

**MANAGEMENT RESPONSE TO THE
REQUESTS FOR INSPECTION PANEL REVIEW OF THE
MONGOLIA: MINING INFRASTRUCTURE INVESTMENT SUPPORT
PROJECT (P118109) AND MINING INFRASTRUCTURE INVESTMENT
SUPPORT PROJECT - ADDITIONAL FINANCING (P145439) COMPONENT 1 -
SUPPORT FOR INFRASTRUCTURE INVESTMENTS (BAGANUUR COAL
MINE EXPANSION STUDY) AND COMPONENT 3 - STRENGTHENING
GROUNDWATER MANAGEMENT**

Management has reviewed the Requests for Inspection of the Mongolia: Mining Infrastructure Investment Support Project (P118109) and Mining Infrastructure Investment Support Project–Additional Financing (P145439) Component 1–Support for Infrastructure Investments (Baganuur Coal Mine Expansion study) and Component 3–Strengthening Groundwater Management, received by the Inspection Panel on April 2, 2018 and registered on May 11, 2018 (RQ18/02 and 18/03). Management has prepared the following response.

June 13, 2018

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ABBREVIATIONS AND ACRONYMS

BP	Bank Procedures
CHP	Combined heat and power
CIA	Cumulative impact assessment
CSO	Civil society organization
ESIA	Environmental and Social Impact Assessment
GoM	Government of Mongolia
GWMIU	Groundwater management and information unit
IFC	International Finance Corporation
IPN	Inspection Panel
IWRMP	Integrated Water Resources Management Plan
MIGA	Multilateral Investment Guarantee Agency
MINIS	Mining Infrastructure Investment Support Project
Mt	Million tons
MW	Megawatt
NGO	Nongovernmental organization
OP	Operational Policy
RBA	River Basin Administration
RBC	River Basin Council
SNG	Synthetic natural gas
TOR	Terms of reference
TPP	Thermal power plant
WBG	World Bank Group

EXECUTIVE SUMMARY

The Project

i. The Mining Infrastructure Investment Support Project (MINIS or Project) provides technical assistance to the Government of Mongolia (GoM or Government), including support for the conduct of feasibility studies for the preparation of priority mining-related infrastructure investments; and support for strengthening the management of groundwater resources. ***The Project does not support any investments following from such studies and does not support the construction or operation of any infrastructure.***

ii. ***The Project provides technical assistance that brings a structured and systematic approach as well as transparency to the process of studying the proposed infrastructure investments, and supports enhanced capacity for groundwater resource management.*** These objectives are being achieved through the preparation of different types of studies and the building of capacity in Mongolian institutions for project preparation and implementation, the development of investment and financing plans and review of regulatory frameworks. An additional financing and restructuring, approved in 2014, supports the scaling up of the Project, including the effort to strengthen groundwater management through, inter alia, the establishment of and building capacity for three River Basin Administrations and River Basin Councils in the South Gobi region. The Project is financed through an original IDA Credit of US\$25 million equivalent and an additional financing through a Trust Fund of US\$4.05 million equivalent.

iii. ***Most of the studies supported by MINIS are in progress.*** Where required by the Bank's policies, draft studies are disclosed and consulted on before finalization. The Project is scheduled to close on September 30, 2019.

Request for Inspection

iv. ***On May 11, 2018, the Inspection Panel registered two Requests for Inspection of the Project.*** The Requests were submitted by Oyu Tolgoi Watch and a local nongovernmental organization on behalf of residents of the Baganuur district of Ulaanbaatar and residents of Gurvantes Soum in Onmogovi (South Gobi) *Aimag*. In the first Request, the Requesters claim potential harm from a feasibility study and a cumulative impact assessment for an expansion of the Baganuur mine, including impacts related to health, community safety, security and prostitution, and air pollution as well as lack of consultation and disclosure of information. In the second Request, the Requesters claim harm from water management plans and capacity building provided to the three River Basin Administrations, including loss of access to traditional land and water sources, environmental impacts and lack of consultation and disclosure of information.

Management Response

v. ***The issues raised by the Requesters focus on potential harm that cannot be the result of the technical assistance provided by the Bank. The Bank is supporting studies and capacity building measures, but not the construction or operation of any mining or other infrastructure.*** While Management has not made any decision or commitment to finance such investments, nor received any request for financing in that regard, Management recognizes that

it is important that technical advice provided by the Bank be consistent with applicable Bank policies, including with regard to the processes followed for its preparation (including disclosure and consultations) and its conclusions and recommendations. Management is committed to ensuring that the studies supported under the Project provide an objective and robust information base to help inform the decision-making by the GoM in considering future investments.

vi. ***The Bank does not finance the power plant referenced by the Requesters in the first Request, nor the mining activities referenced by the Requesters in the second Request.*** While neither the power plant nor the mining activities are associated with the Bank-supported Project, the Borrower has engaged with stakeholders on these activities and will continue to do so. The Bank-financed Cumulative Impact Assessment and Integrated Water Resources Management Plans are being consulted upon and provide a number of avenues for stakeholders to raise issues.

vii. ***Management does not agree with the Requesters that the Bank is in violation of its policies with regard to the Project. On the contrary, Management believes that the studies and capacity building measures supported under the Project will facilitate sustainable development of infrastructure and address many of the concerns raised by the Requesters.*** Considering the Government's limited capacity in the area of project development, assessment of environmental and social impacts and groundwater management, MINIS provides an important contribution to building capacity in these areas.

viii. ***Management appreciates the Requesters' concerns in relation to the studies being supported under the Project, in particular as they relate to the quality of such studies, the scope of issues treated therein, and their public disclosure and consultation.*** Stakeholders have expressed these concerns previously through consultations, and Management has worked with the Borrower to address them. Management commits to working closely with the Borrower to assess Project-related issues raised by the Requesters in the relevant studies supported by the Project.

ix. ***Significant corrective actions have already been taken to improve the Borrower's capacity to conduct stakeholder engagement in response to a previous Request for Inspection regarding other aspects of the Project.*** Management is confident that the Borrower will use this capacity to conduct information disclosure and consultations on the Bank-financed studies and plans as required by Bank policy.

I. INTRODUCTION

1. On May 11, 2018, the Inspection Panel (the Panel) registered two Requests for Inspection, IPN Requests RQ 18/02 and 18/03 (the Requests), concerning the Mongolia: Mining Infrastructure Investment Support Project (P118109) and Mining Infrastructure Investment Support Project–Additional Financing (P145439), (MINIS, or the Project), financed by the International Development Association (IDA, or the Bank). The first Request (RQ 18/02) focuses on Component 1–Support for Infrastructure Investments (Baganuur Coal Mine Expansion study) and the second (RQ18/03) on Component 3–Strengthening Groundwater Management. The Panel is processing the Requests jointly.

2. **Structure of the Text.** The document contains the following sections: Section II provides background information on the Project; Section III outlines the Request; Section IV discusses special issues; Section V presents Management’s responses to the Request; and Section VI contains the conclusion. Annexes 1 and 2 present the Requesters’ claims, together with Management’s detailed responses, in table format. Annex 3 provides the disclosure status of technical studies produced under Component 3 and Annex 4 contains a list of stakeholder outreach meetings held at the inception stage of the integrated water resource management planning process.

II. THE PROJECT

3. The Project provides technical assistance to the Borrower¹ through support to the execution of studies. It also supports local capacity with regard to the preparation of infrastructure investments and management of groundwater resources. The Project does not support any investments following from such studies and does not support the construction or operation of any infrastructure.

4. **Project objectives.** The development objectives of MINIS are “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.” These objectives are being achieved through the preparation of various studies, including Project-specific feasibility studies (FS), technical assessments, engineering designs, geotechnical surveys, economic and financial analyses, environmental and social impact assessments, to support infrastructure investments and the building of capacity in Mongolian institutions for project preparation and implementation. The restructuring and additional financing, approved in 2014, supports the scaling up of the Project’s effort to strengthen groundwater management in the South Gobi region, through the establishment of a groundwater monitoring network; the establishment and capacity building of several institutions, including a Groundwater Management and Information Unit (GWMIU), three River Basin Administrations (RBAs) and three River Basin Councils (RBCs); and the execution of technical studies and plans (see Annex 3).

5. **Project benefits.** The Project enhances Borrower capacity, and brings a structured and systematic approach as well as more transparency to the process of studying the Government’s proposed infrastructure investments, and groundwater management, together with improved data collection. Through the application of Bank policies and procedures to the studies being undertaken, emphasis is placed on the identification of economic, financial, environmental and

¹ The Ministry of Finance represents the Borrower and serves as a focal point for MINIS that supports studies within purview of the Ministry of Environment and Tourism, Ministry of Energy, and Ministry of Mining and Heavy Industry.

social risks, and the analysis of alternatives, at both the sector and project levels (including “without project” scenarios). The scope of the studies conducted under MINIS is expected to be more comprehensive than if they were conducted without the involvement of the Bank. MINIS is a Category A Project and the following safeguard policies apply to it: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Physical Cultural Resources (OP/BP 4.11), Involuntary Resettlement (OP/BP 4.12), Safety of Dams (OP/BP 4.37) and Projects on International Waterways (OP/BP 7.50).

6. **Project status.** The Project (P118109) was approved by the World Bank Board on May 10, 2011 for an original IDA Credit of US\$25 million equivalent. The additional financing and restructuring (P145439) was approved on March 24, 2014 for an additional financing through a Trust Fund (TF) of US\$4.05 million equivalent. As of May 31, 2018, US\$17.324 million have been disbursed from the IDA Credit and US\$3.74 million from the TF. The original Project Closing Date of September 30, 2016 has been extended twice, first to September 30, 2017 and again to September 30, 2019.

7. **Investment proposals being assessed and studied under Component 1.** The six proposed investments selected for assessment and study under Component 1 of the Project were: (i) Orkhon Gobi flow regulation and water supply; (ii) Shuren hydropower plant on the Selenge River; (iii) integrated steel complex with infrastructure in the central region of Darkhan–Selenge; (iv) extension of Baganuur Coal Mine LLC; (v) rural and industrial water supply scheme in the South Gobi region (canceled by the Government because of possible environmental and social impacts); and (vi) synthetic natural gas (SNG) plant. The final outputs of Component 1 of the Project for each of the six proposed investments will be comprehensive FSs (already completed items for (iii), (iv), and (vi)), together with a range of impact assessments that will address the feasibility of these proposed investments.

8. **Component 3 – Strengthening Groundwater Management** focuses on strengthening the capacity of local authorities to manage groundwater resources in southern Mongolia through technical and institutional strengthening. Activities under this component are designed to support management of groundwater in the southern part of Mongolia and development of the water supply to meet rapidly growing demand. Specifically, the Project supports the following activities: (i) establishment of the GWMIU; (ii) establishment of three RBCs; (iii) establishment of three RBAs; (iv) consultancy service for Integrated Water Resources Management Plans (IWRMPs); (v) capacity building activities for the newly established RBCs and RBAs; and (vi) execution of groundwater assessment and management studies.

III. THE REQUESTS FOR INSPECTION

9. Request 18/02 (the first Request) was submitted by Oyu Tolgoi Watch and a local nongovernmental organization (NGO), on behalf of 52 residents of the Baganuur district of Ulaanbaatar who asked for confidentiality. The Requesters claim potential harm from the FS and cumulative impact assessment (CIA) financed by the Project for the Baganuur mine expansion, including impacts related to health, safety and security of girls and women, increased prostitution, and air pollution as well as lack of consultation and disclosure of information.

10. Request 18/03 (the second Request) was submitted by Oyu Tolgoi Watch and by 27 residents of Gурvantes, in South Gobi *aimag* (Province), who asked for confidentiality. They allege potential harm from the water management plans and establishment of the RBA financed by the

Project, including loss of access to traditional land and water sources, environmental impacts and lack of consultation and disclosure of information.

11. These two Requests are in respect of studies financed under Components 1 and 3 of the Project, described in paragraphs 7 and 8 above.

IV. SPECIAL ISSUES

Previous Request for Inspection

12. The Requesters had submitted a previous Request in 2015, regarding the Shuren hydropower plant study and the Orkhon Gobi study, which were proposed to be financed under Component 1 of the Project at the time of the Request. The Shuren study assesses and studies the feasibility of a proposal to construct a 160-245MW hydropower station on the Selenge River upstream of that river's confluence with the Shuren River. The Orkhon Gobi study assesses and studies the proposal to construct a dam and reservoir on the Orkhon River to regulate flow and impound surface water.

13. This previous Request had claimed that impact assessment, consultation, and analyses of alternatives were inadequate; it also alleged material environmental harm from any physical construction following the Bank's technical assistance under the Project.

