technical information materials and clear disclosure protocols and has: (i) improved the MINIS website; (ii) disclosed all previous consultation reports; (iii) published the pre-feasibility studies; and (iv) prepared a response to the Kabansk public hearing.

C. Panel's Field Visit and Observations

17. In its Second Report and Recommendation, the Panel proposed a one-year deferral of its decision on whether to recommend an investigation and stated that it would make a recommendation after assessing: (i) the quality of the consultation process; and (ii) the progress and scope of the ESIA. The section below presents the Panel's observations on both points.

18. From June 6 to 10, 2017, Zeinab Elbakri, Inspection Panel Member, and Tamara Milsztajn, Operations Officer, traveled to Ulan-Ude and Irkutsk in Russia. From June 10 to 13, 2017, the team was joined in Ulaanbaatar, Mongolia, by Gonzalo Castro de la Mata, Chairman of the Inspection Panel. In Russia, the Panel team met with the Requesters and other potentially affected people who had participated in the consultation meetings in the Republic of Buryatia and Irkutsk Oblast. The Panel also met with experts on the hydrology and biodiversity of the Selenge River Basin and Lake Baikal from the Russian Academy of Sciences, representatives of the Ministry of Natural Resources of the Republic of Buryatia and of Irkutsk Oblast and of the Federal Water Agency. In Mongolia, the Panel team met with the Requesters and potentially affected people, the World Bank Country Office team, the Ministry of Finance, the Ministry of Energy, the Ministry of Environment and Green Development and the MINIS PMU. The Panel expresses its appreciation to all mentioned above for sharing their views and exchanging information and insights, and extends special thanks to the World Bank Country Offices in both countries for assisting with logistical arrangements.

19. In addition to information gathered during the mission, the Panel's analysis was informed by frequent communications with the Requesters who have been following the Project closely and a review of documents provided by the World Bank and the Requesters. The Panel has also maintained contact with the World Heritage Program housed at the International Union for Conservation of Nature (IUCN), and has been keeping abreast of recommendations and decisions of the World Heritage Committee (WHC) related to Lake Baikal. The Panel's review and observations are outlined below.

20. Mongolia's Current Energy Context. Mongolia has recently witnessed a large decline in Gross Domestic Product (GDP) growth, from 7.9 percent in 2014 to 1.0 percent in 2016. In 2018, however, the mining sector is projected to start growing mainly because of the stabilization of

commodity markets, and current forecasts have GDP growth increasing to 3.5 percent in 2018 to 3.7 percent in 2019.¹⁰

21. Electricity service in Mongolia is neither reliable nor sustainable due to outdated energy systems and a lack of sufficient supply to meet the increasing demand driven by urbanization and mining-sector-led economic growth. This gap is met by increased energy imports. Furthermore, the obsolete and inefficient networks have led to significant distribution losses in many networks and frequent interruptions in some regions. The power system is also heavily reliant on coal, and currently only 3 percent of the domestic energy generation comes from renewable energy, despite Mongolia's abundant solar and wind power sources and hydropower opportunities.¹¹

22. Through a variety of initiatives, the Bank is supporting the GoM in addressing key bottlenecks in the energy sector by improving energy efficiency and harnessing the country's abundant renewable energy resources, thus contributing to the national target of 30 percent renewable energy by 2030. The Panel understands that MINIS is a part of a broader strategy whose aim is to guarantee energy sustainability for Mongolia through tapping a variety of sources, including improved efficiency of current systems, renewable energy and hydropower.

23. Consultations in Russia. During its visit, the Panel spoke to a broad spectrum of stakeholders who participated in the consultations in both the Republic of Buryatia and Irkutsk Oblast in Russia. These included potentially affected people, government officials and several scientists and academics. The potentially affected people comprised representatives of the Old Believers community and representatives of one indigenous peoples' group (Evenks), in addition to a sample of fishermen, cattle breeders, farmers, and people working in the tourism industry. Furthermore, two large meetings were arranged by government officials in Ulan-Ude and Irkutsk that included numerous scientists working on the Selenge Basin and Lake Baikal and one of the representatives of the joint committees between Russia and Mongolia on transboundary water issues.

24. The Panel confirmed that 14 consultations took place and 1,700 stakeholders participated. The general consensus was that the consultations were a well-coordinated joint effort between the Russian and Mongolian authorities. The Panel was informed by the PMU that there had been a long period of informal communication with the Government of Buryatia to agree on locations and logistics for the hearings. The general impression expressed by those with whom the Panel spoke was that the consultations followed the standards set by the World Bank and by the Russian legislation. These standards required that consultations be advertised and relevant documentation made available in public places 30 days in advance, and that comments be received for a period of 30 days after the meeting. These standards also included that a protocol summarizing the content of the hearings be prepared and signed by the two parties.

25. During its visit, the Panel confirmed that the consultations were widely advertised in a variety of media and websites and by local authorities. Transport to consultation venues was

¹⁰ Project Information Document on a Proposed IDA Credit and Strategic Climate Fund Grant to Mongolia for the Second Energy Sector Project, World Bank, January 26, 2017, p.2

¹¹ Ibid, p.3.

provided by the local administration in some cases. The Panel heard that the consultations were generally well attended, ranging from 60 to 300 people per hearing, and almost half of the participants were women. However, some complained that documentation was either located in inaccessible places or only distributed during the consultations, thus not allowing enough time to understand the materials and ask pertinent questions. The list of 11 documents provided for the consultations as explained to the Panel by the PMU are provided in Annex IV.

26. Stakeholders with whom the Panel spoke pointed to their perceived weaknesses of the process, including the use of highly technical language that made it difficult to understand the objectives and main messages of the consultations. Most assumed that the hearings would provide responses to questions relating to the actual impacts of the hydropower plants (HPPs), whereas the objective was to consult the Terms of References in order to decide which impacts would be studied through the assessments. As a result, many stakeholders left the consultations with some level of frustration.

