

Gonzalo Castro de la Mata
Chairman

IPN REQUEST RQ 15/03

March 13, 2015

NOTICE OF REGISTRATION

Request for Inspection

Mongolia Mining Infrastructure Investment Support Project (MINIS) (P118109) and Additional Financing Mining Infrastructure Investment Support Project (P145439)

Request for Inspection

On February 10, 2015, the Panel received a Request for Inspection from community representatives and local organizations from Mongolia and Russia stating significant concerns about potential harms from the Mining Infrastructure Investment Support Project (MINIS or the “Project”). They asked the Panel to keep their identities confidential, and appointed two representatives in Mongolia and Russia from “Rivers without Boundaries” to receive correspondence.

The Project

MINIS is a technical assistance operation financed by an IDA credit of US\$25m approved by the Bank’s Board of Executive Directors (“the Board”) on May 10, 2011, and expected to close in 2016. Additional Financing in the amount of US\$4.2m was also approved in 2014. 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.”¹ MINIS has four components: (i) support for infrastructure investments, (ii) capacity building and knowledge Transfer, (iii) strengthening groundwater management, and (iv) Project Management.² Among other activities, the Project finances feasibility studies and preparatory work of proposed infrastructure sub-projects.

The Ministry of Finance of Mongolia is responsible for Project implementation. A Project Steering Committee was established to oversee use of funds, given that the specific infrastructure projects to be developed under MINIS were not identified at the time of Project preparation and approval. The Project’s focus is on general infrastructure to support the mining sector as well as local communities in the area of influence (primarily Southern Mongolia, but projects in other locations may also be eligible).

¹ Project Appraisal Document on a Proposed Credit to Mongolia for a Mining Investment Infrastructure Support Project, April 7, 2011 (PAD): 4

² PAD: 5.

The Request concerns mainly Component 1, which supports the development of Infrastructure Investments Plans to determine priority infrastructure needs for particular regions, based on mining potential. The plans also identify the necessary feasibility studies, to be financed under MINIS, for specific investments or sub-projects. Eligible projects may be in the following sectors: energy, transport, IT and communications, water, housing, social development, and logistic and border crossing facilities.

According to the Project Appraisal Document (PAD), since specific sub-projects will be identified during implementation, screening for Bank safeguard policies is to be undertaken at the sub-project level. During preparation and appraisal, only the EA Policy was triggered, which led to the preparation of an “Environmental and Social Management Framework” (ESMF) to determine criteria for triggering safeguard policies at the sub-project level, and to identify related safeguards requirements. The Project was classified as Category A.

On April 14, 2014, the Board approved the restructuring of MINIS.³ The Project Development Objectives remained unchanged but five additional safeguard policies were triggered: Natural Habitats, Physical Cultural Resources, Involuntary Resettlement, Safety of Dams, and International Waterways, which would be applicable to the feasibility stage of the selected sub-projects. In addition, the ESMF was updated, and the groundwater management component of the Project was scaled up.

Concerns Raised in the Request

The Request states that under Component 1 of MINIS, the Bank has financed, and will finance, pre-feasibility and feasibility studies for two subprojects, the Shuren Hydropower Plant, and the Rural and Flow Regulation of the Orkhon River (referred in project documents as the Orkhon-Gobi Water Diversion Project), which may have irreversible impacts on communities and the environment.

The Requesters claim that the sub-projects were identified in violation of Bank Policies through a selection process lacking clarity and not based on risk and alternative assessments, including transboundary and cumulative impact assessments. They also claim that Project documents, including the pre-feasibility studies, were not disclosed, and consultations with civil society and communities affected by the sub-projects have been inadequate.

They question the specific selection of the Shuren Hydropower Plant and Orkhon/Gobi Water Diversion project because the Lake Baikal - Selenge Ecosystem is recognized as a “top global conservation priority,” and the Selenge and Orkhon Rivers are critical natural habitats. In addition, they claim that the Shuren Hydropower project is not directly related to the mining sector, since in a 2009 study on energy sources for the South Gobi mining sector, the Bank did not consider hydropower as directly relevant for the mining industry.

The Request describes the potential harmful impacts of the Shuren dam and the Orkhon/Gobi water diversion project on communities in Mongolia and in Russia, including the

³ Project Paper on a proposed restructuring to Mongolia for the Mining Investment Infrastructure Support Project, March 18, 2014.

disruption of the free movement of aquatic animals and decrease in fish stock; disruption of the flow of nutrients and sediments; reduction of flow volume; change in natural water temperatures (which carries health risks); degradation of critical natural habitats; increase in greenhouse gas emissions, and degradation of Lake Baikal (a UNESCO World Heritage Site). The Requesters also raise potential social impacts of both projects, including loss of access to traditional water and pasture resources by nomadic communities in south Mongolia, loss of land for crops and pastures as a result of reservoir flooding, loss of ecotourism opportunities, and loss of cultural significant archeological and sacred sites, including Lake Baikal.

The Request claims that the Bank did not comply with the following policies: Investment Project Financing, Natural Habitats, Environmental Assessment, International Waterways, Access to Information, Water Resource Management, Involuntary Resettlement, and Cultural Physical Resources.

Registration of the Request

The Panel has verified that the Request meets the basic requirements for registration: (i) the Request was submitted by at least two people in relation to a project supported by the World Bank, (ii) Bank's financing is neither closed, nor reached 95% disbursement (at the time of receipt of the Request, the Project was about 31% disbursed), (iii) the Requesters assert that they are affected by activities supported by the World Bank, and the Request raises issues of harm which may plausibly result from Bank supported activities and from alleged actions or omissions by the Bank, (iv) the Request is not related to procurement, and (v) the Request deals with a subject matter on which the Panel has not made a previous recommendation. The Panel has also verified that these concerns were brought to the Bank's attention on different occasions, prior to filing the Request.

To better understand the background of the Project and Bank Management's efforts to resolve the concerns raised, the Panel met with Bank Management on March 6, 2015. Management informed the Panel that the Project Steering Committee selected six sub-projects under the MINIS framework, including the Shuren Hydropwer Project and the Orkhon Gobi Water Diversion project. Management acknowledged the Requesters' concerns regarding the potential impacts of the two proposed projects on the Selenge River Basin, and noted that the feasibility studies will give extensive consideration to the full range of potential impacts. Terms of Reference for the feasibility studies were developed and consulted with the public in January 2015, where many issues were raised. Management indicated that these issues will be addressed in the context of the feasibility studies. Management added that the pre-feasibility studies offered a preliminary sense of the potential impacts of the Shuren Hydropower project and the Orkhon Gobi Water diversion project, but necessary information to reach conclusions is to be provided by the feasibility studies and the environmental impact assessments.

As provided in paragraph 17 of the 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.*" With this notice, I am notifying you that I have, on March 13, 2015 which is also the date of this notice, registered this Request in the Inspection Panel Register. 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, by April 13, 2015 a Response to the issues raised in the Request for Inspection. The subject matter that Management must deal with in the response to the Request is set out in paragraphs 3 and 4 of the 1999 Clarification.

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.”*

All communications in connection with the Request will be sent to the contact persons appointed by the Requesters.

The Request has been assigned IPN Request Number RQ 15/3

Yours sincerely,

A handwritten signature in black ink, appearing to read "G. Castro". The signature is written in a cursive style with a horizontal line underneath the name.

Gonzalo Castro de la Mata
Chairman

Attachments

Mr. Jim Yong Kim, President
International Development Association

The Executive Directors and Alternates
International Development Association