14. In response to the Request, Management noted that the issues raised by the Requesters focused on potential harm that could derive from the construction, operation and/or failure of the proposed investments, and not from the studies the Bank was financing. Management also undertook significant efforts to improve the capacity of the Project Management Unit (PMU) for stakeholder engagement, including information disclosure and consultations; and strengthened the environmental and social impact assessments financed by the Project.

15. In July 2017, the Inspection Panel issued its report, which did not recommend an investigation to the Board, noting the Bank's support for increasing the efficiency of Mongolia's energy sector and exploring different energy alternatives. The Panel recognized major adjustments in the Project, including efforts to improve consultations as well as "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."

World Bank Group (WBG) support to Mongolia's energy sector

16. Mongolia is the least densely populated sovereign country in the world. Its economy is predominantly fueled by its natural resources, in particular copper, uranium, coal, iron ore, and gold. Mining currently accounts for approximately one fifth of Mongolia's Gross Domestic Product. While its wealth of mineral resources offers the country great potential for economic growth and development in the future, ensuring that the mining sector becomes a sustainable source of economic growth for Mongolia in the long-term has been a significant challenge. The Government needs to establish a robust legal and regulatory framework, with attention given to environmental and social impacts of mining and their mitigation. In addition, mining development is constrained by current weaknesses in the energy, transport, water, and industrial processing sectors. A key challenge for the Government is to ensure that the infrastructure needed to support mining development is planned, built and operated in a timely and sustainable manner. These challenges are particularly pressing as several large-scale projects, such as the Oyu Tolgoi copper and gold mine and the Tavan Tolgoi coal mine, both in South Gobi *aimag*, are being developed

(or planned to be further developed) through significant domestic and foreign investment. There is therefore a high urgency for Mongolia to ensure that necessary regulatory frameworks and infrastructure are in place to support its mining activities in a sustainable manner.

17. The risks of mineral dependency are well-known in Mongolia. Building capacity to manage these risks has been at the heart of the WBG's support for several years. The WBG's comprehensive strategy, with mining as a central theme, was articulated in the Interim Strategy Note 2009-2010, which was in effect at the time of Project preparation and approval; the strategy was deepened in the current Country Partnership Strategy 2013-2017. The first of three pillars in the current Country Partnership Strategy is entitled "*Enhancing Mongolia's capacity to manage the mining economy sustainably and transparently,*" under which a comprehensive package of WBG activities is organized, including: technical assistance for improving the regulatory environment and strengthening environmental and social management of the mining sector;² support for better planning of critical infrastructure;³ "good practice" mining investments by IFC and MIGA; technical assistance to strengthen Mongolia's institutions for greater transparency and accountability, and enhanced citizen-oriented public management through better data and e-Government;⁴ and assistance to strengthen implementation of fiscal, economic and monetary management policies.⁵

18. Mongolia's energy sector faces multiple, interrelated challenges to meet the country's fast-growing energy demand reliably, ensure energy security and mitigate environmental and social impacts resulting from its heavy reliance on coal. Until at least 2020, electricity demand is forecast to increase between 8 and 10 percent per year, driven largely by mining sector-led economic growth. Constraints exist in both production of electricity and in the old and inefficient regional distribution systems that were constructed in the Soviet era and are reaching their capacity limits. Mongolia faces an impending energy supply crisis if substantial investments are not made to reduce the vulnerability of the existing energy systems and to increase capacity to meet the country's rapidly growing demand.

19. Mongolia has extremely harsh winters, with temperatures sometimes reaching minus 40°C. Heating in Mongolia comes primarily from co-generated heat and power plants (CHPs), single-dwelling stoves and boilers, and district boilers, almost all coal-fed. Ulaanbaatar city, home to nearly half of Mongolia's population, is heated in this way, with central heating provided by several large CHPs that draw their coal primarily from the Baganuur coal mine.

20. Coal is the dominant source of energy in Mongolia. There is no natural gas available and all refined oil is imported, mainly from Russia with some minor imports from China and South Korea. Mongolia has high development potential in renewable resources – hydropower, wind and solar – with hydropower being the most efficient and economical option for base load supply. Development of renewable energy is encouraged through the Renewable Energy Law of Mongolia (2007), which sets feed-in tariffs to encourage investment. Renewables hold great promise for Mongolia. Due to the harsh climate, however, coal will remain important for heat and power in the near future. Given these conditions, Mongolia is facing significant challenges in meeting its Nationally Determined Contributions (NDCs) for reductions in greenhouse gas emissions under the Paris Agreement.

² Mining Sector Institutional Strengthening Technical Assistance Program (MSISTAP)

³ Mining Infrastructure Investment Support Project (MINIS)

⁴ Extractive Industries Transparency Initiative (EITI) Mongolia program, SMART Government Project (SMART), plus additional activities to improve governance and citizen involvement under other projects and programs

⁵ Multi-sector Technical Assistance Project (MSTAP) and other ongoing technical assistance

21. The Bank is supporting the Government of Mongolia (GoM) to achieve its NDCs and sustainable power sector development through the WBG's participation in the GoM-led NDC partnership, promotion of renewable energy development and improvement of efficiency in the heating sector. The WBG has supported the GoM's 100,000 Solar Gers Program, is currently building a 10MW solar plant in the Western *aimags*, is reviewing the grid integration and tariff mechanism to promote renewable energy, and has invested in a wind farm outside of Ulaanbaatar. MINIS is also supporting studies related to two possible hydropower investments. The GoM has requested support for a renewables strategy, and the Bank is willing to engage in discussions on this request.

22. Given the important linkage between energy, mining, and water, MINIS has included a component on groundwater management in South Gobi *aimag* as described above.

Baganuur coal mine and proposed mine expansion

23. The Baganuur coal mine was initially developed in 1978. It is located 130km east of Ulaanbaatar, the capital of Mongolia (see Map 1 below). It produces 55 percent of the total national coal output and supplies coal to users in the central region as well as to three CHPs that are the main energy sources for Ulaanbaatar. Coal output capacity of the mine increased until 1992, when its capacity reached 4 million tons per year. Mongolia's economic downturn in the 1990s led to a decrease of the mine's production. Following completion of a coal sector development master plan developed by the Government of Japan in 1993 and a Bank study of the coal in the region in 1994, the GoM decided to expand the Baganuur mine. Between 1996 and 2002, coal output was increased, mining equipment was renovated, human resource management was improved, and measures were taken to promote the environmental sustainability of the coal production in the long term, along with intensifying environmental restoration. Current production levels are approximately 3.5 to 3.8 million tons/year (mt/yr). Revenue levels were US\$41.4 million in 2016, and US\$66.5 million in 2017. The bulk of the current revenues comes from commercial sales. The mine sells coal to a range of customers, most of them power plants.

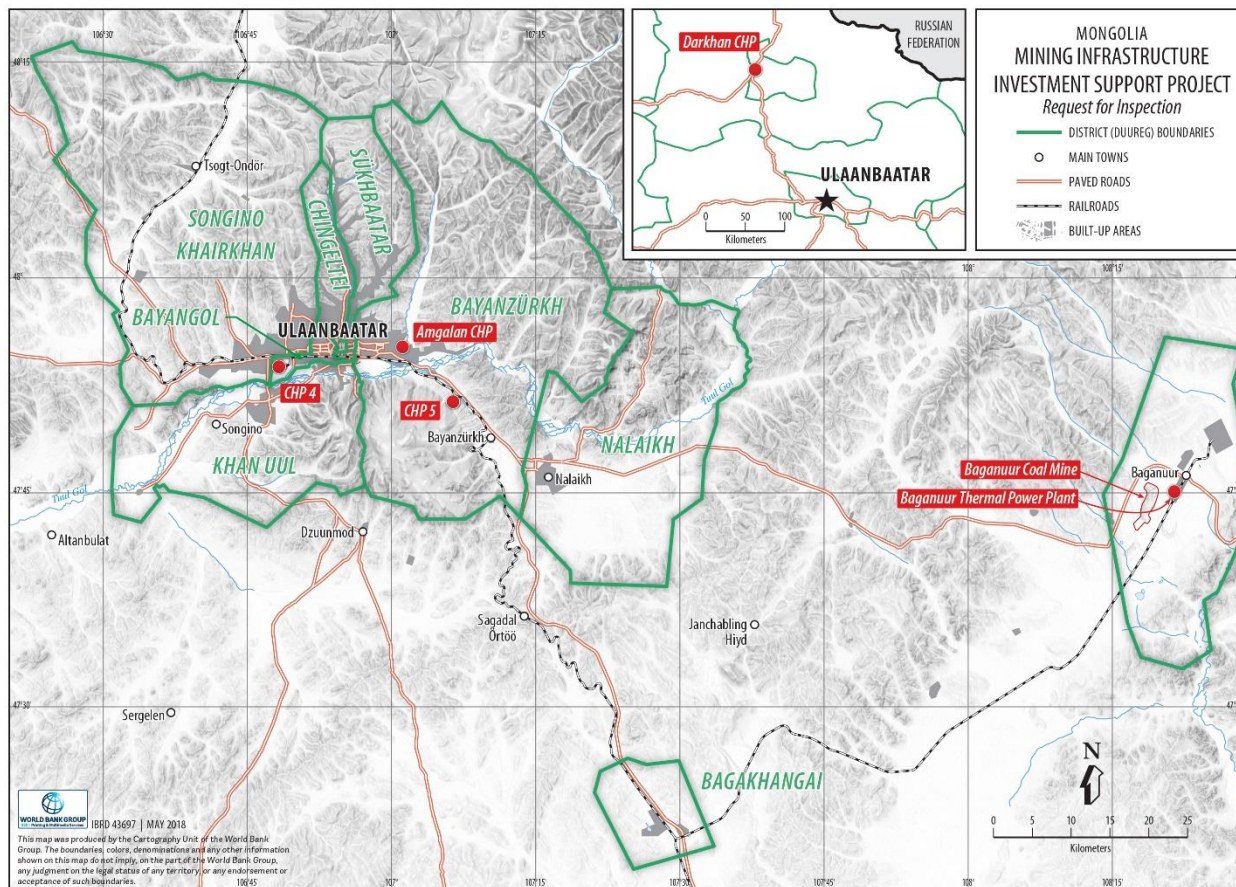
24. The Bank has supported the development of a FS under the Project to assess whether an expansion of coal production to 10 mt/yr could be achieved, which would result in an increase of 6.2-6.5 mt/yr over the current production. It is anticipated that any expansion would support a number of power generation plants located throughout Mongolia, and could cover increasing coal needs in the country until 2073. As part of assessing potential impacts of such mine expansion, the Bank is also supporting the conduct of a CIA, assessing the cumulative impacts of the mine expansion in the Kherlen river basin, main areas of coal consumption, and activities in the immediate vicinity of the coal mining operation.

25. The CIA is scheduled to be completed by the end of 2018, following conduct of further public consultations⁶. Consultations on the terms of reference (TORs) were held in 2014. Consultations on an earlier draft of the CIA were held in September 2015 and April 2016. Consultations on the most recent draft of the CIA will be scheduled after the current draft is reviewed and deemed to be of sufficient technical quality by the Bank. The consultations will be held in locations suitable for engagement with local civil society organizations (CSOs) and populations likely to be affected by the Baganuur coal mine expansion. Once completed, the CIA will inform revisions and updates of the FS as well as the Borrower's update of the Baganuur mine expansion ESIA, which is scheduled, in accordance with Mongolian law, to be updated by the end of 2018. On November 21, 2017, Bank Management sent a letter to the Minister of Mining and

⁶ See Annex 1 for a timeline of the Bank-supported activities for the Baganuur coal mine expansion.

Heavy Industry stating that expansion investments in the mine should only proceed after completing the CIA and related consultations. A similar letter was sent to the Minister of Energy on June 4, 2018. The GoM has confirmed that works to expand the mine have not yet started.

Map 1. Baganuur coal mine in relation to its main customers



Relationship between Baganuur coal mine expansion and nearby thermal power plant

26. Baganuur mine supplies coal to different parties (Table 1). One of the potential customers is the planned Baganuur coal-fired thermal power plant (TPP) to be located close to the mine.

Table 1 Baganuur Coal Customers and Sales, kt (1,000 metric tons) (Source: Feasibility Study)

	2007	2008	2009	2010	2011	2012	2013
CHP-4	1,331.5	1,382.0	1,451.8	1,521.0	1,478.3	1,611.1	1,669.8
CHP-3	892.7	1,028.9	944.3	1,102.6	1,077.2	1,106.3	1,166.7
CHP-2	178.2	184.9	174.3	196.3	195.1	196.6	185.8
Darkhan CHP	112.0	105.3	133.6	207.8	158.5	125.2	125.2
Erdenet CHP	60.1	9.1	53.7	112.7	52.6	39.6	16.4
Baganuur CHP*	55.8	60.1	59.4	58.3	58.2	65.8	61.4
Other	197.3	215.7	201.0	209.7	243.9	401.4	599.2
Total	2,827.6	2,986.0	3,018.1	3,408.4	3,263.8	3,546.0	3,824.5

* Existing power and heat capacity at the Baganuur site to provide energy to the mine and nearby settlements. This is different from the Baganuur TPP of 700MW that has not been constructed.