27. Substantive concerns raised by those consulted by the Panel included that the objective of the Project was portrayed as providing much-needed water supply and energy for the Mongolian population rather than for the mining sector, that the potentially negative impacts of the dams were deliberately played down, and that there was not sufficient time to ask enough questions. Among specific issues raised by stakeholders, the most prominent was the impact of the HPPs on their way of life and livelihoods, including that the most prized fish in Lake Baikal, the omul, would suffer due to damage to its spawning grounds. Many stated that Lake Baikal was already suffering the impacts of environmental degradation and that the proposed Shuren Dam would only aggravate the situation. Stakeholders involved in cattle breeding were particularly concerned by the lack of water and its impact on grazing grounds. The representative of the Evenk Indigenous People was especially concerned about adverse impacts on fishing. Some of these issues raised by stakeholders were also covered in the Russian press.¹²

28. Scientists both in Ulan-Ude and Irkutsk explained that Lake Baikal has been the subject of numerous studies and data collection for many years, and indicated that Lake Baikal and the Selenge were undergoing complex hydrological changes and that 2014 registered the lowest levels over the last 100 years, raising concerns about potential lack of water supply in the Baikal area. In addition, they expressed concerns about potential water quality, temperature, and hydrological impacts.

29. The Panel recognizes the complexity and sensitivity of organizing consultations in a transboundary setting such as the present one. Overall, it is the view of the Panel that the consultations in Russia were a large and commendable effort in the direction of ensuring that the voices of Russian stakeholders be heard and they were efficiently carried out through the cooperation between Russian and Mongolian authorities. This very significant effort was confirmed at a meeting organized in the Buryat Ministry of Natural Resources, where senior Russian officials specifically stated that consultations complied with the Russian legislation on

¹² The Panel has reviewed videos and articles published in the local media including from: Arigus TV (Ulan-Ude), Nomer Odin Newspaper (Ulan-Ude), MK Ulan Ude Newspaper, Teleinform News Agency (Irkutsk), Vostok-Teleinform News Agency (Ulan-Ude), "FederalPress" (Moscow), and Gazeta Argumenty Nedeli Irkutsk.

public hearings and that they served their purpose. The Panel has also reviewed a protocol signed by Russian and Mongolian officials on March 31, 2017, after the hearings in Buryatia, that confirms that consultations complied with the Russian legislation and World Bank requirements.

30. The Panel also notes that consultations were judged to be accessible and involved the distribution of relevant documentation. The meetings attracted a wide spectrum of stakeholders who can be characterized as being a relatively good representation of the potentially affected people. They not only led to increased awareness of the Project, but also resulted in substantive comments to influence the TORs, as detailed above. The Panel understands that the MINIS has committed to taking these comments into account in the process of reviewing the TORs. In the protocol signed by both parties, the PMU has committed to disclosing the matrix of comments no later than 60 days after receiving the compiled feedback from the Russian side. The results of the Buryatia consultations are already available on the MINIS website in both English and Russian.¹³

31. At the same time and as mentioned above, some weaknesses raised by the Russian stakeholders, merit consideration as lessons for future consultations. Specifically, the objective of the consultations should have been stated more clearly, namely that the consultations were not intended as a final discussion of Project impacts but rather an examination of what impacts should be studied as part of the assessments in order to adjust the TORs of the studies.

32. Consultations in Mongolia. Even though consultations in Mongolia had already taken place in June-July 2016, MINIS agreed to carry out a second round of consultations to ensure that both consultations in Russia and Mongolia were based on the same set of documents. These consultations were carried out from June 28 - July 3, 2017, and had not yet taken place by the time of the Panel's visit. MINIS staff informed the Panel that they had been collaborating with the local authorities in the preparations for the consultations and information about the meetings was being disseminated by local authorities and the media. Management informed the Panel that 19 consultations were undertaken and more than 1,000 stakeholders participated.

33. The Panel met with a sample of potentially affected people residing in the areas close to potential locations of the SHP and OGW projects. While most of them knew that the HPPs might be built, they claimed they were not informed about their potential impacts, especially those related to changes to traditional livelihoods and potential resettlement. They contended that previous consultations had focused on the benefits of the projects, rather than their risks, and highlighted weakness related to the technical language of the presentations and materials and lack of sufficient time for comments. They also mentioned the long distances in Mongolia and the difficulty of accessing the consultation venues. In addition, the Requesters claimed in a letter sent to the Panel that most of those who participated in the first round of consultations were not from the potentially affected communities.

34. All of those with whom the Panel spoke were informed of the dates of the new round of consultations, although most did not yet know the exact meeting location. While some were aware of the documentation distributed, not all had yet accessed them. Some community members raised concerns about the appropriateness of the time selected for the consultations, since most herders

¹³Available at: <http://www.minis.mn/en/2017>

are busy with daily chores in the morning, notwithstanding the distance required to reach the consultation venue on time. Another concern voiced was the need for sufficient time to provide comments after the consultations. The Panel heard that a notebook had been provided for recording comments but that the MINIS staff had indicated they would retrieve it the day of the consultations. The Panel was also informed by MINIS that the same set of documents used in the Russian consultations would be used in Mongolian language.

35. Since the second round of Mongolian consultations had not taken place by the time of the Panel's visit, the Panel is only able to assess the preparatory stage of these consultations as garnered from its conversations with Management, the MINIS team and a sample of potentially affected people. In the Panel's view, the preparatory activities appeared adequate, given the significant effort that has gone into sensitizing local authorities and people about the dates, and the related distribution of documentation. Most stakeholders with whom the Panel met declared their willingness to participate in the second round of the consultations. The Panel understands that consultation materials were made available to affected communities two weeks before consultations meetings. The Panel also understands that after the meetings, two weeks were provided for expressing additional comments and concerns in comment books that were made available in each concerned *aimag*¹⁴ and *soum* centers, as well as a number of *bag* centers.

36. Information Management and MINIS website. The Panel heard many complaints from the Requesters regarding the PMU's lack of capacity to respond to comments and queries in a timely fashion and to appropriately disclose documents. They also claimed that the MINIS website is not user friendly and it is difficult to find information and track different versions of the reports.

