



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 09/29/2021 | Report No: ESRSC02279



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Mongolia	EAST ASIA AND PACIFIC	P176874	
Project Name	Strengthening Transparency of the Extractives Industries through EITI Implementation		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Energy & Extractives	Investment Project Financing		12/15/2021
Borrower(s)	Implementing Agency(ies)		
Mongolia	Ministry of Mining and Heavy Industry		

Proposed Development Objective

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.

Financing (in USD Million)	Amount
Total Project Cost	0.50

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The extractive sector is a major part of the economy and main source of economy growth of Mongolia, and in 2019 it represented 23.7% of GDP and earned USD 6.7 billion in exports, some 83.7% of total exports for the year. In 2019, the general government budget revenue amounted to MNT 11.9 trillion, increased by MNT 1.9 trillion or 18.6% from which revenue generated from mineral resource sector amounted to MNT 2.9 trillion, increased by MNT 590.7 billion or 25.4%, as reported by National Statistics Office of Mongolia (NSO). The Government of Mongolia announced the country’s adoption of EITI in 2006 and was admitted as EITI Candidate on 27 September 2007 and after successful Validation against the old EITI Standard of its implementation, the country achieved compliance on 19th October



2010. In follow-up actions, a National EITI Council and a multi-stakeholder group (MSG), comprised of representatives of the government, mining companies, and civil society, were established to implement EITI.

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. 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.

The project will provide a grant to finance the implementation of selected activities in the Mongolia EITI Work Plans for 2022 and 2023 that are most closely linked to addressing corrective actions needed to be compliant with the 2019 EITI Standard and wider goals of mainstreaming systematic disclosures through country systems. The project is defined by two components, Component 1 Strengthening participation and collaboration among EITI stakeholders, and Component 2 Preparing for EITI mainstreaming. Component 1 includes activities on stakeholder engagement and outreach at the subnational level, supporting the outreach during validation and improving the gender balance within MEITI oversight and decision making. While Component 2 is focused activities that will lead MEITI towards mainstreaming, including improving data quality, facilitating access to mining sector contracts and enhancing IT systems.

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. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The Extractive Industries Transparency Initiative (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 is endowed with rich natural resources including world-class mineral deposits, and these natural resources are at the core of Mongolia’s development and the well-being of its population. The extractive sector is a major part of the economy and main source of economy growth of Mongolia, and in 2019 it represented 23.7% of GDP and earned USD 6.7 billion in exports, some 83.7% of total exports for the year. In 2019, the general government budget revenue amounted to MNT 11.9 trillion, increased by MNT 1.9 trillion or 18.6% from which revenue generated from mineral resource sector amounted to MNT 2.9 trillion, increased by MNT 590.7 billion or 25.4%, as reported by National Statistics Office of Mongolia (NSO). The country’s heavy reliance on mining and unsustainable exploitation come with a wide range of environmental and social impacts, such as pressures on rangeland, community health, and abstraction and pollution of water resources. For example, in the Gobi Desert, scarce groundwater resources are being exploited to support the country’s large mining activities, pitting local communities against large miners. The Government of Mongolia announced the country’s adoption of EITI in 2006 and was admitted as EITI Candidate on 27 September 2007 and after successful Validation against the old EITI Standard of its implementation, the country achieved compliance on 19th October 2010. In follow-up actions, a National EITI Council and a multi-stakeholder group (MSG), comprised of representatives of the government, mining companies, and civil society, were established to implement EITI.

This is a recipient-executed trust fund (RETF) project, and will be implemented by Ministry of Mining and Heavy Industry of Mongolian government which houses the Mongolia EITI Secretariat. The secretariat has five full time staff including coordinator, lead EITI specialist and communication specialist. 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. These activities will not have direct physical footprints on a certain geographic location requiring environmental and social 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.) when the pandemic is over. 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.

D. 2. Borrower’s Institutional Capacity

The Implementing Agency will be the Ministry of Mining and Heavy Industry which houses the Mongolia EITI Secretariat. A Project Management Unit (PMU) will be established for day-to-day project management, staffed with an environmental and social (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.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS



A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Low

The project activities will 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. These activities will not have direct physical footprints on a certain geographic location requiring environmental and social 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. 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.

Social Risk Rating

Moderate

Social risk is moderate. While the most of planned activities will be limited to consultancies (individuals and firms) to conduct legal, institutional and technical reviews, the need for improvement in regard better gender parity, stakeholder engagement and communication in extractive sector in Mongolia. Mongolia has more than 3500 registered NGO/CSO and many of them are not interested and/or are not aware of the EITI activities. Limited advocacy tools, lack of access to open data and poor communication channels used by the National EITI Secretariat contribute to inactive participation of citizens in policy-making processes at national and local. Considering this lack of communication, the project will prepare and implement a Stakeholder Engagement Plan (SEP) related to EITI in Mongolia. 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. The communication specialist at the EITI secretariat will be responsible for SEP preparation and implementation under guidance of senior EITI specialist. More detailed workplan under the grant funds will be discussed with Receipt, ADB and the International EITI Secretariat. No civil works or rehabilitation activities are envisioned and no involuntary acquisition of lands is expected. Land use and access restrictions are not anticipated. Other risks such as labor influx and forced/child labor are low.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

ESS1 is relevant for the project as it applies to all projects supported through Investment Project Financing (IPF). The project activities will 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. These activities will not have direct



physical footprints on a certain geographic location. The workshops and conferences will be held virtually during COVID-19 pandemic or in existing physical buildings (e.g. hotels, offices, etc.) following the 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.