27. A translation of a 2015 draft concession agreement between the Invest Mongolia Agency and the TPP operator, Baganuur Power is publicly available on the Mongolian government site.⁷

⁷ Publicly available at <http://nda.gov.mn/backend/f/rcnv1crjX5.pdf> (as of May 2018).

According to this translation, the agreement specifies that the coal for the TPP will be supplied by the Baganuur mine, and that the Government is obliged to provide coal for the TPP as a matter of priority and expand the Baganuur mine by the time the TPP is completed. If the Government is not able to supply the coal required by the TPP from the Baganuur mine, it is obliged to supply coal in appropriate quantities and quality from other nearby coal mines. The amount of coal required by the TPP is equivalent to about half of the projected increase in coal mine production through the mine expansion, and about a third of the total production of the Baganuur mine if the expansion is fully realized. The TPP is one of at least six prospective purchasers of coal from the fully expanded mine (see Table 2). The need for coal for the TPP is expected to be 3 mt/yr for the first three years of its operation (see

28. Table 3).

Table 2. Estimated Coal Demand (million tons) by Various Power Plants in the Central Region of Mongolia (Source: Feasibility Study)

Extension	CHP4 extension	/100MW/	
	CHP4 extension	/50MW/	
	Darkhan CHP extension	/50MW/	
	<i>Sub Total</i>	<i>/200MW/</i>	<i>0.75 Mt</i>
Future projects	Baganuur TPP	/700MW/	3.00 Mt
	CHP5	/450MW/	2.60 Mt
	Amgalan CHP	/348MW/	0.35 Mt
	<i>Sub Total</i>	<i>/1498MW/</i>	<i>5.95 Mt</i>

Table 3. Mongolian Total Thermal Coal Demand Outlook (Source: Feasibility Study)⁸

		2015	2016	2017	2018	2019	2020
1	Main users	5.70	5.70	5.70	5.70	5.70	5.70
2	Central region extension	0.75	0.75	0.75	0.75	0.75	0.75
3	New user (CHP-5)			2.60	2.60	2.60	2.60
4	New user (Baganuur TPP)				3	3	3
5	Coal to liquid MCS					3	4
6	Coal gasification project China						20
Total		6.45	6.45	9.05	12.05	15.05	36.05

29. In circumstances where technical assistance is being provided for feasibility and other studies, the “project” supported by the Bank is the provision of such technical assistance, which is independent of any subsequent decisions regarding investment in physical activities or infrastructure. Under MINIS, technical assistance is being provided, *inter alia*, to assess the feasibility of expanding the Baganuur mine, and such assessment will take into account the impacts and risks in the area of influence of the mine. While the TPP is not one of the proposed investments being studied under the Project, given its proximity and the proposed coal off-take, it will be considered as part of the CIA, which is intended to assess cumulative impacts of the mine expansion in the area of influence of the mine.

30. The Bank is not financing any studies or other activities in relation to the TPP. Construction of the Baganuur TPP began in 2017, mainly with preparatory works such as the construction of workers’ quarters, but was halted in 2018 due to strong opposition by civil society as well as questions about the appropriateness of this large plant, given current energy needs in the country and the limited ability of the Mongolian central power system to accommodate it.

⁸ This table was produced in 2015 and is now outdated as most of the new facilities and expansions are delayed or tentative.

V. MANAGEMENT'S RESPONSE

31. The Requesters' claims, accompanied by Management's detailed responses, are provided in Annex 1 (first Request) and Annex 2 (second Request).

32. ***The issues raised by the Requesters focus on potential harm that could only derive from the construction, operation and/or failure of the proposed infrastructure investments, but not from the studies or the capacity-building efforts the Bank is financing under MINIS.*** Management notes that the Bank is not involved in financing construction of any of the proposed investments that are being studied under MINIS, nor has Management made any decision or commitment to finance them, nor received a request for financing. A clear distinction must be maintained between the studies carried out by an independent consultant and financed under the Project—which are intended to provide an objective information base needed for informed and evidence-based decision-making by the GoM—and the GoM's decision whether to proceed with such investments and to accept or implement the recommendations of such studies.

33. ***Management recognizes that it is important that technical advice provided by the Bank be consistent with any applicable Bank policies, including with regard to the processes followed in its preparation (including disclosure and consultations) and its conclusions and recommendations.*** Management is committed to ensuring that the studies supported under the Project provide an objective and robust information base to help inform the decision-making by the GoM in considering the proposed investments.

34. ***The Bank does not finance the power plant referenced by the Requesters in the first Request, nor the mining activities referenced by the Requesters in the second Request.*** While neither the power plant nor the mining activities are associated with the Bank-supported Project, the Borrower has engaged with stakeholders on these activities and will continue to do so. The Bank-financed Cumulative Impact Assessment and the Integrated Water Resources Management Plans are being consulted upon and provide a number of avenues for stakeholders to raise issues. Management notes that the studies supported under MINIS meet relevant disclosure and consultation requirements as mandated under Bank safeguard policies.

35. ***The MINIS-supported CIA for the Baganuur coal mine is still in progress, and construction on the mine expansion has not yet begun.*** Stakeholders, including the Requesters, have had previous opportunities to express their views, including in consultations on the TOR for and earlier drafts of the CIA. Stakeholders will have further opportunities to raise concerns, which will be taken into account in the finalization of the CIA, the revision of the 2013 ESIA for the Baganuur mine expansion and associated mitigation efforts with regard to environmental and social impacts.

36. ***The Bank has advised the Borrower that public consultations with stakeholders, including local NGOs, on the IWRMPs financed under Component 3 of the Project are required in line with the information disclosure and consultation guideline developed for MINIS studies, and the Government has developed draft consultation plans for this purpose.*** Management is currently commenting on the consultation plans and is working with the Borrower to ensure they reflect the applicable Bank policy requirements. Work on the IWRMPs is ongoing, and it is expected they will be consulted upon and completed by end 2018.

37. ***Management believes that the studies and capacity-building measures supported under MINIS will facilitate sustainable development of infrastructure and help to address capacity issues in Mongolia.*** In Management's view, the technical assistance funded by the Project will

provide a sound and transparent basis for any future decisions by the GoM regarding the development of the proposed investments that are the subject of the studies funded by MINIS. Considering the GoM's limited capacity in the area of environmental and social impact assessment and groundwater management, MINIS provides an important contribution to building capacity in these areas.

38. *Specific issues raised in the Requests.* Management addresses specific issues in the remainder of this section.

Studies related to the proposed Baganuur coal mine expansion

39. *The Project financed a FS for the expansion of the Baganuur coal mine. The FS was conducted from 2015 to 2016 and aimed to determine economic options for expanding coal production at the 40-year-old Baganuur mine, based on substantial remaining coal reserves and projected coal demand growth, by expanding the equipment fleet and throughput at the mine and introducing new mining methods and technologies.* The FS concluded that it was possible to recover the costs of increasing the mine capacity from 3.5 to 3.9 mt/yr at the time of the FS to around 10 mt/yr, and to reduce unit operating costs. Such expansion anticipates a number of new prospective customers who will purchase coal from the Baganuur mine.

40. *Management considers that the disclosure and consultations as well as conclusions and recommendations of the FS meet applicable Bank policy requirements.* As required by OP/BP 4.01, information and documentation related to the environmental and social risks and impacts of the Project are being disclosed and consulted upon. This disclosure requirement does not cover the FS financed under MINIS. The Bank has consistently encouraged the PMU to share publicly as much information as possible from the studies financed by the MINIS Project, however, the FS includes information that is considered confidential by the Borrower. Management, therefore, concludes that this FS should be treated as a confidential document per the Bank's Access to Information Policy's paragraph 2(g), "information provided by member countries or third parties in confidence."

41. *The CIA supported under the Project will investigate the cumulative impacts of the current Baganuur mine, the potential mine expansion, the potential TPP construction and operation, and numerous other "stressors" within the geographic and thematic scope of the CIA.* Also, the CIA will be relevant for informing the revision and updating by the Borrower of the existing 2013 ESIA for the mine expansion. The CIA and related consultations are expected to be completed by the end of 2018. Once completed, the CIA will inform revisions and updates of the FS as well as the Borrower's update of the Baganuur mine and mine extension ESIA, which is scheduled, in accordance with Mongolian law, to be updated by the end of 2018. *A draft TOR for the CIA was consulted on in 2014. A first draft of the CIA was disclosed and consulted upon in September 2015. Management determined that the quality of the draft CIA was not acceptable to the Bank.* Management advised the Borrower to terminate the contract with the original consultant who developed the first draft of the CIA. Management also determined that the consultation on the draft CIA did not follow good consultation practice and required the Borrower to conduct a second consultation, which was held in April 2016. The second consultation was attended by 81 participants, including representatives from the Ministry of Environment, Green Development and Tourism, Governor Office of Baganuur, Governors and senior officers of other *khoroos* (subdivisions), Small and Medium Enterprise Center, local NGOs, Governor Office of Bayandelger *soum* (district) of Töv *aimag*, Baganuur Mine LLC, and other local private sector

representatives, as well as local populations and CSOs. Details on these consultations can be found on the MINIS website.⁹

42. ***The views raised by stakeholders in this consultation were integrated into a revised TOR for revisions to the CIA to facilitate the engagement of an international consultant and identify the scope of the consultant's work.*** The Bank will recommend to the Borrower to disclose the TOR on the Project's website. An experienced international consultant has been working on revisions to the CIA since late 2016.

43. ***The consultant engaged by the Borrower to revise the draft CIA has been given explicit guidance to review and revise the existing scope of the study to address the concerns and comments provided by the stakeholders in the consultations.*** Since late 2016, the Project team reviewed several drafts of the CIA times and provided comments to the Borrower. The CIA is currently being revised by the consultant based on the last round of comments in April 2018. The Bank will continue the review process until it deems the CIA satisfactory. The CIA will be redisclosed and further consulted upon after the current revision is complete. Management expects the CIA to be finalized by the end of 2018.

44. ***Management notes that due to the proximity of the mine and the coal off-take arrangements, the Bank-supported CIA will take into account the TPP as part of the assessment of cumulative impacts.*** As such, Management believes that the issues raised by the Requesters are being considered as part of the CIA. Management will work with the Borrower to ensure that that the final CIA satisfies Bank policy requirements with respect to the assessment methodology applied, the overall process of disclosure and consultations and the recommendations regarding any future investments the GoM may want to consider. The Bank was not involved in the preparation or review of the 2014 ESIA for the TPP or any update thereof. The Government will use the result of the final CIA to prepare an update of the 2013 ESIA for the mine expansion, which is mandated by Mongolian law for 2018. Once the CIA is finalized, the GoM will also be in a position to consider the findings in relation to the development of the TPP.

45. ***Environmental and social impacts relating to the processing, transport and burning or gasification of additional coal produced through the mine expansion will be assessed in the CIA.*** This will include an assessment of risks related to radioactive elements contained in the coal and surrounding rock mass. The 2016 FS contains a review of radioactivity of Baganuur coal in 2012 and 2013 and found radiation levels in the bulk coal mined at Baganuur mine mostly at normal to lower levels. This assessment found a small number of discrete zones with elevated radiation, which, for the most part, are caused by their particular location in near-surface oxidation zones or in areas with a higher level of fracturing in the coal. These zones have been identified for separation, and coal mined from these areas is treated and deposited with appropriate precautions. These issues will be addressed in the revised CIA.

46. ***With support from the Bank, the MINIS PMU has significantly improved its stakeholder engagement capacity since the 2015 Request for Inspection.*** This was explicitly acknowledged by the Inspection Panel in its Final Report and Recommendation on that Request. An extensive description of these efforts is included in Management's Response to the 2015 Request for Inspection and subsequent Management updates, available on the Inspection Panel's website.¹⁰ The enhanced supervision of stakeholder engagement activities is also reflected in steps taken to repeat the consultations on the initial draft CIA, to require the Project to revise the draft CIA based

⁹ <http://minis.mn/en/p/baganuur-cia>

¹⁰ <http://ewebapps.worldbank.org/apps/ip/Pages/ViewCase.aspx?CaseId=107>

upon the feedback received as a result of those consultations, and to redisclose and undertake additional consultations prior to finalizing the CIA. Management will work with the Borrower to continue good consultation practice within the framework of the Bank's policies.