37. Based on the discussions with the PMU and review of the website, the Panel understands that there has been a noticeable improvement in information management and the navigability of the website. A Russian language menu has been added to the website and a "*consultation hub*" page that contains all consultation materials and information on the meetings was created. Management explained to the Panel that all previous consultation reports were also made available on the website and that an international social expert will be recruited to assist with consultations, stakeholder engagement and communications. This will be a valuable addition to the team and will further contribute to enhancing the capacity of the PMU.

38. Progress and Scope of the ESIA. The Panel in its Second Report and Recommendation stated that assessing the progress and scope of the ESIA would be one of the factors it would take into account in making its recommendation as to whether an investigation was warranted. In this regard, the Panel examined comments made by the Requesters in various correspondence to the Panel and those made by stakeholders during the consultations, and conducted an initial review of the draft TORs. In both the comments received by the Panel and at meetings, stakeholders consulted expressed their preference for a stand-alone REA to be prepared prior to the ESIAs and FS of the two projects. In addition, they highlighted the need to prepare cumulative impact assessments and undertake further analysis of alternatives.

¹⁴ Mongolia is divided administratively in 21 provinces or "aimags." The second-level administrative subdivision is called "soum" and the third level is called "bag."

39. The scientists with whom the Panel spoke expressed that in their view the draft TORs under consultation were based on faulty information, especially about current and projected GDP growth of the Mongolian economy and its associated energy needs. In addition, they claimed that there was a lack of available baseline information on key aspects, especially in Mongolia and that often strategic decisions were made based on outdated information.

40. In addition, several expert opinions had been sent to the Panel and to MINIS in the context of the consultations. Some experts doubt that baseline information will be readily available or that it can be collected in the field in a short time by a limited number of experts. Therefore, they claim that the REA development should be based on accurate estimates of the necessary time and resources required for baseline studies and assessments derived from the actual state of knowledge about the Lake Baikal basin. They also highlighted the need for collaboration between Russian and Mongolian scientists during the preparation of the studies.

41. Some experts felt that the draft TORs lack a clear logical structure and are based on approximate estimates and general recommendations without reflecting territorial features and the variety of potential technological and technical solutions. They emphasized the need to improve the analysis of alternatives, including within the energy sector. In the case of OGW, they claimed that the TORs focus on different water extraction options but should also include an assessment of the possibility of using groundwater in the Southern Gobi region or changing the project location.

42. They also questioned why the forests and indigenous people safeguard policies were never triggered. They pointed to weaknesses in the identification of potential seismic risks, impacts on fisheries and on hydrology, ecology and biodiversity, and related mitigation measures. They also noted inadequate description of effects on livelihoods and on traditional lifestyles. The Panel also heard concerns that no stakeholder engagement plan, mapping different stakeholders and the appropriate way to consult them, was prepared prior to this first round of consultations and that according to the current TORs, this plan will only be developed at the same time as the REA/ESIA.

43. The Panel understands that draft TORs used in the consultations are currently undergoing review to address the issues identified in the consultations. Regarding the sequencing of the studies, Management, in its Update Note from June 2, 2017, explained that the GoM has agreed to separate the REA and ESIA. This information was again confirmed in the June 26, 2017, Update Note, which states: *“In response to consultations in Russia and recommendations from the World Bank, the Government of Mongolia (GoM) has decided to split the REA and the Environmental and Social Impact Assessment (ESIA) and commission a stand-alone REA before proceeding with ESIA and feasibility studies (FS). An ESIA and FS will be undertaken only for those projects that pass the REA screening stage. However, this decision will be formally announced only after completing the consultation process.”*¹⁵ Management further adds that a comprehensive cumulative impact assessment will be an integral part of the REA. It will assess individual and cumulative impacts of Shuren, Orkhon and other hydro-technical projects considered by the GoM, as well as other existing and potential environmental and social stressors in the Selenge river basin.

¹⁵ Management Update Note to the Inspection Panel, June 26, 2017.

44. The Panel stresses that although the sequence of the studies is important, the substantive question is for the overall set of studies to properly assess the scope of potential social and environmental impacts at the proper time and geographic scales that are sufficiently comprehensive to cover impacts in the basin, including Lake Baikal, and to properly consider the cumulative impacts of planned and potential projects in the defined region.

45. Regarding specific comments on missing aspects in the TORs, the Panel notes that the draft TORs do not mention the need to assess several potential social impacts, such as those related to impacts on indigenous peoples in Russia and those related to labor influx, particularly in the context of isolated nomadic communities in Mongolia. The Panel also stresses that a robust consultation process is key for the successful implementation of the Project. The Panel notes the GoM's commitment to take into account comments from the consultations in the revision of the TORs. The Panel also notes that the hiring of an international social expert in the MINIS PMU will enhance its capacity to better conduct consultations and improve the scoping of potential social impacts. Finally, the Panel understands that the POE will review the draft studies and at that point any remaining gaps could be addressed.

46. World Heritage Committee Report. At the 41st Session of the WHC, which took place on July 2 to 12, 2017, in Krakow, the Committee welcomed the intention of Mongolia to undertake an additional study of the impacts of the Egiin Gol project on Baikal's biodiversity. It also noted the information provided by Mongolia regarding the SHP and the Orkhon river project, including the TORs for the development of REAs and ESIAs for these projects. It reiterated the Committee's request for Russia and Mongolia "*to jointly develop a transboundary SEA for any future hydropower and water management projects that could potentially affect the property, taking into account any existing and planned projects on the territories of both countries.*"¹⁶ It also requested that both countries "*ensure that the results of such transboundary SEA guide the elaboration of ESIA of any concrete hydropower and water management projects, including the planned Shuren hydropower project and the Orkhon river project.*"¹⁷ The Panel understands that many of the elements of a strategic environmental assessment outlined in the World Heritage Advice Note on Environmental Assessment¹⁸ will be included in the REA prepared for the Project. These elements include an assessment of cumulative impacts on a regional scale before decisions on individual projects are made and an analysis of alternatives at a strategic level.