Based on the initial screening, the project does not require further environmental and social assessment. However, terms of reference (TOR) for specific technical consultancies supported under the Grant will be screened prior to implementation to determine if there are any environmental or social implications of the specific technical assistance (TA), such as implications on natural resources exploitation and protection, ethnic minorities, gender issues, rights and health of communities and workers. As relevant, such TA would involve stakeholders and ensure appropriate disclosure of research findings and recommendations.

Environmental and Social Commitment Plan (ESCP) will be developed prior to project appraisal.

Areas where “Use of Borrower Framework” is being considered:

Use of borrower framework is not considered.

ESS10 Stakeholder Engagement and Information Disclosure

The key stakeholders of the project will include the staff of Mongolia EITI Secretariat, Sub-national EITI Councils, central and local National Audit Offices, state owned entities in the extractives sector, NGOs and journalists, consultants and organizations commissioned by the project to carry out online system design and upgrading, research and advisory activities, workshops, trainings and media dissemination, the Mongolia EITI Multi-Stakeholder Group (MEITI MSG), the civil servants in relevant Mongolian government departments, industrial owners, experts and civil society organizations of mining sector, as well as the greater community. The project aims to assure that the conduct of mining is regulated to high transparency and accountability standards via adherence to the EITI Standard, and the EITI Standard itself upholds the principle of multi-stakeholder engagement through the tripartite governance structure of EITI in Mongolia with equal representation of civil society, industry and government. The EITI secretariat has active website <http://www.eitimongolia.mn>. The information is available in Mongolian and English languages and it contains a tab for accepting grievances from interested parties.

Stakeholder Engagement Plan (SEP) will be prepared, consulted and disclosed by client. The communication specialist in EITI secretariat will be responsible on SEP preparation and implementation. It is expected that MoMHI will also assist in implementation of SEP.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions



The standard is considered relevant. Two categories of workers are expected: i) direct workers; ii) contracted workers. The direct workers will mostly be government workers who will be governed by the government/national code of conduct, unless there is an effective legal transfer of their employment or engagement in the project, while contracted workers will be mostly white-collar knowledge workers (e.g. consultants, trainers), who will be governed by mutually agreed terms of employment/contract including all relevant code of conduct and labor management procedures. 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 very low. ESS2 provisions will be included in the ESCP, including potential health risks due to exposure to COVID-19 and GRM for workers.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is currently considered not relevant. The project will only support online system design and upgrading, research and advisory activities, workshops, trainings and media dissemination in existing buildings, and thereby is not a significant user of resources and will not generate pollution. The project will promote better environmental performance of regulators and operators through improved information disclosure, which may include environmental assessment and monitoring data on pollutants emission and resource efficiency.

ESS4 Community Health and Safety

This standard is currently considered not relevant. The risk of COVID-19 transmission is minimal as the activities will likely to be held virtually during the pandemic and follow the domestic COVID-19 guidelines.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

No land use and access restrictions are anticipated, thus, this standards is not relevant.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is currently considered not relevant, as the project activities will be conducted in existing buildings. TOR for specific technical consultancies supported under the Grant will be screened prior to implementation to determine if there are any implications on biodiversity or natural resources.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

No activities are anticipated in places where EM reside, thus, this standard is not relevant. TOR for specific technical consultancies supported under the Grant will be screened prior to implementation to determine if there are any implications on ethnic minorities.

ESS8 Cultural Heritage

This standard is currently considered not relevant. The project will not support any construction or rehabilitation activities that would involve earth works, thereby potentially having an impact on tangible cultural heritage. Also, the



project will neither have a material impact on intangible cultural heritage nor use such cultural heritage for commercial purposes.

ESS9 Financial Intermediaries

This standard is considered not relevant as the project will not involve any financial intermediaries.

B.3 Other Relevant Project Risks

None.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

Not applicable.

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

Borrower to develop appraisal stage Environmental and Social Commitment Plan (ESCP) and disclose the ESCP as early as possible and before appraisal.

Borrower will develop a Stakeholder Engagement Plan (SEP), consult and disclose.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

1. Commitments to adhere to existing national COVID-19 measures, for activities that could be held in the secretariat building during the pandemic.
2. Commitments to adhere to existing labor contract management for civil servants.
3. Commitments to adhere to ESS2 provisions for contracted workers, including potential health risks due to exposure to COVID-19 and GRM.
4. Commitments to publicly disclose information about project activities, engage relevant stakeholders, and mechanism to receive and address feedback and grievances.

Public Disclosure



IV. CONTACT POINTS

World Bank

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Borrower/Client/Recipient

Borrower: Mongolia

Implementing Agency(ies)

Implementing Agency: Ministry of Mining and Heavy Industry

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Damian Mckinnon Brett
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Public Disclosure