Air pollution

47. ***Impacts of the TPP on air pollution should be considered in the ESIA of the TPP. The Bank is not providing any support in relation to the TPP. The potential harm described by the Requesters can only derive from the TPP itself, not from the studies financed by the Project.*** The airshed as receptor of potential pollution from the TPP will be assessed as one of the environmental risks under the CIA.

48. ***Management shares the Requesters' concerns about air pollution in Ulaanbaatar city. While Baganuur is administratively part of Ulaanbaatar, it is not contiguous with the city and is in fact located more than 100 km from the city center.*** Nevertheless, air pollution is a problem in many smaller towns and cities as well, and the pollution impacts of a new power plant should be studied.

49. ***The primary emitters of fine particulates in Ulaanbaatar during winter are traditional, inefficient and high-polluting coal stoves used by hundreds of thousands of families that live in "ger"¹¹ areas surrounding the city that are not connected to urban district heating.*** The Bank's Ulaanbaatar Clear Air Project and others have supported cleaner burning stoves, and the highest levels of pollution were reduced during the years the stoves were distributed, although wintertime levels remain very high. Management agrees that other approaches are needed, and the GoM has placed high priority on cleaner fuels. The GoM's current air pollution strategy calls for both increased use of electrical heating, and a ban on the use of raw coal in the ger districts of Ulaanbaatar from 2019. An Additional Financing to the Ulaanbaatar Clear Air Project is being processed to pilot and scale up electric storage heaters to replace coal stoves in the "ger" area and to support associated policy and tariff incentives. This would contribute to reducing the air pollution in Ulaanbaatar.

Risks related to labor influx

50. ***Management takes risks related to labor influx very seriously, particularly in relation to the safety and security of girls and women.*** While such risks are not related to the Project, which is only providing technical assistance, the CIA will consider labor influx issues, including the types of concerns that have been raised by the Requesters.

51. ***Although the Baganuur power plant is not supported by MINIS, Management has nevertheless discussed with the GoM at the ministerial level concerns about the social impacts of a large influx of labor during construction and recommended that it consider taking appropriate measures. In January 2018, the Bank also sent a social safeguard mission to Baganuur to explore social issues related to the mine expansion and the TPP.*** This mission met with the local Women's Association and other NGOs. These stakeholders raised issues associated with foreign labor influx.¹² The Bank has emphasized to the Borrower that such issues need to be taken very seriously and will follow up on these issues with the Borrower as part of its discussions on the CIA review. Management understands that an initial workers' camp has been constructed

¹¹ Single-family houses or yurts, also commonly used by herders, that are typically not connected to the grid.

¹² Other issues raised included concerns about disclosure of data and information about the mine expansion and projects in the vicinity; lack of clarity about whether resettlement was required for mine expansion; demand from local CSOs for more engagement; and concerns about quality of the draft CIA.

for the TPP, but that construction is currently on hold. Construction works on the mine expansion have not commenced.

Groundwater management (second Request)

52. ***MINIS has made a significant contribution to groundwater management in the South Gobi region, where water is extremely scarce.*** The Project's role is to establish and support the capacity building of RBAs, which are government bodies, and RBCs, which are comprised of a variety of stakeholders, including civil society representatives. This includes training, recruitment and payment of technical and other specialists located in South Gobi, funding for technical surveys and studies, and administrative support. The goal of the support has been to build the capacity of Government institutions (via the RBAs) and wider stakeholder groups including civil society (via the RBCs) to better monitor water resources and coordinate between water stakeholders in the region, and to assist in the development of select IWRMPs, outlined in the 2012 Law on Water.¹³

53. ***The Project has been successful in establishing the three RBAs and supporting a number of RBC meetings, thereby improving the institutional approach to groundwater management in the area.*** The Bank's involvement through MINIS is, therefore, helping to strengthen institutional decision-making regarding the use of scarce water resources, through provision of technical information to the Government and the inclusion of more stakeholders in the process. Since the Project began support to the RBAs in 2014, the three RBAs in South Gobi have compiled information on groundwater resources, interacted with many stakeholders, and begun developing IWRMPs in three of the basins. The IWRMPs are to include an estimation of the water resources available for activities in the basin, including the water supply needs for settlements in order to prevent future water shortage due to over-abstraction. The IWRMPs will identify opportunities to protect, distribute, utilize, recycle, and increase the water supply by collaborating with stakeholders, such as water users and consumers, within the basin. The support from the Project has been important to ensure that Government has more information available to it about the groundwater resource, that stakeholders are provided a forum to interact with the Government on water use issues through the RBCs, and ultimately, that more information is available to the public in the future through the IWRMPs and their related consultations.

54. ***The Project has put great effort into facilitating stakeholder engagement, including consultations, in relation to the work of the RBAs and RBCs.*** RBC meetings have been held in each of the three basins (Altain, Galba and Umard), allowing representatives of all major groups of stakeholders to debate key water resource issues in the basins and to raise any concerns. For instance, the Altain-Uvur Gobi RBC held meetings in February and September 2016, and in June and November 2017. The Umard RBC held meetings in December 2016 and in May and November 2017. The Galba RBC held meetings in April and November 2016, and in May and Nov 2017. MINIS PMU representatives participated in most of these meetings. Each RBC has between 41 and 45 elected members, drawn from larger groups of civil society, the private sector and other groups that attended the first meetings. All members are given at least 15 days' notice of regular meetings. At the meetings, annual plans, ongoing activities, and updates on laws and regulations

¹³ The Water Law of 2012 describes the functions and mandates of the RBAs and RBCs. An RBA is a governmental organization, operating under the Ministry of Environment and Tourism's direct supervision, which is responsible for implementing aspects of the Law on Water, and other relevant laws and regulations as well as coordinating water basin inter-relationships. RBCs are responsible for developing water management plans, provide recommendations and oversee activities and ensure multi-party participation. The RBCs are to include representatives of local administration, the environment authority, any specialized inspection authority, citizens of the *soum* and district, water users, scientists, researchers and representative of professional water institutions.

are discussed as well as progress reports, general aspects of groundwater modeling, MINIS activities and information on featured projects, monitoring network and inputs, and consultation outcomes of the “Orkhon” and “Shuren” studies funded by the Project. The meetings are documented on the RBC websites or through social media.¹⁴

55. ***Since the Project’s support to RBAs and RBCs is primarily focused on capacity building, there is no link between the support provided by the Project and the mining licensing activities referenced by the Requesters.*** The Project is not directly involved in any mining investment in the Gurvantes *soum*, and the Bank has no role in management of any disease risk or resettlement activities that are related to these mine operations. RBAs have various responsibilities for annual water use permitting, depending on the size of water-using projects, whether in mining, agriculture or another sector. For large projects,¹⁵ that is, those expected to use more than 100m³ of water per day (which includes large mines), the Ministry of Environment reviews the feasibility of the project and decides whether to grant permission for long-term water use. It then relies on the RBA for administrative issuance of the permit. For projects that are expected to use between 50 and 100m³/day, the RBA reviews the application and makes the recommendation to the provincial Environmental Department whether to issue the permit. RBAs are not involved in support for mining licensing, nor in the expert review of such licensing.

56. ***The Project also supports the ongoing development of the IWRMPs for the three RBAs in South Gobi.***¹⁶ Because the assessments of groundwater management options may need to include the assessment of potential adverse environmental and social impacts, the Bank has advised the Borrower that public consultations with stakeholders, including local NGOs, on the IWRMPs are required in line with the information disclosure and consultation guideline developed for MINIS studies, and the Government has developed draft consultation plans for this purpose.¹⁷ Management is currently commenting on the consultation plans and is working with the Borrower to ensure they reflect the applicable Bank policy requirements. Work on the IWRMPs is ongoing, and it is expected they will be consulted upon and completed by end 2018.

57. ***The IWRMPs will look broadly at current and projected water resource trends across the region and various other issues related to water resource management.*** They will include an aggregate analysis of planned investments in infrastructure in the region as well as information on trends in water resource use. Where the Project is supporting the conduct of groundwater or surface water management plans, such as the IWRMPs, these will include potential environmental and social considerations where relevant. In order to gain the views of parties that may be affected, stakeholder engagement and consultation will be conducted as appropriate (these requirements are part of the TOR for the IWRMP). Consultations are expected to be carried out in accordance with Bank requirements later this year. Initial stakeholder outreach was undertaken by the consultants working on the IWRMP. Each IWRMP consultant attended a meeting of the corresponding RBC. In addition, they separately conducted meetings with stakeholders including local *soum* and *bag* (subdivision), environmental specialists, local businesses, herders and NGOs to develop their reports. Annex 4 provides a list of the stakeholder outreach meetings held.

58. ***MINIS is financing a number of small technical studies in a variety of areas related to the groundwater component.*** These reports range from desk studies to technical reviews and

¹⁴ For example, please see: <http://altai.gobiwater.mn/>; https://www.facebook.com/galba.zuvlul/?ref=br_rs; https://www.facebook.com/umard.gobi?ref=br_rs

¹⁵ Based on the Water Law of 2012. To put these numbers in perspective, the large mines in the South Gobi region are permitted to use between 10,000 and 58,000 m³/day, on average.

¹⁶ This includes IWRMPs for the Altain, Galba and Umard Basins.

¹⁷ See Aide Memoire covering the June – July 2017 mission.

surveys. Reflecting the disclosure requirements of OP/BP 4.01, which do not cover technical studies, the ESMF for the Project clarifies that groundwater investigations, quality assessments, surveys, mappings, methodologies, and research plans do not require safeguard instruments or consultation and disclosure. At the same time, a number of these studies also fall under the disclosure exceptions of the Bank's Access to Information Policy ("Information provided by member countries or third parties in confidence;" paragraph 2(g) of the Access to Information Policy). However, Management has encouraged the GoM to disclose as much material as possible and the GoM has already disclosed three of the studies¹⁸ and is considering disclosing a fourth. The Bank is also in discussion with the Government to see if additional studies could be disclosed without violating prohibitions under Mongolian law. A list of technical studies produced under Component 3 of the Project and their disclosure status is in Annex 3.

VI. CONCLUSION

59. ***The issues raised by the Requesters focus on potential harm that could derive from future investments that could be informed by the technical advice that the Bank provides. Therefore, Management recognizes that it is important that technical advice provided by the Bank be consistent with applicable Bank policies, including with regard to processes followed for its preparation (including disclosure and consultations) and its conclusions and recommendations.*** Management is committed to ensuring that the studies supported under the Project provide an objective and robust information base to help inform the decision-making by the GoM in considering future investments. Management notes that the Bank is not involved in financing construction of any of the proposed investments that are being studied under MINIS, nor has Management made any decision or commitment to finance them. A number of the concerns raised by the Requesters are unrelated to the Bank-supported Project.

60. ***The Bank is not financing the TPP located in close proximity to the Baganuur mine. The Bank is also not involved in any of the mining activities that are referenced by the Requesters in relation to access to groundwater.*** Management does, however, agree with the Requesters on the need for appropriate assessment and mitigation of the risks to which they have referred. Management will continue its due diligence to support the quality of the studies and plans produced under MINIS.

61. ***Management emphasizes that the technical assistance provided under the Project does not predetermine and/or dictate the decision of the GoM to proceed with any subsequent investments.*** Management strongly believes that there must be a clear distinction between the assessments carried out by an independent consultant and financed under the Project—which are intended to provide an objective information base needed for informed and evidence-based decision-making—and the GoM's decision whether to accept or implement the recommendations of such assessments.

62. ***Management appreciates the Requesters' concerns, in particular as they relate to the quality of studies, disclosure and consultations, and coverage of issues under the CIA.*** These concerns have been voiced previously and have informed the TOR for the CIA as well as a revised draft of the CIA. Management commits to working closely with the Borrower to adequately take into account, as appropriate in the CIA, issues raised by the Requesters, including the development of the TPP, risks related to labor influx, including risks of safety and security, health impacts, and

¹⁸ These studies include: Reform Standard of Water Sector Terminology; Methodology for Groundwater Exploration; and Methodology to Conduct Groundwater at Uranium Deposit. The fourth study under consideration is: Guideline on Estimation of Unit Budget for Groundwater Exploration.

air pollution issues. Management will continue to supervise the Borrower's efforts to engage with stakeholders and consult on the documents covered by the disclosure and consultation requirements of the Bank's safeguard policies.

63. ***The Bank team is fulfilling its supervision obligations in relation to the Project and has been providing close implementation support to the MINIS PMU, which has significantly improved its performance over the past 18 months.*** This progress is demonstrated, for example, by the considerable improvements in stakeholder engagements that took place in response to the 2015 Request for Inspection. The Bank team together with the MINIS PMU consistently provided timely and detailed responses to civil society and communities.