47. Conclusions. The Panel notes the complexity of the Project due to its highly technical aspects and transboundary nature of its impacts. Both Mongolian and Russian authorities are aware of these sensitivities and have shown a willingness to cooperate with the ultimate aim of safeguarding resources and the environment, while fulfilling the economic aspirations of the people in both countries. The Panel acknowledges that positive steps have occurred in this direction as evidenced by the commitment to establish a joint committee of Mongolian and Russian scientists to study and review the matter.

¹⁶ WHC/17/41.COM/7B, Krakow, July 2017. Available at: <http://whc.unesco.org/en/soc/3618>

¹⁷ Ibid.

¹⁸ Available at:

https://www.iucn.org/sites/dev/files/import/downloads/iucn_advice_note_environmental_assessment_18_11_13_iucn_template.pdf

48. Regarding the quality of consultations in Russia, the Panel acknowledges the broad scope and significant efforts involved in their organization, with substantial input from both the Russian and Mongolian authorities, and the efforts to uphold both World Bank and Russian standards in conducting the hearings. The Panel has pointed to certain weaknesses in the process as mentioned above, and notes the importance of their consideration as valuable lessons for future consultations.

49. In view of this, the Panel is satisfied with the quality of consultations in Russia and expects that Management will ensure that relevant stakeholder comments are promptly responded to and incorporated as appropriate. The Panel also notes the quality of the preparations for the consultations in Mongolia, although such consultations had not taken place at the time of the Panel's visit. The Panel observes that these preparatory activities entailed an important effort and level of coordination between the MINIS PMU and local authorities.

50. The Panel appreciates the effort made by the MINIS in undertaking the consultations in both Russia and Mongolia and in responding to many of the Requesters' concerns in a comprehensive manner. The consultations in Russia and the joint Russian-Mongolian scientific committee are important steps towards furthering cooperation and ensuring the success and sustainability of any transboundary project such as the present one.

51. The Panel specifically recognizes that the Request for Inspection has placed the Project on a positive trajectory, especially through a recognition of the relevance of transboundary issues, and the greater importance given to ensuring meaningful consultations with both Russian and Mongolian stakeholders, thus allowing an increased opportunity for many of their concerns to be addressed in the impact studies to be conducted. Finally, the Panel notes that the efforts undertaken in the last two years have greatly contributed to strengthening the capacity of the MINIS PMU to properly understand and implement the complex issues surrounding the Project.

D. Recommendation

52. The Panel has examined above the two elements it had selected for determining its recommendation as to whether to conduct an investigation, namely the quality of consultations and the scope of the ESIA. The Panel is satisfied that the Project has undertaken major adjustments and implemented important efforts to properly consult potentially affected people. In addition, the Panel takes notes of Management's commitment to include various environmental assessment tools, including a REA, a cumulative impact assessment and an analysis of alternatives, in addition to integrating comments from the consultations in the revised TORs.

53. The Panel is pleased to recognize improvements in MINIS PMU capacity, notably in its ability to respond to Requesters and the commitment to establish a joint Russian-Mongolian committee of scientists. In addition, the Panel notes the Bank's support for the Mongolian Energy sector, which aims at increasing its efficiency and exploring different energy alternatives. The Panel maintains that all of the above actions provide evidence of Management's moving in the right direction and its intention to comply. Thus, taking into account para 5 of the 1999 clarification which provides that "*the Inspection Panel will satisfy itself as to whether the Bank's compliance*

or evidence of intention to comply is adequate and reflect this assessment in its reporting to the Board,” the Panel does not recommend an investigation.

54. In making this recommendation, the Panel emphasizes the need for Management to continue to remain in close contact with the Requesters and affected communities, to incorporate some of the lessons from previous consultations into future ones, and ensure a diligent implementation of the full set of environmental assessment tools that have been identified. The Panel also encourages Management to ensure that the decisions of the WHC are taken into account in any revision of the relevant TORs.

55. Finally, the Panel notes that this recommendation does not in any way preclude the possibility of a future Request for Inspection based on new evidence or circumstances not known at the time of the current recommendation. If the Board of Directors concurs with this recommendation, the Panel will inform Management and the Requesters accordingly.

Annex I

Mongolia:
Management Update Note to The Inspection
Panel on Mining Infrastructure Investment
Support Project (P118109) and its Additional
Financing(P145439)

June 2, 2017

**MANAGEMENT UPDATE NOTE TO THE INSPECTION PANEL ON
MONGOLIA: MINING INFRASTRUCTURE INVESTMENT SUPPORT PROJECT
(P118109) AND MINING INFRASTRUCTURE INVESTMENT SUPPORT -
ADDITIONAL FINANCING (P145439)**

Date: June 2, 2017

1. This note summarizes progress made in addressing the comments raised by the Inspection Panel (IPN) in its report no. 97875-MN on the subject projects, dated July 2, 2015.
2. **Background:** The objective of the Mining Infrastructure Investment Support Project (MINIS) is to provide technical assistance to facilitate investments in infrastructure to support mining and downstream processing activities regardless of funding source, and to build local capacity to prepare and transact infrastructure projects. The project has a nationwide scope and finances only technical assistance – i.e., the preparation of studies, including feasibility studies and environmental and social impact assessments, and capacity building. No infrastructure investments are eligible for financing under the project. A number of priority sub-projects, including two hydropower projects that are cited in the Request for Inspection, were identified as eligible under MINIS for financing of feasibility studies (FS) as well as environmental and social impact assessments (ESIA). These two potential projects, Shuren Hydropower (SHP) and Orkhon Gobi Water (OGW), are located in the Selenge River basin, which is shared with Russia. In addition, both SHP and OGW could have impacts on the World Heritage site of Lake Baikal and the Ramsar wetlands in the delta of the Selenge River. Hence, due diligence is required to ensure proper consultation in Russia as well as Mongolia in order to fulfill Bank operational policy requirements. The project is scheduled to close on September 30, 2017, but may be extended to allow time to complete the Regional Environmental Assessments (REA), and possibly subsequent ESIA and FS studies of the projects that pass the REA screening stage. A decision about project extension will be made upon completing additional consultations in Mongolia, planned for the second half of June 2017.
3. Non-governmental organizations (NGOs) and affected communities submitted a Request to the IPN in February 2015. The IPN examined the eligibility to register the Request but decided to defer its decision as to whether or not an investigation into the Bank's actions or omissions was required by one year; this deferral will expire at the end of June 2017.
4. In its report, the IPN highlighted: (i) the need for proper consultations with the affected communities in Mongolia as well as Russia; (ii) the need to revise the terms of reference (ToRs) for the REAs and ESIA's to address the specific characteristics of the project affected area, including Selenge River (upstream and downstream), the Ramsar wetlands site and Lake Baikal; (iii) to provide enough time and resources to carry out the studies adequately; and (iv) the need for the ToRs to include provisions to conduct a cumulative impact assessment (CIA) that covers all foreseeable hydropower projects to be developed within the coming 20 years in the Selenge River basin. These recommendations are in line with the findings of a UNESCO assessment mission, which took place in April 2015.

