



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 22-Oct-2021 | Report No: PIDC247379



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P176874		Moderate	Strengthening Transparency of the Extractives Industries through EITI Implementation
Region	Country	Date PID Prepared	Estimated Date of Approval
EAST ASIA AND PACIFIC	Mongolia	22-Oct-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Mongolia	Ministry of Mining and Heavy Industry	

Public Disclosure Copy

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	0.50
Total Financing	0.50
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	0.50
Extractives Global Programmatic Support	0.50

B. Introduction and Context

Country Context

The extractive industries have contributed over 20% of Mongolia’s GDP, over 50% of industrial output, and over 80% of export earnings in recent years (2019 EITI Report). The largest contributors to activity are the Oyu Tolgoi and Erdenet copper mines, several thermal and metallurgical coal mines, numerous gold mines and others that produce iron ore, zinc, and fluorspar, as well as a few small oilfields. Oyu Tolgoi will complete a substantial expansion by 2023 and exports of metallurgical coal are benefitting from a sharp upturn in China’s industrial activity and greater import reliance, paving the way for expansion of the Tavan Tolgoi coal



complex. The Government’s Action Plan for 2020-24 foresees a strong contribution of the mining sector to post-COVID recovery based on mine expansions, new mines, greenfield mineral processing plant and related infrastructure development, including new power generation and transmission, new rail transportation and water supply pipelines. Thus, while the country wishes to diversify the economy away from mining over the medium-to-long term, a heavy investment program in extractives, including a prominent role for SOEs in achieving this, dominates the short-to-medium term outlook. Reliance on mining to ride through the COVID induced economic downturn and now to bounce back post-COVID is evident.

Sectoral and Institutional Context

The governance of the extractive industries has for some time been of public concern as evidenced by perception polling, numerous cases of community level objection to mining, lobbying by foreign investors for greater investment policy stability and consistent implementation of regulations by state agencies and the frequency with which commercial activities linked to mining become mired in dispute, often linked to corruption. Moreover, the management of revenues generated by mining and petroleum companies is considered by many to have been short-sighted and open to only limited scrutiny. In this context the Extractives Industry Transparency Initiative (EITI) serves as an important forum for shedding light on the performance of the extractive industries and promoting greater public greater access to critical data and a stronger voice in holding companies and public institutions to account.

The EITI implements the global standard to promote the open and accountable management of oil, gas and mineral resources. The EITI Standard requires the disclosure of information along the extractive industry value chain from the point of extraction, to how revenues make their way through the government, and how they benefit the public. By doing so, the EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management, and provide the data to inform reforms for greater transparency and accountability in the extractives sector. In each of the 55 implementing countries, the EITI is supported by a coalition of government, companies, and civil society. Mongolia was an early member of EITI and one of the first to comply with the EITI standards in 2010. With the dominance of mining set to continue in this decade, the sustainability of EITI and initiatives linked to it has never been more important.

Mongolia was an early member of EITI and one of the first to comply with the EITI standards in 2010. Thereafter, Mongolia has maintained its compliant status through two validations, the latest of which was in 2017. The third validation begins in January 2022 after the 2020 EITI Report has been published (December 2021). The main issues highlighted in the 2019 and earlier EITI Reports and in public engagement around EITI have been financial sustainability of EITI, activation of sub-national EITI Councils after remaining dormant for some time, implementation of the Beneficial Ownership Roadmap, fuller disclosures by state-owned entities in the sector, data quality assurance improvements, gender parity in the MSG, filling gaps in contract disclosures, improved consistency in official statistics and strengthening the e-reporting system. Moreover, Mongolia has some way to go to mainstream reporting into country systems and still relies on annual reporting through the EITI process.



The Minister of Finance, by letter of April 26 2021 highlighted a need for more sustainable financing of EITI and requested grant finance from the World Bank. An arrangement with ADB under which it took over from the World Bank in offering grant support for EITI (after a period of bridge financing by EBRD) will close at the end of CY2021. The State Budget has supported a portion of EITI implementation costs for several years, notably the cost of the EITI Report and some running costs of the National EITI Secretariat. In 2020 the State Budget covered just under 30% of the EITI Annual Budget, nevertheless, this has not been underpinned by any legal requirement, in spite of calls for this over many years and draft laws to this effect. The latest draft Transparency Law is undergoing stakeholder consultation and includes measures to better institutionalize EITI and, with it, the sources of funding. EBRD is directly funding activities specifically related to implementation of the Beneficial Ownership Roadmap but this will close by mid-2021.