ANNEX 1
CLAIMS AND RESPONSES – REQUEST 18/02

No.	Claim	Response
1.	<p><i>Component 1: Baganuur coal mine expansion.</i> A feasibility study and CIA are planned for Baganuur coal mine expansion are included under this component of the Project. While all studies enabling extension have been completed years neither CIA nor EIA have been produced so far. The original 2016 draft of the CIA did not include an associated facility, a 700 Mwt coal-fired power plant REDACTED. A revised CIA is planned, and the TOR has not been made available. While the TOR for a revised CIA has not been made available, the interactions with the consultant commissioned to conduct the CIA indicate that the power plant is unlikely to be included in the revised CIA. Meanwhile, construction of the power plant has begun in summer of 2017 and will resume with construction season starting in April 2018. The coal-fired power plant, an associated facility, is likely to have serious negative impacts on the community, particularly gender, child, and health impacts, which are described in the complaint from the Baganuur REDACTED. OP 4.01 requires that such impacts be assessed (and measures set out to avoid) these adverse impacts in the environmental and social documentation for the project. ESIA for both Baganuur coal mine extension and the 700 MWt CHP were conducted in 2013 and 2014 respectively. These ESIA contain a listing of "in theory" risks of potential harm that do not address the issues raised by the local communities in the attached complaints, and including with respect to the specific nature of the two-turbine 350 Mwt coal-burning power plant. Baganuur coal is reported to contain higher degree of radiation and therefore the local population is concerned about this facility's impact on air pollution and health. These concerns are not addressed in the 2013 and 2014 EIAs or recent TORs.</p>	<p>The Bank has supported a FS for the Baganuur coal mine expansion, and is also supporting the conduct of a CIA for the same purpose. Given the proximity of the TPP to the Baganuur coal mine and the proposed coal off-take, the TPP will be considered in the CIA, which is intended to assess cumulative impacts of the mine expansion in the area of influence of the mine.</p> <p>The FS, conducted in 2015-2016, aimed to determine economic options for expanding coal production at the 40-year-old Baganuur mine, based on substantial remaining coal reserves and projected coal demand growth, by expanding the equipment fleet and throughput at the mine and introducing new mining methods and technologies. The FS concluded that it was possible to recover the costs of increasing the mine capacity from 3.5 to 3.9 mt/yr at the time of the FS to around 10 mt/yr, and to reduce unit operating costs. Such expansion anticipates a number of new prospective customers who will purchase coal from the Baganuur mine.</p> <p>The FS identified the following potential coal-based energy generation investments that could be purchasers of the coal produced by the mine expansion: (1) expansion of existing CHP 4 and Darkhan CHP; (2) Amgalan CHP; (3) CHP 5 (cancelled); (4) Baganuur TPP; (5) several smaller energy generation plants; and (6) several coal-to-gas projects.</p> <p>At this time, it is unclear which of the above-referenced investments will be pursued by the GoM. For example, CHP-5 was planned at the time of the FS but was cancelled later on. The construction of the Baganuur TPP began in 2017 but was suspended in 2018.</p> <p>Works to expand the mine have not yet started. On November 21, 2017, Bank Management sent a letter to the Minister of Mining and Heavy Industry stating that expansion investments in the mine should only proceed after completing the CIA and related consultations. A similar letter was sent to the Minister of Energy on June 4, 2018.</p> <p>One of the objectives of the CIA is to inform the revision and update of the ESIA for the proposed expansion of the Baganuur mine. The ESIA was completed by the GoM (but not funded by MINIS) in 2013. The Government is required, by Mongolian law, to update the ESIA every five years and will use the results of the final CIA and FS to prepare the next mandated update of the ESIA.</p> <p>The CIA was initiated in 2014 and is expected to be finalized in late 2018. A first draft CIA was disclosed and consulted upon in September 2015. The consultation was attended by 79 participants, including representatives from local governor offices, NGOs/CSOs, the private sectors and local residents. Management determined that the quality of the draft CIA was not acceptable to the Bank. Management advised the Borrower to terminate the contract with the original consultant, who developed the first draft of the CIA. The Bank also determined that the consultation on the draft CIA did not follow good practice on public consultations, and required the Borrower to conduct a second consultation, which it did in April 2016. The second consultation was attended by 81 participants, including representatives from the Ministry of Environment, Green Development and Tourism, Governor Office of Baganuur,</p>

No.	Claim	Response																		
		<p>Governors and senior officers of other <i>khoroos</i>, Small and Medium Enterprise Center, local NGOs, Governor Office of Bayandelger <i>soum</i> of Töv <i>aimag</i>, Baganuur Mine LLC, and other local private sector representatives, local residents and CSOs.</p> <p>Details on both consultations, as well as on the consultation on the CIA draft TOR, held in 2014, can be found in consultation materials available on the MINIS website: http://minis.mn/en/p/baganuur-cia.</p> <p>The views raised by stakeholders in this consultation were integrated into a revised TOR for revisions to the CIA to facilitate the engagement of an international consultant and identify the scope of the consultant's work. The Bank will recommend to the Borrower to disclose the TOR on the Project's website. An experienced international consultant has been working on revisions to the CIA since late 2016.</p> <p>The consultant engaged by the Borrower to revise the draft CIA has been given explicit guidance to review and revise the existing scope of the study to address the concerns and comments provided by the stakeholders in the consultations.</p> <p>The Bank Project team reviewed drafts of the CIA several times and provided comments to the Borrower. The CIA is now being revised by the consultant based on the last round of comments in April 2018. The Bank will continue the review process until it deems the CIA satisfactory. The CIA will be redisclosed and further consulted upon after the current revision is complete.</p> <p>The timeline for Project support to the Baganuur mine expansion is summarized here:</p> <table border="1" data-bbox="735 1133 1469 1431"> <thead> <tr> <th colspan="2">Implemented Activities</th> </tr> </thead> <tbody> <tr> <td>Draft CIA TOR consultations</td> <td>November 21, 2014</td> </tr> <tr> <td>Draft CIA consultations # 1</td> <td>September 28, 2015</td> </tr> <tr> <td>Draft CIA consultations # 2</td> <td>April 8, 2016</td> </tr> <tr> <td>Feasibility Study (FS) completed</td> <td>August 2016</td> </tr> <tr> <th colspan="2">Planned Activities</th> </tr> <tr> <td>Draft CIA consultations # 3</td> <td>By late 2018</td> </tr> <tr> <td>CIA revised and finalized</td> <td>By late 2018</td> </tr> <tr> <td>FS revised and finalized</td> <td>By late 2018</td> </tr> </tbody> </table> <p>The CIA, once finalized, will inform revisions and updates of the FS.</p> <p><i>Radiation.</i> According to the FS, radiation levels in the bulk coal mined at Baganuur are mostly at normal to lower levels, based on the review of the latest reports on radioactivity of Baganuur coal from 2012 and 2013 (FS, section 4.6.5). There are a few discrete zones with elevated radiation, that are usually stratigraphically or tectonically controlled (e.g., at a near-surface oxidation zone, or in areas with "bending" of coal seams, where fracturing allows more fluid circulation and associated uranium enrichment). These have been identified in the past for separation and special treatment/deposition of coal and mineral substrate with appropriate precautions.</p> <p>Sand and gravel from the hanging wall (i.e., the materials on top of the coal) and from between the coal seams show average geogenic background levels and have been approved without limitation as construction materials. Similarly, ash samples taken from CHPs where Baganuur coal has been burned show low radiation levels.</p>	Implemented Activities		Draft CIA TOR consultations	November 21, 2014	Draft CIA consultations # 1	September 28, 2015	Draft CIA consultations # 2	April 8, 2016	Feasibility Study (FS) completed	August 2016	Planned Activities		Draft CIA consultations # 3	By late 2018	CIA revised and finalized	By late 2018	FS revised and finalized	By late 2018
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No.	Claim	Response
		<p>Under Mongolian standards, the ash would be allowed for use as construction material.</p> <p>The Bank Project team will ensure that the Baganuur TPP as well as coal and coal ash radioactivity are appropriately addressed in the revised CIA.</p>
2.	<p>We understand that the Mining Infrastructure Investment Support (MINIS) project under its Component 1 is studying the feasibility of the Baganuur mine expansion and carried out a cumulative impact assessment of its potential impacts. The feasibility and cumulative impacts assessments documents have been listed in “confidential materials” for almost two years and only upon the demand to disclose these material that their status has changed to “soon to be disclosed here”, which means they are still not available for us to review and understand what impacts might affect us, when and how.</p> <p>The confidential (non-disclosure) status of MINIS study documents is in serious violation of not only the Article 3, 6.1 of the Mongolian Law on Organizations Privacy which stipulates that information pertaining to populations health, environmental impacts may not be classified” but is also in violation of the World Bank’s OP 4.01 of the Safeguards Policies on Information Disclosure and Consultation with potentially affected stakeholders.</p> <p>Lack of information disclosure: We have approached the REDACTED for information but failed to obtain any (please see annexes for correspondence) information on what the impacts are going to be from these planned and started projects supported by MINIS studies. The local government officials were taken on a study tour to China by the Chinese company and they now claim that this is going to [be] a pollution free beautiful PP with a tallest chimney in the world but appear not to have seen any documents required by law in Mongolia and the World Bank information disclosure policies.</p>	<p>The Project meets Bank policy requirements regarding disclosure and consultations.</p> <p>Disclosure of and consultations on the draft CIA are described in response to Item 1 of this Annex. The CIA is under revision to incorporate comments received from the consultations. It will be disclosed and consulted upon again once the revision is completed.</p> <p>As required by OP/BP 4.01, information and documentation related to the environmental and social risks and impacts of the Project are being disclosed and consulted upon. This disclosure requirement does not cover the FS financed under MINIS. The While the Bank has consistently encouraged the PMU to share publicly as much information as possible from the studies financed by the MINIS Project, the FS includes information that is considered confidential by the Borrower. Management, therefore, concludes that this FS should be treated as a confidential document per the Bank’s Access to Information Policy paragraph 2(g) “information provided by member countries or third parties in confidence.”</p>
3.	<p>Lack of or inadequate consultations: While MINIS project reports of having held consultations in 2016 the consultation materials and response</p>	<p>The Bank has worked with the Borrower to improve the stakeholder engagement capacity of the MINIS PMU, resulting in significant improvements since the 2015 Request for Inspection. Management is confident the Borrower will use this</p>

No.	Claim	Response
	<p>matrices are still not available and we have not found residents who have been consulted on potential impacts of the coal mine expansion and associated facilities and their mitigation measures. A MINIS team visited REDACTED to inform of improving the cumulative impact assessment documents. REDACTED had 5 questions to ask from representatives of local government, local community and civil society (5 persons from each group) regarding their attitude to the mine, its future and any positive or negative thoughts about it. The fact that questions did not include mine expansion and associated facilities indicate that the impact assessment will follow the usual consultation with no information on potential new impacts. Whatever new materials will be disclosed they are not likely to resolve our concerns regarding a) assessing potential negative impacts on the safety and reproductive health of girls and women in Baganuur; b) reporting on true findings on potential negative impacts on air quality and health; and c) consultation quality is also not likely to change to consulting on actual mitigation or prevention measures and thus will not be compliant with the World Bank's Safeguard Policies on information disclosure and meaningful consultations with communities to be directly affected.</p>	<p>capacity to conduct appropriate stakeholder consultations going forward.</p> <p>Following the 2015 Request for Inspection of the Project (Inspection Panel RQ15/03), for which the Panel did not recommend an investigation (Report of July 2017), the Bank worked closely with the Borrower to improve the PMU's capacity to conduct consultations that conform with international good practice. The PMU has significantly improved its performance regarding stakeholder engagement. An extensive description of these efforts is included in Management's Response to the 2015 Request for Inspection and subsequent Management updates, available on the Inspection Panel's website. Management will work with the Borrower to continue good consultation practice within the framework of the Bank's policies.</p> <p>The enhanced supervision of stakeholder engagement activities is reflected in steps taken to repeat the consultations on the initial draft CIA, to require the Project to revise the draft CIA based upon the feedback received as a result of those consultations, and to redisclose and undertake additional consultations prior to finalizing the CIA. Management posits therefore that it is premature to conclude that the CIA will not address the concerns raised at the consultations.</p>
4.	<p>Lack of change in the attitudes and quality of information disclosure and consultations: Together with Oyu Tolgoi Watch, Rivers without Boundaries Coalition REDACTED we have sought since 2015 to improve information disclosure and consultations process of MINIS on the Baganuur cumulative impact assessment as well as the sub-standard quality of assessment reports but have failed to see requested information publicly disclosed in the Mongolian language and in an understandable form, made available to the potentially affected local community groups. Only after OT Watch through a panel briefing on the MINIS Baganuur coal mine expansion project at the World Bank AGM's CSOs event in October 2017 that we received a promise to disclose Baganuur coal mine expansion</p>	<p>The Bank has worked with the Borrower to improve the stakeholder engagement capacity of the PMU, resulting in significant improvements following the 2015 Request for Inspection. Management is confident the Borrower will use this capacity to conduct appropriate stakeholder consultations going forward.</p> <p>See responses to Items 1 and 3.</p> <p>Details on the consultations for the Baganuur CIA in 2015 and 2016, as well as on the consultation on the draft CIA TOR, held in 2014, can be found in consultation materials available on the MINIS website at http://minis.mn/en/p/baganuur-cia.</p>

