

GONZALO CASTRO DE LA MATA  
Chairman  
The Inspection Panel

**IPN REQUEST RQs 18/02 and 18/03**

May 11, 2018

## **NOTICE OF REGISTRATION**

### **Request for Inspection**

#### **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 Subproject) and Component 3 – Strengthening Ground Water Management**

#### **Summary**

1. On April 2, 2018, the Inspection Panel (“the Panel”) received two Requests for Inspection (“the Requests”) of the Mining Infrastructure Investment Support Project and Mining Infrastructure Investment Support Project - Additional Financing (“MINIS” or “the Project”) in Mongolia. Since both Requests relate to the same Project, for efficiency purposes, the Panel has decided to process them jointly.
2. One of the Requests (“the first Request”) was submitted by Oyu Tolgoi Watch and a local non-governmental organization, on behalf of 52 residents of the Baganuur district of Ulaanbaatar who have asked for confidentiality. The Requesters claim potential harm from the feasibility study and cumulative impact assessment (CIA) for the Baganuur mine expansion financed by the Project, including those related to health impacts, gender-based violence and climate change, as well as lack of consultation and disclosure of information.
3. The other Request (“the second Request”) was submitted by Oyu Tolgoi Watch and by 27 residents of Gurvantes, in South Gobi region, who have asked for confidentiality. They allege potential harm from the water management plans and establishment of the River Basin Administration (RBA) financed by the Project, including loss of access to traditional land and water sources, environmental impacts and lack of consultations and disclosure of information.
4. After conducting initial due diligence and confirming that the Requests meet the Panel’s admissibility criteria, I am notifying you that I have, on May 11, 2018 registered these Requests.

#### **The Project**

5. MINIS is a technical assistance project financed by an International Development Association Credit of US\$25M equivalent approved by the World Bank Board of Executive

Directors on May 10, 2011.<sup>1</sup> In 2014, an AusAID trust fund additional financing in the amount of US\$4.2M equivalent was approved.<sup>2</sup> The Project's development objectives are to "facilitate infrastructure investments to support mining and downstream processing, regardless of the funding source, and to build local capacity to prepare and transact infrastructure projects."<sup>3</sup> The MINIS Project Management Unit under the Ministry of Finance is responsible for Project implementation. The Project was restructured in 2014 due to the triggering of new safeguard policies and in 2016 to allow completion of preparation studies.<sup>4</sup> In 2017, the closing date was extended to September 30, 2019, to carry out activities concerning the Regional Environmental Assessment for the Shuren Hydropower Plant and the Orkhon Gobi Water Diversion subprojects under MINIS, as well as for related energy and water supply options studies.<sup>5</sup>

6. MINIS has four components: (1) support for infrastructure investments, (2) capacity building and knowledge transfer, (3) strengthening groundwater management, and (4) project management.<sup>6</sup> The Requests relate to first and third components. Under the first component, the Project finances various assessments for proposed infrastructure subprojects in support of the development of Mongolia's mining sector, including pre-feasibility, feasibility and environmental assessment studies. The third component supports groundwater management and assessment studies and strengthening the capacity of local authorities to manage groundwater resources in the South Gobi region in Mongolia, including the establishment of a Groundwater Management and Information Unit, RBAs and Regional Basin Committees.

7. The Project is a Category A Project and has triggered the following safeguard policies: 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).<sup>7</sup>

### **The Requests**

8. *The first Request.* The first Request was submitted by Oyu Tolgoi Watch and a local NGO, on behalf of 52 residents of the Baganuur district of Ulaanbaatar who have asked for confidentiality.

9. The Requesters claim potential harm from the feasibility study and cumulative impact assessment (CIA) for the Baganuur mine expansion financed under the first component of the Project, including:

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<sup>1</sup> Project Appraisal Document on a Proposed Credit in the Amount of SDR 16.00 Millions (US\$25.00 Million Equivalent), April 7, 2011.

