



AUSTRALIA MONGOLIA EXTRACTIVES PROGRAM (AMEP)

AN AUSTRALIAN AID FUNDED ACTIVITY

This Investment Design Document (IDD) details the rationale and implementation arrangements for new activities under the *Australia Mongolia Extractives Program* for up to four (4) years to June 2018.

AUSTRALIA MONGOLIA EXTRACTIVES PROGRAM- AN AUSTRALIAN FUNDED ACTIVITY

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Design Team:	<p>David Swete Kelly - Team Leader and Design Specialist Dr Chuluunbaatar Enkhzaya - Mongolia Development Specialist Dr Catherine Macdonald - Mining social impacts and gender specialist Robin Evans - Mining Specialist Dr Paul Crawford - Monitoring and evaluation specialist James Roop - Environment specialist (DFAT) Andrew Shepherd - Governance economist (DFAT)</p>
Date:	April 2014

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MAP OF MONGOLIA AND ÖMNÖGOVI AIMAĞ (PROVINCE)¹



Figure 1: Map of Mongolia showing Aimağs and major centres. Activities under Outcome 1: ‘Mining-related Administration and Policy Development’ of the Australia Mongolia Extractives Program will operate nationally.

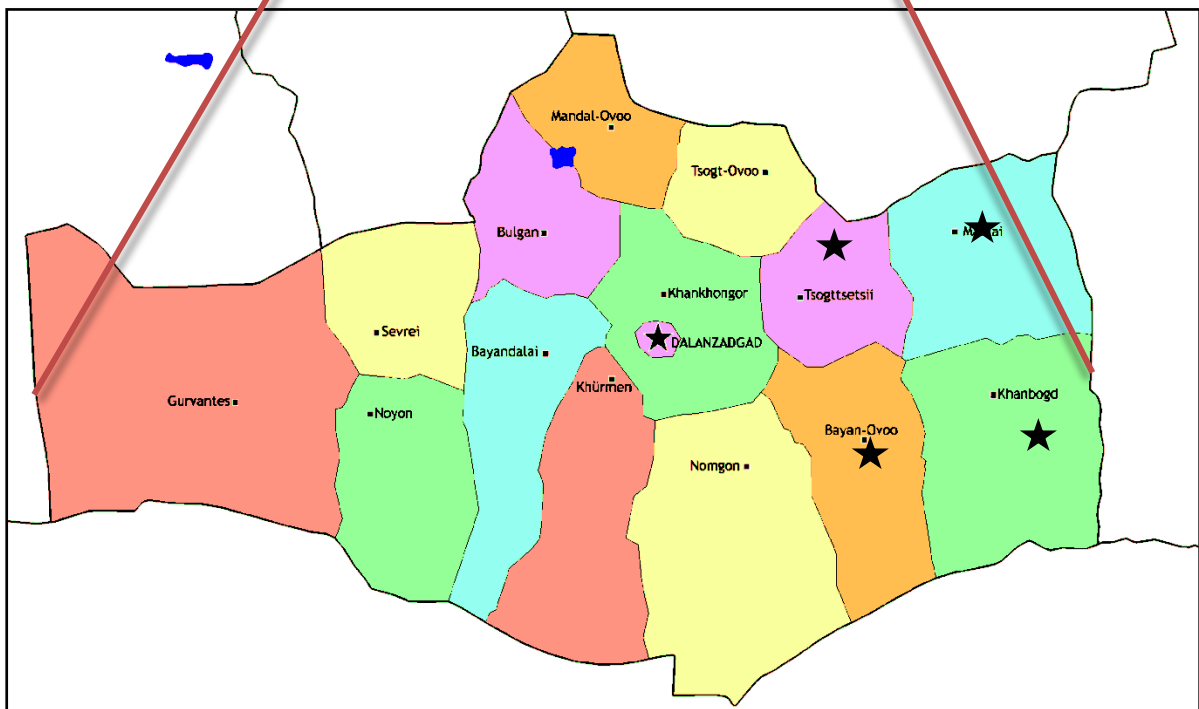


Figure 2: Focal Sums (districts) (starred) within Ömnögovı Aimağ². Activities under Outcome2: ‘Community Engagement’, of the Australia Mongolia Extractives Program will operate in these areas, with lessons learned applied nationally.

¹ Mongolia Map: <http://www.mapsopen.com/mongolia-political-map.html>

² Ömnögovı Aimağ: http://en.wikipedia.org/wiki/File:Mongolia_Omnogovi_sum_map.png - user Bogomolov.PL

ACRONYMS

Acronym	Meaning
ADB	Asian Development Bank
ADRAS	Australian Development Research Awards Scheme
AIA	AMEP Intervention Assessment
ALAF	Australian Leadership Award Fellowships
AMEP	Australia Mongolia Extractives Program
ATVET	Agency for Technical and Vocational Education and Training (Mongolia)
BCM	Business Council of Mongolia
BGR	Bundesantalt für Geowissenschaften Rohstoffe (German Federal Institute for Geosciences and National Resources)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CBO	Community Based Organisations
CIDA	Canadian International Development Agency
CSR	Corporate Social Responsibility
DDRAS	DFAT Development Research Awards Scheme
DFAT	Departmental of Foreign Affairs and Trade
EBRD	European Bank for Reconstruction and Development
EC	European Community
EITI	Extractive Industries Transparency Initiative
EMP	Environmental Management Plans
ERI	Economic Research Institute
ESEC	Engaging Stakeholders for Environmental Conservation
GA	Geoscience Australia
GASI	General Agency for Specialized Inspections
GDP	Gross Domestic Product
GDT	General Department of Taxation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Enterprise for International Cooperation)
GoM	Government of Mongolia
GPF	Governance Partnership Facility
HDF	Human Development Fund
HDR	Human Development Report
HSES	Household Socio-Economic Survey
ISP	Implementation Service Provider
IBRD	International Bank for Reconstruction and Development
IDD	Investment Design Document
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
IM4DC	International Mining for Development Centre
MASP	Mongolia Australia Scholarships Program
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goal
MDTF	Multi Donor Trust Fund (World Bank)
MECS	Ministry of Education Culture and Science
MED	Ministry of Economic Development
MEGD	Ministry of Environment and Green Development
MNMA	Mongolia National Mining Association
MRAM	Mineral Resources Authority of Mongolia

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Acronym	Meaning
MoM	Ministry of Mining
MRTCUD	Ministry of Road, Transportation, Construction and Urban Development
MRAM	Mining Resources Authority of Mongolia
MSISTAP	Mining Sector Institutional Strengthening Technical Assistance Project
MSTAP	Multi-Sectoral Technical Assistance Project
MSWL	Ministry of Social Welfare and Labour
MUST	Mongolia University of Science and Technology
M4D	Mining for Development
NEA	Nuclear Energy Agency (Mongolia)
NGO	Non-Government Organisation
NVTMC	National Vocational and Training Methodology Centre (Mongolia)
OSF	Open Society Forum
OT	Oyu Tolgoi
PPP	Public Private Partnerships
PWYP	Publish What You Pay
SDC	Swiss Development Cooperation
SESA	Strategic Environmental and Social Assessment
PM	Prime Minister
PPPs	Public Private Partnerships
PSLP	Public Sector Linkages Program
SCS	Swiss Cooperation Strategy
SESA	Strategic Environmental and Social Assessment
SME	Small and Medium Enterprise
TBC	To be confirmed
TOR	Terms of Reference
TT	Tavan Tolgoi
TAFE	Technical and Further Education (Australia)
TVET	Technical and Vocational Education and Training
UB	Ulaanbaatar
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
WB	World Bank
WHO	World Health Organisation
WoG	Whole of Government

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AUSTRALIA MONGOLIA EXTRACTIVES PROGRAM – AN AUSTRALIAN FUNDED ACTIVITY

INVESTMENT DESIGN DOCUMENT (IDD) – FINAL, APRIL 2014

EXECUTIVE SUMMARY

This Investment Design Document details new activities under the *Australia Mongolia Extractives Program*. The investment of approximately \$10.5m in new Grant funds (plus management, mentoring and operational costs) over a period up to four (4) financial years will assist Mongolia to sustainably manage its resource-led growth.³ The Program is scheduled to commence in mid-2014.

Extractives (previously referred to as Mining for Development) is a key pillar of the Australia-Mongolia Country Strategy 2012-16, and will become a major focus of Australia's development cooperation with Mongolia in the years ahead. AMEP will be the main vehicle for DFAT's extractives engagement in Mongolia. The program will utilise Australian expertise to assist the sustainable development of Mongolia's extractives sector. AMEP will involve a number of new partnership agreements with trusted delivery partners supported by a flexible Facility that will fund pilot projects, research and policy advice. It will also involve incorporating existing DFAT-funded partnerships with the World Bank (groundwater) and GIZ (TVET) within AMEP's overarching monitoring and evaluation framework.

The AMEP design is purposefully flexible to allow it to quickly respond to Mongolia's dynamic political and economic circumstances (outlined in Section 2), as well as the new Extractives Initiative being developed by DFAT over the coming year. The ISP will oversee the entire program including: setting up and managing an AMEP Facility that will fund, sub-contract and manage short-term pilot and preparatory engagements and on-demand mining sector policy research and assistance; scoping, drafting and negotiating Long-term Partnership Agreements for DFAT's consideration; conducting real time monitoring and evaluation; engaging with the mining sector in Mongolia, including facilitating donor coordination efforts; and providing secretariat support to AMEP governance structures.

Under its Goal, the *Australia Mongolia Extractives Program* will help to ensure that:

Mongolia's citizens experience equitable and sustainable growth from their mineral resources.

This Goal will be delivered through two Outcomes.

Outcome 1: Mining-related administration and policy development: Mongolian Government agencies are improving regulation, governance and stakeholder collaboration in the mining sector; and

³ This \$10.5 million excludes grant funding DFAT will provide to GIZ and the World Bank for existing Long-term Partnerships under AMEP.

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Outcome 2: Local Community Engagement: Sub-national Government agencies, civil society and industry in the South Gobi are supporting communities to benefit from resource-driven growth and to mitigate risks.

The two outcomes of the *Australia Mongolia Extractives Program* will be delivered primarily through flexible **Partnership Agreements** signed directly between DFAT and those donor and delivery agencies already established in country. This will ensure that Australia can:

- Work with and through trusted delivery partners in order to reduce transaction costs, build on skills, and harmonise efforts with other donor and delivery agencies;
- Recognise the limited resources of DFAT in Mongolia to manage and oversee activities;
- Provide opportunity to mobilise Australian skills and experience to influence and leverage the activities of trusted partners; and
- Allow the Investment to not only deliver significant outcomes during its four-year timeframe, but establish the foundation for a more strategic, longer term program that assists Mongolia to manage its resource driven development.

Up to five, long-term *Partnership Agreements* will be signed directly between DFAT and trusted local delivery partners, in priority areas. Total funding for new *Partnership Agreements* will be approximately \$7.0m. A selection of the *Partnership Agreement* options that the Program may fund includes:

Outcome 1	Outcome 2
<p>Implementation support for mining inspections and safety in Mongolia: through BGR, the International Mining for Development Centre, and others; with the Mongolian Government Generalised Agency for Specialized Inspections (GASI) and/or related agencies.</p> <p>Mine closure policy and regulatory frameworks: through CIDA and others; with the Mongolian Government Ministry of Mining (MoM) and the Ministry of Environment and Green Development (MEGD).</p> <p>Definition and reporting of ore reserves: through the Australasian Joint Ore Reserves Committee (JORC) and others; with MoM and the Minerals Resources Authority of Mongolia (MRAM).</p>	<p>Improve South Gobi Technical and Vocational Education and Training (TVET) opportunities for local youth and vulnerable people: through GIZ, Australian TAFE directors and others; with the Mongolian Ministry of Labour, and the Ministry of Education and Science.</p> <p>Local extractive sector transparency: through the World Bank and others; with the Mongolian Government, industry and civil society partners.</p>

The choice of the final *Partnership Agreements* will be made by an *AMEP Reference Panel* (see below) who will assess possible areas of engagement against the following selection criteria:

Preliminary/Concept Assessment:
<ul style="list-style-type: none"> • Relevance and Ownership: The intervention directly addresses priorities of the Government of Mongolia and is owned and supported by relevant agencies;
<ul style="list-style-type: none"> • Alignment: The intervention is unambiguously aligned with either Outcome 1 or Outcome 2 – and also with Australia’s forthcoming Extractives Initiative and DFAT’s Country Program goals.
<ul style="list-style-type: none"> • Delivery Partnership: The intervention has been identified by, and can be delivered through, credible and trusted partners;
<ul style="list-style-type: none"> • Private Sector Engagement: The intervention does not substitute or subsidise the corporate social responsibilities of mining companies;

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<ul style="list-style-type: none"> Gender equity and social inclusion: Gender equity and social inclusion principles are integral to the intervention and are able to be demonstrated and measured;
<ul style="list-style-type: none"> Australian Linkages: The intervention incorporates linkages that build on Australia's comparative advantage.
<p>Final Partnership Agreement Assessment (in addition to those above) will include:</p>
<ul style="list-style-type: none"> The basis for judging intervention success is clear;
<ul style="list-style-type: none"> Risks associated with the intervention are minimal or manageable, and have been documented with appropriate mitigation responses;
<ul style="list-style-type: none"> It is plausible that the intervention will foster sustainable changes that will create enduring benefits;
<ul style="list-style-type: none"> It is plausible that the intervention will catalyse other changes or benefits arising from the industrial mining sector;
<ul style="list-style-type: none"> Interventions focused on local- level community benefit (Outcome 2) are purposefully scalable and relevant to other areas of the country; and
<ul style="list-style-type: none"> The proposal makes efficient use of available funding (with preference for fewer, larger projects with greater impact), while being affordable and within approved limits.

The long-term *Partnership Agreements* will be complemented by a modest but targeted **AMEP Facility** that will be managed by an *Implementation Service Provider (ISP)*. The *AMEP Facility* will fund:

- **Short-term pilot and preparatory engagements** (around \$2.5m), to undertake preliminary studies or to develop design details for potential *Partnership Agreements*.
- **On-demand mining sector policy research and assistance** (around \$1.0m). This will focus on selected key issues such as:
 - minerals' licencing;
 - progression, promulgation and implementation of the Mining Law (likely to be considered by Mongolia's parliament in Oct/Nov 2013); and
 - supporting sovereign wealth management.

The *Australia Mongolia Extractives Program* will be overseen by an *AMEP Reference Panel* selected by DFAT and the Government of Mongolia. The *AMEP Reference Panel* will:

- Improve DFAT's access to, and interaction with, key Mongolian stakeholders in the mining sector;
- Review and approve selection criteria and processes for Program activities that ensure transparency;
- Provide recommendations and advice on linkages and synergy with other programs of Government, donors, civil society and the private sector;
- Assess (against the agreed selection criteria) the:
 - *Short-term pilot and preparatory engagements*, as well as the *on-demand mining sector policy research and assistance* to be funded by the AMEP Facility; and
 - *Partnership Agreements* to be funded directly by DFAT. Specific *Partnership Agreements* will be circulated to members of the Panel for comment whenever they become available.

DFAT will consider all comments and propose amendments prior to it giving final approval.
- Help address risks and constraints confronting activities related to organisational ownership or human resource limitations; and
- Enhance DFAT's understanding of the sector, and thereby improve the strategic targeting and planning for future directions.

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The *Australia Mongolia Extractives Program* will be managed by a contracted (local or international) *Implementation Service Provider*. The key services to be rendered by this *Implementation Service Provider* will include:

- The appointment of a full-time *AMEP Program Coordinator*⁴ to lead the *Implementation Team*. This position will be complemented through the support and advice of a highly skilled international short-term *AMEP Program Adviser* engaged on an intermittent basis;
- Management of the *AMEP Facility*, including sub-contracting of approved short-term pilot activities, and on-demand policy advice;
- Preparation of draft *Partnership Agreements*;
- Provision of significant skills to monitor, evaluate and report on delivery of all activities (of both the *AMEP Facility* and *Partnership Agreements*) through advisory and subcontracted support;
- Assistance to DFAT in its evaluation and review of the integrated outcomes of the *Australia Mongolia Extractives Program*;
- Support to DFAT in its efforts to improve donor coordination in the Sector;
- Proactive resourcing and management of communication and learning, as well as capacity to pro-actively and sensitively address concerns or complaints that may arise; and
- Standard administration, financial and logistical services.

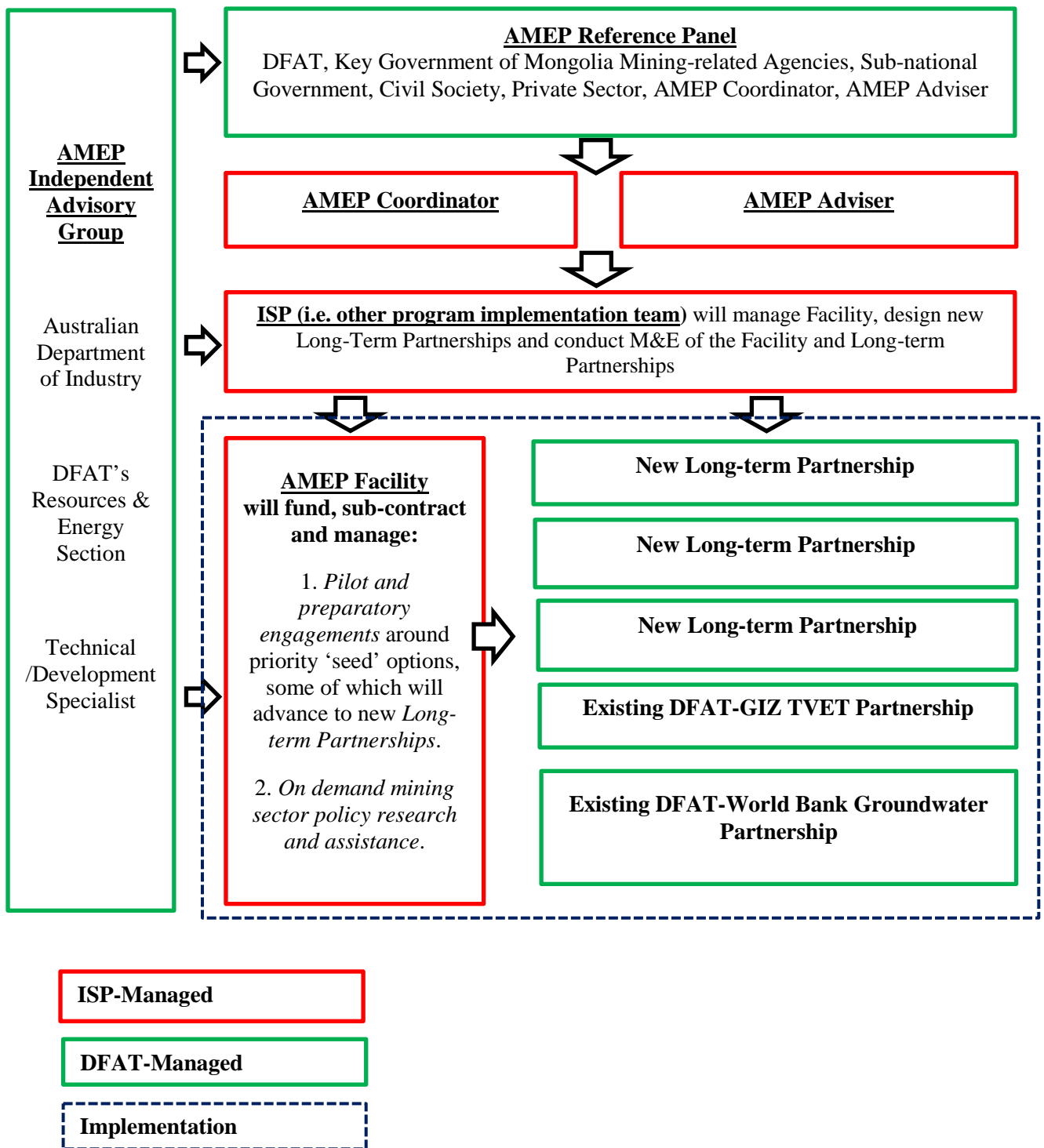
Finally, DFAT will also mobilise a three person *Independent Advisory Group*. This three person team will visit the program regularly to:

- Independently review the success of engagements under the *AMEP Facility* and *Partnership Agreements*;
- Independently review *Australia Mongolia Extractives Program* outcomes;
- Advise the *Implementation Service Provider* on the design of the *Australia Mongolia Extractives Program* interventions;
- Advise DFAT and the *AMEP Reference Panel* on program performance;
- Assist the *Implementation Service Provider* to report to DFAT and the Government of Mongolia on achievements made, as well as possible improvements;
- Recommend links with Australian agencies that can build the bilateral profile of engagements;
- Improve the communication and integration of *Australia Mongolia Extractives Program* outcomes and lessons within DFAT;
- Advise on potential challenges around partnering with the private sector (especially to avoid subsidising or substituting private sector responsibilities); and
- Recommend links with other DFAT and donor initiatives.

