



Mongolia Mining Sector Technical Assistance Project (P108768)

EAST ASIA AND PACIFIC | Mongolia | Energy & Extractives Global Practice |
IBRD/IDA | Technical Assistance Loan | FY 2008 | Seq No: 10 | ARCHIVED on 03-Jun-2016 | ISR23793 |

Implementing Agencies:

Key Dates

Key Project Dates

Bank Approval Date:26-Jun-2008

Effectiveness Date:04-May-2009

Planned Mid Term Review Date:15-Jul-2010

Actual Mid-Term Review Date:01-Nov-2011

Original Closing Date:31-Dec-2012

Revised Closing Date:31-Dec-2015

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The project development objective (PDO) for this first phase of support is to assist the Government to develop further the policy, fiscal, legal, regulatory and institutional framework for the mining and extractive sector that meets the needs of government, industry, and civil society. This includes the operation of Erdenes MGL LLC according to good international practice associated with a commercial entity.

Has the Project Development Objective been changed since Board Approval of the Project Objective?
Yes

Board Approved Revised Project Development Objective (If project is formally restructured)

The Project's objective is to establish key pieces of the policy, fiscal, legal, regulatory and institutional framework for the mining and extractive sector that meets the needs of the public sector, industry, and civil society.

Components

Name

Strengthening capacity to manage mining revenues:(Cost \$4.10 M)

Improving regulatory capacity to manage mining sector development:(Cost \$3.00 M)

Development of capacity to manage State Equity:(Cost \$1.40 M)

Project Management:(Cost \$0.80 M)

Overall Ratings

| Name | Previous Rating | Current Rating |
|--------------------------------------|---------------------------|---------------------------|
| Progress towards achievement of PDO | ● Moderately Satisfactory | ● Moderately Satisfactory |
| Overall Implementation Progress (IP) | ● Moderately Satisfactory | ● Moderately Satisfactory |



Overall Risk Rating

● Substantial

● Substantial

Implementation Status and Key Decisions

All activities financed by MSISTAP are complete and the project is fully disbursed. Progress towards achieving the PDO and Overall Implementation Progress continue to be rated as Moderately Satisfactory.

Project Closing Date Extension. World Bank Management and the Recipient agreed to extend the closing date of the project from March 31, 2015 to December 31, 2015 to allow for an outstanding Safeguard commitment made in the January 2014 MSISTAP Restructuring to be met.

The Bank and the Client committed to delivery three safeguards-related activities:

- (i) A Resettlement Remedial Action Plan and Resettlement Policy Framework for the Erdenes Tavan Tolgoi Mine;
- (ii) A Review of the Erdenes Tavan Tolgoi Environmental and Social Management System;
- (iii) A Cumulative Impacts Assessment (CIA) of the Tavan Tolgoi Coal Mine Region.

The first and second activities have been delivered and disclosed. The CIA is being financed by the Mining Infrastructure Investment Support (MINIS) Project, P118109 as all MSISTAP funds were fully committed to other activities. The CIA is in progress and will be disclosed once completed.

ICR. The MSISTAP ICR will be completed after the CIA has been disclosed.

The MSISTAP PIU published a report on MSISTAP activities which can be found at www.MSISTAP.gov.mn entitled: *REVIEW OF ACTIVITIES FINANCED AND THEIR CONTRIBUTION TO PROJECT OBJECTIVES*. A Project Closing Workshop Report is also available at the site.

The four project components are rated as follows:

- i) Strengthening capacity to manage mining revenues: SATISFACTORY
- ii) Improving regulatory capacity to manage mining sector development: MODERATELY SATISFACTORY
- iii) Development of capacity to manage state equity: MODERATELY SATISFACTORY
- iv) Project management: SATISFACTORY

Risks

Systematic Operations Risk-rating Tool

| Risk Category | Rating at Approval | Previous Rating | Current Rating |
|--|--------------------|-----------------|----------------|
| Political and Governance | -- | ● Substantial | ● Substantial |
| Macroeconomic | -- | ● Moderate | ● Moderate |
| Sector Strategies and Policies | -- | ● Substantial | ● Substantial |
| Technical Design of Project or Program | -- | ● Moderate | ● Moderate |
| Institutional Capacity for Implementation and Sustainability | -- | ● Moderate | ● Moderate |



| | | | |
|------------------------|----|---------------|---------------|
| Fiduciary | -- | ● Moderate | ● Moderate |
| Environment and Social | -- | ● Substantial | ● Substantial |
| Stakeholders | -- | ● Substantial | ● Substantial |
| Other | -- | -- | -- |
| Overall | -- | ● Substantial | ● Substantial |