No.	Claim	Response
	<p>related documents in January 2018. The only document disclosed as of March 2018 is fairly sub-standard quality 2014 TOR for the CIA http://www.minis.mn/en/reports-on-baganuur-cia. Non-disclosure of response matrices from previous consultations, lack of will to disclose potential negative impacts from the proposed coal mine expansion and associated facilities and consult with the relevant communities providing prior information in an understandable format on ways for mitigating potential negative impacts are evidence of no change in the MINIS project implementation process and the quality of documents produced. Please see the terms of reference for the cumulative impact assessment provided as supporting documents for this complaint or the above link.</p>	
5.	<p>Air pollution from more coal extraction and new 700 Mwt power production: We are residents of Baganuur district of Ulaanbaatar, the capital highest in air pollution rates in the world, which burns coal from Baganuur mine. “Air pollution has become a child health crisis in Ulaanbaatar, putting every child and pregnancy at risk. The risks include stillbirth, preterm birth, lower birth weight, pneumonia, bronchitis, asthma, inhibited brain development and death. It is a real threat to Mongolia’s human capital,” said UNICEF Mongolia REDACTED. National and Ulaanbaatar city governments contemplated declaring a state of emergency in January 2018 (see list of links to media coverage of Ulaanbaatar air pollution impacts on the health of young women and children). We, in Baganuur, fear that we will also face such negative impact of air pollution from the planned coal mine expansion and the 700 Mwt coal power generation, which is equal to current Ulaanbaatar installed capacity of CHPs #2, 3 and 4 and therefore might produce the same amount of coal smoke and ash polluting the air. We have no knowledge and information of what negative impacts may come from a coal liquification facility also being studied by the MINIS project.</p>	<p>Management shares the Requesters’ concerns about air pollution in Ulaanbaatar city. The airshed as receptor of potential pollution from the TPP will be assessed as one of the environmental risks under the CIA. The Bank is working with the Borrower on a range of efforts to reduce air pollution in Mongolia.</p> <p>Management notes, however, that TPPs are not the main emitters of fine particulate matter in Ulaanbaatar during winter. The primary emitters are traditional, inefficient and high-polluting coal stoves used by hundreds of thousands of families that live in “ger” (single family houses/yurts) areas surrounding the city that are not connected to urban district heating.</p> <p>The Bank’s Ulaanbaatar Clear Air Project and others have supported cleaner burning stoves, and the highest levels of pollution were reduced during the years the stoves were distributed, although wintertime levels remain very high. Management agrees that other approaches are needed, and the GoM has placed high priority on cleaner fuels. An Additional Financing to the Ulaanbaatar Clear Air Project is being processed to pilot and scale up electric storage heaters to replace coal stoves in the “ger” areas and to support associated policy and tariff incentives. This would contribute to reducing the air pollution in Ulaanbaatar.</p> <p>While Baganuur is administratively part of Ulaanbaatar city, it is not contiguous with the city and is in fact located more than 100 km from the city center. Nevertheless, air pollution is a problem in many smaller towns and cities, as well and the pollution impacts of a new power plant should be studied. Given the TPP proximity to the Baganuur mine and the proposed coal off-take, it will be considered in the CIA, which is intended to take into account cumulative impacts of the mine expansion in the Project area of influence.</p> <p>A coal-to-gas investment (SNG), studied under MINIS, aims to bring gas to Ulaanbaatar and use it for heating purposes in winter, as well as a fuel for vehicles outside of the heating season, and</p>

No.	Claim	Response
		hence would reduce air pollution associated with both. Information on next steps is available on the MINIS website http://www.minis.mn/en/p/coal-to-synthetic-natural-gas .
6.	<p>Risk of increased gender-based violence, human trafficking and crime against girls and women: We are also concerned about a potential greater risk from the thousands of predominantly male workforce moving to Baganuur that will affect negatively on the safety and security of girls and women, which is a problem from existing foreign workforce in Baganuur. Currently there are some 100 Chinese workers in Baganuur working at a metallurgical facility already causing increased prostitution affecting girls and young women not known before here. According to local government information Baganuur mine expansion and the 700 Mwt PP will bring in 3000-5000 more workers to the district, mostly Chinese workers. The scope of work for the cumulative impact assessment does not mention gender impact assessment and is not likely to propose mitigation measures.</p>	<p>Management takes very seriously any risks related to labor influx, particularly in relation to the safety and security of girls and women. While such risks are not directly related to the technical assistance provided by the Project, the CIA will consider labor influx issues, including the types of concerns that have been raised by the Requesters. Management will emphasize to the Government the importance of properly assessing and mitigating such risks even where the Bank is not directly involved.</p> <p>The risk to the safety and security of girls and women is a well-documented harm associated with complex mining activities, and this risk already exists in the Baganuur region. The CIA will consider these risks and is also likely to recommend further assessment through Project-specific documents.</p> <p>Although the Baganuur power plant is not supported by MINIS, Management has nevertheless discussed with the GoM at the ministerial level concerns about the social impacts of a large influx of labor and recommended that it consider taking appropriate measures. In January 2018, the Bank also sent a social safeguard mission to Baganuur to explore social issues related to the mine expansion and the TPP. This mission met with the local Women's Association and other NGOs. These stakeholders raised issues associated with foreign labor influx. The Bank has emphasized to the Borrower that such issues need to be taken very seriously and will follow up on these issues with the Borrower as part of its discussions on the CIA review. Management understands that an initial workers' camp has been constructed for the TPP, but that construction is currently on hold. Construction works on the mine expansion have not commenced.</p>
7.	<p>Lack of gender impact assessment in the TOR: Regardless of the fact that we have been raising concerns regarding potential risks to girls and young women's safety and health none of the recent communications and discussion mentioned gender impact assessment of any kind.</p>	<p>Possible gender impacts, as they relate to the Project, will be assessed in the CIA.</p> <p>The revised CIA report will assess this issue at a strategic level, whereas detailed recommendations will be provided under the specific ESIA for the coal mine expansion. Once completed, the CIA will inform revisions and updates of the FS as well as the Borrower's update of the Baganuur mine expansion ESIA, which is scheduled, in accordance with Mongolian law, to be updated by the end of 2018.</p>
8.	<p>Social and gender impact: bearing in mind the current disaster level air pollution in Ulaanbaatar, we request the Inspection Panel to review the Baganuur coal mine expansion feasibility study and cumulative impact assessment work for compliance with environmental and social policies that include analysis of potential increase in air pollution and health of the population already at disaster levels, potential impacts on the safety and security of girls and women;</p>	<p>Social and gender impacts, as they relate to the Project, will be assessed in the CIA.</p> <p>See response to Item 7.</p>

No.	Claim	Response
9.	<p>Climate change: bearing in mind the NDC of Mongolia we request the Inspection Panel to review whether alternatives to this coal project and its associated facilities have been analysed in compliance with OP 4.01 “...compares them with those of feasible alternatives, (including the "without project" situation) and the international commitments and policies of both the Mongolian Government and the WBG.</p>	<p>Management shares the Requesters’ concerns regarding greenhouse gas emissions. Emission issues are assessed as part of the CIA. The Bank will advise the Borrower to mitigate any climate change impacts as identified in the CIA. The Bank is also working with the Borrower on a number of projects mitigating greenhouse gas emissions in Mongolia.</p> <p>Mongolia has extremely harsh winters, with temperatures sometimes reaching minus 40°C. Heating in Mongolia comes primarily from CHPs, single-dwelling stoves and boilers, and district boilers, virtually entirely coal fed. Ulaanbaatar city, home to nearly half of Mongolia's population, is heated in this way, with central heating provided by several large CHPs that draw their coal primarily from the Baganuur coal mine. The city, which has significantly grown in the past 20 years, still relies on the existing CHPs, which were constructed in the Soviet era. A new power plant, CHP-5, was planned to ease the stress on the heat and power systems, and this CHP was also slated to draw coal, in part, from the Baganuur coal mine. The CHP-5 project, which already had a concession agreement and was to be financed, in part, by ADB, was recently canceled in favor of upgrading/increasing the capacity of CHP-3 and CHP-4.</p> <p>Given the extreme weather and demand for heating in winter time, and the local resources Mongolia has, coal will remain important for power and heat in the near future, and coal mine development will remain a driver for growth.</p> <p>The Baganuur coal mine expansion was identified in the MINIS Additional Financing as a proposed investment that would be studied under MINIS. The Board-approved MINIS Project Appraisal Document (PAD) and MINIS Additional Financing Project Paper together did three things:</p> <ul style="list-style-type: none"> (i) Specifically identified coal mining as a driver of growth: “While there are numerous mineral occurrences throughout the country, the Government of Mongolia is poised to develop several major mineral deposits in Southern Mongolia, including copper and gold at Oyu Tolgoi (OT), and coal at Tavan Tolgoi (TT), Nariin Sukhait and elsewhere. It is widely recognized that the country’s wealth of mineral resources offers perhaps its greatest potential for economic growth and development.” (ii) Distinguished between coal <i>mining</i> and requests for support regarding <i>coal-fired power plants</i>: “If, during implementation, the counterpart requests technical assistance to carry out feasibility studies for a coal-fired power plant, the Bank's Senior Management would review such a request on a case-by-case basis, and the Bank's March 2010 Operation Guidelines on Criteria for Screening Coal Projects under the Strategic Framework for Development and Climate Change would be followed.” (PAD p. 51) (iii) Specifically identified the Baganuur coal mine expansion as a proposed investment for which studies could be financed by MINIS. (Project Paper, p. 3) <p>However, the CIA together with a least cost energy study that is planned under MINIS, will provide guidance to the GoM with respect to expansion of the coal mine and options for meeting energy needs, taking into consideration alternatives, environmental</p>

No.	Claim	Response
		<p>and social cost and benefits, and trade-offs.</p> <p>Under the Paris Agreement, Mongolia's challenge in meeting its NDCs for reductions in greenhouse gas emissions is significant, and the Bank is supporting the GoM to achieve them through the WBG's participation in the GoM-led NDC partnership. The WBG has supported the Government's 100,000 Solar Gers Program, is currently building a 10MW solar plant in the Western <i>aimags</i>, is reviewing the grid integration and tariff mechanism to promote renewable energy, and has invested in a wind farm outside of Ulaanbaatar. The Bank is providing technical assistance to improving efficiency in the heating industry. MINIS is also supporting studies related to two possible hydropower investments. The GoM has requested support for a renewables strategy, and the Bank is willing to engage in discussions on this request.</p>
10.	<p>Sub-standards quality work financed by the WBG, bearing in mind the time and effort that is taking to improve the sub-standard 2015 cumulative impact assessment of Baganuur coal mine expansion to inspect whether the current consultant has the technical capacity and experience to carry out a cumulative impact assessment compliant with the World Bank policies not only in terms of process but also uphold technical quality standards.</p>	<p>Management does not share the Requesters' concern that the amount of time needed to revise the CIA is an indicator of the low quality of the first draft CIA or the work being invested into updating it.</p> <p>This CIA is an inherently complex undertaking that covers multiple environmental and social dimensions in a wide geographic area. The Project has engaged a consultant to update the CIA; Management considers this consultant to be experienced and with sufficient capacity to finalize the study. Nevertheless, it is not unexpected that a study of the scope and complexity of this CIA requires several rounds of reviews and revisions. Part of the efforts involved in revising the CIA concern incorporation of stakeholder comments received during consultations. The Bank has reviewed several drafts of the CIA and has provided comments. The Bank will continue the review process until it deems the CIA satisfactory.</p>
11.	<p>Faked consultations, bearing in mind that previous consultations carried out under the cumulative impact assessment by MINIS have failed to a) engage with relevant stakeholders from potential affected communities and vulnerable groups; b) disclose potential negative impacts and consult on mitigations measures we request the Inspection Panel to cause WBG Management to cause MINIS project to comply with the policies and procedures on information disclosure, meaningful consultation based on prior information delivered in understandable language and format to the communities to be affected and other relevant stakeholders.</p>	<p>The Bank has worked with the Borrower to improve the stakeholder engagement capacity of the PMU, resulting in significant improvements following the 2015 Request for Inspection. Management is confident the Borrower will use this capacity to conduct appropriate stakeholder consultations going forward.</p> <p>See response to Item 3.</p>