⁴ The AMEP Program Coordinator is a key role and must possess internationally relevant skills, associated with a strong grounding in Mongolian mining sector development.

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The following diagram represents these management and oversight arrangements:



It is expected that the *Australia Mongolia Extractives Program* will be fully operational by mid-2014 with the intervening time needed to tender the *Implementation Service Provider* responsibilities. To achieve this timeline DFAT will:

- Call tenders for the *Implementation Service Provider* in early 2014; and
- Progress the *Partnership Agreements* using its current resources at the Post, possibly with the view of having one in place by early 2014.

AUSTRALIA MONGOLIA EXTRACTIVES PROGRAM

INVESTMENT DESIGN DOCUMENT – FINAL, APRIL 2014

1 INTRODUCTION

1. Australia's development assistance to Mongolia is delivered primarily through the Australian Department of Foreign Affairs and Trade (DFAT). Australia's Overseas Development Assistance (ODA) to Mongolia has grown sharply in recent years but, in line with current budget projections, is expected to remain relatively stable in the years ahead. Total ODA to Mongolia since 1991 is close to \$100 million. In 2013-14 Australia will provide an estimated \$9.6 million in bilateral funding. Total ODA is estimated at \$14.4 million, nearly double the \$7.6 million provided in 2009-10.
2. Australia and Mongolia have recently agreed upon the inaugural Australia Mongolia Country Strategy 2012–2016 (AusAID, 2013) to guide the partnership. This Country Strategy outlines how Australian aid will assist the Mongolian government and its people to achieve the country's development goals by identifying three priority themes for Australian assistance:
 - Human resource development;
 - Extractives (previously referred to as Mining for Development); and
 - Supporting vulnerable communities.
3. Extractives is thus one of the three strategic elements of Australia's support to Mongolia. AMEP was designed in March 2013 to align with the then Mining for Development Initiative (hereafter Mining Initiative), but has been designed with sufficient flexibility to accommodate a new Extractives Initiative being developed by DFAT over the coming year. It will strongly support the Australian Government's economic diplomacy agenda by promoting economic reform and private-sector led growth in Mongolia.
4. In preparation for the new *Australia Mongolia Extractives Program*, DFAT undertook a scoping mission in early 2012, tasked with defining the opportunities for Australian grant aid investment (DFAT, 2012). A Concept Note was then developed, peer reviewed in May 2012, and approved by DFAT in July 2012 (DFAT, 2012). The subsequent Design Mission undertook Australian consultations in January 2013, and an in-country mission in March 2013. This draft Investment Design Document (IDD) was then prepared. This design was Peer Reviewed by DFAT in July 2013 and approved for implementation.
5. DFAT expects to invest \$20 million for additional Extractives activities over up to four (4) financial years from July 2014 to June 2018.⁵ This draft IDD consists of three sections.
 - *Analysis and Strategic Context* which:
 - broadly outlines the Mongolian context;
 - more specifically analyses the problems confronting its mining sector;

⁵ The Concept Note envisaged that the design would take place in October 2012, and that implementation would begin by June 2013. The design process timeframe was then extended to the first quarter of 2013-14, for which reason the end date is now proposed to be June 2018. This delay is due to the complexities associated with navigating Mongolia's post-election government and bureaucratic restructure (which occurred after the AMEP scoping report was completed, but before the formal AMEP design commenced), as well as Australia's recent change of government.

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- clarifies the work already undertaken and the lessons learnt; and finally
 - presents the rationale for further Australian investment.
- *Program Description* which:
 - proposes the type of assistance to be provided;
 - outlines the strategic logic, the key activities and the outcomes expected; and
 - summarises the overall budget and timing.
- *Implementation Arrangements*: outlines the management, oversight, monitoring, risk mitigation and evaluation procedures deemed necessary to keep the *Australia Mongolia Extractives Program* on track.

2 ANALYSIS AND STRATEGIC CONTEXT

2.1 COUNTRY AND SECTOR ISSUES

6. Mongolia is rich in mineral resources, including some of the largest untapped deposits in the world. Since 2005 the mining sector in Mongolia has taken off, driven by the development of modern gold mining operations such as Boroo Gold, as well as by the expansion of coal production in the south-eastern Gobi. In just seven years, national coal production increased more than threefold, from 6 million tons in 2005 to about 20 million tons in 2012. In the three years up to 2011 over forty-five new mines came into production, creating 8,700 new jobs. Even greater expansion is expected in the next decade, including projections for:

- a fourfold increase in coking and thermal coal production, spearheaded by the Tavan Tolgoi coalfield owned by the Government of Mongolia through Erdenes Tavan Tolgoi LLC; and
- a nearly fivefold increase in copper production, driven largely by the Oyu Tolgoi (OT) copper, gold and molybdenum mega project owned by Oyu Tolgoi LLC⁶.

7. Mongolia is clearly facing a time of rapid growth and change, with consequences for its social, cultural, economic, and environmental spheres that are certain to be challenging. The difficulties Mongolia is facing are exacerbated by a number of factors:

- While its natural resources are significant, it is also the most sparsely populated country on earth, with a population of approximately three million⁷;
- Like many rapidly developing countries, Mongolia's population is young - almost half the population (46.8%) is under 25 - with youth unemployment at about 20%; and
- Estimates vary, but roughly one third are spread across 21 *aimags* (provinces) which include 329 *sums* (districts). The other two thirds of the population live in urban areas – over 40% in the capital Ulaanbataar and 20% in other, much smaller towns.

8. This, though, is rapidly changing - urbanisation is increasing at a rate of almost 2% per year. One result is that half the population of Ulaanbataar now consists of former herding families living mainly in sprawling, poorly serviced *ger* settlements on the outskirts of the capital. Severe climatic conditions – as epitomised by the particularly bad *dzuds* between 2000 and 2010⁸ – continue to make rural life hard, and are one of the contributing factors “*to a massive rural exodus towards the cities, in particular the capital which is totally incapable of responding to the basic needs of the new population.*”⁹

9. The number of herding families in Mongolia has thus declined by about one third in recent years. Yet despite this, Mongolians still identify strongly with their long history as a nomadic, herding nation, and take pride in the country's historic dominance as a world empire. This is a pride tempered, however, by almost 350 years of external determination by Mongolia's Chinese and Russian neighbours. It is only in the last 23 years, in fact - since the peaceful democratic revolution that ousted the Soviet-backed communist regime in 1990 - that Mongolia has been able to exercise political self-determination through a multiparty democracy.

10. Hence Mongolia would be facing changes that cut to the heart of its political, social, cultural and economic identity, even without the mining boom being taken into consideration.

⁶ Of which the Government of Mongolia owns 34% through Erdenes Oyu Tolgoi LLC.

⁷ 2012 Census

⁸ The 2010 event resulted in the loss of nearly a fifth of the nation's livestock. Nearly nine thousand herders lost their entire herd (UNDP, 2011).

⁹ <http://www.irinnews.org/pdf/in-depth/TomorrowsCrisesToday-Chapter11.pdf>

Furthermore, the demands brought on by the rapid changes currently taking place – a speed exacerbated by the exploitation of its vast mineral resources - have left the emerging Government systems and processes struggling to cope. Mining currently accounts for 20% of GDP - twice the ratio of a decade ago - as well as 90% of exports, and 10% of Government revenue. GDP is expected to grow at double digit rates for at least the next five years (until 2017), largely driven by mining related investment.

11. Already the economic growth resulting from the mining boom has translated into important benefits for many people in Mongolia. Poverty has reduced significantly over the past decade, most markedly decreasing from 38.7% in 2010 to 27.4% per cent in 2012¹⁰. Substantial progress has also been made on several Millennium Development Goals (MDGs) at the national level, although significant regional disparities still prevail.¹¹

2.2 MINING - PROBLEMS AND ISSUES

12. The unprecedented economic growth and opportunity that mining is bringing to the country is not without its development risks. This section first outlines the more general concerns arising from mining, before examining policy, administrative, social and environmental issues in greater detail.

13. The Constitution of Mongolia states '*In Mongolia the land, its subsoil, forests, water, fauna and flora and other natural resources shall be subject to people's power and State protection*'. Thus the Mongolian government is responsible for managing the country's rapid resource-led growth and investing its sovereign wealth wisely. The political uncertainties surrounding the Parliamentary elections of late 2012, and the Presidential election of 2013, have led to a passionate public debate about Mongolia's resource wealth. While the new Government is yet to develop a detailed development strategy, a preliminary *Government Platform* has been released that summarises a program up to 2016. This program identifies four action areas: jobs and income; health; education; and the environment.

14. In addition, the new *Government Platform 2012-2016* presents four targets to guide the development of the mining sector:

- To increase the annual budget to serve as a basis for sustainable development of the sector by "enriching the geo database" of known reserves,;
- To map¹² and define the mineral reserves for 40% of the country by 2016;
- To establish a Mongolian National Geology Department; and
- To improve the legal environment of the minerals sector in areas such as 'strategic deposits'; licensing; in-country processing; state ownership; sovereign wealth; local private sector engagement; mine closure and rehabilitation; export regulation; transparency; and foreign direct investment.

To realise such a diverse agenda, significant planning will be essential including on prioritisation, responsibilities, budget and timeframes.

15. Understandably, Mongolians wish to capture the economic benefits to be derived from mining for Mongolia, and thereby ensure a strong and sustainable future for their country. Such a desire is confounded, however, by rapidly rising inflation, as well as by rising exchange rates

¹⁰ National Statistics Office Household Socio-Economic Survey (HSES) figures for 2012 show national poverty of 27.4% comprising Urban poverty of 23.2% and rural poverty of 35.5%. These figures are contended by a number of local stakeholders.

<http://www.worldbank.org/en/news/press-release/2013/05/21/poverty-rate-came-down-to-27-4-percent-in-2012>

¹¹ <http://www.worldbank.org/en/country/mongolia/overview>

¹² 1:50 000 scale

which are already having a significant negative impact on the country's otherwise mainly rural economy (BAEconomics, 2011).

16. At the heart of the debate is the need for an equitable sharing of benefits across the whole of the country. There is a strong sense, and broad agreement, that the Mongolians people themselves should be the ones to both engage with, and sustainably benefit from, the rapidly developing economy arising out of the mining boom. Hence, the tone of much of the recent legislation and public debate reflects the need for an increasing focus on local level service delivery, resourcing, transparency, budget management and participatory governance. Mongolia's Constitution provides for self-governance at all levels, with the current President championing decentralization reforms and inclusive decision-making processes through direct democracy initiatives. Yet despite these aspirations being echoed in new budget policies, significant countervailing pressures are also at work to centralise government and services, in order to more efficiently cope with a small, relatively dispersed population.

17. In summary, DFAT's desire to assist Mongolia to sustainably manage its resource-led growth must take into account the following issues and lessons:

- Mongolia is in the midst of a necessary and robust internal debate regarding the contribution that mining is making to the country, and its drawbacks;
 - Mongolians are proudly independent and cautious of the motivations behind foreign interests;
 - The Mongolian economy is shallow and poorly diversified, and the Government faces serious challenges;
 - The Government needs a coherent 'roadmap' for mining sector development; and
 - Limited Government systems and a dynamic political economy temper foreign investment options.
-

2.2.1 MINING RELATED POLICY¹³

Mongolian Minerals Law

18. The Mongolian *Minerals Law* of 1997 is generally regarded as facilitating the rapid emergence of the Mongolian mining sector. All the same, in the last decade there has been growing concern regarding the capacity of this Law to address issues arising out of the more recent escalation in mining. As a result, a range of legislative changes were made in the four years to 2010, including:

- Significant revision in 2006 to the Mongolian *Minerals Law*. The most contentious of these was the increase in state entitlement to what were termed '*deposits of strategic importance*';
- a new but short-lived *Windfall Profits Tax Law* - this was revoked in late 2009 due to its destabilising effect on foreign investment; and
- the 2009 *Law on the Prohibition of Minerals Exploration in Water Basins and Forested Areas*.¹⁴

19. By 2010 the increasing disquiet regarding the impacts of mining on the country saw a Working Group established to completely revise the Mongolia *Minerals Law*. Responsibility for this Group was first given to the Mineral Resources Authority of Mongolia (MRAM), then transferred to the (then) Ministry of Mineral Resources and Energy, and finally in 2011 to the President's Office. The revisions subsequently undertaken included significant stakeholder input - a level of interaction, and opportunity for input, that is in stark contrast to previous

¹³ see also Annex 3

¹⁴ almost universally referred to as 'the law with the long name'.

approaches to developing and issuing legislation in the country. Nevertheless, a consultative meeting in early 2013 '*did not arrive at a state of joint understanding*'. The renamed Ministry of Mining (MoM)¹⁵ was therefore asked to establish a Working Group in April 2013 to develop a *Mining Policy Framework* to guide issues such as: state ownership, licensing, strategic deposits, community engagement, environmental impacts and property rights.

20. A draft *Mining Policy Framework*¹⁶ was prepared by the MoM and the Mining Minister introduced it to parliament in July 2013. Now, a parliamentary committee is receiving public comments before the document is discussed by parliament in the next months. Serious differences of opinion remain. For the most part, public feedback has been supportive of the decision to slow down the process. Yet industry analysis indicates significant reduction in the predicted levels of foreign investment and growth if the Law goes ahead (BAEconomics, 2013), while the continuing Policy uncertainty is itself destabilising. There have already been significant impacts due to:

- the lingering moratorium on minerals' licencing;
- threats to renegotiate current mining and export contracts;
- the limitation of foreign investment laws;
- the lack of integrated planning for mining, transport and energy infrastructure;
- the stalled commercialisation of state owned enterprises; and
- the limitations caused by a ban on geodata becoming more accessible.

21. These, and other issues will only be resolved by a policy environment that effectively links *Minerals Law* with other key pieces of legislation, including (among others): the *Water Law* of 2012; the *Integrated Budget Law* of 2011; and the *Strategic Entities Foreign Investment Law* of 2012.

Resource Revenue Management

22. The other policy foundation necessary for Mongolia to benefit from its extensive, but finite, natural resources, is legislation that enables the capable and sustainable management of the sovereign wealth being generated. Mongolia manages its sovereign wealth through a Stabilisation Fund (established under the *Fiscal Stability Law*), and a Human Development Fund. The Stabilisation Fund has had some impact, yet mismanagement of the parallel Human Development Fund has seen its resources completely stripped, and the extraction of pre-payments from mining companies for public monetary handouts. The Ministry of Finance has since been developing a comprehensive framework for sovereign wealth management, including the drafting of new legislation. Current proposals are for Mongolia to establish specific funds to manage economic stabilisation, intergenerational equity, and pensions.¹⁷ However, any move must be supported by more effective fiscal controls if mismanagement is to be avoided.

23. The flow of benefits from mining wealth is reasonably well reported in Mongolia as the country works towards full compliance with the international Extractive Industries Transparency Initiative (EITI). Based on the last EITI reconciliation report (for 2011), over 95% of revenues go to national state organisations, while only 3% goes to local budget. Not surprisingly, with little direct benefit flows, Local Governments in mining areas have been struggling to meet the huge increase in demand for local services. It is hoped, therefore, that the implementation of the recently introduced *Integrated Budget Law* will enable more formal benefits to flow from mining to local communities. This Law foresees the establishment of

¹⁵ Previously the Ministry of Mineral Resources and Energy.

¹⁶ *Mongolia's State Policy on the Minerals Sector 2013-2024*

¹⁷ Tae Hyun Lee and Smith, G (2013). *Effective Sovereign Wealth Fund Management in Mongolia: What Principles Apply?* World Bank Group in Mongolia, Conference Note, 9 May 2013.

Community Development Funds, with disbursement decided through the direct participation of communities. The implementation of the *Integrated Budget Law* commenced in 2013. As such, the need for up-to-date, comprehensive and reliable data on mining revenues is now even more important than before, as it will enable more informed decisions on resource allocation, and a more effective understanding regarding the contribution of the mining sector more generally.

24. As has been seen, the legislative debate is highly politicised. The World Bank and other donors have provided assistance in specific areas of policy development. However, the GoM does not want to be seen to depend on foreign support for this critical policy input.

25. In summary: DFAT's desire to assist Mongolia establish clear mining-related policy must take into account the following issues and lessons:

- The need for the GoM to clarify its priorities for mining, and resolve Policy uncertainty.
 - The need for mechanisms for cross-sector policy coordination between ministries (especially between mines, finance, energy and transport).
-

2.2.2 PUBLIC ADMINISTRATION OF MINING¹⁸

26. The Democratic Party assumed power in 2012 after twelve years in Opposition. This led to a change of Ministers, as well as significant restructuring of both Ministry functions and the executive staff responsible for the mining sector. Within the mining sector, the three key agencies are now:

- **The Ministry of Mining** which is responsible for minerals policy, legislation and regulation;
- **The Mineral Resources Authority of Mongolia** which is responsible for the implementation and monitoring of licensing regulations regarding mining¹⁹ in general, and exploration in particular; and
- **The General Agency for Specialised Inspections (GASI)** which is under review, but is currently responsible for occupational health, safety, and environmental compliance inspection.

27. Government capacity in terms of numbers of staff has not changed with this rearrangement. All mining agencies remain relatively small. In addition, agencies have different approaches, priorities, perceptions and procedures. Thus consensus is often difficult to find. There is not always clear alignment of national functions or services with on-the-ground need. The MoM has no structural units based at the sub-national level, and thus has limited capacity to implement any sub-national functions (unlike other 'service' ministries such as Education or Health).

28. In addition to the three agencies directly responsible for the mining sector, a further six have significant jurisdictions that impact on mining, including:

- **The Ministry of Environment and Green Development (MEGD)**²⁰ which is responsible for monitoring and managing mining impacts on the environment and other natural resources;
- **The National Water Committee** and the **Water Authority** which are responsible for managing groundwater resources;
- **The Ministry of Finance** which is currently engaged with mineral tax reforms, mining tax assessment and audit capacity, and sovereign wealth management; and

¹⁸ See also Annex 3

¹⁹ except for uranium exploration and mining which comes under the Nuclear Energy Agency.

²⁰ Previously the Ministry of Nature Environment and Tourism.

- **The Ministry of Education Culture and Science** (through the universities), and the **Ministry of Labour** (through TVET systems), both of which have responsibilities for mining related skills.

29. Finally, the **local and regional governments** in the mining provinces also struggle with the staffing, resources and skills necessary to be effective in their roles. The rapid onset and development of mining in certain regions, coupled with the government’s push to decentralise and promote local engagement, has challenged local and regional governments’ capacity to cope. They are unable to meet the increased demand for their services, and also lack the skills and absorptive capacity to engage with the increased range of organisations and institutions.