EITI is being implemented in Mongolia on a considerably reduced budget compared to some years ago – the budgets for 2020 and 2021 were of the order of US\$300,000 and US\$380,000 respectively, even with ADB’s support. Data from the International EITI Secretariat in Oslo shows that this is below the average among the 54 countries implementing EITI. The activity lists contained in the 2020 and 2021 Work Plans are quite limited in scope, especially having regard to the issues which need to be resolved (noted above). Thus, the priority is not only to underpin the EITI initiative in Mongolia with State Budget commitments to core operational costs but also to resume financing across a range of areas where qualitative improvements in EITI implementation are needed in the two years ahead.

The proposed Transparency Bill planned to be table in Parliament during the autumn sitting, will provide the MEITI with funding need to be self-sufficient, once ratified. As such it is envisaged that this is the last set of grant funding required from the World Bank and other donor partners, bridging the current funding gap in anticipation of sustainable domestic budget for MEITI to implement EITI in Mongolia. This proposed grant will provide the MEITI with the necessary funds to continue the outreach process with stakeholders, placing the MEITI in a position and with the needed capacity to mainstream EITI implementation and continue cross sector engagement.

Through the activities (below), the proposed grant will build sustainable capacity to implementing the EITI under the future domestic financing model, including building capacity in contract transparency requirements, preparing, and implementing outreach engagements; and improving E-Systems and data systemization.

Relationship to CPF

The proposed grant to support implementation of the EITI is aligned with the Country Partnership Framework for Mongolia FY21-FY25. The CPF sets out that the Mongolian mining sector will continue to play a key role in promoting economic development, but it needs to be managed in a more sustainable and inclusive way. Implementing EITI improves sector governance, dialog, and transparency.

Of the CPF’s three focus areas, Focus Area: Boosting Competitiveness includes the objective - Promoting sustainable mining investments. This objective aims to attract and retain quality FDI to develop Mongolia’s



world-class mining projects. The government’s capacity to manage mining assets, especially in joint ventures with international partners needs to be enhanced, including transparent reporting of mining sector revenues and improving cross sector dialog with stakeholders.

The CPF includes the planned activity, EITI implementation support grant for FY22-24.

In addition, the grant support is aligned with:

- i. Pillar 1 Objectives on EITI support of the Extractives Global Programmatic Support MDTF which will be the source of the grant finance; and
- ii. the World Bank’s ongoing ASA on strategies to develop the mining sector on a more sustainable and inclusive basis which will inform programming under the CPF of DPOs and other lending instruments from FY22 onwards.

Public Disclosure Copy

C. Project Development Objective(s)

Proposed Development Objective(s)

To support Mongolia EITI to implement the 2022 and 2023 Workplans and thereby achieve systematic reporting in accordance with the 2019 EITI Standard and contribute to strengthening public accountability for the management of Mongolia’s mineral wealth.

Key Results

The expected results of World bank support will be meeting the 2019 EITI Standard and achieving: mainstreamed public disclosures using country systems; beneficial ownership disclosures; greater community level voice in the management of mineral wealth; improved investment climate, better access to capital and reduced compliance costs for mining companies; stronger performance of regulators and operators, especially in managing environmental and social impacts; improved license/contract transparency and improved sub-national revenue management. Successful Mongolia EITI implementation in 2022 and 2023 would also reduce reliance on external financial support in subsequent years.

D. Preliminary Description

Activities/Components

The activities that this grant will finance are selected from the indicative MEITI Work Plan for 2022 and 2023.

The grant comprises the following two components and associated activities:

Component 1. Strengthening participation and collaboration among EITI stakeholders.



Subnational outreach

Several Sub-national EITI Councils were created in between 2005-2018 but have received little support to build capacity to perform their functions effectively. In 2021 MEITI has benefitted from financial support from the IFC to conduct regional conferences and provide training of trainers with a view to beginning to build capacity of Sub-national EITI Councils. Under the proposed Law on Transparency in the Mineral Resources Sector the Government would be obliged to finance the operating costs of Sub-national EITI Councils, however, capacity building will still be needed.