ANNEX 2
CLAIMS AND RESPONSES – REQUEST 18/03

No.	Claim	Response
1.	<p>Water resources. We may lose access to traditional water resources (in the Gobi Desert in Mongolia) due to World Bank’s failure to ensure compliance of its projects with the policies requiring information disclosure and consultations with affected local communities on potential impacts of their projects.</p> <p>The Huvd and Khurshuut oasis and its springs complexes of Gurvantes soum, the southernmost settlement of Mongolia, are part of the Altain-Uvur Gobiin RBA - the underground water basin. <u>Component 3</u> of the World Bank’s Mining Infrastructure Investment Support project (MINIS) is responsible for supporting the Altain-Uvur Gobiin RBA Administration and development of the RBA water resource management plans for “utilizing and preserving the water resource, improving water safety, ensuring the Gobi population with an adequate drinking water, acceptable by quality standards, improving the strategic policy to protect the water and ecosystem from industrialization and supporting the maintenance of the ecological balance”. However, because there is no information disclosed about what they are doing, their reports are classified we do not have the information about what impact is imparted by the existing 6 coal mines on the quality and quantity of our water resources. Many springs and wells have been lost to existing and incoming 6-7 coal mines and we are concerned about how the RBA is managing the water resources, what are the cumulative impacts of coal mines on us, there is no information disclosed and no consultation has been carried out here. We are concerned because current practice has it that when information is not disclosed it is usually to cover up a lack of any assessments work and documents or low quality of faked assessment reports. While the information on the RBA page lists 58 mining licenses it reports of water usage for only 7 mines: TABLE REDACTED</p>	<p>The support of MINIS Component 3 comprises the installation of a groundwater monitoring network, the establishment and capacity building of 3 RBAs and 3 RBCs, the preparation of a small number of groundwater assessment and management studies, the establishment of the GWMIU, and the development of IWRMPs for the 3 RBAs. The RBAs and RBCs are Mongolian organizations and are overseen by the Ministry of Environment and Tourism.</p> <p>MINIS’s role is to establish and support the capacity building of RBAs and the creation of RBC’s including training, recruitment and payment of technical and other specialists located in South Gobi <i>aimag</i>, funding for technical surveys and studies, and administrative support. The goal of the support has been to build the capacity of the RBAs, which are government bodies, and the RBCs, which are comprised of a variety of stakeholders (including civil society) to better monitor water resources and coordinate between water stakeholders in the region, and to assist in the development of select IWRMPs, outlined in the 2012 Law on Water.</p> <p>In a short period of time, the three RBAs in South Gobi have been formed and have compiled information on the groundwater resources, interacted with many stakeholders, and begun developing IWRMPs in three of the basins. Several of the RBAs have public websites,¹⁹ as do the RBCs. RBC meetings have been held in each of the three basins, allowing representatives of all major groups of stakeholders to debate key water resource issues in the basins and to raise any concerns. The support from MINIS has been important to ensure that Government has more information available to it about the groundwater resource, that stakeholders are provided a forum to interact with the Government on water use issues through the RBCs, and ultimately, that more information available to the public in the future through the IWRMPs and their related consultations.</p> <p>A second area of support through Component 3 has been the preparation of a number of small technical studies in a variety of areas related to the groundwater component. These reports range from desk studies to technical reviews and surveys. Reflecting the disclosure requirements of OP/BP 4.01, which do not cover technical studies, the ESMF for the Project clarifies that groundwater investigations, quality assessments, surveys, mappings, methodologies, and research plans do not require safeguard instruments or consultation and</p>

¹⁹ <http://galba.gobiwater.mn/>; <http://altai.gobiwater.mn/>; https://www.facebook.com/galba.zuvlul/?ref=br_rs; https://www.facebook.com/umard.gobi?ref=br_rs

No.	Claim	Response
		<p>disclosure. However, Management has encouraged the GoM to disclose as much material as possible and the GoM has already disclosed three of the studies²⁰ and is considering disclosing a fourth. Annex 3 includes a list of these studies and their disclosure status.</p> <p>Several of the non-disclosed reports are considered confidential under Mongolian law, including those involving groundwater data. This is consistent with the Bank's experience with many client countries, who treat groundwater data as confidential and do not publicly disclose it. However, the Bank is in discussion with the Government to see if additional studies could be disclosed without violating prohibitions under Mongolian law. In addition, the GoM has an appeals process in place, through which interested stakeholders can address a request for classified materials to the Ministry of Environment and Tourism.</p> <p>MINIS has put great effort in supporting the Ministry of Environment and Tourism in establishing the RBAs and subsequently the RBCs in all three basins of South Gobi region and facilitating stakeholder engagement, including consultations. Bank representatives have observed the first RBC meetings in South Gobi and noted the participation and commitment of various groups of stakeholders and the quality of debates. For instance, the Altain-Uvur Gobi RBC held meetings in February and September 2016, and in June and November 2017. The Umard RBC held meetings in December 2016 and in May and November 2017. The Galba RBC held meetings in April and November 2016, and in May and November 2017. MINIS PMU representatives participated in most of these meetings. Each RBC has between 41 and 45 elected members, drawn from larger groups of civil society, the private sector and other groups that attended the first meetings. All members are given at least 15 days' notice of regular meetings. At the meetings, annual plans, ongoing activities, updates on law and regulations are discussed as well as progress reports, general aspects of groundwater modeling, MINIS activities and information on featured projects, monitoring network and inputs, and consultation outcome of the "Orkhon" and "Shuren" components of the Project. The meetings are documented on the RBC websites or through social media.</p> <p>A third area of support provided under MINIS Component 3 has been the establishment of a groundwater monitoring network in South Gobi <i>aimag</i> and the establishment of a GWMIU at the national level. This includes 44 new monitoring points, with additional monitoring points identified for future monitoring. The Project is also compiling an online database that can be accessed by various levels of government authorities to</p>

²⁰ These studies include: Reform Standard of Water Sector Terminology; Methodology for Groundwater Exploration; and Methodology to Conduct Groundwater at Uranium Deposit. The fourth study under consideration is: Guideline on Estimation of Unit Budget for Groundwater Exploration.

No.	Claim	Response
		<p>inform their work.</p> <p>A fourth key area of Component 3 support is the on-going development of IWRMPs for three RBAs in South Gobi. The IWRMPs will broadly look at current and projected water resource trends across the region and various other issues related to water resource management. They will include an aggregate analysis of planned investments in infrastructure in the region as well as information on trends in water resource use.</p> <p>Because the assessments of groundwater management options may need to include the assessment of potential adverse environmental and social impacts, stakeholder engagement and consultation are part of the TOR for the IWRMPs and these are expected to be carried out in accordance with Bank policy requirements later this year. Initial stakeholder outreach was held by the consultants working on the IWRMPs. Each IWRMP consultant attended a meeting of corresponding RBC. In addition, they separately conducted meetings with stakeholders including local <i>soum</i> and <i>bag</i> governors, environmental specialists, local businesses, herders and NGOs to develop their reports. Please see Annex 4 for a list of the stakeholder outreach events held at the inception phase of the IWRMP process.</p> <p>Work on the IWRMPs for the three RBAs is ongoing and additional consultations will be held as soon as the draft reports are ready. It is expected the IWRMPs will be consulted upon and completed by end 2018.</p>
2.	<p>Increased outbreak of various diseases among population living near mines, especially affecting women's reproductive health, miscarriages, still births, fetus stop developing, children with genetic defects are problems women are facing here.</p>	<p>The support from MINIS Component 3 does not cover any of these areas.</p> <p>The sole relevant area of support is the preparation of the IWRMP, which should include reporting of any known information about changes in water quality. These plans are under preparation and will follow a consultation process as indicated above.</p>
3.	<p>Potential harm from a new mine: Land grab without resettlement or compensation for loss of water access.</p> <p>When the REDACTED starts extracting coal in Gurvantes soum's REDACTED baghs there is high probability that the 30 nomadic herding households and over 30 vegetable growing households, a total of over 60 households in will lose access to traditional water sources. Land - pasture and farm land - without water will have no value as economic, cultural and family heritage property. Currently REDACTED has dug a 2x2 ditch to close of its licensed territory and started working on building a road to replace the military unit's road cut off by its licensed land – all without obtaining a land permit. The DEIA report approved without consultation and consent from the local community to be affected by its negative impact. This report recognizes that the local community</p>	<p>MINIS is not directly involved in any mining project in the Gurvantes soum, nor in issuing licenses for the mining.</p> <p>Since the Project's support to RBAs and RBCs is primarily focused on capacity building, there is no link between the support provided by the Project and the mining licensing activities referenced by the Requesters. The Project is not directly involved in any mining project in the Gurvantes <i>soum</i>. The Bank has no role in management of any disease risk or resettlement activities that are related to these mine operations. RBAs have various responsibilities for annual water use permitting, depending on the size of water-using projects, whether in mining, agriculture or another sector. For large projects, that is, those expected to use more than 100m³ of water per day (which includes large mines), the Ministry of Environment reviews technical feasibility of the project and decides whether to grant permission for long-term water use. It then relies on the RBA for administrative issuance of the permit. For projects that are expected to</p>

No.	Claim	Response
	will lose access to both traditional land and water resources and recommended to prepare a resettlement plan. However, the company started working without consultation or preparation for the above plan.	use between 50 and 100m ³ /day, the RBA reviews the application and makes the recommendation to the provincial Environmental Department whether to issue the permit. RBAs are not involved in support for mining licensing, nor in the expert review of such licensing.
4.	<p>Harm from the MINIS project: <i>selection of companies technically not qualified or those in conflict of interest resulting in poor quality water basin assessment and water basin management plan may lead to loss of all surface and soil water resources of the local community.</i> The RBA mandate includes a responsibility and “right to impart a RBA expert opinion, which will be a justification for basing a decision to issue an exploration or mining license and such other rights”. Due to non-disclosure of MINIS and RBA information and decisions it is not possible to see how the TEFS and ESIA defined the water resource use and what permits have been issued. It is not possible for us to find out how water use permits were issued by this RBA that will affected traditional users like us and if this RBA did not issue it then who, when and how issued water use permits to this coal mine. What we have heard but again not able to confirm is that the tender for development of the RBA water basin resource management was announced, then challenged based on a selection of a technically unqualified entity, cancelled and re-announced in 2017 with no plan developed yet. We know that for the Galba-Uush Dolodyn Gobiin RBA a company that owns a mining license was contracted to develop a water resource management for that RBA. We also have heard that the cost of development of a RBA management plan was increased 5-6 fold compared to previous years, increasing from 50 mln MNT to 350 mln MNT but no plan was consulted and or even presented to us yet.</p>	<p>The Bank has not found any indication of irregularities in the procurement of consultants for the Galba-Uush Dolodyn Gobiin IWRMP.</p> <p>The tender for this contract was not cancelled and re-announced. The Bank will continue to monitor procurement performance of the Project as part of regular supervision.</p> <p>The IWRMP will provide an aggregated review of groundwater availability and trends and will not include any project-specific analysis or information to “develop a justification for basing a decision to issue an exploration or mining license and such other rights.”</p> <p>MINIS does not support capacity building related to the issuance of water use permits. The Ministry of Environment and Tourism and the RBAs oversee the granting of water use permissions and the issuance of permits.</p> <p>The PMU has informed the Bank that while the contractor for the Galba-Uush Dolodyn Gobiin IWRMP did hold a mining license that expired in 2009, the license covered an area outside of the study area for the IWRMP and does not pose a conflict of interest.</p> <p>As indicated above, there will be consultations on the IWRMP drafts once they are at an appropriate stage of development, and completion of the IWRMPs is expected by the end of 2018.</p> <p>According to the publicly available MINIS procurement plan, each IWRMP was budgeted at between US\$110,000 and \$150,000. This budget is in line with the estimates made by Government and commensurate with the level of work required for the studies.</p>
5.	<p>Harm from MINIS project: <i>The World bank project’s non-disclosure of information and lack of consultation creates environment conducive for companies to breach our right to traditional water resources.</i> Non-disclosure of information provides opportunity for companies to claim that water resource needs have been justified without showing any justification document or permit for projects licensed to take away our pastures and vegetable plots and close access to our water. This in turn is a not only in violation of the WBG’s policy on respecting the rights of local communities to decent livelihood and development but is directly in conflict with the Bank’s poverty reduction mandate.</p> <p>Non-disclosure of information provides</p>	<p>The Project has helped establish a system for improved monitoring of groundwater, as well as increased access to information and stakeholder consultation as described above.</p> <p>All publicly available materials produced under MINIS Component 3 are posted on the MINIS website or www.estandard.gov.mn. Please see Annex 3 for more information.</p> <p>Please refer to the response to Item 1 for details on disclosure and consultations that have already taken place as well as those that will be upcoming.</p>