30. In summary, DFAT’s desire to assist Mongolia establish appropriate mining-related administrative and regulatory mechanisms must take into account the following issues and lessons:

- Since the last Parliamentary elections, Government institutions at both national and local levels have been undergoing functional and personnel changes. With many areas of the mining sector currently under review, and more functional reviews planned, this flux may continue;
 - National agencies need to define both their national and local links and engagements; and
 - Many donors are working at the National level to strengthen policy, vision and capacity²¹. Progress, however, is slow. Conversely, donor focus at the local Government level is limited.
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2.2.3 SOCIAL AND GENDER IMPACTS OF MINING²²

Social Impact

31. The biggest social risks for mining communities relate to the sudden influx of outsiders into what are usually small, often remote communities. This places significant pressure on the finite capacities of local health, security, education, infrastructure and utility services. For example, it is projected that the population in the five major mining *sums* of the South Gobi will double to about 75,000 in the next seven years. Impacts that have already arisen from this influx include:

- The presence of many unsuccessful male and female job seekers. For instance, the 2010 unemployment rate in the South Gobi was 15.4%, while the national average was 9.9%.
- The challenge for women to be equitably employed. The female percentage of the unemployed in 2010 was 43.0% for South Gobi. The Labour Force Participation Rate for Mongolian women in 2012 was 71 compared to that for men of 80. Part of the reason for greater male participation in the workforce, especially among youth, is that boys are more likely than girls to drop out of education (ILO, 2008);
- An increase in negative lifestyles, particularly amongst “cashed-up” male mine workers. These include: promiscuity, unsafe sex, drinking, smoking, and disorderly behaviour²³; and
- Increases in the number and complexity of health problems in the region (e.g. Accident trauma, difficult births, and sexually transmitted and zoonotic infections). While

²¹ For example the World Bank’s Mongolia Mining Sector Technical Assistance Project (MISTAP) has a clear agenda for priority engagements foundational to the GoM’s capacity to develop its policy, fiscal, legal, regulatory and institutional frameworks.

²² See also Annex 4.

²³ This is somewhat moderated by the code of conduct and other behavioural standards imposed on their workers by the large mining companies.

improved facilities are currently planned, these are likely to be compromised by a shortage of trained staff in the area.

32. There is strong evidence that women are often the victims in these circumstances, and hence a careful watch is in place for evidence of any increase in gender related violence and human trafficking. Currently, there is little evidence of any major increase, but these issues necessitate ongoing vigilance.

33. There is anecdotal evidence that the predominance of men in the mining workforce may be having an effect on household dynamics, as more men than women travel to work on distant mine sites, often leaving women responsible for all aspects of household management. This may be most keenly felt in herding families where, for example, women are now having to take charge of large animals (such as camels), in the absence of male relatives, whereas previously the division of labour required only that women care for the small stock, such as goats and sheep. Hence, while the effects of men earning higher mining wages may help build household wealth, it may also lead to relationship difficulties in the home.

34. Although there has not yet been a formal study of what these shifts in responsibility and income allocation mean for household gender relations and women's empowerment, a forthcoming *Australian Development Research Award* (ADRAS) intends to study these questions in detail.²⁴ This study should also highlight the importance of increasing female participation in mining employment, as well as the expanding alternative income-generating opportunities for both women and herding men.

35. Many of these issues would be more manageable if the mining *aimags* and *sums* benefitted more from mining revenues, but as has been seen, the Central Government has nationalised much of the financial windfall. As a result, the net remittances from the Central Government to the revenues of the two major mining *aimags* did not increase between 2007 and 2010, at a time when their populations substantially increased. All in all then, the mining areas tend to bear the negative impacts of mining operations, while not necessarily being financially better off.

36. Yet if these impacts are not better managed - either by Government or civil society organisations - then the overall standards of living in the regions can only drop. Local Government and its partners therefore need:

- Capacity for direct democracy initiatives and stakeholder engagement. Their obligations to assist in the development of *Community Agreements* with the mining companies are currently well beyond their capacity;
- Improved resources and skills for development prioritisation, fiscal management, and regulatory functions. Local development planning and regulation is currently rudimentary. Engagements fail to be structured, staged or timely;
- Engagement with health issues in particular. There is a desperate need for overall systemic improvements, and not just single issue interventions.

37. Up to now, local Governments have only coped as well as they have by depending on the mining companies and civil society organisations to help meet these needs.

Economic engagement

38. While many local people have been more readily able to find paid employment since the coming of the mines, it has not necessarily been either enjoyable or family-friendly work, and particularly so when it comes to rosters, shifts and travel times. Women in particular

²⁴ The Centre for Social Responsibility in Mining at the University of Queensland was recently awarded an AusAID Australian Development Research Award entitled 'Supporting Women During Mongolia's Mining Boom'.

complained that they can only obtain lower-skilled work, and that this often involves long hours of standing and being far from home. Also, on-going responsibilities for children and homes mean that most women would prefer to work more locally, and for shorter shifts, rather than travel long distances to work for longer shifts at mine sites. Related to this concern, is the increase in 'child-headed' households of working parents, noted by local social services.

39. The larger mining companies recognise the importance of maximising local participation in their workforces. They not only have active programs of local recruitment, but have invested heavily in the country's vocational education infrastructure. Given time, this should bear fruit. Yet company activities tend to naturally focus on direct employment and procurement. Generally, they fail to engage with the substantial indirect/induced economic development and impacts that large-scale mining investment creates - these are seen to be outside their sphere of responsibility. Thus, there remain ongoing needs that are not currently being addressed. Two currently prominent issues are:

- The need to lift the participation rate of women, particularly in skilled roles, from which they are often excluded due to gendered educational and training systems, although female educational levels are higher than those for males at all levels. A range of factors limit female participation in the mining workforce, including: organisational culture, socio-cultural barriers, stereotyping of jobs, discrimination, and issues related to sexual harassment, such as a lack of complaints-handling mechanisms, coupled with an unwillingness to access these mechanisms; and
- The need to address the widening gap between the rich and the poor in local communities, which is based on lower skills and education levels among rural men and women. Herder families, in particular, have struggled to meaningfully benefit from the growth associated with mining. Instead, their experience has commonly been that inflation and exchange rates have diminished the competitiveness of, and demand for, their products.

40. In summary: DFAT's desire to assist Mongolia's communities address risks and benefit from resource led growth must take into account the following issues and lessons:

- Local Government needs considerable support;
 - Life skills support is needed for 'at risk' groups to cope with: promiscuity, unsafe sex, drinking, smoking, and substance abuse;
 - Women's advocacy and leadership is needed to ensure that the negative impacts on women and children are properly advocated for and addressed; and
 - Programs are sorely needed that: improve local enterprise skills, value add products, and improve the vocational skills of vulnerable groups.
-

2.2.4 ENVIRONMENTAL IMPACTS OF MINING²⁵

41. The environmental impacts of mining are a source of significant emotive debate. Certainly most major mines in Mongolia are established in areas with scarce water resources, climatic extremes and fragile landscapes. While the direct environmental impacts of mine construction, at least on a regional scale, is relatively low, they nevertheless have significant subregional impacts on local herders, both male and female, as well as on their animals, on resident and migratory wildlife, and on delicate ecosystems. These impacts are, however, not only the result of mine construction, but also result from:

- an increased demand for the limited water resources;
- population growth;

²⁵ See also Annex 6.

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- the development of transport and energy infrastructure;
- increases in traffic volumes; and
- dust and noise pollution.

42. The larger mining companies have done much to limit the environmental impacts at their mine sites. However, they have more difficulty addressing issues with broader impacts, as these require engagement with national and local Government, as well as with other stakeholders.

43. For example, mine operations in the South Gobi are by far the largest water users in the region, and renewable ground water reserves are not sufficient to meet the projected demand. Alternatives have therefore been proposed, such as: deep extraction of fossil ground water, and piped diversions from northern *aimags*. These options could have significant environmental impacts, and careful independent assessments must therefore be undertaken before any approvals are given²⁶.

44. To understand and meet these challenges, the Government needs a clear vision and effective controls. A new *Environmental Impact Assessment Law* was introduced in 2012, the Government is still in the process of developing associated implementation rules and regulations. In parallel, the World Bank in partnership with MoM and MEGD have commenced a major *Strategic Environmental and Social Assessment (SESA)* of the mining sector. This major participatory study will not only identify key social and environmental impacts, but also the policies, institutions and skills needed to address them. The study has been scoped to include a major emphasis on ensuring the participation of women, vulnerable groups and people with disabilities, who may all be disproportionately affected by environmental and social impacts. Once completed in 2014, it will provide opportunity for Government, local stakeholders, and donors (including Australia) to jointly fund the strategic priorities identified.

2.3 LESSONS LEARNED

45. Extractives is a relatively new area of donor focus, and there are few lessons that have been documented from the implementation of mining programs globally. There is even less information available on the specific engagements already undertaken in Mongolia. However, the analysis of the context in Section 2.2 has already summarised significant issues and lessons that must guide Australia's future engagement (see summaries above). This section therefore will build on the lessons already discussed by reviewing broad lessons from the international and national spheres:

2.3.1 COMPARISON OF MINING IMPACTS IN DEVELOPING COUNTRIES

46. The following lessons have arisen from a comparison of mining impacts in developing countries (World Bank and IFC, 2002). This showed that:

- The factors central to those developing countries that have successfully established their mining sector include:
 - stable Government and sound policies that have been effectively implemented;
 - quality economic management; and
 - competent and independent institutions.
- For mining policy to be successful, it generally:
 - opts strongly for private sector-led mining (which is often international);
 - focuses the role of government on economic management and sector regulation; and

²⁶ Already, DFAT through the World Bank is supporting the Mongolian Government to improve groundwater management in the south Gobi region (see Annex 1).

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- prudently directs revenue flows from the mining sector to help finance those public sector investments that support overall economic growth, and avoid extended investment spending spree.

47. These lessons are already embedded within DFAT’s previous Draft Mining Strategy, being central to its first two Pillars.²⁷²⁸ DFAT engagement in Mongolia must have a clear focus on these issues, even though it may take some time for Australia to further develop its partnership with the Government of Mongolia, recent high-level meetings in Australia between Mongolian mining ministers and senior aid officials have advanced the level of trust between Australia and Mongolia in mining, and have therefore opened the way for more cooperation in the sector.

2.3.2 LESSONS FROM SIMILAR MINING/EXTRACTIVES FACILITIES IN MONGOLIA.

The World Bank’s *Mining Sector Institutional Strengthening Technical Assistance Project* (MSISTAP) has operated in Mongolia for since 2009. An assessment of the program²⁹ revealed a number of lessons that would improve performance.

- MSISTAP uses World Bank procurement processes, even for small activities. The lessons suggest that Australia’s mining engagement should aim for more streamlined procurement mechanisms to deliver fast/responsive/on-demand technical support.
- MSISTAP is administered by a small World Bank-style procurement team. The lessons suggest that DFAT should consider the need for full-time administrative, coordination and technical resources that have the capacity to:
 - build and leverage relationships with key stakeholders;
 - produce high quality outputs, and
 - work with clients to turn recommendations into action.
- M&E within MSISTAP largely consists of external annual reviews. It would be better to view M&E as a core function that will be used at all stages of the project cycle, strengthened further by mechanisms such as an *Independent Advisory Group* and external reviews.
- MSISTAP focuses on national government agencies. Support should be considered to both national and sub-national government agencies.
- MSISTAP does not have activities that specifically target women’s participation in the mining sector, nor does it report against gender impact. The lessons suggest that DFAT’s Mining engagement should implement gender-specific interventions and disaggregate results by gender.

2.3.3 OTHER LESSONS

48. In addition to these issues, both the Concept and the Design Missions have also highlighted the following lessons that should frame any **community level** Mining engagements:

- Consideration must be given to the decentralisation of policy and regulatory functions to local levels of government. This is especially the case with mining, as it is commonly a highly localised activity, with the problems and issues in the sector varying from one location to another. It is local governments, then, that are in most need of the capacity to manage the sector effectively;

²⁷ a) Regulation and governance; and b) Extractives revenue management

²⁸ This Draft ‘Mining for Development Strategy’ will be replaced by a new Extractives Initiative being developed by DFAT over the coming year.

²⁹ Pers Com – J Pell, Adam Smith International and DFAT external reviewer.

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- Many of the social and environmental issues in the mining sector (such as gender equity issues) are shared with other sectors and their stakeholders. Hence it is not always necessary to develop sector-specific policies to deal with these issues;
- Full public participation in decision-making processes for the development of mining operations needs to be encouraged and enabled. This includes the granting of access to, and discussion of, all relevant environmental information and documents; and
- Employment opportunities for local people in mining need to be improved. Employees should be Mongolian citizens wherever possible, especially in any long-term mining operations.

2.4 CONSISTENCY WITH AUSTRALIAN AND OTHER DONOR PROGRAMS

49. The foregoing assessment of the Mongolia mining context has identified critical areas of need, as well as ample scope for donor engagement. To bring this into focus, however, it is important to also consider:

- Australia's current engagements and strategic intent;
- The focus of other donors; and
- Australia's comparative advantage.

2.4.1 AUSTRALIA'S ENGAGEMENT

50. The Memorandum of Understanding, signed in 1993, that established Australia and Mongolia's formal bilateral development cooperation, targeted mining sector management for possible activities.³⁰ Australian support for mining sector activities in Mongolia includes several recent and ongoing activities (detailed in Annex 1) upon which the *Australia Mongolia Extractives Program* can now expand. These include:

- Bilateral funding for the joint DFAT-World Bank project aimed at strengthening groundwater management in southern Mongolia;
- Short-term training in the mining sector provided through the International M4D Centre (IM4DC) in Australia;
- Long-term scholarships in the mining sector through the Mongolia-Australia Scholarships Program (MASP);³¹
- A three-year collaborative research project on gender-sensitive mineral development under the Australian Development Research Awards Scheme (ADRAS);
- A range of research studies, study tours, and other initiatives conducted bilaterally through the Government Partnerships for Development program and, multilaterally, through the UNDP and the World Bank.

51. To provide strategic focus to future investments, this Design has also been influenced by:

- The Australia Mongolia Country Strategy (2012-2016); and
- Australia's draft 'Mining Strategy'.

52. The inaugural *Australia-Mongolia Country Strategy* for 2012-2016 identifies extractives as one of three themes (the others being human resources development, and supporting vulnerable communities). The strategy provides further strategic direction by identifying three areas of Australia's support to Mining in Mongolia:

- Mining Policy Development and Administration;
- Social Impacts of Mining; and

³⁰ <http://dfat.gov.au/countries/eastasia/mongolia/Documents/overarching-engagement-mou.pdf>

³¹ Today known as the Australia Awards in Mongolia Program.

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- Environmental Impacts of Mining.

53. This Investment Design gives particular emphasis to the first two of these areas. This is because Australia's largest current engagement is the joint project with the World Bank on fossil ground water in the South Gobi, a \$5m initiative that is the centrepiece of Australia's support to the '*Environmental Impacts of Mining*'. Hence, given that additional funds are limited, investments should support activities in the other two priority areas. Nevertheless, opportunities may become available to support some smaller environmental programs, in particular as the World Bank's SESA process nears completion.

54. Australia's then Prime Minister launched the global Mining Initiative in October 2011 to assist developing countries maximise the benefits to be derived from their mining sectors. A draft '*Mining Strategy*' provides guidance on how Australian aid will work with governments, industry and civil society to maximise the impact of mining on development and poverty reduction.³² The Strategy recognises that mining offers resource-rich developing countries an unparalleled opportunity to rapidly reduce poverty, improve physical infrastructure, improve basic service delivery, and promote inclusive development. However, this can only happen if the sector is well managed, and if benefits are widely distributed, both by stimulating economic activity, and by government expanding the delivery of social services, afforded by increases to revenues.

55. The Strategy identifies essential elements in effective mining management that contribute to poverty reduction, including:

- transparent processes for awarding licences to mining companies;
- effective regulation of operations and compliance with social and environmental safeguards;
- royalty and taxation regimes that ensure governments and communities get a good deal, while not stifling investment; and
- fair and efficient distribution of revenue that promotes broad-based economic growth.

Shortcomings in any of these elements can compromise the efficacy of mining activities.

56. Under the draft Mining Strategy, as it currently stands, Australian aid would target three areas:

- a) ***Mining regulation and governance*** that builds on Australia's internationally recognised mining governance and safeguards standards;
- b) ***Extractives revenue management*** that builds on Australian experience in managing the impacts of commodity price volatility, exchange rate fluctuations, and revenue fluctuations associated with the sector; and
- c) ***Direct benefits to communities*** that informs and empowers the general public so that they help ensure that the development generated by mining activity is sustainable and inclusive.

The Mining Strategy has identified Mongolia as a priority country.

57. Although this Design, along with all mining-related activities conducted by the Australian aid program, must be consistent with the global Mining Initiative, another new DFAT Strategy also has particular relevance for specific aspects of the Design. DFAT's *Sustainable Economic Development and Private Sector Development Thematic Strategy*, launched in August 2012, calls for a close assessment of the capacity of all aid activities to both engage with, and directly develop, the private sector. While it is logical that the primary partners for implementation will

³² This Draft Strategy will be replaced by a new Extractives Initiative being developed by DFAT over the coming year.

be the institutions and agencies of Government and civil society, there may well be specific opportunities to directly collaborate with the private sector to maximise project benefits. Analytical work has already identified opportunities in areas such as technical and vocational education and training. Care is needed, however, to ensure that Australian aid:

- does not substitute for the responsibilities of the private sector as good corporate citizens;
- does not confer an unfair advantage on one company or sector over another;
- results in a development outcomes that are expected to last beyond the period of the DFAT engagement;
- leverages the resources of business to generate positive impacts for poor people; and
- is in line with proposed *Business Engagement Practical Guide* to be developed as an adjunct to the *Sustainable Economic Development and Private Sector Development Thematic Strategy*.

2.4.2 OTHER DONOR ENGAGEMENT

58. A quick assessment of the number of international donors providing mining-related assistance in Mongolia shows over fifty current or proposed donor interventions. Many of these, however, are broader development interventions that are only tangentially relevant to mining. Nevertheless, fourteen agencies list thirty-three current or planned initiatives that specifically aim to assist the Government or civil society manage the mining sector, or deal with the direct risks or opportunities resulting from mining (see Annex 2). These donors include:

- Multilateral agencies: including the World Bank, Asian Development Bank, European Bank for Reconstruction and Development (EBRD), IFC, and IMF;
- UN agencies: including UNDP, UNEP, UNFPA, and WHO;
- Bilateral agencies: including Germany, the EU, Canada, Australia, Japan, the USA, Korea, Switzerland.

59. Some of these groups (Australia, Canada and the EU) are still in the process of formulating more extensive engagements. Others have long-established programs, the most important of which are: the World Bank and its agencies, the ADB, the UN agencies, the USA, Germany, Switzerland and South Korea. Clearly then, donor interest is intense, and greater coordination essential. The Government of Mongolia has no official donor coordination mechanism in place, although key donors are now meeting to exchange information and undertake joint planning³³.

60. Besides its breadth, the other characteristic of donor mining support in Mongolia is the small size of most direct mining engagements (all but two are less than \$5m, the majority less than \$1m). This partly reflects the limited size and absorptive capacity of the key Ministries, and partly the uncertainty that necessitates progressive engagements that build responsibly on experience. Such multiple, small and dispersed engagements makes coordination difficult, and management less efficient. It also places even greater demands on the limited Government resources, and generates a perception amongst stakeholders of ‘much talk, but little action’.

61. In the areas of strategic interest to Australia, the major donors with current initiatives are summarised in **Table 1**. Given the current level of activity, most areas in which Australia has defined its strategic interest are already targeted by at least one intervention. It is appropriate, therefore, that Australia harmonise its assistance with trusted and experienced partners currently operating in Mongolia to reduce fragmentation and maximise efficiency and impact.

³³ For example, Canada joined Australia during much of its Design Mission for this initiative as an observer, and invited DFAT staff to join Canada’s mining design mission.

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Table 1: Donor activity aligned with Australia’s strategic interest

Australia’s Strategic Interest	Key Donors	Initiative
Mining Policy Development and Administration	World Bank	Mining Sector Institutional Strengthening Technical Assistance Project (MSISTAP) Extractive Industries Transparency Initiative (EITI) Multi-Donor Trust Fund (MDTF) Mining Infrastructure Investment Support Project (MINIS)
	GIZ	Integrated Mineral Resources Initiative (IMRI) <i>Aims to improve institutional capacity and economic policy related to mining.</i>
	German Federal Institute for Geosciences and Natural Resources (BGR)	Environmental Protection in Mining Project <i>Technical assistance and capacity building of GASI</i>
	IMF	Topical Trust Fund on Managing Natural Resource Wealth <i>Technical assistance to the Ministry of Finance to implement the Fiscal Stability Law , manage revenue fluctuations, and establish sovereign wealth mechanisms</i>
Social Impacts of Mining	Republic of Korea	<i>Working with the MoM and GASI on mine hazard status and mine reclamation.</i>
	UNDP	<i>Working with MED on economic modelling and planning.</i>
	World Bank	Mining Sector Strategic Environmental and Social Assessment (SESA)
Environmental Impacts of Mining	MCC, EU, GIZ and Private Sector	Technical and Vocational Education and training
	ADB	HIV/AIDS Prevention in infrastructure and the mining sector
	World Bank	Mining Sector Strategic Environmental and Social Assessment (SESA)
Environmental Impacts of Mining	World Bank (with DFAT funding)	Mining Infrastructure Investment Support Project (MINIS) (especially Component 3 related to ground water in the south Gobi)
	ADB	Working with the MEGD to develop regulations for the EIA Legislation
	UNDP, UNEP	Strengthening Environmental Governance in Mongolia

2.4.3 AUSTRALIA’S COMPARATIVE ADVANTAGE

62. As one of the world’s largest mining exporters, Australia has considerable expertise in mining-related issues, and DFAT aims to mobilise some of this expertise to help developing countries maximise the benefits of their resource sector, while minimising the risks.