5. **Progress:** Since the last Management Update to the IPN, dated May 17, 2016, considerable progress has been made on consultations and on revisions and updating of the ToRs despite the fact that the year was marked by: (i) political transitions in 2016 following elections; (ii) significant time to reach agreement with the Russian Government regarding the consultation plan; and (iii) the size and scale of the consultations which required more resources and support from the World Bank (including from the Moscow office) to get to today's positive developments. These are presented below.

6. **Consultations with Russian stakeholders:** The Bank team has been able to ensure that the Project Management Unit (PMU) engages with stakeholders in a meaningful way, and to respond to stakeholder concerns.

7. In total, 14 consultations meetings took place in Russia during a period from March through May 2017. 11 meetings were held in Buryatia and 3 meetings were held in the Irkutsk region. In total, more than 1,300 stakeholders attended consultations in Buryatia, and approximately 400 stakeholders in the Irkutsk region, including local residents, NGOs, local authorities, and government.

8. According to Russian law, the consultation processes for Buryatia and Irkutsk remain open for an additional 30-day comment period after consultation meetings in order for stakeholders to provide any additional comments. The Russian consultation period will, accordingly, close on June 16 (30 days after the final face-to-face meeting in Irkutsk).

9. Information and venue details were disclosed one month before consultations, which complied with Russian law and exceeded the Bank's good practice on prior notice of consultation. Easily understandable brochures in Russian were distributed to help communities understand the technical issues.

10. The MINIS PMU travelled to Russia a month ahead of consultations to meet and work with Russian government counterparts to agree on a consultation roadmap and distribute consultations materials in Russian in public places designated by the Russian authorities. A member of the World Bank team joined the PMU representatives on this mission.

11. Consultation materials were made available in both Russian and English on the consultation hub page of the MINIS website. Materials included ToRs, a technical summary of ToRs, a non-technical summary of ToRs, ToRs for a Panel of Experts (PoE), and a Questions and Answers document on the project. In addition to providing non-technical summaries of the proposed studies for stakeholders, the Bank team worked to provide high-quality Russian language translations. The Bank project team, through the Bank Moscow office, hired Russian translators to edit draft ToRs for the REA and the ESIA and translate ToRs for the Feasibility Study (FS). The project team was also strengthened by a Russian-speaking analyst, who provided extensive support to the PMU in further reviewing translations, ensuring the use of the correct terminology and consistency between various consultation documents in Russian, covering, in addition to ToRs, the summary ToRs, non-technical summaries and others.

12. Local residents in Buryatia and Irkutsk and their surrounding districts were invited to consultations through the local mass media and administration. Information on consultations was also available on the website of the regional offices of the Russian Ministry of Natural Resources and Environment located in Ulan Ude and Irkutsk. Consultation materials were made available in public places, such as libraries, as agreed between the PMU and the Russian authorities.

13. Consultations were conducted according to good international practice and World Bank Policy requirements. Translation between Russian and Mongolian languages was provided. Translation from Buryat language was also arranged to allow Indigenous People to express their concerns. The proceedings of all consultation meetings were documented by consultation minutes, signed by the Mongolia and Russian sides, as required by Russian regulations. The PMU also extensively documented the consultations and are now working on detailed written accounts of proceedings and contents. The Bank team, led by the Country Manager for Mongolia and/or the TTL, attended all consultations meetings as observers.

14. Main stakeholder concerns focused on negative environmental impacts on the Selenge River system, its delta and Lake Baikal, a UNESCO world heritage site. Stakeholders discussed the need to consider alternative energy sources, including renewable energy, nuclear power, and expanded electricity imports from Russia. Some stakeholders also argued that the REA needed to be sequenced before ESIA and FS are commissioned and implemented under a separate ToR.

15. **Course adjustments following consultations:** The PMU has accepted and is preparing for implementation of several suggestions from stakeholders:

- *REA*: The ToR for the REA are being informed by the feedback received at public consultations in the Russian Federation and earlier consultations in Mongolia. A consolidated response matrix of stakeholder feedback and how it is reflected in the ToRs will be published on the MINIS website after completion of additional consultations in Mongolia. The REA, which will also assess cumulative impacts, will cover both the SHP and the OGW projects, and will focus on broad strategic options for the region and environmental considerations for regional development planning. It will also analyze alternative investments and technology, looking at options to generate energy with less environmental impact, for instance, through wind power, solar power, and/or alternative water power. This assessment will also look at the “no project” alternative, considering cost and benefits of deciding not to pursue the projects. In response to stakeholder recommendations, the REA will also assess cumulative impacts on environmental and social components from potential/considered projects in the Selenge river basin in Mongolia. The World Bank task team will provide support to the MINIS PMU in incorporating feedback from the consultations and revising the REA ToR that could be finalized by August 2017. Procurement of REA study could be initiated as early as August (taking into account long national holidays in Mongolia in July) and a contract for REA study could realistically be signed in Q1 CY18. Under this schedule, a draft REA report could be available for consultations in Q2 CY19.
- *ESIA*: The MINIS PMU and the government have taken on board the recommendation of Russian stakeholders to separate REA from the project-specific ESIA. The project-specific

ESIA will be implemented after the REA study has been finalized. The Bank team also agreed with the government that public consultations and a review of the draft REA by the international experts of the PoE should feed into any subsequent ESIA. Further inputs and finalization of the ESIA ToRs will therefore be made after the REA is completed. The technical FS will also be sequenced to take into account the findings of the REA. FS and ESIA will need to be implemented at the same time as they feed into each other.