No.	Claim	Response
	<p>opportunity for the company to claim that no harm will be caused to local water resources without a RBA opinion justifying this statement or showing a water permit. Thus, the WBG project is creating conditions conducive for violation of our right to traditional water resources by coal mining companies.</p>	
6.	<p>Non-disclosure of information, lack of consultations of any kind in Gurbantes, the poor outreach and sub-standard performance of the MINIS project are not conforming with the WBG safeguards policies requiring to protect the local communities' right to decent livelihood and thus is in direct contradiction with the World Bank's mandate to fight poverty.</p> <p>We had no knowledge that management of our underground water resource basin fell under the World Bank MINIS project and therefore have not approached World Bank management or other officials with our concerns. However, our partners Oyu Tolgoi Watch and RWB have engaged with the World Bank and its project regarding lack of access to information but were directed to request the information from the MNET.</p> <p>Our request for information from MINIS PMU has resulted in their recommendation (see Annex ...) to address our request to the MNET, as MNET is responsible for managing the RBAs. The fact that MINIS PMU advised to seek information from the MNET is in violation of the Bank policy requirement to abide by the host country legislation, which stipulates that information pertaining to an organization's activities, technology which is causing or can potentially cause impacts on public health, environmental impacts" fall under the category of information that may not be classified.</p> <p>In 2015 our co-complainants Rivers without Boundaries Coalition filed a complaint regarding the same non-disclosure of information and lack of consultations. The Inspection Panel decided to defer its decision on investigation basing on the fact that there is no harm on the ground. Two years after, in July 2017 decision was made not to investigate the project due to extensive information disclosure and consultations carried out in RF and Mongolia.</p> <p>Our case is different. There is immediate harm on the ground to our water resources due to lack of appropriate RBA water resources management plan and lack of information and consultations on the impact of extensive coal mining is having on our traditional water</p>	<p>In addition to the RBC meetings outlined above, initial stakeholder outreach events were held for three basins at the outset of the IWRMP process.</p> <p>The purpose of the meetings was to alert stakeholders of the upcoming IWRMP process, and to solicit feedback from attendees.</p> <p>The three draft IWRMPs will be publicly consulted upon as indicated above. Management will continue to follow up with the Borrower to ensure compliance with the consultation requirements for the Project.</p>

No.	Claim	Response
	resources.	
7.	<p>Most information related to water research under Component 3 is listed in Confidential reports page and has not been disclosed to the public, including documents on "long term planning mainstream on hydro-geological research," "assess legal/institutional framework," "baseline study for shallow layer groundwater," "assessment on water safety issues," and "water sampling and analyze its result of water supply sources of soum center and settled area in the 3 RBAs." [...] The Bank, by accepting the Mongolian Government's resistance to observe the WBG policies and non-compliance with its own laws on freedom and access to information in not disclosing information on activities of RBAs and water basin management plans in Southern Mongolia (Gobi Desert region), is seen as siding with government and companies in discriminating against traditional water users in the process of developing water basin resource management plans. Local farmers and herders have not been consulted on potential impacts of coal mining and processing on their water and any mitigation measures and are denied the right to participate in decision-making on water resources - a life sustaining resource in the Gobi Desert. Selection of consultants professionally not qualified and/or in conflict of interest due to owning a mining license for the assignment to develop water basin management plans further aggravates the unfair competition for water resources in Tos, Toson Bumbat state protected area - a habitat of snow leopard and other endangered species. (FOOTNOTE: Lhagvasumberel Tumursukh, a biologist of the Snow Leopard Foundation was killed in 2015 for his attempt to prevent coal mining in this part of Gurvantes soum.)</p>	<p>The confidentiality of some materials developed under Component 3 is addressed in response to Item 1.</p> <p>Synthesis of information regarding groundwater availability and trends will be made available to the public and consulted upon once the IWRMPs are ready.</p> <p>The Project is not involved in the licensing of new mining projects, and is not expected to hold consultations on the potential impacts of these projects.</p> <p>The Bank has not found any indication of irregularities in the procurement of consultants for the Galba-Uush Dolodyn Gobiin IWRMP.</p>
8.	<p>Recommendations to the WBG Eds</p> <p><i>Given the fact that there is no assessment of cumulative impacts of 6-7 coal mines operating in Gurvantes and current increased water usage due to coal mines building processing plants and failure to implement the project mandate to protect the water ecology and quality from industrialization, questionable quality tendering process and the slow process of development of RBA water resource management plans, please recommend the following to the Executive Directors 1) review the MINIS projects decision-making governance; 2) Carry out a cumulative impacts assessment based on the MINIS project RBA mandate to ensure that "utilizing and preserving the water resource, improving water safety, ensuring the Gobi population with an adequate drinking water, acceptable by quality</i></p>	<p>In relation to the overall Project, the Bank is in discussion with the Government to explore whether disclosure of additional studies could be disclosed without violating prohibitions under Mongolian law.</p> <p>The three RBA IWRMPs, which will assess water usage, are under development, stakeholder outreach has taken place, and the documents will be consulted upon once completed.</p> <p>The Bank will review the governance arrangements for Component 3 of MINIS to ensure that they are being followed.</p> <p>While not a cumulative impact assessment, the ongoing IWRPMs will analyze short- and long-term projections for water resources in the South Gobi region, including water quality issues, to inform longer-term policy planning.</p>

No.	Claim	Response
	standards, improving the strategic policy to protect the water and ecosystem from industrialization and supporting the maintenance of the ecological balance” 3) <i>Disclose the assessment report and carry out a consultation process before decisions are made on water usage compliant with the relevant international standards,</i>	
9.	World Bank Management has failed to comply with the obligation to supervise the project to ensure compliance with its policies (in this case, OP/BP 4.01). Concerns have been raised with the Project Team and Bank management via email and in-person (see Annex xx), and their responses and lack of commitment to take action (see attachment XX) indicates a failure to adequately supervise the project to ensure compliance with Bank policies.	<p>The Bank team has been providing close implementation support to MINIS. Over the past 18 months, the Project significantly improved its performance, in particular with regard to stakeholder engagement.</p> <p>This progress is demonstrated, for example, by the considerable improvements in stakeholder engagements that took place in response to the 2015 Request for Inspection. For more detail on these improvements, see response to Item 3 in Annex 1.</p>
10.	The Requestors have jointly and separately informed the Management, Country Office, PIU and TTLs regarding the issues requested to be investigated in the past. Requestors are requesting investigation into MINIS project based on the fact that non-disclosure of information, lack of meaningful consultations and non-compliance with the WBG policies. For example, OT Watch's request for information on Altain-Uvur Goviin RBA was declined by MINIS stating that the Ministry of Environment and Tourism is in charge of information disclosure decisions.	<p>As indicated above, the scope of the Project is limited to supporting capacity building and not day-to-day operations of the RBAs.</p> <p>However, the Bank is discussing with the Government whether further information can be disclosed without violating prohibitions under Mongolian law.</p>

ANNEX 3

DISCLOSURE STATUS OF TECHNICAL STUDIES PRODUCED UNDER MINIS COMPONENT 3

	Budget – US\$	Notes on Disclosure
Has been disclosed		
Reform of Characteristics and Terminology related to Water Quality	16,446	Document is available for a fee at www.estandard.gov.mn .
Handbook on Hydrogeology Research and Groundwater Resource Assessment	7,620	Document is available at www.minis.mn .
Methodology to Conduct Groundwater Exploration at Uranium Deposit and Occurrence Zone	20,000	Document is available at www.minis.mn .
Has not been publicly disclosed		
Long-term planning mainstream on hydro-geological research	5,000	Document is available to Mongolians (but not foreign nationals or enterprise entities) through request to Ministry of Environment and Tourism.
Assessment of legal/ institutional framework	22,600	May become available upon verification of draft by Government.
Baseline study for shallow layer groundwater	88,204	Confidential under Mongolian Law on State Secrets.
Assessment on water safety issues		Confidential under Mongolian Law on State Secrets.
Conducting Groundwater investigation - Shinejinst <i>soum</i> of Bayanhongor province	539,000	Data considered confidential under Mongolian Law on State Secrets.
Conducting Groundwater investigation-- Umnugobi <i>aimag</i>	818,000	Data considered confidential under Mongolian Law on State Secrets.
Under review by Government for potential disclosure		
Guideline on estimation of unit budget for groundwater exploration	16,934	Status to be reviewed by Government
Ongoing Studies		
IWRMP - Umard Basin	113,000	Document under development. World Bank consultation and disclosure policies are to be followed.
IWRMP - Galba Basin	125,000	Document under development. World Bank consultation and disclosure policies are to be followed.
IWRMP - Altain Basin	150,000	Document under development. World Bank consultation and disclosure policies are to be followed.

ANNEX 4

**STAKEHOLDER OUTREACH MEETINGS HELD AT INCEPTION STAGE OF INTEGRATED WATER
RESOURCE MANAGEMENT PLANNING PROCESS**

Location	Date	Meeting Objectives	Attendees
Altain Uvur Gobi Basin			
<i>Erdene Soum</i>	5/21/2017	To provide information on the development process of IWRMP to the related identified stakeholders within the basin; Collect quantitative and qualitative data on water users, statistical data including human and livestock, conduct a survey of residents, receive comments, concerns and views from the local stakeholders for the drafting of IWRMP including the current issues related to protection and usage of water resource.	173 stakeholders, including Governors, Deputy governors, Environmental Inspector, Social specialists, Food safety Experts, Experts of the Veterinary Services Department, Statistical Experts, Agricultural Experts, Rangers, Leadership and Members of the Citizens' Representative Meetings, other stakeholders
<i>Tseel Soum</i>	5/25/2017		
<i>Tsogt Soum</i>	5/25/2017		
<i>Altai Soum</i>	5/26/2017		
<i>Bugat Soum</i>	5/27/2017		
<i>Bayantsagaan Soum</i>	5/6/2017		
<i>Bayan-Undur Soum</i>	5/8/2017		
<i>Bayangobi Soum</i>	5/9/2017		
<i>Shinejinst Soum</i>	5/9/2017		
<i>Bayanlig Soum</i>	5/10/2017		
<i>Bogd Soum</i>	5/10/2017		
<i>Nomgon Soum</i>	6/5/2017		
<i>Khurmen Soum</i>	6/6/2017		
<i>Bayandalai Soum</i>	6/6/2017		
<i>Sevrei Soum</i>	6/7/2017		
<i>Noyon Soum</i>	6/7/2017		
<i>Gurvantes Soum</i>	6/8/2017		
Galba-Uush Dolood Gobi Basin			
Galba Uush Dolood's Gobi's River basin authority and its council	10/13/16	Introduce the IWRMP process, collect information about water utilization and consumption at <i>soum</i> level, identify water-related issues, Collect social, socio-economic data; receive suggestions and recommendations from stakeholders	379 stakeholders, including Soum governors, Head of Soum Citizens' Representative Khural, State environmental inspectors, rangers, environmental and socio-economic specialists, local NGOs and residents, River basin authority, River basin councils
Local Governor Office of Dornogobi <i>aimag</i>	12/2/16		
Local Governor Office of Umnugobi <i>aimag</i>	12/10/16		
Local Governor Office of Sukhbaatar <i>aimag</i>	12/19-20/16		
Umnugobi <i>aimag</i> /8 <i>soums</i> : Khankhongor, Khurmen, Nomgon, Bayan-Ovoo, Khanbogd, Manlai <i>soums</i> of Umnugovi <i>aimag</i>	11/28-12/2/16		
Dornogovi/ 9 <i>soums</i> /Sainshand, Zamyn-Uud, Urgan, Erdene, Zuunbayan, Ulaanbadrakh, Khuvsgul, Khatanbulag, Mandakh and Saikhandulaan <i>soums</i> of Dornogobi <i>aimag</i>	12/02- 05/2016		

Location	Date	Meeting Objectives	Attendees
Sukhbaatar <i>aimag</i> /5 <i>soums</i> / Bayandelger, Ongon, Dariganga, Naran, Asgat <i>soums</i> of Sukhbaatar <i>aimag</i>	12/02- 08/16		
Umard Goviin Guveet Khalkhiin Dundad Tal Basin			
Ulaanbatar - MET & MINIS	9/20/2016	Project introduction; collect water usage data; collect statistical data; meet with local citizens, NGO's, and administer questionnaires	78 stakeholders: Representatives of MET, Project representatives, local decision makers, members of the Water Basin Councils, Citizens Representatives, Representatives of NGOs, companies and water users
Bagakhangai district	10/4/2016		
Gobisumber <i>aimag</i>	10/5/2016		
Dornogobi <i>aimag</i>	10/6/2016		
Dundgobi <i>aimag</i>	10/7/2016		