63. That said, within Mongolia, however, Australia is known more as a major mining investor, rather than a donor providing technical assistance to the mining sector. Large Australian mining companies (including Rio Tinto, BHP Billiton and Leighton) have been active in Mongolia for many years. This is slowly changing. As a consequence of growing engagement between the Australian and Mongolian Governments the Government of Mongolia increasingly appreciates that Australian State and Federal Government agencies, industry bodies and academic groups, also have considerable skills directly relevant to critical issues confronting Mongolia, including:

- Modern mineral laws and regulations;
- Modern mineral tax regimes;
- Efficient and effective mineral regulatory and oversight roles;
- Inspection of large scale and medium scale open-pit and underground mining operations;
- State of the art mineral exploration;
- Large scale and medium scale open-pit and underground mining development, using environmentally responsible practices;

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- Technologically sophisticated mining techniques such as block caving (which will be used at Oyu Tolgoi);
- Good practice mining environmental protection, social risk mitigation, community relationships, and linkages to local suppliers and local business development;
- Good practice mining in water-scarce and intensely dusty environments; and
- Good practice mine closure and site restoration and reclamation

64. Australia's aid program to Mongolia, while quite modest, has already developed a strong reputation for skills development and capacity building. In particular, the flagship Mongolia Australia Scholarships Program has been supplemented by a range of capacity building collaborations including between the:

- MRAM and the Australian Department of Resources, Energy and Tourism;
- Mongolian Agency for Technical Vocational Education and TAFE Directors Australia;
- Mongolian Ministry of Education Culture and Science, and the Australian Department of Education Employment and Workplace Relations;
- National University of Mongolia and the Australian National University; and
- Mongolian Academy of Sciences and the Australian Academy of Science.

65. Mongolian institutions expressed appreciation of the relevance of establishing close links with their Australian counterparts. This Design, while being cognisant of the sensitivities surrounding Australian commercial interests, aims to ensure that Australia's mining expertise is appropriately reflected in the delivery of Mining activities in Mongolia.

66. During discussions with senior Ministry of Mining officials in Sydney in May 2013, Mongolia supported a proposal for DFAT and/or CIDA to facilitate donor engagement in the Mining sector. To date, the World Bank has undertaken this role on the multilateral side, while CIDA and DFAT are keen to promote coordination among bilateral donors.

2.5 RATIONALE FOR DFAT INVOLVEMENT

67. The significant analysis (summarised above), has implications for how DFAT progresses its mining engagement in Mongolia. This section integrates the thinking in order to clarify the Program's strategic focus, delivery mechanisms and potential partnerships.

2.5.1 STRATEGIC FOCUS

68. Mongolia's key mining sector agencies appreciate both the potential for, and the benefits of, expanding their ties with Australia. Nevertheless, the pathways to structure this new relationship must be sensitive to:

- the significant restructuring of the mining ministries since the last election; the associated staff changes; and the steep learning curve of new Government appointees;
- the planned functional review of mining related agencies planned for completion in October 2013, and the on-going debate regarding the form and function of GASL, in particular the potential to immediately or gradually devolve its responsibilities to line agencies;
- differences of opinion between agencies on priorities and policies;
- the significant public debate surrounding mining; the wariness of foreign interests; and the need for relationships that build off a demonstrated competency and commitment to Mongolia's development;
- the relatively small size, limited budgets and limited absorptive capacity of both mining ministries and local government agencies; and
- the rapid multiplication of bilateral and multi-lateral donors interested in engaging with Mongolia in the 'main game'. This is complicated by the need for effective donor

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coordination mechanisms, as well as the significant suite of engagements both currently in place and proposed.

Clearly, then, this is a dynamic situation. The following issues are therefore integral to the strategic focus of this Design.

69. ***Ongoing on-the-ground engagement is needed to refine the strategic interventions:*** The Concept Note envisaged that the Design Mission would develop a few specific engagements. However, the Design Team was confronted by significant changes between the Concept and Design phases of this Initiative (see Table 2).

70. The result is a revised list of potential ‘seed’ options (Table 2). However, these options still require ongoing investigation to understand the complexities surrounding each case, before a decision can be made regarding longer term strategic engagement. Yet for this to occur, Australia must be willing to invest in both the process of engagement (the ‘how’), as well as funding the specific interventions (the ‘what’). On-the-ground, long term representation is recommended to deliver the understanding and the relationships necessary to proceed with any certainty. The implications of this on the mode of engagement are very significant (see later).

Table 2: Shifts in priority opportunities for Australian engagement

Priorities identified by the 2012 Concept mission	Context	Emerging list of ‘seed’ options in 2013
Mining Policy Development and Administration		
1. Mining and Environmental Inspections (GASI)	Each of these issues remains important for the long-term development of mining in Mongolia. However, GASI’s mining inspectorates are potentially being moved to MoM and MEGD; MRAM has been rocked by serious corruption convictions; and the moratorium on the issue of new licences is ongoing.	1. Implementation support for mining inspections in Mongolia (GASI and/or other agencies)
2. Tax audit (GDT)		2. Mine closure policy and regulatory frameworks (MoM and MEGD)
3. Licensing including competitive bidding (MRAM)		3. Definition and reporting of ore reserves (MoM)
4. Independent targeted mining sector policy advice and research on demand		4. Mining literacy: knowledge building, dialogue and engagement.
	In addition, the new regime has resulted in key contacts being lost within GASI, GDT and MRAM. As such, the new management are yet to engage fully in their new roles, understand past engagements, and develop future priorities.	5. Independent targeted mining sector policy advice and research on demand.
	Finally, many donors are supporting policy, and Government’s limited capacity is fully committed.	
Social Impacts of Mining		
5. Prevent and reduce gender-based violence.	Already, large mining companies are investing huge amounts to address local social issues directly related to mining.	6. Support for the implementation of local development agreements
6. Prevent and reduce HIV/AIDS and prostitution in mining communities	Specific issue based health engagements (such as HIV/AIDS) require on-going support within the overall health system. The local health system needs significant assistance to cope with rapid localised growth.	7. Improve South Gobi TVET opportunities for women, local youth and vulnerable people.
	Significant demand exists for marginalised and vulnerable groups to better engage with resource-led growth. This includes a need for enhanced leadership, both civil and official, in combatting gender discrimination and harassment, fairly new concepts in the Mongolian regulatory	8. Strengthen Health Systems Development at the Sub-national Level to cope with mining-related impacts and expansion.
		9. Enterprise Facilitation training and support to increase the success of

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Priorities identified by the 2012 Concept mission	Context	Emerging list of 'seed' options in 2013
	context.	local entrepreneurs. 10. Local extractive sector transparency 11. Capacity-building of Mongolian women administrators and civil society leaders.
Environmental Impacts of Mining		
7. Groundwater management	Australia has already committed over \$5.0m to fund "Strengthening Groundwater Management" which is Component 3 of the World Bank's <i>Mining Infrastructure Investment Support Project</i> (MINUS) engagement.	12. Consider funding SESA outcomes once available in 2014
8. Assistance with SESA (World Bank)	SESA process delayed until late 2013, finishing mid to late 2014.	

71. ***A flexible and needs-based approach required for Policy support:*** The Concept Note for the Design also recommended that DFAT undertake complementary, but demand-driven mining policy research and advisory support. The Design Team found that current demand and need is limited by a range of factors. Nevertheless Mongolian politicians and administrators would benefit from greater access to quality independent policy research and analysis. This is particularly important as the new Government builds off its initial Government Platform 2012-2016 as well as the *Mining Policy Framework* and clarifies the strategic focus for Mongolia's development of its resources.

72. While there are some groups aspiring to provide this service (e.g. the *Economic Research and Competitiveness Centre*, and the *Economic Research Institute*), these are limited by lack of: resources, capacity, independence and influence. All the same, it is important to resist any temptation to replace this latent internal capacity with external short term support. Existing and aspiring groups should be nurtured, their exposure to international trends should be enabled, and forums for critical debate amongst Mongolian analysts should be established.

73. Hence there remains a need for the Design to support responsive and demand-driven assistance for mining policy, even though direct demand for support to policy formulation is likely to be limited in the short term. Australia could, for instance, directly support/ complement the efforts of the multilateral partners currently engaged in policy formulation. Possibilities include: twinning arrangements with Australian mining policy centres, technical mentoring, training, and study tours as strategically required (noting IM4DC's role in this regard).

74. ***Improved vertically integrated mining governance and administration:*** The Concept Note recommended addressing key concerns of mining governance and administration by 'taking a vertical slice of a mining governance issue through all levels of government'. The logic is simple and effective - to engage all relevant national and local level agencies. Moreover, it was clear to the Team that DFAT assistance would be welcomed to help national Ministries implement their mandated mining-related oversight, audit, regulatory, approval and/or service delivery functions. Yet for this to be truly effective there is a need for the Ministries to first:

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- Clarify agency mandates, relationships, roles and functions³⁴;
- Develop and/or revise the rules and regulations necessary to enact agreed mining legislation.
- Be sufficiently resourced to deliver their mandates;
- Receive technical, mentoring and training support for their operational needs; and
- Gain relevant on-the-ground experience that would allow them to more forcefully advocate for the appropriate procedures, processes, resources, funding, participation and/or amendments necessary to fulfil their roles sustainably.

75. The key agencies should be the MoM and MRAM, along with the mining and environmental inspectorate roles of GASI.

76. ***Australia's strengths best applied through a focus on industrial mining:*** The Concept Note also opened up the option for Australia to engage in the area of Artisanal Mining. All reviews of the Mongolian context acknowledge the importance of, and challenges faced by, artisanal mining in Mongolia. However the recommended focus of DFAT's *Australia Mongolia Extractives Program* is solely on the industrial mining sub-sector. This acknowledges that Australia's comparative advantage is in the area of industrial mining. Moreover, other donors (e.g. SDC and GIZ) have already established and highly regarded interventions supporting Artisanal Mining in Mongolia.

77. ***Community benefit demonstrated through pilot activities in the South Gobi:*** Given the need to ensure that the *Australia Mongolia Extractives Program's* engagements have direct impact, there is an ensuing need for a test-bed to confirm local relevance. The Design Team proposes therefore that some part of any DFAT initiative must focus on improving the ways in which Mongolia's stakeholders (public, private and civil) participate to meet the needs of local Mongolians living in those areas where mining offers great promise but also significant risks. Despite some perceptions that industrial mining regions like the South Gobi accrue most of Mongolia's wealth, in reality the Mongolian Central Government takes most revenue back from the provincial administration, leaving mining-impacted areas no financially better off than others, although clearly bearing more of the direct burdens of the presence of industrial mining operations.

78. In line with the recommendation of the Concept Note, it is therefore recommended that the target area be those *sums* of the South Gobi that are currently the focus of industrial mining. These *sums* are: Dalanzadgad (as the *aimag* centre), Tsogttsetsii, Manlai, Bayan-Ovoo, and Khanbogd. There are in excess of sixteen industrial mining operations in these four *sums*, including the two largest operations in the country. In the South Gobi there is a need to redress the imbalances in the needs of communities, the large mining companies, and the Government, as they engage in crucial discussions about regional development initiatives, about their relative roles, and – as far as the mining companies are concerned - about their accountability beyond the requirements of Corporate Social Responsibility.

2.5.2 DELIVERY MECHANISMS AND PARTNERSHIPS

79. ***DFAT's limited presence and resources:*** While Australia has significant capacity to support M4D engagements, Australia is seen as a new player in Mongolia, with little in-country experience. Australia established its office in Ulaanbaatar in April 2013. Only a process of progressive engagement, demonstrated competency, and trust building will prove Australia's relevance and good intentions – and that takes time.

³⁴ The World Bank proposes a functional review of Mining Agencies in 2013/14, and DFAT support should integrate with and build on this.

80. ***Flexibility in a dynamic environment:*** One of the best delivery mechanisms for Australia to commence its Mining engagements in Mongolia is a 'Facility'. A Facility offers the opportunity to:

- Support Government and other stakeholder studies, while at the same time building DFAT's appreciation of both the risks and available opportunities;
- Test and build trusted partnerships with groups already operating in the country;
- Progressively test approaches;
- Integrate real time M&E that feeds learning and refines ongoing engagement; and
- Form the foundation for funding larger and longer interventions, as strategic priorities and partnerships become clearer.

81. However, a Facility is particularly challenging from a performance measurement standpoint. The open-ended and emergent nature of the engagements challenges conventional methods of assessing progress against an explicit 'blue print' for change. As such, oversight and M&E processes must be carefully thought through, while ongoing and meaningful engagement by DFAT is also essential. However, this Design represents the first three to four years of a longer term engagement supporting the sustainable development of Mongolia's extractives sector. It is therefore justified for the initial engagement to put time and resources into balancing the key issues - understanding, partnerships and positioning - with the obvious need for strategic focus.

82. These and other factors require that the performance assessment arrangements for the *Australia Mongolia Extractives Program* must:

- adopt a proactive learning stance that reflects a stronger emphasis on learning and adaptation than conventional 'progress reporting' for compliance purposes;
- incorporate 'partnership' principles to ensure that the management of relationships with key stakeholders is a key outcome for DFAT; and
- Lay the foundation for a deeper, more focused partnership with Mongolia.

83. ***Realistic program management:*** DFAT resources in Ulaanbaatar, and the complementary support available from the China Post, are limited. As such, it is logical that the *Australia Mongolia Extractives Program* be managed by an external *Implementation Service Provider*.

84. ***Dissipation of effort:*** One of the most serious concerns regarding initiatives that include a Facility structure is that when multiple activities are undertaken this can too easily dissipate the strategic intent. For this reason, it is proposed that the *Australia Mongolia Extractives Program* aim to focus on up to five key long-term engagements with known and trusted partners. Determining these key engagements may warrant pilot or preparatory activities in a slightly higher number of areas, to determine which are most suitable. By the end of the period in 2017-2018, DFAT could then design a follow-on intervention that focuses further Australian effort on one or more of these issues.

85. ***Private Sector Engagement:*** It is expected that private sector engagement will be a major feature of the *Australia Mongolia Extractives Program*, and will complement the primary partnerships with Government and civil society. In short, private sector engagement should aim to:

- Broaden potential partnerships in an environment of low absorptive capacity;
- Help to mitigate the overstretched resources of Government and Civil Society;
- Broaden the reach of the program; and
- Leverage co-investment that increases potential impacts.

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86. This recognises the significant role and commitment that many private sector players (including Australian, international, and national companies) have in ensuring that the mining sector in Mongolia works within governance, environmental and social contexts that are both enabling and enhanced. Such broader creative partnerships are, in fact, increasingly acknowledged as integral to good development (OECD DAC, 2011)

3 INVESTMENT DESCRIPTION

3.1 DESIGN LOGIC

3.1.1 GOAL

87. The Goal of the *Australia Mongolia Extractives Program* contributes to DFAT's Country Program objectives in Mongolia.³⁵ The *Australia Mongolia Extractives Program* will help ensure that:

Mongolia's citizens experience equitable and sustainable growth from their mineral resources.

88. The following points elaborate this Goal:

- **Equitable growth:** The Goal focuses on all citizens of Mongolia. This reflects both Mongolia's and Australia's ambition that Mining interventions foster equity and opportunity for all - men, women, boys and girls. The impact of the *Australia Mongolia Extractives Program* will therefore need to be assessed in terms of its differing influences on both genders, across all age-groups, and for both urban and rural populations.
- **Sustainable growth:** Mongolia's Government clearly wants to develop the enabling environment for sustainable development in order to ensure that:
 - current and future citizens of Mongolia benefit from agreed national revenue;
 - appropriate safeguards are installed to protect the environment and the wellbeing of citizens; and
 - investor confidence is built and maintained.

89. This Goal will be delivered through two Outcomes that target:

- Improvements to Government policy and the services of mining-related agencies; and
- Improved local community engagement.

3.1.2 OUTCOME 1: MINING-RELATED ADMINISTRATION AND POLICY DEVELOPMENT

Outcome 1: *Mongolian Government agencies are improving regulation, governance and stakeholder collaboration in the mining sector.*

90. The following points elaborate Outcome 1:

- **Mongolian Government agencies:** There is a recognised need to strengthen the policy, fiscal, regulatory, and institutional capacity of national mining sector agencies, as well as the linkages and coherence of the Government's mining functions.
- **Improve their regulatory, governance and collaborative capacity:** Australia will provide structured and logical support to priority needs (policy, fiscal, regulatory

³⁵ It has also been designed with sufficient flexibility to accommodate and contribute to the new Extractives Initiative being developed by DFAT over the coming year.

and/or institutional). At all times, support will ensure collaboration with other relevant agencies of Government, as well as with civil society and the private sector. This Outcome appreciates the need for flexible, responsive and progressive engagement with national mining agencies.

3.1.3 OUTCOME 2: LOCAL COMMUNITY ENGAGEMENT

Outcome 2: *Sub-national Government agencies, civil society and industry in the South Gobi are supporting communities to benefit from resource-driven growth and to mitigate risks.*

91. The following points elaborate Outcome 2:

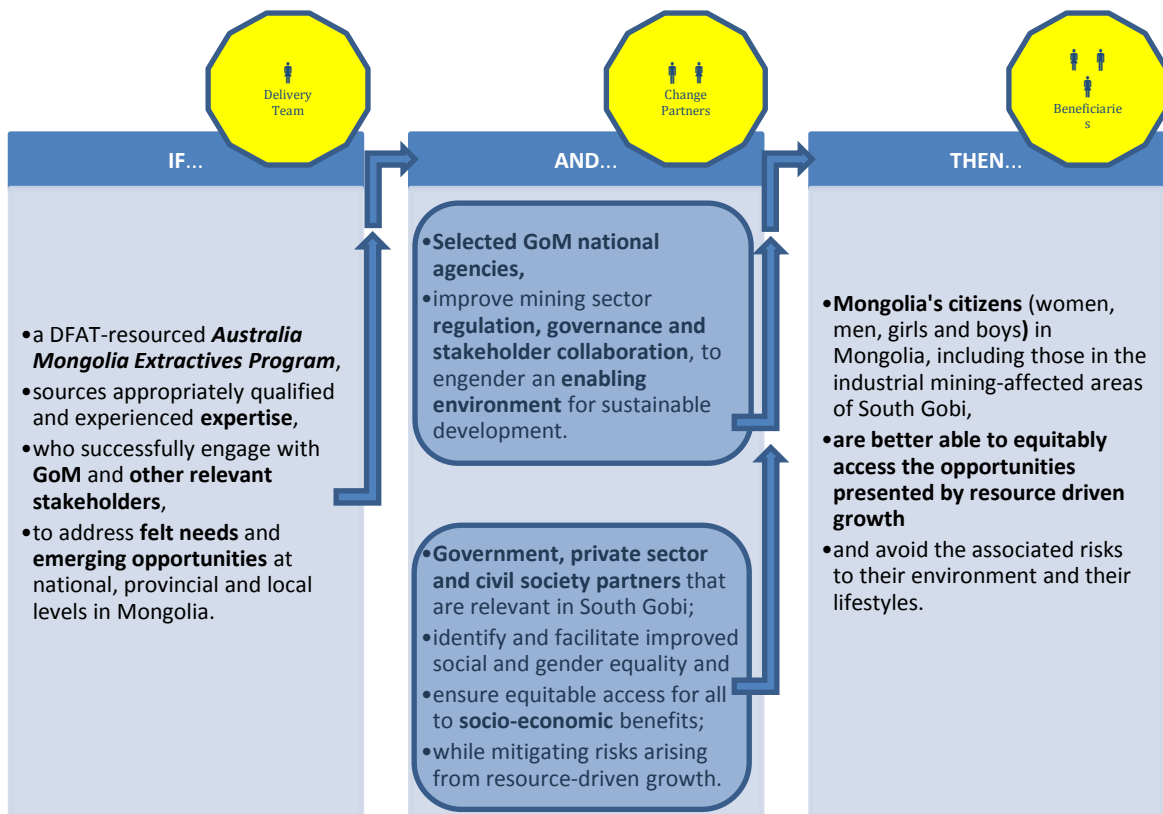
- **Sub-national Government agencies:** The *aimag* and *sum* governments, along with the sub-national arms of national agencies (e.g. environment, education and health³⁶) must ensure the integrated delivery of the Government's responsibilities to mining communities. This must be done in partnership with the private sector and civil society.
- **South Gobi focus:** whereas Outcome 1 concerns national-level engagement (and linkages between national and local policy and practice), Outcome 2 concerns community benefit in the target *sums* of the South Gobi³⁷. Beneficiary numbers in these sparsely populated areas are in the tens of thousands, with populations due to increase along with the mining-related economy. A working hypothesis is that successful methods/engagements in these areas will be relevant to other mining areas of Mongolia, or, indeed, to DFAT Mining engagements in other national contexts. As such, support within the South Gobi can be regarded as a test-case for wider engagement and scaling-up. Furthermore, lessons learned through local engagements in the South Gobi are likely to inform policy and practice at the national level (potentially integrating Outcomes 1 and 2).
- **Community engagement:** the focus on improving community engagement recognises the failure of local people to benefit from the rapidly expanding economy driven by the mining boom. A range of interventions are envisaged to tackle the historical, cultural and structural factors that are contributing to the economic marginalisation of households in the target *sums*. Given that mining is conventionally a masculine industry, there will need to be a specific and explicit focus in all interventions on achieving gender and social equity in all activities and outcomes.
- **Mitigate risks:** Rapid growth in sub-national economies is placing significant pressure on public systems, social relationships, cultural heritage and the environment. These risks must be managed well to maintain growth and minimise adverse impacts.