Activities to be supported include:

1. Training for sub-national council members on EITI and stakeholder engagement
2. Knowledge sharing seminars between sub-councils
3. organizing EITI regional conferences and roadshows
4. MEITI Communication activities
5. Workshops for NGOs and journalists on EITI activities and data access

Multi-Stakeholder Group gender parity

Limited progress to achieve gender parity goals has been made to date. By 2022 gender targets must be met in the composition of the EITI MSG (National Council and Working Group), the MEITI Secretariat and the Sub-national EITI Councils.

Activities to be supported include:

1. Workshops on mining sector gender issues
2. Preparing communication and outreach at National and Subnational levels for new MSG and EITI Council members

Implementation of the Beneficial Ownership Roadmap

A Roadmap for Beneficial Ownership disclosures was approved at the end of 2019 with a view to implementation in the succeeding years. The ability to proceed with full implementation of the BO Roadmap is contingent on adoption of the Law on Transparency in the Mineral Resources Sector, which would mandate relevant disclosures, to be before parliament in H2

Activities to be supported include:

1. design of a BO reporting online system
2. Implementation and training for the new system and procedures



3. Workshops for data providers and stakeholders
4. dissemination and discussion about BO reporting through radio and tv and social networks

Validation support

The EITI holds all implementing countries to the same global standard. Through Validation, the EITI's quality assurance mechanism, implementing countries are assessed on their ability to meet the provisions of the EITI Standard. The EITI's Validation model was revised in December 2020. The new approach seeks to maintain a rigorous approach to Validation, while ensuring that EITI implementation can respond to national priorities. It acknowledges that countries have starting different points and face diverse challenges in implementing the EITI, and that they will use the EITI to address their most pressing priorities for improving extractives governance.

MEITI will undergo Validation from January 2022. The Validation process requires numerous activities for MEITI, MSG and other stakeholders.

Activities to be supported include:

1. hosting national conferences (pre- and post-Validation)
2. preparation and participation in the international EITI Conference

Component 2. Preparing for EITI mainstreaming.

Mainstreaming or systematic disclosures is a new requirement under the 2019 EITI Standard. The implementation of mainstreaming may affect how implementing countries should allocate resources in pushing transparency and accountability in extractive governance. This includes addressing existing legal and administrative barriers to information disclosures, through changes in regulations and improvements in the existing reporting and data management systems. MMHI acknowledges these challenges and remains committed to ensure Mongolia's active participation in EITI and will align the ongoing MMHI systems enhancement initiatives such as the existing EITI E-reporting system with EITI requirements.

Improving official statistics consistency through Enhancing E-Systems and data systemization

The last Validation and past MEITI Reports have identified the need for greater consistency in official statistics issued by State bodies to close gaps, reduce inconsistency and improve quality. This will partly be addressed by upgrading and improving Mongolia's existing EITI E-reporting system. Some technical upgrades have been carried out in 2021 but a more wholesale upgrade is needed to address all data reporting issues.



The proposed Law on Transparency in the Mineral Resources Sector, once adopted, will clarify the legal basis for disclosures by State bodies.

Similarly, the MEITI is working with the National Audit Office on improve mining sector data quality and consistence across agencies.

Activities to be supported include:

1. Upgrading the existing E-Reporting System and integrating it with the E-Government system
2. Operator and user trainings or workshops for the new systems
3. Awareness workshop and seminar for staff of both central and local National Audit Offices

Improving contract disclosure

To date contract disclosure has been on a voluntary basis and the custodian of the disclosure platform has been the Open Society Forum (OSF). By Decision No. 54 of the MEITI Working Group in March 2021 the Open Contract website, administered by Open Society Forum will be handed to MEITI Secretariat by July 1st, 2021. Under the 2019 EITI Standard contract disclosure is mandatory. The proposed Law on Transparency in the Mineral Resources Sector provides the legal basis for moving to mandatory disclosure. Gaps in disclosure have included sales or export contracts and tracking payments by importer.

Activities to be supported include:

1. Design an upgrade of the online contract disclosure platform in line with the proposed new Law on Transparency in the Mineral Resources Sector
2. Capacity building for contract disclosure processes

Disclosures by state-owned entities in the sector

The last Validation and past EITI Reports highlighted that disclosures by state owned entities in the extractives sector have been incomplete and quality assurance lacking, compared with their private sector counterparts and other State bodies. This can be improved with SOE staff capacity building on EITI disclosure requirements.

