

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC52919

Project Name	Mongolia Improved Governance of Extractives Project (MIGEP)
Region	EAST ASIA AND PACIFIC
Country	Mongolia
Sector(s)	Other Mining and Extractive Industries (100%)
Theme(s)	Other accountability/anti-corruption (50%), Other public sector governance (50%)
Lending Instrument	Lending Instrument
Project ID	P158649
Borrower Name	Ministry of Finance
Implementing Agency	EITI Secretariat
Environment Category	C - Not Required
Date PID Prepared	07-Mar-2016
Estimated Date of Approval	15-Mar-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The Mongolian economy is very heavily dependent on the extractives sector and is unlikely to diversify its sources of growth for some time. A single world scale copper project, Oyu Tolgoi, which will spend some US\$1 billion per annum to 2020 for mine expansion and generate some US \$1-2 billion per annum in sales for at least two decades, will continue to have an enormous macro-economic impact. Up to a third of the economy could be contributed by this project alone. Mining of a variety of minerals and some oil production is also present in many parts of the country, though on a smaller scale, and there are major known deposits that have yet to be exploited plus considerable exploration potential.

Mongolia has experienced several years of macro-economic instability driven by mineral price volatility and heavy trade dependence on neighboring China but also by inconsistent policy responses in the areas of fiscal management and foreign investment regulation. Corrective actions in the past year are re-balancing the economy but growth is subdued.

Sectoral and Institutional Context

Mongolia's first national mining policy was adopted in 2013, followed by amendment of the Mining Law, a resumption of mineral licensing after moratorium and steps towards completing the regulatory framework for managing extractives for the public good. Implementation of policies and laws and the development of effective public institutions to manage the extractives sector is still at an early stage and particular challenges arise around good extractives governance, improved

environmental and social performance and resource revenue mobilization and. There is an urgent need to accelerate regulatory and institutional development in these three areas both to underpin consistent policy formulation and to breed greater public understanding of the sector and generate trust in government stewardship of the countries resources.

Good Extractives Governance: With mining being front and center in Mongolia's economic development there is intense public interest in how the sector is governed and how benefits get allocated. Parliament is the location of much debate, however, accountability institutions overall are still undergoing development. The country ranked 26th of 58 in the 2013 Resource Governance Index. Early on Mongolia opted to join the Extractive Industries Transparency Initiative and since 2010 has been EITI-compliant. It will undergo validation of that status in 2016. The EITI Multi-Stakeholder Group has set up working committees to look at making data more accessible and enhance data coverage in line with the EITI Standard so that transparency covers not only revenues but resource rights, as well, and the roles of public and para-statal institutions. A strategy for EITI 2016-20 is also under preparation. The Government has been supported by a series of grants to implement EITI and remain compliant. MIGEP, would continue this support in the initial phase of the proposed Grant.

Relationship to CAS/CPS/CPF

The present Country Partnership Strategy "A Country on the Verge of Unprecedented Mineral-Led Transformation", covers FY2013-17. The first pillar of the CPS is to Enhance Mongolia's Capacity to Manage the Mining Economy Sustainably and Transparently. The intended outcomes are (i) developing a regulatory environment, institutional capacity, and infrastructure for world-class mining, and (ii) designing and implementing policies and systems for a more robust, equitable, and transparent management of public revenues and expenditures. ARIDEG seeks to accelerate and deepen reforms previously supported by the IDA-funded Mining Institutional Strengthening Technical Assistance Project (FY08-16) and a series of EITI-MDTF grants for implementation of EITI.

Several donor partners are engaged in supporting the Government to manage the extractives sector, employing a variety of funding instruments and types of assistance. Australia has an active program of scholarship in mining related domains, supports mining groundwater management through the World Bank's MINIS project and is preparing additional programs that will target the improvement of geo-data generation and management under its Australia-Mongolia Extractives Program. Canada is finalizing plans to launch new extractives related programs in 2016. Germany is a prominent partner through its aid agencies and Mongolia is a G7 Fast-Track partner country. GIZ implements the Integrated Management of Resources Initiative, G7 Connex support for resource contract negotiations, a program of vocational training and support to the German-Mongolian Institute for Resources and Technology. BRG has a project on mineral resource economics at MRAM.