³⁶ Note that there are no sub-national arms of mining related agencies such as MoM.

³⁷ Dalanzadgad (as the *aimag* centre), Tsogttsetsii, Manlai, Bayan-Ovoo, and Khanbogd

3.1.4 THEORY OF CHANGE

92. The *Australia Mongolia Extractives Program's* theory of change is depicted below.



3.2 DELIVERY APPROACH

93. The two outcomes of the Australia Mongolia Extractives Program will be delivered primarily through flexible long-term Partnership Agreements signed directly between DFAT and those donor and delivery agencies already established in country.

94. The long-term Partnership Agreements will be complemented by a modest but targeted AMEP Facility. The AMEP Facility will fund:

- **Pilot and preparatory engagements** around priority 'seed' options (leading to the development of long-term *Partnership Agreements*); and
- **On-demand mining sector policy research and assistance.**

95. In addition the Australia Mongolia Extractives Program includes provision for:

- Strengthened coordination amongst donors; and
- Real-time M&E.

96. These approaches are summarised in Table 3 before being discussed further.

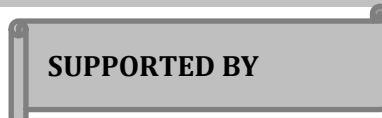
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Table 3: Delivery approach proposed for the Australia Mongolia Extractives Program

AMEP	Delivery Approach	Management responsibility	Outcome 1: Mining-related Administration and Policy Development	Outcome 2: Local Community Benefit
<i>Pilot and preparatory engagements around priority 'seed' options</i>	Funded through the <i>AMEP Facility</i>	Managed by a contracted <i>Implementation Service Provider</i>	A suite of preparatory and pilot activities (approx. 15% of the grant budget)	A suite of preparatory and pilot activities (approx. 10% of the grant budget)



<i>Long-term Partnership Agreements</i>	Direct <i>Partnership Agreements</i> signed between DFAT and the Implementing Agency/Partner.	The <i>Implementation Service Provider Partnership Agreements</i> . Signed by DFAT and the Implementing Agency/Partner. Implemented by the Agency/Partner. Monitored by the <i>Implementation Service Provider</i>	Up to three longer term <i>Partnership Agreements</i> (approx. 45% of the grant budget)	One or two longer term <i>Partnership Agreements</i> (approx. 20% of the grant budget)
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<i>On demand mining sector policy research and assistance</i>	Funded through the <i>AMEP Facility</i>	Managed by the <i>Implementation Service Provider</i>	Technical assistance and other support that provides independent targeted mining policy research and advice (approx.	NA
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			10% of the grant budget)
Strengthened coordination amongst donors	Supported by the <i>Implementation Service Provider</i> Team	Managed by DFAT	Enhanced harmonisation of donor effort
Real-time M&E	Contracted to the <i>Implementation Service Provider</i>	Managed by the <i>Implementation Service Provider</i>	Regular monitoring, evaluation and reporting on <i>AMEP Facility</i> activities and <i>Partnership Agreements</i> . Facilitation of learning and appraisal of future direction.

97. **Long-term Partnership Agreements:** The core of the *Australia Mongolia Extractives Program* is the development of up to five, new, larger, long-term *Partnership Agreements* within the first twelve to eighteen months of the Program. Approximately two-thirds (\$7.0 million) of the \$10.5 million in new Grant Funds will be used for these. The use of such *Partnership Agreements* provides significant advantage as they:

- Work with and through trusted delivery partners in order to reduce transaction costs, build on skills, and harmonise efforts with other donor and delivery agencies;
- Recognise the limited resources of DFAT in Mongolia to manage and oversee activities;
- Provide opportunity to mobilise Australian skills and experience to influence and leverage the activities of trusted partners;
- Allow the Investment to not only deliver significant outcomes, but establish the foundation for a more strategic, longer term and possibly programmatic approach that assists Mongolia to manage its resource driven development; and
- Provide scope for DFAT to be directly involved with program delivery, while contracting support from an *Implementation Service Provider* to facilitate much of the behind the scenes 'heavy lifting'.

Draft *Partnership Agreements* will be prepared by the *Implementation Service Provider*. However, each *Partnership Agreement* will be signed between DFAT and the approved Implementing Agency. The *Implementation Service Provider* will then assist DFAT with oversight, M&E, and Quality Assurance.

98. **AMEP Facility:** Complementing the *Partnership Agreements* will be a *AMEP Facility* that funds:

- *Short-term pilot and preparatory engagements* (that scope and define eventual *Partnership Agreements*); as well as
- *On demand mining sector policy research and assistance*.

Both areas represent focused investments that will help DFAT appreciate the landscape, understand the strategic opportunities, scope openings to complement other donor activities, and test possible delivery partnerships.

99. **Short-term pilot and preparatory engagements.** These will be funded through the *AMEP Facility* mechanism. Selection of activities will begin with consideration of the ‘seed’ options identified in Table 2, and described in more detail in Sections 3.2.1 and 3.2.3. As will be seen, these ‘seed’ options range from small scale preliminary suggestions to more fully developed options that could quickly proceed to longer term *Partnership Agreements*. The *AMEP Facility* will use up to 25% of total *Australia Mongolia Extractives Program* new grant funds to further develop and refine these ‘seed’ options through activities such as: short-term technical assistance, collaborative studies, training and exposure visits. Throughout this process the *AMEP Facility* will work to build trust, relationships, confidence and responsiveness. It is not expected that all ‘seed’ options will lead to eventual *Partnership Agreements*; nor are new ‘seed’ options not on the list excluded. Instead, the *AMEP Facility*, in consultation with DFAT and the Government of Mongolia (through the *AMEP Reference Panel*), will continually update the options list, and work on those ‘seed’ options that meet agreed selection criteria and are endorsed by the *AMEP Reference Panel*. Once a ‘seed’ options is endorsed the *AMEP Facility* will develop a modest and appropriate suite of activities. Funding approval for these activities will be granted by the Designated DFAT Officer. Once sufficient work is completed to ensure that a ‘seed’ option presents the necessary basis for a significant *Partnership Agreement*, then the *AMEP Reference Panel* will ask the *Australia Mongolia Extractives Program* to develop a draft *Partnership Agreement* for approval and signing by DFAT.

100. **On demand mining sector policy research and assistance.** These activities will also be funded through a *AMEP Facility* mechanism. Activities will focus on key mining policy agencies - especially MoM, MRAM and the Ministry of Finance - as well as on the Mongolian think-tanks undertaking mining policy research or advocacy. The focus, as well as suggested activities, will be decided by the *AMEP Reference Panel*, but could include issues such as:

- minerals licencing;
- progression, promulgation and implementation of the *Mining Law* (likely to be considered by Mongolia’s parliament in Oct/Nov 2013); and
- supporting sovereign wealth management.

Once the focus has been decided, the *AMEP Facility* will work responsively with its Mongolian partners to develop activities. Funding approval for activities will be granted by the Designated DFAT Officer. The *AMEP Facility* will engage medium-term technical assistance, or establish institutional twinning partnerships that can provide on-demand, independent, and targeted policy research and assistance.

101. This assistance could, for instance, include:

- assessments of the social and economic impacts of proposed mining policy;
- comparative analysis of international best practice policies;
- improved advocacy or forums that stimulate the Mongolian debate surrounding policy direction and its implications;
- improved coordination and synergy between stakeholders (both Government agencies and donors); and
- direct support to policy formulation.

The *AMEP Facility* will use approximately 10% of total *Australia Mongolia Extractives Program* new grant funds for policy research and assistance activities.

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102. The AMEP Facility will thus support both the ‘Short-term pilot and preparatory engagements’ and the ‘On demand mining sector policy research and assistance’ and expend up to \$3.5m or one-third of the \$10.5 million of new AMEP Grant Funds.
103. For the Facility mechanisms to work well, maintain focus and deliver meaningful results, DFAT and the *Implementation Service Provider* will develop and agree implementation mechanisms that incorporate the following elements³⁸:
- Support for the *AMEP Reference Panel* to define the strategic focus for both the *Short-term pilot and preparatory engagements* and the *On demand mining sector policy research and assistance*. The *AMEP Facility* must not fund activities that do not clearly align with the strategic focus as defined by the *AMEP Reference Panel*;
 - Each activity must deliver meaningful and needed support that achieves modest, logical, and clearly defined milestones for the agencies concerned. Support must not centre solely on technical assistance and reporting, but must include activities that ensure effective consultation, debate, amendment and assimilation of findings into the organisation;
 - Each activity must clearly articulate how it aligns with the outcomes of the *Australia Mongolia Extractives Program*, and how it integrates with other *AMEP Facility* activities already in place; and
 - The *AMEP Facility* must ensure regular (6 monthly), timely, and transparent communication with *Australia Mongolia Extractives Program* stakeholders regarding the suite of activities funded, including their achievements and constraints.
104. Finally, as mentioned, the *Australia Mongolia Extractives Program* will include provision for:
- Strengthened coordination amongst donors; and
 - Real-time M&E.
105. ***Strengthened coordination amongst donors:*** The *Australia Mongolia Extractives Program* will provide secretariat support to help all donors coordinate their efforts in the Mongolia mining sector. The *Program* will support quarterly meetings of donors working on mining initiatives in Mongolia. These meetings will be co-chaired on a revolving basis by international development partners and national government representatives. As part of its Secretariat role the *Australia Mongolia Extractives Program* would;
- invite participants (including civil society and private sector partners), organise venues, develop briefings, fund issues papers (through the *AMEP Facility*), and organise topics and speakers;
 - regularly update and disseminate a survey of development cooperation activities in the mining sector (building off the survey begun as part of the Design Mission for the *Australia Mongolia Extractives Program*); and
 - resource and maintain a website for donors and ministries to disseminate information on events, programs, and visits, and on which views can be exchanged on policy issues. The website could also be the launch point for a regular (monthly/quarterly) e-newsletter updating stakeholders on Program events, and providing survey results of development cooperation activities.
106. ***Real-time M&E:*** Monitoring and Evaluation of the *Australia Mongolia Extractives Program* must occur in real time. The “learning” aspects of the Program

³⁸ DFAT will provide the *ISP* with its experience and lessons learnt with Facilities.

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(including its *Partnership Agreements* and *AMEP Facility* activities) are particularly important due to the evolving planning environment. The Program will maintain an information system that can track the scope, scale and quality of interventions, and will routinely report a synthesis of these management and outcome metrics. The M&E will thus focus on what is working, what is not, and on where the best returns exist. The *Implementation Service Provider* must provide early intervention in any cases where an activity is showing any signs of not achieving its intent.

3.2.1 SELECTION CRITERIA AND PROCESSES

107. The Australia Mongolia Extractives Program includes selection processes at two levels:

- Firstly, it requires mechanisms that enable the *AMEP Facility* to select ‘*Short-term pilot and preparatory engagements*’ and ‘*On-demand mining sector policy research and assistance*’.
- Secondly, it requires mechanisms that enable the *AMEP Reference Panel* to recommend and endorse *Partnership Agreements* for longer term funding.

108. Indicative intervention selection criteria include:

Table 4: Indicative selection criteria for the Australia Mongolia Extractives Program

Preliminary/Concept Assessment:
<ul style="list-style-type: none"> • Relevance and Ownership: The intervention directly addresses priorities of the Government of Mongolia and is owned and supported by relevant agencies. This is particularly important as the new Government refines its national development strategies;
<ul style="list-style-type: none"> • Alignment: The intervention is unambiguously aligned with either Outcome 1 or Outcome 2 – and thus also with DFAT’s Country Program goals.
<ul style="list-style-type: none"> • Delivery Partnership: The intervention has been identified by, and can be delivered through, credible and trusted partners;
<ul style="list-style-type: none"> • Private Sector Engagement: The intervention does not substitute or subsidise the corporate social responsibilities of mining companies;
<ul style="list-style-type: none"> • Gender equity and social inclusion: Gender equity and social inclusion principles are integral to the intervention and are able to be demonstrated and measured;
<ul style="list-style-type: none"> • Australian Linkages: The intervention incorporates linkages that build on Australia’s comparative advantage.
Final Partnership Agreement Assessment (in addition to those above) will include:
<ul style="list-style-type: none"> • The basis for judging intervention success is clear;
<ul style="list-style-type: none"> • Risks associated with the intervention are minimal or manageable, and have been documented with appropriate mitigation responses;
<ul style="list-style-type: none"> • It is plausible that the intervention will foster sustainable changes that will create enduring benefits;
<ul style="list-style-type: none"> • It is plausible that the intervention will catalyse other changes or benefits arising from the industrial mining sector;
<ul style="list-style-type: none"> • Interventions focused on local- level community benefit (Outcome 2) are purposefully scalable and relevant to other areas of the country; and
<ul style="list-style-type: none"> • The proposal makes efficient use of available funding (with preference for fewer, larger projects with greater impact), while being affordable and within approved limits.
<ul style="list-style-type: none"> • The intervention complies with relevant DFAT policy including but not limited to those on gender, environment, the handicapped and private sector development.

The *Implementation Service Provider* will develop a clear and transparent process for activity selection within the first month of implementation, based on the above criteria. The selection processes will be presented to the *AMEP Reference Panel* for endorsement before approval by DFAT.

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Australian funding will not be sufficient to support all engagements; hence as scoping of ‘seed’ options continues, discussions will occur with other donors to assess their interest and capacity to provide support either independently or in collaboration with Australia.

3.2.2 OUTCOME 1: DELIVERY AND PROSPECTIVE ENGAGEMENTS

109. Under Outcome 1, the *Australia Mongolia Extractives Program* will work directly with national Government agencies on national level needs and opportunities. Yet given the dynamic and emergent nature of the current mining policy and governance environment in Mongolia, this engagement must be responsive and flexible—driven by learning, ‘real-time evaluation’ of activities, and responsive alignment with the Government’s emerging policies and priorities. Activities under Outcome 1 are also likely to develop in step with the growing bilateral relationship between Australia and Mongolia.

110. Under Outcome 1, the *AMEP Facility* will support *Short-term pilot and preparatory engagements* that eventually propose no more than **three** longer term *Partnership Agreements*. Selection of these *Partnership Agreements* will be informed by the *AMEP Reference Panel* and approved by DFAT. The preliminary ‘seed’ options under Outcome 1 are discussed below and detailed in Annex 3 and Annex 5. These have been rated by the Design Team (see Table 5) against the ‘Preliminary/Concept Criteria’ in Table 4.

Table 5: Rating for ‘seed’ options under Outcome 1³⁹

Initial Seed Options	Preliminary/Concept Assessment Criteria						Overall
	Relevance and Ownership	Alignment	Delivery Partnership	Private Sector Engagement	Gender equity and social inclusion	Australian Linkages	
Implementation support for mining inspections in Mongolia	2.5	3	2.5	3	2	3	16
Mine closure policy and regulatory frameworks	3	2.5	2	3	2	3	15.5
Definition and reporting of ore reserves	3	3	2	3	1	3	15
Mining literacy: knowledge building, dialogue and engagement	2.5	2	2.5	2	3	2	14

- **Implementation support for mining inspections in Mongolia (see Annex 3, page 91)** - Rated as ‘High Priority’: This activity could involve the provision of Technical Assistance and training to support GASI’s and MRAM’s implementation and enforcement of OHS Regulations. While GASI has primary responsibility for OHS regulation, key aspects of MRAM’s work also deal with planning and design issues related to OHS (noting that this initiative would be focused on functional and oversight responsibilities, and should therefore be transferrable whatever the GoM’s decision regarding GASI’s future).

The key target group would be the regional Mines Inspectors and OHS Inspectors. The focus would be on:

³⁹ 1=Limited Relevance; 2=Relevant; 3=Highly Relevant. (>15 High priority)

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- risk-based approaches to the auditing and monitoring different types of mining, and
- the monitoring of off-site impacts.

The objective would be to improve the implementation of OHS regulations, using the monitoring and regulation of key mining operations in the South Gobi region as a focus for practical training and testing.

Australia has an established and well-regarded expertise in Mine Safety, with experienced Inspectorate agencies, particularly in the resource-rich states of Queensland and Western Australia. Queensland, in particular, has experience in the delivery of capacity-building activities both in Australia and overseas, with a strong regulatory framework based around the application of risk management systems.

- ***Mine closure policy and regulatory frameworks (see Annex 3 page 93) – Rated as ‘High Priority’:*** This activity could provide technical expertise to the relevant Ministries to enable them to develop and implement policies and regulatory frameworks which appropriately address the planning and provisions needed for mine closure. Such frameworks increasingly cover both the environmental and social aspects of mine closure, including the need for specific formal assessment processes. The activity could also extend to the financial security arrangements necessary for environmental rehabilitation. The activity could be undertaken as a partnership with the Canadian agency CIDA, who have also expressed interest in this area. Within the Australian context, WA’s recently introduced Framework for Mine Closure is widely regarded as the best example of a modern approach to the topic. In addition, the Australian Centre for Geomechanics - a joint venture between UWA, Curtin University and CSIRO - has convened an annual conference on Mine Closure for the last ten years, with international events held on a biannual basis (thus far in Chile and Canada, with an upcoming conference in the U.K in September 2013). Further links might also be pursued with the University of Queensland’s Centre for Mined Land Rehabilitation.
- ***Definition and reporting of ore reserves (see Annex 3 page 94) – Rated as ‘High Priority’.*** This activity could provide the Mongolian government and relevant Mongolian professional associations with Australian expertise in the transparent and accurate reporting of ore reserves. Australia has both a well-established and recognised system for the definition and reporting of ore reserves, driven by a variety of industry and professional associations including the Australian Institute of Mining and Metallurgy (the key professional association for industry professionals, covering both the geological and the mining disciplines). The system is primarily centred on the Joint Ore Reserves Committee (JORC)⁴⁰ code, but other models may also be relevant to the Mongolian context.
- ***Mining literacy: knowledge building, dialogue and engagement (see Annex 5 page 134) – Rated as ‘Medium Priority’:*** The Ministry of Mines expressed an urgent need to disseminate knowledge regarding the mining sector to the general public, particularly at the local level, in order to improve the understanding and implementation of Mongolia’s national mining policies. MoM officials acknowledged that the understanding of the Mongolian public is lagging far behind the actual developments in the country’s mining sector. Hence there is a strong will on the part of the MoM to increase the mining literacy of both the public in general, and mining communities in particular. However, MoM’s resources (both human and financial) to

⁴⁰ The Australasian Joint Ore Reserves Committee Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

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plan or deliver to these target groups are limited. The overall aim of the activity is therefore to develop a learning process of systematic mining knowledge accumulation by and for Mongolians, which can form a sound basis for dialogue and debate in the long term, thereby contributing to more inclusive, more constructive, and more trusting engagement with mining issues. The better availability of comprehensive, relevant, and utilizable information regarding the entire mine life cycle, including its associated value chain, will not only enable key stakeholders (and eventually the general public) to participate in and develop a more holistic understanding of mining, but the process of learning itself will also enable them to develop home grown mechanisms/ tools for discourse and debate.