<sup>2</sup> Project Paper and Restructuring Paper on a Proposed Project AusAID Grant for an Additional Financing in the Amount of US\$4.2Million and Restructuring to Mongolia for the Mining Infrastructure Investment Support Project, March 18, 2014.

<sup>3</sup> Project Appraisal Document on a Proposed Credit to Mongolia for a Mining Investment Infrastructure Support Project, April 7, 2011, p. 4.

<sup>4</sup> Restructuring Paper on a Proposed Project Restructuring of MI-Mining Investment Infrastructure Investment Support Project (P118109) Approved on May 10, 2011 to Mongolia, September 2017.

<sup>5</sup> Ibid.

<sup>6</sup> Project Appraisal Document on a Proposed Credit to Mongolia for a Mining Investment Infrastructure Support Project, April 7, 2011, p. 5.

<sup>7</sup> Project Paper and Restructuring Paper on a Proposed Project AusAID Grant for an Additional Financing in the Amount of US\$4.2Million and Restructuring to Mongolia for the Mining Infrastructure Investment Support Project, March 18, 2014.

10. **Health impacts.** They express concerns about air pollution and related health impacts from additional coal extraction and the new 700 megawatt (MW) powerplant, which is not financed by the Project, but the Requesters consider it to be an associated facility. They claim that the additional coal extraction and the powerplant will exacerbate the already high pollution levels in Ulaanbaatar, and that children and pregnant women especially will be put at risk.

11. **Gender-based violence.** They allege risk of increased gender-based violence and human trafficking potentially caused by the labor influx of foreign workers. According to them, 3,000-5,000 workers would come to work on the mine expansion and the powerplant and they are concerned about the potential impacts of this labor influx on women and girls. They explain that the draft CIA does not take these gender impacts into account.

12. **Climate change.** They allege climate change impacts from the Project and request the Inspection Panel to review whether alternatives to this coal project have been analyzed in compliance with OP 4.01.

13. **Quality of the studies.** The Requesters express concerns about the quality of the CIA and the technical expertise of the consulting services hired to prepare the study. They explain that the draft CIA disclosed in 2016 did not include the impacts from the powerplant, and state that the revised CIA is unlikely to include these impacts.

14. **Consultation and disclosure of information.** They contend the lack of or inadequate consultations and disclosure of information. According to the Requesters, even though consultations were undertaken in 2016, the response matrices are still not available and potentially affected communities have not been consulted on the potential impacts of the coal mine expansion and associated facilities and proposed mitigation measures. They also state the only document disclosed is the 2014 CIA Terms of Reference, and that information has not been publicly disclosed in Mongolian and in an understandable form to local communities.

15. *The second Request.* The second Request was submitted by Oyu Tolgoi Watch and 27 residents of Gurvantes in the South Gobi region, who have asked for confidentiality.

16. The Requesters allege potential harm from the water management plans and the establishment of the Altain-Uvur Gobiin RBA financed by the third component of the Project, including loss of access to traditional land and water sources, environmental impacts and lack of consultation and disclosure of information.

17. **Loss of access to land and water resources.** The Requesters contend they may lose access to land and traditional water sources in the Gobi Desert in Mongolia. They explain that since the operation of coal mines in 2011 they have witnessed many streams disappear, and they are concerned about the cumulative impacts on the groundwater of the six existing mines and the six to seven planned ones. They fear impacts on the livelihoods and traditional way of life of 60 households (30 nomadic herding households and 30 farming households). They also fear contamination of farm and pasture vegetation, resulting in health issues.

18. **Consultation and disclosure of information.** According to the Requesters, there is no information disclosed since the reports are classified. Local communities have no information about the impacts of the existing and planned coal mines, and how the RBA is managing water sources. They explain that expert opinions of the RBAs are used as a basis for decisions on mining licenses. According to them, due to the non-disclosure of MINIS and RBA information it is not possible to know how the feasibility study and ESIA define water resource use and what permits have been

issued. They state “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 resources.”