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II. Project Development Objective(s)

Proposed Development Objective(s)

The PDO for MIGEP is to assist Mongolia to enhance the governance of extractives through its implementation of EITI

Key Results

Progress in achieving the PDO will be measured by the following key results indicators:

- i) EITI Validation achieved (Y/N).
- ii) EITI reporting linked/ incorporated with government's PFM or other systems.
- iii) Decrease in level of donor funding requested for subsequent phases of EITI (Percent of work plan funded by MDTF or bilateral donors).

III. Preliminary Description

Concept Description

The Minister of Finance requested continuing grant support to finance implementation of EITI by a letter of October 14 2015. The MIGEP grant will be financed by the Extractives Global Programmatic Support (EGPS) Multi-Donor Trust Fund and will be recipient executed. Three previous grants to support implementation of EITI were funded by the EITI MDTF, a global trust fund which closed on December 31, 2015

Project Components:

The project will support the activities essential to EITI implementation and meeting Mongolia's obligations as an EITI member under the 2013 Standard. The Government continues to allocate funds for Reconciliations Reports for EITI each year while the costs of running the program and outreach remains funded by various grants. The proposed EITI Law has been pending submission for over a year and resources allocated by the Government remain limited. Going forward, more government engagement will be required to ensure long-term sustainability, and the EITI Law includes financing for the costs of the Mongolia EITI Secretariat. The MIGEP Grant will support the Government of Mongolia to continue implementation of the EITI and anchor it financially and institutionally in its post-compliance phase from March 1, 2016 until December 31, 2018. The activities to be funded by this component will include:

Component A: BUILDING STAKEHOLDERS CAPACITY TO ENGAGE THROUGH TRAINING AND CONFERENCE (US\$ 55,500). (i) Training on EITI e-reporting for companies and government organizations; (ii) Training on EITI and transparency legislation for all stakeholders; (iii) Training for civil society and media organizations; (iv) national and sub-national conferences. Component A will support capacity building of stakeholders in the EITI process by bringing together companies, communities affected by Extractive Industries and local authorities to engage at conferences and through training. Planned activities include sub-national conferences in the four regions, and training and awareness raising workshops for Civil Society members and community leaders on the EITI.

Component B: STRENGTHENING EITI SECRETARIAT COMMUNICATIONS AND

KNOWLEDGE BASE (US\$ 32,000). (i) Study tour for the Mongolia EITI; (ii) Carrying out of internal communications activities through a variety of media channels and social network.

Component C: EITI SECRETARIAT OPERATIONAL NEEDS (\$373,500): This component will support the costs of the EITI National Secretariat staff (National Coordinator of the Secretariat, Financial, Procurement and IT Specialists) and provide support for the operating costs of day to day activities carried out by the EITI Secretariat, under the oversight of the MSG. The grant will cover the operation costs associated including office supply, travel costs related to the work of the Secretariat and of MSG members, office maintenance, internet, phone, banking charges.

Component D: CAPACITY BUILDING (\$45,000): (i) Capacity building support for local EITI sub-councils' members and other stakeholders; (ii) EITI soum level roadshows for local community and other stakeholders. Soum-level local EITI sub-councils were established under the last EITI Grant (Mongolia EITI Post-Compliance II). Component D will aim to leverage increased community engagement on EITI awareness and dissemination through the sub-councils, using roadshows and training.

Component E: DISSEMINATION AND AWARENESS CAMPAIGNS (\$64,000): (i) Television campaign; (ii) Articles and interviews through daily newspapers, websites and radio channels; (iii) Printing EITI reports and other promotional materials.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	0.57	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Extractives Global Programmatic Support			0.57

VI. Contact point

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