- *PoE*: ToRs for international experts to be included in a PoE have been drafted and disclosed for consultation. The PoE will consult with both Russian and Mongolian specialists and review the quality and progress of the studies and draft reports. It will advise on whether it is feasible to proceed with the detailed ESIA and FS after reviewing the draft REA.

16. **Grievances:** The MINIS Grievance Mechanism (GRM)¹ was launched in April 2016. The GRM aims to identify and record concerns of communities and stakeholders potentially affected by MINIS-related activities, implement a timely and responsive approach to resolving grievances, and demonstrate a transparent monitoring and reporting of issues of concern. The MINIS PMU registers all issues of concern reported to it and decides whether they are related to MINIS activities and warrant further investigation or whether to refer them as unrelated complaints for independent action. If an investigation is warranted, the PMU facilitates assessment and consultations with the complainant with the aim of achieving agreed mitigating actions. A complainant may refer an issue at any time to the World Bank Grievance Redress Service (GRS) or escalate an issue to the IPN.

17. The GRM is publishing reports on complaints received every six months. The first report covers the period from its launch (16 Apr 2016) until 16 Nov 2016 and has been published on the MINIS website². Six complaints were received during this period. Three of these were received from a Mongolia-based international NGO network, one complaint was received from a Mongolian citizen, one from a national research institution and one from a water-related association (with anonymity maintained in the report).

18. The complaints involved:

- Concern at delays to the development of the Orkhon flow regulation project as a result of what is perceived to be an unnecessarily lengthy environmental assessment process (20 Apr 2016);
- Quality of consultations and stakeholder engagement in Mongolia for the development of the Baganuur cumulative impact assessment report (22 Apr 2016);
- Quality of consultations and materials disclosed in Mongolia for the Shuren HPP and Orkhon flow regulation studies (4 May 2016)
- Two complaints about bid evaluation results for consultancy to develop the Integrated Water Resources Management Plan for Altain Uvur Gobi River Basin Authority (8 Jul 2016);

¹ Information on the GRM process itself including a downloadable brochure is available on MINIS website: <http://www.minis.mn/en/minis-grievance-resolution-mechanism>.

² http://storage.embersoft.mn/d1af1f/page/92/MINIS%20GRM%20Summary%20Report%20Eng_Final_Feb10%20last_JHhsaaSwGiQxgSD.pdf

- Incomplete consultation process in Russia for SHP project and Orkhon flow regulations studies, failure to disclose pre-feasibility study, general poor quality and inconsistent information materials (23 Sep 2016).

19. All six complaints have been assessed and actions completed for three of the complaints. Actions required to complete responses for the remaining three complaints have been identified but have lengthy completion timeframes due to the complex character of the complaints (many highly technical and interrelated issues and concerns) and their links to ongoing consultation processes. Actions described to resolve outstanding complaints include:

- Holding additional public consultations on Shuren and Orkhon studies with affected stakeholders in Mongolia and Russian Federation with enhanced non-technical information materials, clear disclosure and feedback protocols, and greater accessibility for potentially affected stakeholders.
- Finalizing and disclosing responses, reports and other materials associated with consultations held in Mongolia and the Russian Federation
- Improving the quality and navigability of the MINIS website consultation hub
- Undertaking a review and supplementary studies by international consultants to revise a CIA report for the Baganuur subcomponent of MINIS and hold public consultations on this study.
- Reevaluating contract bid results to ensure fair and competitive outcomes.

20. A second six-monthly report covering the period November 2016 – May 2017 has been drafted by the PMU and is now being reviewed by the Bank project team. After Bank review and, if the Bank team has no objection, the second six-monthly report will be published on the MINIS website.

21. Finalization of this report notwithstanding, the MINIS PMU has addressed 7 complaints and one request for information during the period of 17 Nov 2016 to 17 May 2017. Three complaints were carried over from the previous reporting period. Four complaints and a request for information were newly received. Currently, 6 of the 8 complaints received within the new period and/or outstanding from the previous period have been assessed and actions completed. Newly received complaints within this period involved complaints from Russian, Mongolian, and Buryatian NGOs regarding:

- The quality of the MINIS website and lack of user friendly features;
- Disclosure of consultation reports on the previously held consultations;
- Two complaints about the project not publicly disclosing pre-feasibility studies associated with Shuren and Orkhon on the MINIS website;
- Failure of the Grievance Resolution Procedure to capture and register grievances sent to it;
- Lack of response to an independent public hearing held on draft REA/ESIA TORs of OGP and SHPP in Kabansk district of the Republic of Buryatia (not attended by the WB or MINIS PMU);
- Lack of response to comments and complaints that were sent from a Russia-based NGO on the draft REA/ESIA TORs of for Orkhon and Shuren;
- Request for information on gender strategies and resettlement action planning associated with the MINIS subprojects.

In response, the PMU:

- Improved the website;
- Disclosed all previous consultation reports;
- Published PFS studies for Shuren and Orkhon on the website;
- Prepared and disclosed a response to the independent public hearing in Kabansk;
- Prepared and disclosed a response to comments and complaints on the draft REA/ESIA ToRs;
- Provided information on gender strategies and the project resettlement framework.

The GRM did not process one grievance due to technical difficulties associated with the GRM email address but has multiple avenues for receiving complaints and is presenting six-monthly reports on grievances received in order to ensure transparency.