Results

Project Development Objective Indicators

- Annual Budget decisions to replenish or withdraw from newly established Sovereign Wealth Fund are made based on agreed Macroeconomic criteria (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------|--|--|---|
| Value | None | Fully Achieved. Fiscal Stability Law adopted in 2010 (went into force in Jan 2013) regulates deposits into and withdrawals from the Fiscal Stabilization Fund and sets fiscal rules. | Fully Achieved. Fiscal Stability Law adopted in 2010 (went into force in Jan 2013) regulates deposits into and withdrawals from the Fiscal Stabilization Fund and sets fiscal rules. | Criteria agreed and implemented in Budget framework for 2012 Budget |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Dec-2013 |

- Level of mining related transfers from national government to Aimag and Soum authorities is known and publicly disclosed. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------------------|---|---|---|
| Value | Not currently disclosed | Fully achieved. Integrated Budget Law of Dec 2011 addresses financial flows to and uses of funds at sub-national level. | Fully achieved. Integrated Budget Law of Dec 2011 addresses financial flows to and uses of funds at sub-national level. | Disclosed and discussed/monitored by citizen groups/civil society |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Dec-2013 |

- Mining Tax Audits are completed and assessments raised (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|----------------|---|---|---------------------------------|
| Value | none currently | Fully Achieved. 2 audits completed; guidelines and manuals for auditors | Fully Achieved. 2 audits completed; guidelines and manuals for auditors adopted in 2014 | Minimum of two audits completed |



adopted in 2014

| | | | | |
|------|-------------|-------------|-------------|-------------|
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |
|------|-------------|-------------|-------------|-------------|

► Clear authority and responsibilities for Government mining sector management institutions, especially regarding environmental and social aspects associated with mining activities. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|--|---|---|--|
| Value | Roles confused resulting in gaps and conflicts | Fully Achieved. Functional management review of MoM completed in 2013 and recommendations on clarifications of roles and authorities provided and accepted by MoM. SESA completed in 2014 and clarifies roles on env/social side. Mining Law revised in July 2014 | Fully Achieved. Functional management review of MoM completed in 2013 and recommendations on clarifications of roles and authorities provided and accepted by MoM. SESA completed in 2014 and clarifies roles on env/social side. Mining Law revised in July 2014 | Institutional roles clarified in line with clearly stated regulations. |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► mineral licensing procedures streamlined and processing times reduced (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------|---|---|-------------|
| Value | 4-6 months | Fully Achieved. Mineral Licencing processing is completed within 1 month. | Fully Achieved. Mineral Licencing processing is completed within 1 month. | 2 months |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Geological information is digitized and published and readily available in user friendly digital formats. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|---------------------------------------|--|---|-------------------------------|
| Value | very limited, no digital geochemistry | Target not met. MSISTAP financed an institutional functional review of mining-related regulatory | Target not met. MSISTAP financed an institutional functional review of mining-related regulatory agencies | 200,000 data points digitised |



agencies (completed 2013). Its recommendations included establishment of an independent national geological survey to serve the public interest in knowledge and excellence in the geo-sciences and the employment of geo-data to support planning and management of natural resource use, including minerals and hydrocarbons. The Ministry of Mining is prioritizing this reform and seeks support to implement it on the basis of a clear institutional mandate, strategy and institutional capacity development.

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| | | | | |
|------|-------------|-------------|-------------|-------------|
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |
|------|-------------|-------------|-------------|-------------|

► Companies and civil society participate in consultation for pieces of legislation and regulation for mining sector through public fora arranged by the government. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|--------------------|---|---|--|
| Value | No data available. | Fully achieved. Companies and Civil society participate in consultation, including proven involvement in consultation on the Mining Law revisions, new Transparency Law and various regulations issues for environmental law in 2013. | Fully achieved. Companies and Civil society participate in consultation, including proven involvement in consultation on the Mining Law revisions, new Transparency Law and various regulations issues for environmental law in 2013. | Consultations taking place for policy, each piece of legislation and regulation. |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

Overall Comments

Intermediate Results Indicators



► Sovereign Wealth Fund or alternative revenue stabilisation mechanism established (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|--|--|--|----------------------|
| Value | Mongolian Development Fund in place but deficient without defined operating criteria | Fully Achieved. Sovereign Wealth Fund established in 2013 when the Fiscal Stability Law went into force. | Fully Achieved. Sovereign Wealth Fund established in 2013 when the Fiscal Stability Law went into force. | New Fund Operational |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Support establishment of mechanisms for preparation and dissemination of independent professional mining sector economic and policy reports. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|---------------------------------------|--|--|----------------------|
| Value | No policy unit serving Prime Minister | Fully Achieved. Several reports produced by a research institution and published on economics and mining policy; conferences organized to discuss reports. | Fully Achieved. Several reports produced by a research institution and published on economics and mining policy; conferences organized to discuss reports. | Produce first report |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Modern Mining cadastre regulation adopted and promulgated (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------------------------|--|--|---|
| Value | Regulations under preparation | Fully Achieved. Mining law revised in July 2014 which specify provisions for tendering and first come first served approach on licensing.. | Fully Achieved. Mining law revised in July 2014 which specify provisions for tendering and first come first served approach on licensing.. | Mining Cadastre is in use and has public access and tendering |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |



► Preparation of Draft Model Mineral Development Agreement (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|----------------------|---|---|--|
| Value | First draft prepared | Partially Achieved. Production Sharing Agreement drafted and under consultation. Model Mining Agreement and Model Community Devt Agreement will be completed in mid-2015. | Partially Achieved. Production Sharing Agreement drafted and under consultation. Model Mining Agreement and Model Community Devt Agreement will be completed in mid-2015. | Draft Model PSA and Mining Agreements consistent with International best practice adopted and utilised |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Dec-2013 |

► Income tax laws on mining amended and supporting regulations drafted (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------------------------------|---|---|--|
| Value | Income tax law for mining deficient | Fully Achieved - Windfall profit tax law of 2006 revised in 2010; Investment code revised in 2013 - changes in force from 2014. | Fully Achieved - Windfall profit tax law of 2006 revised in 2010; Investment code revised in 2013 - changes in force from 2014. | Final modifications to tax laws submitted to Parliament for consideration. |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Options study prepared on double taxation treaties (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|--|-------------------|------------------|--|
| Value | Treaties exist but Government dissatisfied with operations | Fully Achieved | Fully Achieved | Work completed on double taxation treaties – Government satisfied with current position on double taxation treaties. |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Dec-2013 |



► GDNT tax audit staff trained and competent to carry out mining company tax audits (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|---|---|---|---|
| Value | no staff trained to international standards | Fully Achieved; tax audit department received multiple support and study tours (all relevant staff participated - exceeds target) | Fully Achieved; tax audit department received multiple support and study tours (all relevant staff participated - exceeds target) | 10 staff trained of which 2 are leading mining tax audits |
| Date | 26-Jun-2009 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Ministry of Mining policies reviewed and revised (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|---|--|--|---|
| Value | Some work has been undertaken to review the Ministry's strategic communications plan. MSISTAP has also funded advice on how to best develop the mining industry, including opportunities for downstream processing in Mongolia. | Fully Achieved. New Mineral Policy formally adopted/ passed by Cabinet in January 2014 | Fully Achieved. New Mineral Policy formally adopted/ passed by Cabinet in January 2014 | Government adopts recommendations in the form of policy statements. |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Modern company reporting requirements regulations are prepared, promulgated, implemented, and monitored (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|---|---|---|-------------------------------|
| Value | Reporting exists in regulations but needs modifications and follow up | Almost achieved - Mining law updated in July 2014 and includes reporting requirements | Almost achieved - Mining law updated in July 2014 and includes reporting requirements | regulations issues and passed |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |



► Modern occupation, health and safety regulations are prepared, promulgated, implemented and monitored. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|--|---|---|---|
| Value | Regulations exist but require update and modernization | Partially Achieved. Mining law adopted, regulations to be updated according to the new law. | Partially Achieved. Mining law adopted, regulations to be updated according to the new law. | Legislation passed, authorities actively monitoring health and safety practices based on new regulations. |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Strategic environmental & social assessment undertaken, areas for improvement in social (including gender) & environmental regulation identified, recommendations made for updating laws (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------|---|---|--|
| Value | Limited | Fully Achieved. SESA completed in December, 2014. | Fully Achieved. SESA completed in December, 2014. | Results presented, Government responding to key findings |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Consultation with a range of stakeholders including civil society, community members and the private sector undertaken as part of a social and environmental strategic assessment process. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------|-------------------|------------------|--|
| Value | Limited | Fully Achieved. | Fully Achieved. | SESA Consultation process completed. Working local engagement tools (models) evolved |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |



► Modern mine closure and post closure regulations are prepared and promulgated (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|---|--|--|---|
| Value | law and regulations require closure planning but no specific regulation | Partially achieved -- TA provided (jointly with BGR) | Partially achieved -- TA provided (jointly with BGR) | Modern mine closure and post closure regulations are prepared and promulgated |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Erdenes MGL financial reports are provided quarterly to the Board of Directors. (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|------------------------|-------------------|------------------|---|
| Value | not systemic reporting | Fully Achieved | Fully Achieved | Financial reports are provided quarterly to the Board of Directors. |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

► Establishment of appropriate legal structure and preparation and adoption of suitable corporate charter and reporting arrangements for Erdenes MGL (Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|------------------------------|-------------------|------------------|---|
| Value | EMGL was established in 2007 | Achieved in 2010 | Achieved in 2010 | Appropriate legal structure and preparation and adoption of suitable corporate charter and reporting arrangements in place. |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |





- Provision of management-related and governance related training events to build capabilities needed within Erdenes MGL.
(Text, Custom)

| | Baseline | Actual (Previous) | Actual (Current) | End Target |
|-------|-------------------------------|-------------------|------------------|---|
| Value | no systemic capacity building | Achieved | Achieved | Management-related and governance related training event provided |
| Date | 28-Mar-2014 | 19-Nov-2015 | 23-May-2016 | 31-Mar-2015 |

Overall Comments

Data on Financial Performance

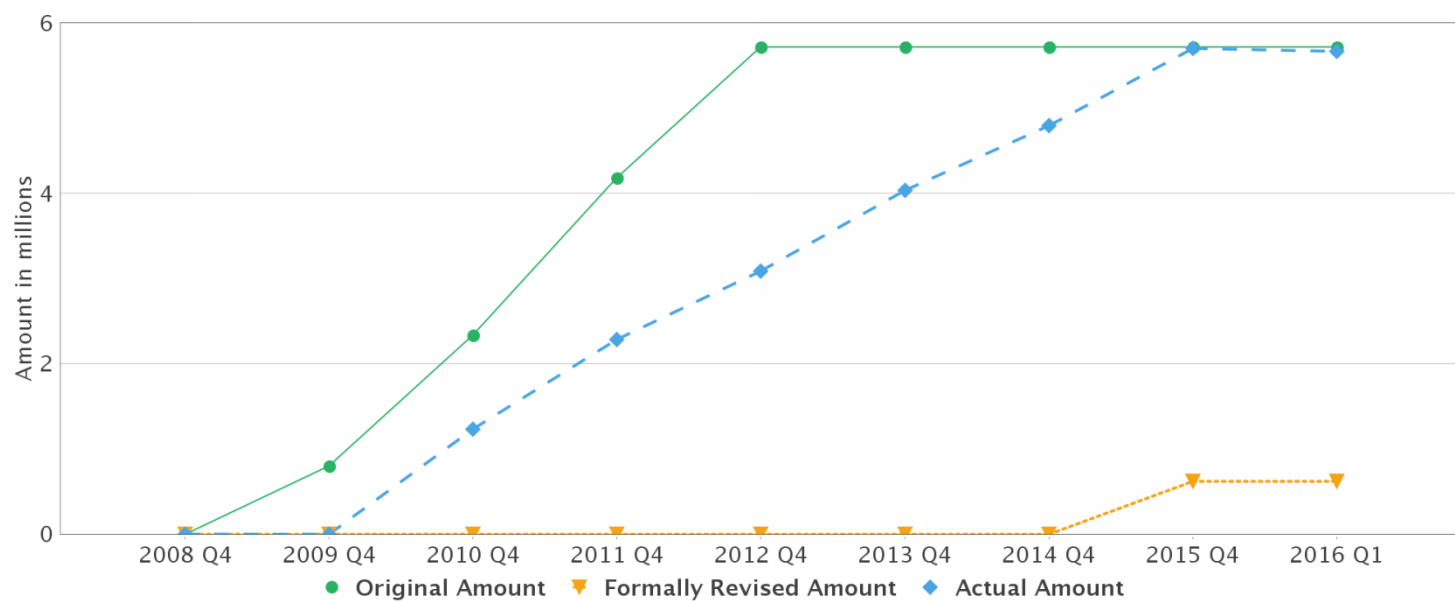
Disbursements (by loan)

| Project | Loan/Credit/TF | Status | Currency | Original | Revised | Cancelled | Disbursed | Undisbursed | Disbursed |
|---------|----------------|--------|----------|----------|---------|-----------|-----------|-------------|---|
| P108768 | IDA-44890 | Closed | XDR | 3.15 | 3.15 | 0.00 | 3.12 | 0.03 |  99% |
| P108768 | IDA-H4110 | Closed | XDR | 2.57 | 2.57 | 0.00 | 2.54 | 0.03 |  99% |

Key Dates (by loan)

| Project | Loan/Credit/TF | Status | Approval Date | Signing Date | Effectiveness Date | Orig. Closing Date | Rev. Closing Date |
|---------|----------------|--------|---------------|--------------|--------------------|--------------------|-------------------|
| P108768 | IDA-44890 | Closed | 26-Jun-2008 | 07-Oct-2008 | 04-May-2009 | 31-Dec-2012 | 31-Dec-2015 |
| P108768 | IDA-H4110 | Closed | 26-Jun-2008 | 07-Oct-2008 | 04-May-2009 | 31-Dec-2012 | 31-Dec-2015 |

Cumulative Disbursements



Restructuring History

Level Approved on 05-Jul-2012 ,Level 1 Approved on 10-Jan-2014 ,Level 2 Approved on 31-Mar-2015

Related Project(s)

There are no related projects.