- **Consideration of SESA outcomes relevant to national agencies (once available)**

3.2.3 OUTCOME 2 DELIVERY AND PROSPECTIVE ENGAGEMENTS

111. Under Outcome 2, the Australia Mongolia Extractives Program will address community needs through partnerships between sub-national agencies, the private sector and civil society actors. Engagement with local Government will need to be especially responsive—pursuing emerging opportunities, while being cognisant of risks.
112. The AMEP Facility will select a number of *Short-term pilot and preparatory engagements* from the following seven ‘seed’ options. It will then shortlist **one or two** of these for longer term *Partnership Agreements*. Shortlisting will be informed by the AMEP Reference Panel and approved by DFAT. The priority ‘seed’ options under Outcome 2 are discussed below and detailed in Annex 3, Annex 4, and Annex 5. These have been rated by the Design Team (see Table 6) against the ‘Preliminary/Concept Criteria’ in Table 4.

Table 6: Rating for ‘seed’ options under Outcome 2⁴¹

Initial Seed Options	Preliminary/Concept Assessment Criteria						
	Relevance and Ownership	Alignment	Delivery Partnership	Private Sector Engagement	Gender equity and social inclusion	Australian Linkages	Overall
Improve South Gobi TVET opportunities for local youth and vulnerable peoples	3	2.5	3	3	3	2	16.5
Local extractive sector transparency	3	2.5	2	2.5	3	2.5	15.5
Support for the implementation of local development agreements	2.5	2.5	2	2.5	3	2	14.5
Strengthen sub-national Health Systems to cope with mining-related impacts and expansion	3	2	2.5	2	3	2	14.5
Enterprise Facilitation training and support to increase the success of local entrepreneurs	2	2.5	2.5	2.5	3	2	14.5
Capacity-building of Mongolian women administrators and civil society leaders	2	2	2.5	2	3	3	14.5

⁴¹ 1=Limited Relevance; 2=Relevant; 3=Highly Relevant.

- ***Improve South Gobi TVET opportunities for local youth and vulnerable peoples (see Annex 4 page 112)- Rated as 'High Priority':***⁴² This intervention could complement the intensive and on-going multi-donor investment in improving the national TVET system, by assisting a key local college maximise the benefits to be derived from the significant infrastructure and equipment investments made by local mining companies over the last few years, as well as by the Millennium Challenge Corporation. The proposal is to partner with GIZ to improve staff capacity, equity and participation issues, and public/private consultation mechanisms at the Dalanzadgad TVET College. Particular emphasis would be given to:
 - Improved college management and governance;
 - Improved partnerships with the private sector;
 - Improved staff technical and competency-based training skills, through embedded technical assistance/twinning with Australian TVET colleges;
 - Improved access to formal TVET qualifications for local, but marginalised Mongolian youths (women and men);
 - Institute mechanisms to lower barriers to:
 - participation by women and girls, due to gender stereotyping;
 - participation by people with disabilities, due to a range of accessibility issues;
 - Eliminating all forms of discrimination and sexual harassment in the work and training place.

This investment also complements plans by the GoM, in partnership with the mining companies, to develop a specialised Mining School in Dalanzadgad. Australian support would thus be focused on the companion TVET college, with a view to building the technical skills that will service the broader (not just mining-related) local economy.

- ***Local extractive sector transparency (see Annex 5 page 138) - Rated as 'High Priority':*** There is a need to enhance the Extractive Industry Transparency Initiative of Mongolia (EITIM) and its multi-stakeholders to further their mission for transparency and accountability in the extractive sector, through building EITI at the local level. This would include institutional strengthening of local EITI offices, as well as the development of local EITI products able to connect to ordinary citizens and herders. DFAT could, for instance, provide additional funding to the WB EITI-MDTF in the four South Gobi sums, to enable the effective operation of the local EITI offices and the production of local reports. Besides ensuring the long-term transparency of the local mining sector, the capability of local people will be strengthened through the availability of comprehensive data on mining which (i) is easy to locate and understand, (ii) has local context, and (iii) addresses the information needs of the ordinary public/communities. This investment would therefore add value to any DFAT investment in the seed option 'mining literacy at the national level'.
- ***Support for the implementation of local development agreements (see Annex 3 page 96) - Rated as 'Medium Priority':*** The new Mongolian Minerals Law currently under development contains specific provisions relating to 'local development agreements' (LDAs) between license holders and local government authorities. According to a relatively recent draft of the Law (dated February 2011), agreements will be mandatory for all new projects, and possibly for existing projects as well. Notably, the national Government will not be a party to an LDA, although it reserves the right to submit proposals and comment on drafts. Assistance from the Australia Mongolia Extractives Program could be to both national and, even more so, local governments -

⁴² This seed activity has already progressed to a Long-term Partnership Agreement between DFAT and GIZ and will proceed to implementation from mid-2014.

the linkages between the different levels of government will be critical to the successful implementation of the proposed provisions. The AMEP Facility could provide technical assistance to develop the frameworks necessary for such mandatory community agreements, while a longer term Partnership Agreement could aim to build multi-stakeholder capacity to ensure that the agreements are appropriately implemented and monitored. Moreover, because Rio Tinto is currently advancing a community agreement with local groups in the South Gobi in parallel with the development of the legislation, this region would be a logical target for initial activities.

- ***Strengthen sub-national Health Systems to cope with mining-related impacts and expansion (see Annex 4 page 109) - Rated as 'Medium Priority':*** District health officials observed a number of changes in health issues that have added considerably to hospital workloads, and are directly attributable to the advent of mining, including:
 - a rise in difficult births, that they attribute to women travelling long distances to work over bad roads, and having to stand all day;
 - an increase in STIs, causing ectopic pregnancies; and
 - trauma injuries resulting from mining accidents, and even more so, vehicular accidents on mining roads.

The Central Government has responded to the increasing population in the major mining communities in South Gobi Province by promising new fifty-bed hospitals in both Khanbogd and Tsogtsetsii in 2013. However, officials remained concerned that there will be problems getting enough skilled staff to run these new establishments. They were also concerned that they would be unable to continue the very successful and appreciated ADB-sponsored public health education programs after they ceased in April 2013 - they would not have the time and human resources to do so. Healthy living programs that target young people were considered to be particularly needed, especially for issues such as STIs, drinking, smoking and forming good lifestyle habits. The WHO Mongolia Country Office has designed a program to develop model sub-national health systems based on a whole-of-system approach. The concept recognises that although the GoM is improving the health infrastructure of the country - building hospitals and providing equipment - the necessary supporting systems and staff development activities are not also being provided.

It would be appropriate to pilot this program in South Gobi Province (where the population influx to mining areas has placed the health services under unbearable strain), as well as in disadvantaged areas of the capital city. If DFAT were to partner with the WHO, they might well use the South Gobi as the model provincial location for the program. Such a national-local linkage would also be of benefit to the Ministry of Health in enhancing its local service delivery mechanisms.

An added possibility would be that the ground-breaking Hepatitis C research and prevention pilot study (still in the concept design stage) being proposed by Rio Tinto and International SOS⁴³ could be incorporated into this model, with ISOS collaborating with the WHO.

- ***Enterprise Facilitation training and support to increase the success of local entrepreneurs (see Annex 4 page 114) - Rated as 'Medium Priority':*** In all South Gobi districts visited by the Design Team, stakeholders complained that there was insufficient sustainable support for small business development, apart from those

⁴³ ISOS is the world's leading international healthcare, medical assistance, and security services company.

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businesses supplying the mines. The large mining companies (such as OT and ER) have aided the development of businesses directly related to their own supply chain and procurement needs. However their corporate social responsibility does not extend beyond this scope.

Data collected in the United States since 1995 indicates that only half of new small businesses survive for five years or more, with about one-third still in business after ten years.⁴⁴ Hence in a country with a developed private sector economy and active government, small business survival is a challenge at best, challenges that can only be exacerbated in a nascent economy like Mongolia's. An exceptional effort will therefore be needed to enable budding small entrepreneurs in Mongolia to take advantage of the economic growth opportunities afforded by the presence of large-scale mining. Enterprise Facilitation (EF), the method advocated by the Sirolli Institute (an international not-for-profit organisation with many Australian links), boasts a survival rate for newly-created businesses supported by its EF program consistently above 80% after five years.⁴⁵ In addition, most small businesses employ two or more people, so the employment multiplier effect of successful enterprise facilitation would be an additional economic boost. At the International Mining for Development Conference in Sydney in May 2013, the presentation by Dr Ernesto Sirolli received an overwhelmingly positive response - especially from developing nation delegations - demonstrating that EF is articulating the answer to a deeply-felt need in developing mining economies.

Although in the last few years many stakeholders have attempted to stimulate livelihoods in a number of local areas, the results have been largely disappointing. Both Oyu Tolgoi and Anglo American expressed the desire to see more being done beyond their immediate supply chains. Both have recently partnered with a local NGO (Development Solutions) and the Sirolli Institute to test the feasibility of its innovative approach to EF. However, given that the approach is about local entrepreneurship, and not directly related to mining, neither company feels they can fund future implementation should the approach prove promising. It is therefore proposed that - should the approach pass feasibility testing - it be continued by DFAT, through taking on the partnership with the local NGO and the Sirolli Institute.

An essential part of the EF process is enabling the prospective entrepreneur to test the market, prior to investing in a new or expanded enterprise. This sort of sophisticated business planning process, so lacking from prior efforts in the field, will help to ensure that enterprises have a good chance of success before too much time or money has been expended. This is especially important in South Gobi, where the proximity of China may make competition for certain goods intense. DFAT's involvement could also ensure that factors such as environmental sustainability, gender and minority equity, and other ethical considerations are built into the enterprise support program.

A larger partner, such as Mercy Corps, with whom Development Solutions has worked extensively, might also be brought into the equation if this is thought necessary. Given leadership by a clear donor/government, then supplementary support from the private sector is also possible.

- ***Capacity-building of Mongolian women administrators and civil society leaders (see Annex 4 page 111) - Rated as 'Medium Priority'***: The Head of Secretariat of the National Committee for Gender Equality commented that additional

⁴⁴ US Small Business Office of Advocacy, *Frequently Asked Questions About Small Business*, September 2012, p. 3. Available at www.sba.gov/advocacy

⁴⁵ Sirolli Institute, *Enterprise Facilitation Value Proposition*, 2010, p. 1.

training and support for the provincial Gender Law implementation focal points would go a long way towards accelerating the implementation of the law's provisions, which is currently very slow. She also noted the usefulness of the ten-week course on preventing and responding to violence against women, run by the Flinders University's Gender Consortium, and expressed the hope that this could be repeated. The course, held in mid-2012 under the auspices of DFAT's Australian Leadership Award Fellowship, was attended by eight Mongolian women from both Government and non-Government organisations, who were selected by the NCGE.

Establishing a regular, at least annual, program for the training and capacity building of Mongolian women administrators and civil society leaders, would be greatly appreciated in Mongolia. This would dovetail well with the AMEP if candidates were selected from the mining provinces, and mining-related departments. A range of study tours and short-term training courses could be included, ranging from short-term inputs such as the one praised by the NCGE, to longer-term in-country educational and training programs, depending upon the particular needs expressed by the various Mongolian departments and women's organisations. Enhanced capacity-building measures such as embedding experienced administrators, policy makers and civil society leaders within Mongolian institutions could also help strengthen local capacity. Training needs should be identified in co-operation with the NCGE and the leading Mongolian NGOs working on programs for women and people with disabilities, as they will be best placed to identify areas needing support and reinforcement within Mongolia.

- ***Consideration of SESA outcomes relevant to community benefit (once available)***

3.3 BUDGET AND TIMEFRAME

113. The proposed life-span of the *Australia Mongolia Extractives Program* is purposefully short (up to four (4) calendar years). Over this time, Australia's experience and relationships should open the way to a more programmatic aid delivery mechanism.

114. It is estimated that the *Australia Mongolia Extractives Program* will expend approximately \$3.5m for the *AMEP Facility* (or one-third of new Grant funds) and \$7.0m for the new *Partnership Agreements* (two-thirds of the new Grant funds). These figures exclude funding DFAT will provide to GIZ and the World Bank for existing Long-term Partnerships under AMEP

115. The funding will be managed through two major accounts.

- The *Implementation Service Provider* contract account will cover:
 - The AMEP Facility (including Short-term pilot and preparatory engagements and the On-demand mining sector policy research and assistance);
 - all long-term support staff;
 - Short-term advisers;
 - Equipment;
 - Training & Workshops;
 - Costs for the development of the draft *Partnership Agreements*; and
 - Miscellaneous Costs and Management Fees.
- An DFAT Account (managed through the Post) will cover funds to be used for:
 - The *Partnership Agreements* (based on an approved scope for services and payment);
 - The Independent Advisory Group; and

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- Statutory mid and end term independent reviews.

4 IMPLEMENTATION ARRANGEMENTS

4.1 AMEP GOVERNANCE ARRANGEMENTS

116. Strategic direction, governance and oversight of the *Australia Mongolia Extractives Program* will be the responsibility of DFAT under the direction of a designated DFAT Officer (currently Counsellor (Beijing) but subject to change). DFAT will be supported in this role through a *AMEP Reference Panel* (see Annex 8 for the Terms of Reference). An DFAT appointed *AMEP Reference Panel* will meet every six months to approve Program strategic processes, consider progress, and endorse the *Australia Mongolia Extractives Program* Annual Plan. In addition, the Designated DFAT Officer may call extraordinary meetings as necessary to approve key decisions. The *AMEP Reference Panel* will help the *Australia Mongolia Extractives Program* manage risks through its strategic advice, stakeholder management, inter-agency linkages, leverage and understanding of the political economy. The *AMEP Reference Panel* will be formed in the first month after the *Implementation Service Provider* mobilises. The *AMEP Reference Panel* will:

- Improve DFAT's access to, and interaction with, key Mongolian stakeholders in the mining sector;
- Revise, enhance and approve the selection criteria that will guide the selection of *Partnership Agreements*;
- Rank and endorse 'seed' options for potential *Partnership Agreements* (based on their alignment with selection criteria) to the *Australia Mongolia Extractives Program* for further development;
- Provide written and verbal comment on specific *Partnership Agreements*⁴⁶;
- Revise, enhance and approve the strategic focus and selection processes for the *AMEP Facility* (including both *Short-term pilot and preparatory engagements* and *On demand mining sector policy research and assistance*).
- Provide recommendations and advice on linkages and synergy with other programs of Government, donors, civil society and the private sector;
- Review Program Intervention Assessments, Annual Reports, Annual Plans, and Independent Reviews and provide comment on the success of engagements under the *AMEP Facility* and *Partnership Agreements*⁴⁷;
- Help address risks and constraints confronting activities related to organisational ownership or human resource limitations; and
- Enhance DFAT's understanding of the sector, and thereby improve the strategic targeting and planning for future directions.

117. The *AMEP Reference Panel* will NOT approve the final *Partnership Agreements* or activities under the *AMEP Facility*. The *AMEP Reference Panel* provides advice on the selection criteria, the initial identification of potential *Partnership Agreements*; and provides comments on draft *Partnership Agreements*. Approval to commit DFAT funds for *AMEP Facility* activities or final *Partnership Agreements* sits with the Designated DFAT Officer. The *AMEP Reference Panel* will receive regular updates from the *AMEP Program Coordinator*, as well as copies of all reports.

118. The *AMEP Reference Panel* will be chaired by DFAT's designated Officer, and will include:

⁴⁶ This will generally be done by email. No meeting will be required.

⁴⁷ To maintain privacy, specific Activity and Partnership Agreement reports will only be released to the *AMEP Reference Panel* with the approval of the Chair

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- appropriate representation from the Mongolian Government (e.g. MED, MoM, MRAM and the South Gobi *aimag* Governors' office)
- one member who can effectively reflect the concerns of civil society
- one member who can effectively reflect the interests of the private sector.

119. The *Implementation Service Provider* will provide technical assistance for the Panel, facilitate all meetings and act as the Secretariat. Appointments to the *AMEP Reference Panel* will be approved by DFAT.

4.2 MANAGEMENT AND OPERATIONAL ARRANGEMENTS

120. The Australia Mongolia Extractives Program will be managed by a contracted (local or international) *Implementation Service Provider*. The key services to be rendered by this *Implementation Service Provider* will include:

- Preparation of draft *Partnership Agreements*;
- Management of the *AMEP Facility*, including sub-contracting of approved short-term pilot activities, and on-demand policy advice;
- Provision of significant skills to monitor, evaluate and report on delivery of all activities (of both the *AMEP Facility* and *Partnership Agreements*) through advisory and subcontracted support as outlined in Section 4.4.4;
- Assistance to DFAT in its evaluation and review of the integrated outcomes of the *Australia Mongolia Extractives Program*;
- Support to DFAT in its efforts to improve donor coordination in the Sector;
- Proactive resourcing and management of communication and learning⁴⁸ to keep DFAT and other major stakeholders fully engaged and informed. This will include an information system that tracks the scope, scale and quality of interventions, and that routinely reports a synthesis of management metrics to the *AMEP Reference Panel* and DFAT. This information will help ensure that implementation progress remains on track, within budget, and of agreed quality. It will also be drawn on to support the annual reporting requirements to DFAT and the GoM, as well as to support ad hoc briefings and information requirements;
- Development of a Communications Plan for the AMEP, including:
 - a. the establishment of two websites – one for the Program itself and one for the Mongolian M4D donor coordination group. Services will include the active monitoring of the usage of these sites and the continual and creative upgrading of the service to improve user benefit
 - b. mechanisms to pro-actively and sensitively address concerns or complaints that may arise; and
- Standard administration, financial and logistical services.

121. The *ISP* will appoint a full-time *AMEP Program Coordinator* to lead its *Implementation Team*. The *AMEP Program Coordinator* will be the prime point of contact with DFAT on all outcome and technical performance discussions. The *AMEP Program Coordinator* is a key role and must possess internationally relevant skills, associated with a strong grounding in Mongolian mining sector development. (see Annex 8 for the Position Description). On a management level the *AMEP Program Coordinator* will lead the *Australia Mongolia Extractives Program*. He/she will manage key Program relationships, and communicate the Program's intentions and results with DFAT, the *AMEP Reference Panel* and Mongolian stakeholders. The *AMEP Program*

⁴⁸ Depending on skills availability, this could be a single position that shares both M&E and communications roles. In which case, this person would need information technology skills sufficient to cater for M&E, information management and communication for the AMEP, including web site establishment and maintenance.

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Coordinator will also directly support DFAT's donor coordination efforts in the mining sector. On a technical level, the *AMEP Program Coordinator* will take primary responsibility for the design, oversight and performance assessment of both *Partnership Agreements* and the *AMEP Facility*.

122. As the *AMEP Program Coordinator* will engage closely with local Mongolian Government agencies and stakeholders, strong country experience and language skills will be highly desirable. The *AMEP Program Coordinator* will be complemented through the support and advice of a highly skilled international short-term *AMEP Program Adviser* engaged on an intermittent basis. The *Implementation Service Provider's* capacity to field an appropriate *AMEP Program Coordinator* and *AMEP Program Adviser* will be central to the *ISP* selection process.