22. **Next steps:** While consultations in Mongolia have been held as part of project preparation, stakeholders had expressed concerns about the quality of consultations with Mongolian stakeholders. The Mongolian authorities agreed with the World Bank team on the value of holding additional consultations in Mongolia, improving the stakeholder engagement process and conducting consultations in accordance with international good practice. This decision was publicly announced at a consultation meeting in Irkutsk City on May 18, 2017. Although the Mongolian presidential elections, planned for June 26, 2017, impose restrictions on public gatherings during June, MINIS plans to conduct 18 consultations meetings (6 meetings on SHP, 9 meetings on OGW, and 3 joint meetings on SHP/OGW) from June 28 to July 1. Consultations will be conducted by four teams (two for SHP and two for OGW) that will work in parallel. To organize consultations, a PMU team will visit consultation locations on June 5-6 to distribute consultation materials and agree on consultation logistics with the local authorities.

Annex II

Mongolia:
Management Update Note to The Inspection
Panel on Mining Infrastructure Investment
Support Project (P118109) and its Additional
Financing(P145439)

June 26, 2017

**MANAGEMENT UPDATE NOTE TO THE INSPECTION PANEL ON
MONGOLIA: MINING INFRASTRUCTURE INVESTMENT SUPPORT PROJECT
(P118109) AND MINING INFRASTRUCTURE INVESTMENT SUPPORT -
ADDITIONAL FINANCING (P145439)**

Date: June 26, 2016

1. This note addresses questions from the Inspection Panel regarding the subject projects, dated June 19, 2017.
2. ***Comment period for Mongolian stakeholders.*** Additional consultations in Mongolia are scheduled to be held in Mongolia from June 28 to July 3. These consultations will be conducted in accordance with Bank policies. Consultation materials were made available to affected communities two weeks before consultations meetings. After the meetings, two weeks will be provided for expressing additional comments and concerns in comment books that will be available in each concerned *aimag* and *soum* centers, as well as a number of *bag* centers.
3. ***Regional Environmental Assessment (REA).*** In response to consultations in Russia and recommendations from the World Bank, the Government of Mongolia (GoM) has decided to split the REA and the Environmental and Social Impact Assessment (ESIA) and commission a stand-alone REA before proceeding with ESIA and feasibility studies (FS). An ESIA and FS will be undertaken only for those projects that pass the REA screening stage. However, this decision will be formally announced only after completing the consultation process.
4. ***Cumulative Impact Assessment (CIA).*** A comprehensive CIA will be an integral part of the REA. It will assess individual and cumulative impacts of Shuren, Orkhon and other hydro-technical projects considered by the GoM, as well as other existing and potential environmental and social stressors, in the Selenge river basin. The letter from GoM to the World Heritage Centre was sent in January 2017 and predates the decision made to have a CIA as part of the REA.

Annex III

Mongolia:
Management Update Note to the Inspection
Panel on Mining Infrastructure Investment
Support Project (P118109) and its Additional
Financing(P145439)

July 7, 2017

**MANAGEMENT UPDATE NOTE TO THE INSPECTION PANEL ON
MONGOLIA: MINING INFRASTRUCTURE INVESTMENT SUPPORT PROJECT
(P118109) AND MINING INFRASTRUCTURE INVESTMENT SUPPORT -
ADDITIONAL FINANCING (P145439)**

Date: July 7, 2017

Summary of Public Consultations in Mongolia (June 28 – July 03, 2017)

1 Objective

The objective of the public consultations held from June 28 to July 03, 2017 was to seek feedback from stakeholders on the draft Terms of References (TOR) for REA/ESIA of proposed Shuren HPP (Shuren HPP) and Flow Regulation of Orkhon River and Construction of Reservoir Complex (Orkhon Gobi) projects, respond to stakeholder questions and capture their concerns, inputs, and recommendations to strengthen the TOR.

2 Preparation and dissemination of information

MINIS has developed a set of consultation materials¹ in Mongolian which were disclosed and distributed 14 days prior to the consultations and made available to the public at local premises and on the MINIS website². Announcements were made through several TV and radio channels and newspapers.

To advertise the consultation and distribute the consultation documents, MINIS held meetings with the local governors of the *soums*³ and some *bag* leaders to discuss the following: (i) objectives of public consultations; (ii) objectives of the proposed projects; (iii) expected results; and (iv) timing for the consultation package distribution and disseminating information on the draft TOR. Bank staff participated in meetings and distribution activities as observer.

3 Public consultations

In total, 1,005 people participated in 19 consultations, in six provinces and Ulaanbaatar capital city, as indicated in Table 1. Participants included representatives of the local governor's office,

¹ The documents included in the distribution package were as follows: (i) Draft agenda; (ii) Introduction of MINIS Project Fact Sheet; (iii) Draft TORs for REA and ESIA of Flow Regulation of the Orkhon River and Construction of Reservoir Complex Project; (iv) Technical summary of draft TOR for REA and ESIA of Flow Regulation of the Orkhon River and Construction of Reservoir Complex Project; (v) Non-technical summary of draft TOR for REA and ESIA of Flow Regulation of the Orkhon River and Construction of Reservoir Complex Project; (vi) Draft TORs for REA and ESIA of Shuren HPP; (vii) Technical summary of draft TOR for REA and ESIA of Shuren HPP; (viii) Non-technical summary of draft TOR for REA and ESIA of Shuren HPP; (ix) Draft TORs for three international experts (International Environmental Specialist, International Social Specialist, International Dam and Civil Engineering Specialist) of the International Advisory Committee; (x) World Bank's Information Disclosure and Public Consultation Planning Checklist; (xi) Frequently Asked Questions of MINIS; (xii) Grievance Resolution Mechanism of MINIS.

² <http://www.minis.mn/en>

³ A *soum* is a subdivision of a province; a *bag* is a subdivision of a *soum*.

NGOs, private sector, local communities (mostly residents of Soum centers and herders) and community leaders who may be potentially affected by the proposed projects.

The consultation team included scientists and specialists in relevant fields. At consultation meetings, this team presented the project objectives and background, findings of preliminary studies, and the potential scope of the upcoming environmental and social impact studies. The presentations covered various aspects of the draft TORs for regional environmental assessment (REA) and environmental and social impact assessment (ESIA) of the proposed projects, including matters related to drought, flood and other socio-economic impacts, technical and environmental issues. Bank staff attended consultation meetings as observers.