Activities to be supported include:

1. Seminars and training to share knowledge among SOEs about information disclosures required under EITI and the new Law on Transparency in the Mineral Resources Sector
2. Workshops for upper management and board members on SOEs disclosure obligations



Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards

Relevance

ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Public Disclosure Copy

Legal Operational Policies

Safeguard Policies

Triggered

Explanation (Optional)

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Screening of Environmental and Social Risks and Impacts

The project aims to support Mongolia Extractive Industries Transparency Initiative (EITI) to implement the 2022 and 2023 Workplans and thereby achieve systematic reporting in accordance with the 2019 EITI Standard and contribute to strengthening public accountability for the management of Mongolia’s mineral wealth. The project activities will be carried out nationwide, and include communication and outreach on mining sector gender issues, design and implementation support of a beneficial ownership reporting online system, conferences to support EITI standard validation, upgrading of the existing E-Reporting System and the online contract disclosure platform, along with relevant capacity building and knowledge sharing workshops for key stakeholders. The overall environmental risk is rated Low and the social risk is classified Moderate. The project activities will not have direct physical footprints on a certain geographic location requiring environmental and social (E&S) assessment of the intended activities. The workshops and conferences will be held virtually during COVID-19 pandemic or in existing physical buildings (e.g. hotels,



offices, etc.) following domestic COVID-19 guidelines when the pandemic is over. Therefore, the risk of COVID-19 transmission is minimal. The project does not intend to address or resolve any specific environmental issues of concern to the extractive industries, but will promote better environmental performance of regulators and operators through improved information disclosure, which may include environmental and social assessment reports and compliance monitoring reports. Overall, the project has negligible risks to and impacts on human populations and the environment, and the environmental risk is deemed low. The project will be implemented by Ministry of Mining and Heavy Industry of Mongolian government which houses the Mongolia EITI Secretariat. A Project Management Unit (PMU) will be established for day-to-day project management, staffed with an E&S focal point responsible for (i) facilitating and monitoring the implementation of stakeholder engagement plan and environmental and social commitment plan; (ii) coordinating with relevant agencies in resolving E&S issues relevant to the project; (iii) recording E&S issues of concern and any project-related complaints; (iv) maintaining close contacts with the Bank team and reporting on the project's E&S progress/performance including any incidents/accidents. As this RETF will be the Implementing Agency's first time to apply ESF standards, the Bank task team will provide training and hands-on support to the PMU staff/consultants during preparation and implementation of the project. Two categories of workers are expected: i) direct workers; ii) contracted workers. The nature of work is limited to research, advisory, training, media dissemination, and therefore the risk of forced labor or child labor is minimal, and the risk concerning working conditions and occupational health and safety (OHS) is considered low. Prior to appraisal, the Borrower will prepare an Environmental and Social Commitment Plan (ESCP) and a Stakeholder Engagement Plan (SEP) and get them consulted and disclosed. The type of stakeholder and means of engagement and other public outreach activities will be outlined in the SEP to generate wide and active and constructive stakeholder forum on extractive sector transparency issues. In the ESCP, the Borrower will be committed to i) adhere to existing national COVID-19 measures for activities that could be held in the secretariat building during the pandemic; ii) adhere to existing labor contract management for civil servants, and ESS2 provisions for contracted workers, including potential health risks due to exposure to COVID-19 and grievance redress mechanism (GRM); iii) publicly disclose information about project activities, engage relevant stakeholders, and mechanism to receive and address feedback and grievances. During implementation, terms of reference (TOR) for specific technical consultancies supported under the Grant will be screened to determine if there are any environmental or social implications of the specific technical assistance (TA). As relevant, such TA would involve stakeholders and ensure appropriate disclosure of research findings and recommendations.

CONTACT POINT

World Bank

Contact : Damian Mckinnon Brett
Telephone No : 5220+30030 /

Title : Senior Mining Specialist
Email :

Borrower/Client/Recipient



Borrower : Mongolia

Implementing Agencies

Implementing Agency : Ministry of Mining and Heavy Industry

Contact : Misheelt Ganbold

Title : Mining Policy Development

Telephone No : 1234567

Email : gmisheelt@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

Public Disclosure Copy