123. The *AMEP Program Adviser* (see Annex 8 for the Position Description) will:

- Provide the design skills needed to meet DFAT requirements for the design of each *Partnership Agreement*;
- Support the *AMEP Program Coordinator* in the effective management of the *Australia Mongolia Extractives Program*; and
- Facilitate inputs of the *Independent Advisory Group* (see below).

124. The *AMEP Program Adviser* will be full-time for the first 12 months, and then part-time. The fulltime period coincides with the scoping activities leading to the development of final *Partnership Agreements*. This will:

- Add significant capacity at start-up to complement and support the *AMEP Program Coordinator* to build and leverage relationships with key stakeholders;
- Ensure the Program has sufficient quality design skills during the development of long-term *Partnership Agreements*;
- Strengthen the initial management of the *AMEP Facility* by focusing on the *implementation* of recommendations (rather than being limited to reporting of analysis/recommendations), thereby working with clients to turn recommendations into action;
- Significantly improve the quality of outputs, and maximise the effectiveness of the program.

125. DFAT will also mobilise a three person *Independent Advisory Group* (incorporating a mix of skills) (see Annex 8 for the Terms of Reference). The *Independent Advisory Group* will advise DFAT, the *AMEP Reference Panel*, and the *ISP Implementation Team* on AMEP issues and concerns, from both a Global and an Australian perspective. The *Independent Advisory Group* will specifically:

- Independently review the success of engagements under the *AMEP Facility* and *Partnership Agreements*;
- Independently review *Australia Mongolia Extractives Program* outcomes;
- Advise the *Implementation Service Provider* on the design of the *Australia Mongolia Extractives Program* interventions;
- Advise DFAT and the *AMEP Reference Panel* on program performance, and particularly advise if *Partnership Agreements* and the *AMEP Facility* activities are strategically relevant; that activities are not dissipated; and that the management of the program maintains a results-based focus;
- Assist the *Implementation Service Provider* to report to DFAT and the Government of Mongolia on the achievements made, as well as possible improvements;
- Recommend links with Australian agencies that can build the bilateral profile of engagements;

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- Improve the communication and integration of *Australia Mongolia Extractives Program* outcomes and lessons within DFAT;
- Advise on potential challenges around partnering with the private sector (especially to avoid subsidising or substituting private sector responsibilities; and
- Recommend links with other DFAT and donor initiatives.

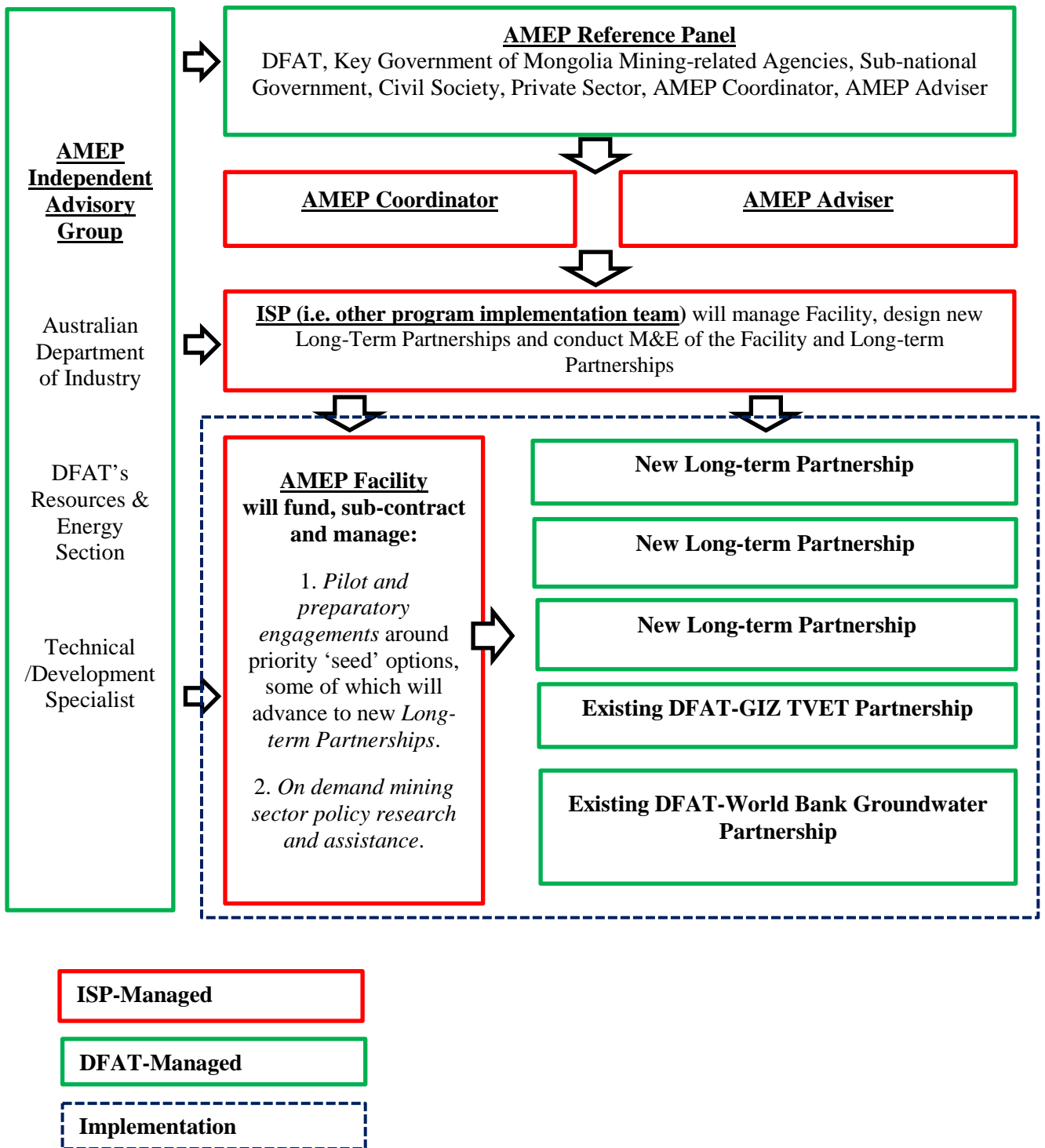
126. The *Independent Advisory Group* will visit regularly at start up (at six and twelve months), and then annually after the mid-term review. DFAT will also use the *Independent Advisory Group* to undertake statutory mid and end-term independent reviews as part of its quality assurance mechanisms. The *Independent Advisory Group* will be comprised of:

- one member from DFAT's Resources and Energy Section;
- one representative from the Australian *Department of Industry*; and
- one technical specialist with mining as well as international development skills and experience.

127. As mentioned the *AMEP Program Adviser* will facilitate inputs of the *Independent Advisory Group* and join their missions. However, IAG Members will be identified and contracted or engaged directly by DFAT

128. The proposed governance and management structures and relationships are shown in Figure 3. Terms of Reference for the *AMEP Reference Panel* and the *Independent Advisory Group* can be seen in Annex 8).

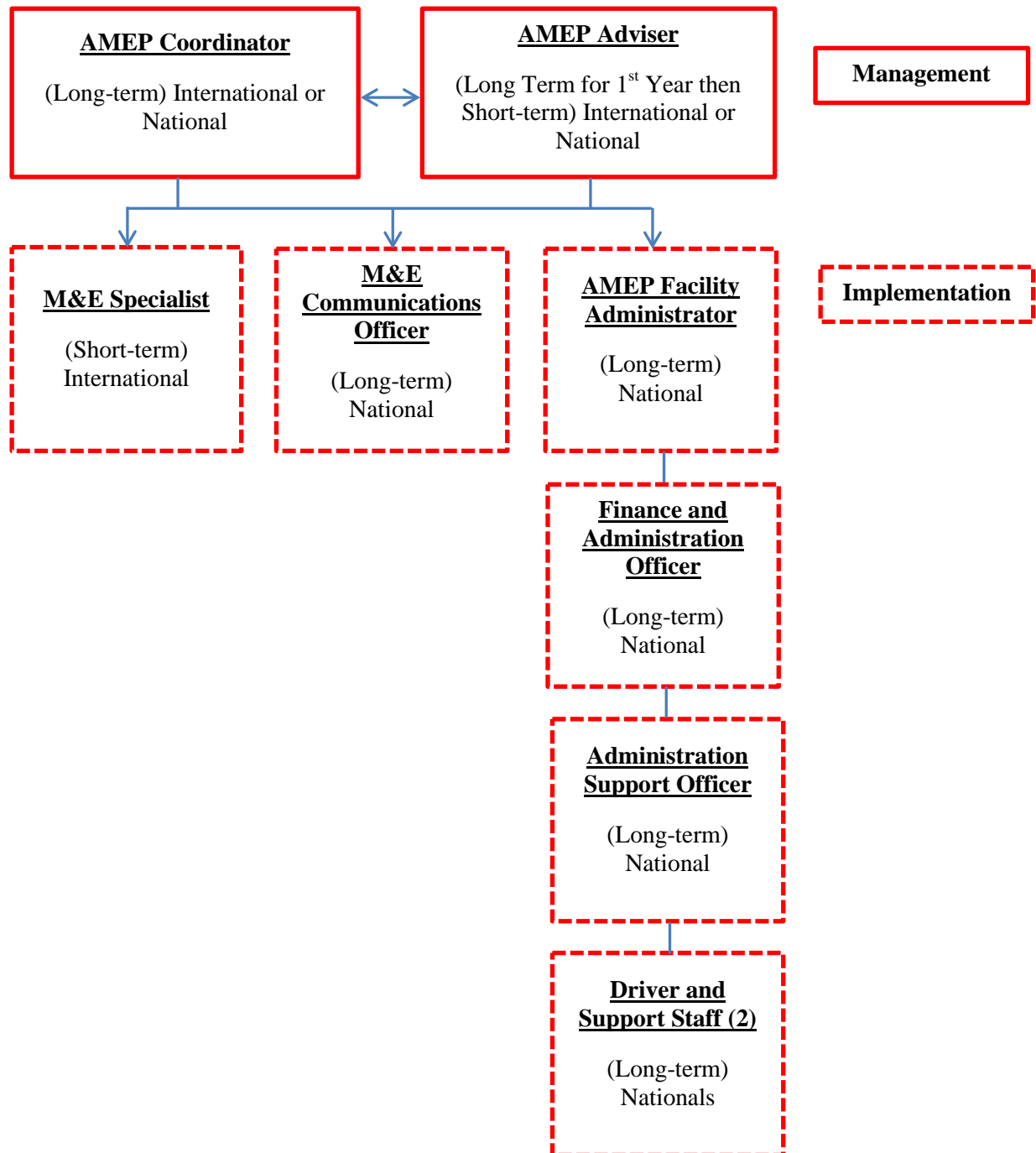
Figure 3: Australia Mongolia Extractives Program Governance and Management arrangements



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The proposed *Implementation Service Provider* Team is reflected in Figure 4. Position Descriptions of key Team members can be seen in Annex 8.

Figure 4: Proposed structure and specialist support to the AMEP Program



4.3 PROCUREMENT AND IMPLEMENTATION PLAN

129. While the *Australia Mongolia Extractives Program* was approved in late 2013, it will not be fully operational until mid-2014, primarily due to the timeline needed to tender for the *Implementation Service Provider* responsibilities.
130. In the remaining months of 2013 and early 2014, DFAT may wish to directly progress some of the more advanced ‘seed’ options, using its current resources at Post. In which case, approval would occur through DFAT’s standard quality processes, based on the size and scope of the partnership proposed. In particular, the proposed TVET engagement with GIZ in the South Gobi is well advanced, and broadly supported. Design of this activity can be finalised quite quickly, and pending funding approval, the signing of the first *Partnership Agreement* between DFAT and GIZ can then proceed. There is potential for this to occur before the end of 2013 and thereby become the first of the *Partnership Agreements* under Outcome 2.
131. The up to four (4) year *Australia Mongolia Extractives Program* is purposefully short, and while it is expected that significant outcomes will be achieved in this time, it is also fully appreciated that the engagement is foundational to a more strategic, longer term, and possibly programmatic approach to assisting Mongolia manage its resource driven development. As such, DFAT will make a decision based on the mid-term review of the *Australia Mongolia Extractives Program* regarding the intent and scope of further engagement. DFAT, with consultation from the *AMEP Reference Panel*, may then ask the *Implementation Service Provider* to contract preliminary design studies in target areas, using *AMEP Facility* funds. Subsequently, and twelve months prior to the end of the *Australia Mongolia Extractives Program*, DFAT will contract an independent design team to undertake the Concept and Design of any follow-on engagement.

4.4 MONITORING & EVALUATION PLAN

4.4.1 CONCEPTUAL FRAMEWORK FOR THE M&E OF AMEP

132. All development programs should implicitly align with a ‘theory’ as to how the social changes being targeted might occur—a ‘theory of change’⁴⁹. To bring about social change, human actors interact through time within a specific social system⁵⁰. The role of a design document is to describe a ‘theory’—a specific temporal sequence of relationships (‘actors’) and issues (‘factors’) - that will bring about the desired changes. The role of M&E is to test the ‘theory’—to judge the extent and merit of the changes fostered by the program⁵¹. These judgements are required to satisfy demands for accountability (‘to prove’) and learning (‘to improve’); and hence ultimately reflect the merit of the original goal.
133. A simple way to elucidate a program’s logic is to define the chain of actors through whom the desired changes are expected to come about.

⁴⁹ Davies, R. (2002). *Improved representations of change processes: improved theories of change*. Biennial Conference of the European Evaluation Society, Seville.

⁵⁰ Rogers, E. (1962). *Diffusion of Innovations*. New York, The Free Press.

⁵¹ Cole, G.E. (1999) Advancing the development and application of theory-based evaluation in the practice of public health, *American Journal of Evaluation*, September 1999, vol. 20, no.3, p 453 – 470.

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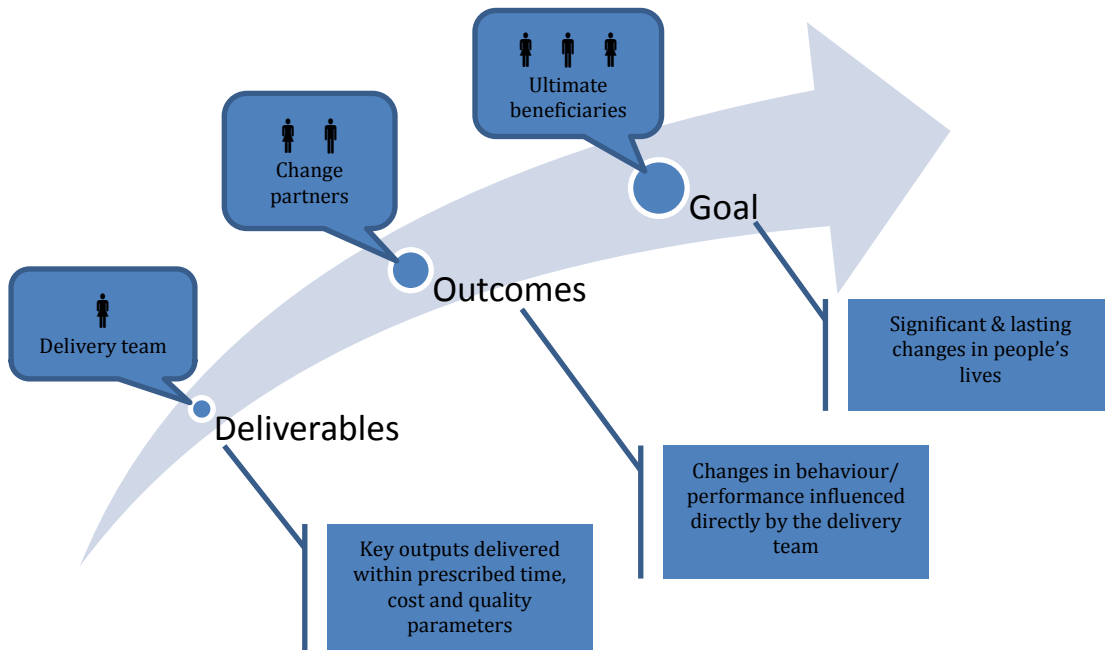


Figure 5: Classes of human actor that underpin a 'theory of change'

134. The following diagram depicts how this conceptual model is applied to the *Australia Mongolia Extractives Program*.

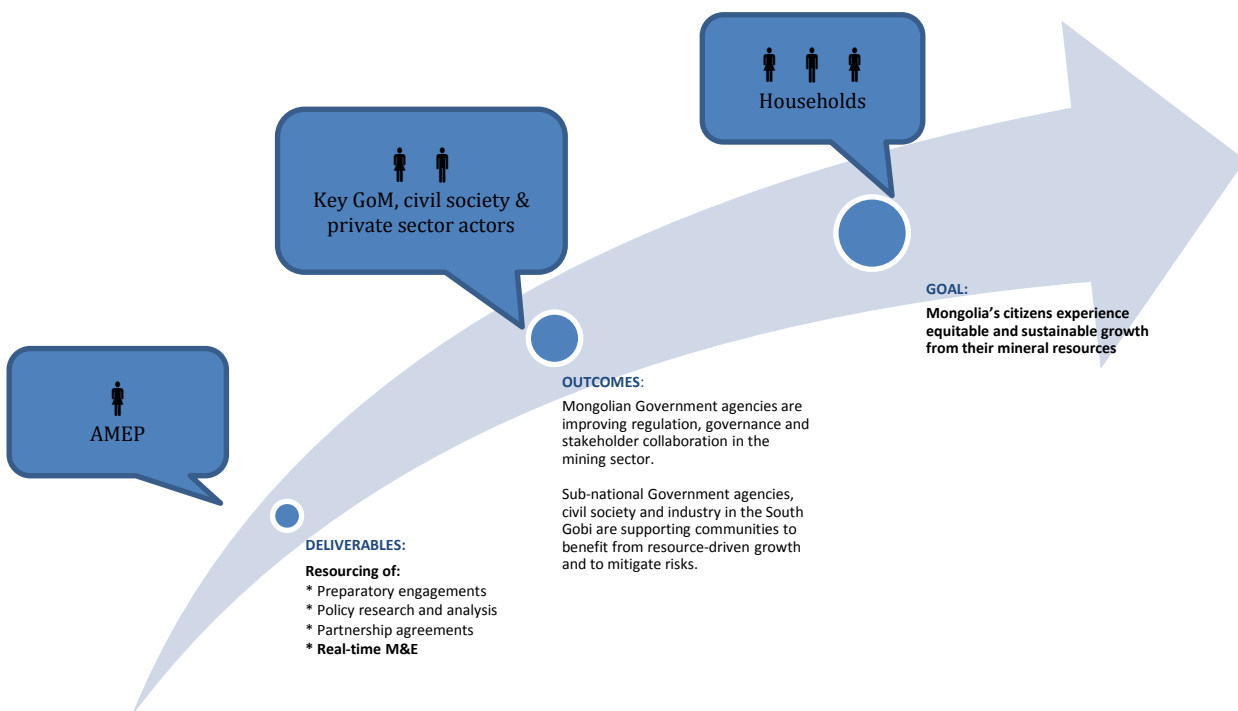


Figure 6: Overview of the Australia Mongolia Extractives Program theory of change

135. Performance assessment arrangements for development initiatives must strike a meaningful balance at every stage of the change process between:

- rigorous and comprehensive measurements at each stage of the change process; and
- efficient measurements of only the key and substantive elements of the change process.

136. The sort of data and information captured, needs to be guided by the requirements of learning, program improvement and accountability.
137. The M&E arrangements for the *Australia Mongolia Extractives Program* will adopt a pragmatic ‘mixed methods approach’ to accommodate both its complex and dynamic development context, and the emergent nature of the design.