Table 1. Schedule of Public Consultations

#	Location	Date	Total participants
The Flow Regulation of Orkhon River and Construction of Reservoir Complex Project			634
1	Delgerkhaan Soum of Tov province	28 June 2017	45
2	Erdene-Sant Soum of Tov province	28 June 2017	80
3	Dashinchilen Soum of Tov province	29 June 2017	22
4	Khishig-Ondor Soum of Bulgan province	29 June 2017	34
5	Orkhon Soum of Bulgan province	30 June 2017	84
6	Bulgan Soum of Bulgan province	30 June 2017	31
7	Khuld Soum of Dundgobi province	28 June 2017	70
8	Erdene-Dalai Soum of Dundgobi province	28 June 2017	80
9	Tsogttsetsii Soum of Umnugobi province	29 June 2017	70
10	Khanbogd Soum of Umnugobi province	30 June 2017	50
11	Dalanzadgad Soum of Umnugobi province	01 July 2017	68
Shuren Hydropower Plant Project			239
12	Erdenet City (Orkhon province)	28 June 2017	126
13	Khaylganat Village of Khangal Soum of Bulgan province + Selengemurun bag Khyalganat village of Khangal Soum	29 June 2017	53
14	Selenge Soum of Bulgan province	29 June 2017	17
15	Sangaltai / Atar /Tsuuts bags of Selenge Soum of Bulgan province + Tsgaannuur Soum of Selenge province	29 June 2017	43
Integrated consultations: Shuren Hydropower Plant Project & Flow Regulation of Orkhon River and Construction of Reservoir Complex Project			132
16	Selenge province	01 July 2017	35
17	Baruunburen Soum of Selenge province	01 July 2017	36
18	Khushaat Soum of Selenge province	01 July 2017	21
19	Ulaanbaatar	03 July 2017	40
Total			1,005

4 Summary of feedback received during public consultations

Among the major concerns raised by herders and residents were issues around social and environmental impacts, such as fertile soil, pasture land, historical sites, fauna and flora to be affected, water quality, fish population, as well as adverse effects on farming, nomadic herding lifestyle and local communities' livelihood. Some participants asked for more detailed information on the project timetable and locations (e.g. boundaries of the lake and pasture land to be covered, when and who will be resettled) or on the technical design (pipeline alignments, purpose of the proposed projects and alternatives). Some participants shared their concerns about seismic risks, climate change, water levels, implementation of the studies and agreement between Mongolian and Russian governments. Some others expressed their opposition to the proposed projects.

Participants' questions, concerns, comments, recommendations and suggestions regarding the draft TOR for the REA/ESIA of Shuren HPP and Flow Regulation of the Orkhon River and Construction of Reservoir Complex projects were fully recorded. Feedbacks received from the participants during consultation meetings and during an additional 14-day period, ending on July 17th, will be recorded and responses to the questions/comments will be provided in response matrices.

5 Summary observations from the consultations

Management believes that the disclosure and consultation activities in Mongolia at this stage of the MINIS proposed projects are in full compliance with Bank policy requirements.

- (a) Public consultation meetings were organized with the assistance of the local administration, who identified locations and venues, widely disseminated information, and co-chaired the meetings.
- (b) The meetings were attended by representatives cross section of stakeholders, including local administration, representatives and residents of potentially affected communities, representatives of NGOs/CSOs and the private sector. The locations were clearly announced to local population and visitors (in most cases the meetings took place in community centers). The consultations were prepared carefully, with handout materials in good quality available in sufficient quantities and in Mongolian, including (i) project briefs (flyers); (ii) complete TOR, printed and bound; (iii) copies of presentations; (iv) information on consultation process and feedback forms.
- (c) Presentations had adequate content tailored to non-professional audiences, and were delivered in an accessible manner, using language and terminology that are understandable to all stakeholders. An audio system was provided to allow participants to follow the presentations.
- (d) The audience had adequate time and means for their feedback. All questions were recorded via audio and video, and transcribed. In addition, a feedback "journal" will be available until July 17th to provide written feedback. During the presentations MINIS' various grievance and feedback mechanisms were explained, and the contact details shared.
- (e) Overall, the meetings were conducted in an orderly and disciplined manner without disturbances or incidents. We would like to note that the consultation meetings were

planned to take place after the presidential elections of June 26. As the elections were not conclusive—the first time in Mongolia’s history this has occurred—runoff elections were declared and scheduled for July 7. Campaigning was legally forbidden during this period. The elections did not materially affect the consultations, except for one place where the local official cancelled the meeting. We are in discussions with the PIU about how to ensure the people in that area are consulted.

6 Next Steps

A consultation report, including response matrices, will be prepared and made available on the MINIS website by early September.

Attachment

Pictures from consultations Held in Mongolia from June 28 to July 3, 2017







Annex IV

Consultation Materials Distributed in the Russian Federation

Consultation materials distributed in the Russian Federation provided by the MINIS PMU

1. Introduction of Mining Infrastructure Investment Support Project
2. The draft Terms of Reference (TORs) of Regional Environmental Assessment (REA) and Environmental and Social Impact Assessment (ESIA) of Flow Regulation of the Orkhon River and Construction of Reservoir Complex
3. The draft Terms of Reference (TORs) of Regional Environmental Assessment (REA) and Environmental and Social Impact Assessment (ESIA) of Shuren Hydropower Plant Project (HPP)
4. Technical summary of the draft REA and ESIA TORs for Flow Regulation of the Orkhon River and Construction of Reservoir Complex
5. Technical summary of the draft REA and ESIA TORs for Shuren HPP
6. Non-Technical summary of the draft REA and ESIA TORs for Flow Regulation of the Orkhon River and Construction of Reservoir Complex
7. Non-Technical summary of the draft REA and ESIA TORs for Shuren HPP
8. Draft Terms of References for International Advisory Committee: International Environmental Specialist, International Social Specialist and Dam and Civil Engineering Specialist
9. Information Disclosure and Public Consultation Planning Checklist of World Bank
10. Frequent Asked Question of MINIS
11. Grievance Resolution Mechanism of MINIS