19. **Quality of studies.** They contend that the “selection of companies technically not qualified or those with conflict of interest resulting in poor quality water basin assessment and water basin management plan may lead to loss of all surface water and soil water resources of the local community.”

20. **Environmental impacts.** During a meeting with the Panel on April 17, 2018, the Requesters alleged impacts on endangered species from coal mines affecting local water resources in Gurvantes and specifically cited the snow leopard species inhabiting the Tost Mountain in South Gobi. They provided additional related information by email on April 26, 2018.

21. The Request contains recommendations to the World Bank Executive Directors which include: (i) reviewing the MINIS decision-making governance; (ii) carrying out a CIA to ensure that the Gobi population has adequate drinking water and to protect water and ecosystem from industrialization; and (iii) disclosing the assessments and carry out consultations before decisions are made on water usage.

### **Initial Due Diligence**

22. After receipt of the Requests, the Panel conducted its initial due diligence and verified that the Requests meet the admissibility criteria for registration, as follows:

23. The Request is not frivolous, absurd or anonymous. The first Request was submitted by two local organizations in Mongolia on behalf of residents of Baganuur district and the second Request by a local organization and residents of Gurvantes, an area potentially affected by the Project. Both Requests allege serious harm in relation to the Project.

24. The Requesters explained they have exchanged several emails with Management on the issues raised in the Requests and have met with Management in April and October 2017, but they are not satisfied with the response provided.

25. The Panel also verified that the subject matter of the Requests does not concern issues of procurement and, at the time of receipt of the Request the Project was 74 percent disbursed. The Panel has not made a recommendation on the issues raised in either Request.

26. To better understand the issues raised in the Requests, the Panel met with the Requesters on April 17, 2018. As part of its due diligence, the Panel also met with Bank Management on April 25, 2018, to obtain information and seek clarifications. Management explained the Baganuur feasibility study and the draft CIA were consulted in 2016 and are now being revised based on the feedback received. According to Management, environmental and social impacts will be analyzed as part of the CIA, including those related to labor influx. Management also explained that, while some documents under the third component of MINIS were not disclosed, the three groundwater resource management plans financed by the Project will be disclosed and consulted in August 2018.

### **Registration of the Requests**

27. As provided in paragraph 17 of the IDA Resolution (“the Resolution”) that established the Panel, “*the Chairperson of the Panel shall inform the Executive Directors and the President of the*

*Bank promptly upon receiving a request for inspection.*<sup>8</sup> With this notice, I am notifying you that I have, on May 11, 2018, registered the two Requests.

28. The Panel's registration implies no judgment whatsoever concerning the merits of a Request for Inspection. As provided in paragraph 18 of the Resolution, and paragraphs 2 and 8 of the "*Conclusions of the Board's Second Review of the Inspection Panel*" ("the 1999 Clarification"), Bank Management must provide the Panel within 21 business days (by June 12, 2018) a response to the issues raised in the Requests for Inspection. The subject matter that Management must deal with in the response to the Requests is set out in paragraphs 3 and 4 of the 1999 Clarification.

29. After receiving the Management Response, the Panel will, as outlined in the 1999 Clarification and as provided by paragraph 19 of the Resolution, "*determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 [of the Resolution] and shall make a recommendation to the Executive Directors as to whether the matter should be investigated.*"<sup>9</sup> The two Requests have been assigned IPN Request Numbers 18/02 and 18/03.

Yours sincerely,



Gonzalo Castro de la Mata  
Chairman

Attachments

Mr. Jim Yong Kim, President  
International Development Association

The Executive Directors and Alternates  
International Development Association

Oyu Tolgoi Watch

Residents of Baganuur  
(Requesters confidential)

Residents of Gurvantes  
(Requesters confidential)

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<sup>8</sup> Resolution Establishing the Panel (September 22, 1993), Resolution No. IDA 93-6, <http://ewebapps.worldbank.org/apps/ip/PanelMandateDocuments/Resolution1993.pdf>

<sup>9</sup> Ibid.