4.4.2 GOAL-LEVEL PERFORMANCE MEASUREMENT

138. The ultimate beneficiaries of the significant and lasting changes (‘impact’) that are expected beyond the life of the *Australia Mongolia Extractives Program* are, as defined in the goal, the people of Mongolia (women, men, girls and boys, including vulnerable people and those with disabilities).
139. Impact assessment will therefore focus on changes in household wellbeing, as attested to by the economic and social statistics of national government agencies and development partners (i.e. a synthesis of secondary data⁵²); and in the primary data compiled through a series of household case studies in target localities where the *Australia Mongolia Extractives Program* has supported interventions. As much as possible, the primary and secondary data will differentiate the impacts on women and men, the disabled, and marginalised/vulnerable peoples. For efficiency and capacity reasons, a contracted researcher/institution will facilitate both the assimilation of secondary national data, and the implementation of the longitudinal case studies.
140. The long causal linkages between AMEP interventions and any improvements in the metrics of national household wellbeing, mean that it is very unlikely that any changes can be definitively attributed to DFAT’s investment. Nevertheless, any changes that are detected during the life of the *Australia Mongolia Extractives Program* will provide a useful backdrop against which to assess its relevance more broadly. They may not only impact on learning, but require the adaptation of approaches. National household statistics will also provide a useful context to interpret the more specific local changes identified through the household case studies in the target localities. Overall then, these methods will be used as much for understanding the context, as for determining the *Australia Mongolia Extractives Program’s* progress and performance.

4.4.3 OUTCOME-LEVEL PERFORMANCE MEASUREMENT

141. Because the *Australia Mongolia Extractives Program’s* engagements are emergent and responsive, any assessment of its outcomes will be challenging. Neither the actors nor the interventions can be identified at the outset, which means that the *Australia Mongolia Extractives Program* must invest disproportionate resources in both routinely verifying changes in the context, and progressively exploring opportunities as they emerge at both the national and local levels.

142. Assessment of Outcome 1 will require the Australia Mongolia Extractives Program to:

- Routinely document interventions and engagements with national GoM actors;
- Gauge the extent of the influence exerted, particularly as evidenced by policy or process changes that manifest as the result of these engagements.

The principal source of evidence will be participant observations. Secondary sources will include: media reports, GoM publications/announcements, and commentary by private sector and civil society actors. The various sources of evidence will be compiled in a

⁵² During the inception phase, a comprehensive analysis of available secondary sources of household data will be compiled as a baseline. These sources will again be synthesised at end line.

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‘Progress Journal’⁵³ by *Implementation Team* staff. The evidence base as outlined in this Journal will accrue as a key resource for consideration by the *AMEP Reference Panel* when reviewing *Australia Mongolia Extractives Program* achievements and determining its direction. In addition, independent reviews will be conducted at mid-term and at completion. These will meaningfully explore the relevance, effectiveness and sustainability of any reported changes in mining-related policies and processes by the GoM, as they relate to the *Australia Mongolia Extractives Program* goal.

143. Assessment of Outcome 2 will require the local implementing partners at the sub-national level (private sector, institutional and civil society) to comply with a reporting protocol. This will enable both accountability for *Australia Mongolia Extractives Program* resources, and assimilation of its overall progress and achievements. The reporting protocol—the **AMEP Intervention Assessment (AIA)**—will involve all *Australia Mongolia Extractives Program* partners (i.e. it is a census of interventions) to report information both pre- and post-intervention. Regular synthesis of this information will enable the *AMEP Reference Panel* to engage in informed debate about the performance and direction of the *Australia Mongolia Extractives Program* in relation to its goal. The diversity of actors and engagements risks fragmentation and means that the AIA will be both challenging to administer, and challenging to interpret. It will nonetheless be necessary if sufficient intelligence regarding the portfolio of interventions is to amass. In practice, the AIA will entail a clear articulation at the outset of the ‘theory of change’ of each partner’s engagement, as well as an accounting for key results on completion. The precise method and instrument will be refined and piloted at inception, but will broadly seek answers to the following questions:

- Who is the target beneficiary group (including demographic and geographic dimensions)? How many people will directly benefit?
- What specific problem does/did this target group face?
- What intervention(s) was employed to tackle this problem, and why was it selected?
- Why was the partner entity well-placed to intervene?
- What factors indicate that the interventions are generating sustainable changes?
- What changes are evident in behaviour and/or uptake of innovations among beneficiaries?
- What factors may/have eroded the influence of the intervention among beneficiaries?
- What resources have been committed and/or expended?

144. The assimilation of this intervention-level performance data will be the responsibility of the *M&E Specialist*. The salient findings will be presented to the *AMEP Reference Panel* on a routine basis to support oversight and refinement of the *Australia Mongolia Extractives Program* portfolio. Arguably, the debate and evolution of thinking that this process will support will be key to ensuring that the sub-national component is relevant, and achieving meaningful results for people in mining-affected areas.

145. In addition to the AIA, the independent midterm and completion reviews will explore the perspectives of key stakeholders in relation to the value of *Australia Mongolia Extractives Program* interventions in contributing to the goal.

⁵³ The Progress Journal will comprise a database designed to chronicle a diversity of engagements with GoM actors, along with any evidence of influence (e.g. comments/quotations, observations, media commentary or government publications) arising from these engagements.

4.4.4 M&E RESOURCES

146. The implementation of this M&E plan will require the investment of resources in the order of 5% of the Australia Mongolia Extractives Program budget. The key inputs will include:

- A part-time *M&E specialist* to oversee the development and refinement of the M&E plan (including the implementation of the AIA), and to provide guidance on the quality and methodological integrity of sub-contracted M&E inputs;
- A full-time locally engaged *M&E and Communications Officer* (whose role includes communication responsibilities) to undertake the day to day implementation of the AIA;
- A sub-contracted social research group to implement and document annual household case studies in target areas; and to synthesise secondary data from national and donor sources at baseline and end line;
- An MIS sub-contract to develop and support a bespoke management information system (MIS) that can assimilate monthly management metrics (including grant disbursement data); aggregate partner organisation progress reports for the AIA (Outcome 2); and compile and present the ‘progress journal’ data (Outcome 1); and
- Independent evaluators⁵⁴ to conduct a mid-term review and independent completion review.

⁵⁴ Up to four specialists are likely to be required: an evaluation specialist to lead the review team and ensure methodological integrity; along with the three members of the *Independent Advisory Group*.

4.5 SUSTAINABILITY

147. The sustainability of Extractives investments is a new area not only for DFAT engagement, but for the engagements of governments and donors more generally. This lack of experience presents a major challenge when formulating M4D Strategy.

148. Table 7 considers the sustainability of Extractives investments from the six perspectives shown in Figure 7, then links each of these issues to the ways it will be addressed by the *Australia Mongolia Extractives Program*. However, the achievement of sustainability is a dynamic and evolutionary process, and it is inevitable that other risks and challenges to sustainability will arise.

Figure 7: Perspectives of Extractives sustainability



Table 7: Australia Mongolia Extractives Program mechanisms to address the different dimensions of sustainability

Sustainability Dimension	Key basis for sustainability	How the <i>Australia Mongolia Extractives Program</i> will address this
Policy	<ul style="list-style-type: none"> Mongolia’s mining policy architecture is both comprehensive and responsive to its society, development aspirations, and its sovereign rights. 	<ul style="list-style-type: none"> The <i>Australia Mongolia Extractives Program</i> supports policy studies and advice that prioritises best practice as outlined in DFAT’s draft Mining Strategy and emerging Extractives priorities. The <i>Australia Mongolia Extractives Program</i> will transparently report all policy implications.
Technical	<ul style="list-style-type: none"> Mongolia’s mining operations are compliant with lease conditions and workplace health and safety requirements. 	<ul style="list-style-type: none"> The <i>Australia Mongolia Extractives Program</i> aims to strengthen Government inspection and oversight based on international best-practice.

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Sustainability Dimension	Key basis for sustainability	How the <i>Australia Mongolia Extractives Program</i> will address this
Economic	<ul style="list-style-type: none"> Resource revenues are effectively used for fiscal stability, intergenerational equity, and development. 	<ul style="list-style-type: none"> The <i>Australia Mongolia Extractives Program</i> will support target administrations at the national and local level to improve resource revenue manage. The <i>Australia Mongolia Extractives Program</i> will support mining literacy amongst stakeholders. The <i>Australia Mongolia Extractives Program</i> will increase the economic multiplier effect of mining growth by enhancing the success of local entrepreneurs.
Institutional	<ul style="list-style-type: none"> Efficient and effective institutions manage the country’s mining responsibilities. (i.e. with the necessary systems, processes and skills). There are sufficient funds and resources allocated for the Government to fulfil its mandated services. 	<ul style="list-style-type: none"> Institutional strengthening within key mining agencies will focus on their transformation into institutions providing world class oversight and regulation. Government staff will be enabled to capably take on the full on-going management of AMEP.
Skills	<ul style="list-style-type: none"> There are sufficient skills within Government, the Private Sector and Communities to effectively deliver AMEP needs. 	<p>AMEP activities will:</p> <ul style="list-style-type: none"> Provide training; Creatively engage with the private sector and communities; Build the skills of communities in mining literacy and entrepreneurial activity.
Environmental	<ul style="list-style-type: none"> Is the AMEP engagement designed to meet the “no regrets” strategy of climate change policy?⁵⁵ Can the necessary resources be supplied in an environmentally sustainable manner? 	<ul style="list-style-type: none"> AMEP activities take into account the demands of a disaster-prone environment. Climate Change safeguards are in place.
Social	<ul style="list-style-type: none"> Are the necessary mechanisms in place to help communities capture the maximum benefits from mining, while at the same time safeguarding communities from any negative social impacts? 	<ul style="list-style-type: none"> AMEP activities require maximum community engagement in planning and implementation.

149. It remains clear that some of the critical areas of sustainability are impacted by circumstances outside the *Australia Mongolia Extractives Program’s* control. For instance, the intersection of political aspirations for growth, community desire for caution, and the establishment of a stable investment environment can only be balanced through accommodation within the political economy.

⁵⁵ Given uncertainty regarding climate change impacts, there is general agreement that mitigation measures should be considered that result in “no long term regrets”. In other words, if the impact of no action is predicted to result in irreversible degradation then there is strong incentive to apply mitigating action.

4.6 INCLUSIVENESS

4.6.1 SOCIAL, GENDER AND DISABILITY CONCERNS

150. Annex 4 outlines the approach to social and gender issues that will be used within the *Australia Mongolia Extractives Program*. Mining has exaggerated the differences in the wealth, social standing and entitlements of women and men. As noted, mining's demand for male workers can lead to split families and income wastage, as well as to unhealthy and anti-social lifestyles. Women are disadvantaged through less opportunity and less power, and generally suffer from much greater impacts. Removing barriers to women's participation in the sector, and supporting an equitable distribution of the benefits from mining, is critical to addressing such disparities. All program Activities will:

- be designed based on explicit gender and social analysis;
- will address gender gaps through explicit and budgeted gender equality components;
- will have gender in their M&E frameworks; and
- will be implemented by/with partner organisations with staff who are trained on how to mainstream gender issues.

This intent is in line with DFAT thematic strategy: *Promoting Opportunities for All: Gender Equality and Women's Empowerment, 2011* and is particularly important for activities under Outcome 2, especially TVET, Enterprise Facilitation, Health and Gender.

151. Mining can also both directly and indirectly affect children by placing them in vulnerable situations. Analysis already identifies a worrying increase in 'child-headed' households, where the parents are overcommitted to work obligations at the mines. All *Australia Mongolia Extractives Program* activities will promote child-centred development, and mitigate activities that are potentially harmful to children, taking an explicitly gendered focus, as the differential effects on boys and girls are as yet unknown. The suggested TVET, Enterprise Facilitation and Health options should help increase the opportunities for mothers to work near home, and reduce the incidence of de facto child-headed households.

152. Finally, people with disabilities all but inevitably find it difficult to engage with the opportunities that change brings, unless pro-active measures are taken to ensure that their specific needs are addressed. All Mongolia Mining projects will ensure that adequate steps are budgeted and taken by staff and implementing partners to enable people with disability to participate fully. The TVET and Gender options in particular, focus on inclusive approaches to people with disabilities.

4.7 ENVIRONMENT

153. Annex 6 details the approach to be taken to Environmental issues related to the *Australia Mongolia Extractives Program*. Environmental issues will be addressed in three ways:

- The *AMEP Facility* has scope to support specific outcomes of the joint donor *Strategic and Social Environmental Assessment (SESA)* of Mining being undertaken by the World Bank and the Mongolian government. The SESA will be responsive to the special conditions that are shaping mining reform. Yet it also needs to be a vehicle for concrete actions that promote the environmental and social sustainability of the mining sector. Given the cross-cutting nature of the environmental and social challenges at stake, SESA calls for the engagement and collaboration of several central government institutions, as well as those at *aimag* and *sum* levels. It is also an opportunity for promoting donor

coordination to facilitate support to the Mongolian government for the implementation, monitoring and evaluation of the SESA recommendations by the end of 2014.

- As already mentioned, DFAT already funds the World Bank to undertake the *Ground Water Project* in the south Gobi⁵⁶. Scope exists for Australia to expand similar support given its experience in arid areas with dust control and water use efficiency.
- Lastly, all activities to be conducted under the *Australia Mongolia Extractives Program* will be screened for environmental compliance. The first step is to answer a set of environmental screening questions (see Annex 6). At this point in time, there is not enough information to screen specific engagements. However, many of the currently proposed ‘seed’ options will have limited impacts, and all that is required is for the activity manager to complete a “risk and value assessment” and ensure on-going monitoring.

4.8 RISK ASSESSMENT AND MANAGEMENT

154. The risk matrix and management plan is shown in Annex 9. This highlights only the salient risks that are associated with each level in the causal hierarchy. In the risk register proposed ‘treatments’ are outlined only for risks for which the current controls are likely to be inadequate. Self-evidently, the risk analysis can only be as focussed as the design. A consequence of the fluid and emergent outcomes is that the risks themselves will be emergent and fluid. This situation once again highlights the critical importance of engaging appropriately informed and influential members of the *AMEP Reference Panel*. The *Implementation Service Provider* will meet with DFAT to discuss and update the Risk Matrix and consider appropriate mitigation strategies every four months during the first year of operation. After this the Risk Matrix must be updated annually.

⁵⁶ <http://www.dfat.gov.au/countries/eastasia/mongolia/Pages/economic-development-init-1.aspx>

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Annex 1. WORK UNDERTAKEN BY DFAT

1. ***Strengthening Groundwater Management in Southern Mongolia:*** DFAT has committed \$5 million over four years from 2012 for Part 3 of the World Bank's Mining Infrastructure Investment Support Project (MINIS): 'Strengthening Groundwater Management in Southern Mongolia'. The activity will improve the capacity of local authorities to manage finite groundwater in Mongolia's main mining area. This activity is an existing component of the *Australia Mongolia Extractives Program*. The project's planned budget includes an additional \$2.4 million for 2015-16 to be considered pending a mid-term progress review due in 2014.
2. ***International Mining for Development Centre:*** The IM4DC has included Mongolia as a priority country in line with DFAT advice, and commenced a program of short course support in the OHS area in partnership with BGR. In addition, the centre has included Mongolian participants in its open course program in Australia. In the next two years the centre will support approximately 20 places for Mongolian participants in its Flagship short courses in Australia; it will further develop and enhance its in-country courses in conjunction with initiatives under the broader program; it will also actively develop linkages with academic institutions in Mongolia including NUM and MUST. In addition the IM4DC will provide support on as-needed basis (within budget constraints) as in the case of the programming and support for a June 2013 Study Tour to Australia focussed on water management and the Kalgoorlie pipeline scheme.
3. ***Mongolia Australian Scholarships Program:*** DFAT supports ongoing human resource development in the mining sector through the Mongolia Australian Scholarships Program. Applicants from the newly-created Ministry of Mining, along with its associated agencies and private sector mining companies, are eligible for masters-level scholarships.
4. ***Australian Volunteers for International Development.*** Under this ongoing, global program, skilled Australian volunteers help to build capacity within local host organisations including NGOs, universities and government agencies for assignments varying from 6 to 18 months. In 2012-13, over 60 Australian Volunteers for International Development will either begin, complete or continue assignments in Mongolia. Many work in areas related directly or indirectly to mining issues.
5. ***Australian Development Research Awards Scheme (ADRAS):*** DFAT supports the University of Queensland and other Australian and Mongolia partners for a research project from May 2013 to Jun 2015 entitled 'A gender-sensitive approach to Mongolia's mineral development: applying socio-ecological metrics to evaluate and track livelihood transitions in a nomadic society.' The research will examine both the social and ecological impacts of mining from a gendered perspective to understand how mining affects both herder livelihoods and their dependent natural resources. This project will use a gender based multidisciplinary approach to establish the changing roles of herder households to recommend safeguards for their empowerment.
6. ***Government Partnerships for Development:*** Through an annual competitive funding process to eligible Australian public sector organisations, DFAT is supporting current projects in Mongolia including: "Pro-Poor Sustainable Economic Development: Capacity Building for Mongolian National and Local Government Officials" (Sydney University) and "Enhanced Sustainable Economic Growth in Mongolia by Improving Transparency and Accountability in its Public Sector" (Curtin University). The Sydney University activity objective is to enhance sustainable economic growth in Mongolia by improving transparency and accountability in the country's public sectors, especially those operating in the extractive, mining services and agricultural sectors of the economy. The Curtin

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University project aims to build the capacity of national and local government officials in in planning and developing policies for inclusive and sustainable economic development in Mongolia.

7. **UNDP study on cost benefit analysis of mining:** Australia provided UNDP Mongolia with US\$380,000 used from 2011 to 2012 to develop a methodology for cost benefit analysis of mining with the aim of: (1) informing policy makers and civil society about the welfare issues and true economic costs of degrading ecosystem services from mining development in Mongolia; and (2) to demonstrate the value of maintaining ecosystem services and considering them in mining development.
8. **Specific World Bank short term activities:** In response to a request from then Mongolian Minister for Mineral Resources and Energy, Mr D Zorigt, Australia provided \$250,000 in 2009-2010 to improve the legal and environment framework of Mongolia's mining and mineral sectors. DFAT funding through the World Bank facilitated a Mongolian delegation's visit to Australia in late 2010 for discussions on mineral policy and law with Australian officials, as well as the engagement of an experienced mining lawyer/legal advisor to provide ongoing support to the working group to review and amend the Minerals Law 2006.
9. Also in 2010-11, Australia provided \$125,000 through the World Bank for technical assistance for the development of frameworks and actions to mitigate negative social impacts in mining areas. This activity included support for: the Responsible Mining Initiative (RMI); development of regulations and institutional arrangements to compensate herders and displaced peoples; and dispute resolution mechanisms and engagement with local communities affected by mining.
10. **Independent Think Tank:** In 2008-09, Australia contributed \$500,000 being used to 2013 through the World Bank to establish and build the capacity of the Economic Research Institute at the National University of Mongolia, which includes a major focus on mining-related economic analysis.
11. **Building Capacity for Strengthened Transparency and Accountability for Minerals and Oil in Mongolia.** DFAT is providing Revenue Watch Institute \$110,000 in 2013 to undertake a study tour, induction and workshop for MPs, to train parliamentary researchers and civil society actors from Mongolia including sub-national/South Gobi to build their capacity on mining resource wealth management including legislative aspects and to explore possibilities for sub-national work.

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Annex 2. DONORS AND AGENCIES CURRENTLY ENGAGED

Initiative Name	Funding agency development partners	Implementation & other development partners	Funding (millions)	Start	End	Contact	Relevance
HIV/AIDS Prevention in ADB Infrastructure Projects and the Mining Sector	ADB	The Deputy Prime Minister's Office of Mongolia	USD 1.2	2009	2012	Claude Bodart (cbodart@adb.org)	Direct
Strengthening and Use of Country Safeguard Systems - Subproject Proposal - Mongolia: Improving Legal and Regulatory Framework for Environmental Impact Assessment in Mongolia	ADB	Ministry of Environment and Green Development	USD 0.25	2011	2013	Laurence Pochard (lpochard@adb.org)	Direct
International Mining for Development Centre	DFAT	University of Queensland, University of Western Australia, Mongolian University of Science and Technology, General Agency for Specialised Inspections (GASI)	Not available	2011	2015	Robin Evans Deputy Director - Education and Australian Capability International Mining for Development Centre, University of Queensland, Australia T: +61 7 3346 4009 robin.evans@im4dc.uq.edu.au	Direct
Building Capacity for Strengthened Transparency and Accountability with Regards to Minerals and Oil in Mongolia	DFAT, other donors TBC	Revenue Watch Institute	Up to US\$0.24	2013	2013	Ms. Femke Brouwer Parliamentary Capacity Development Officer London Tel +44 (0)20 7332 2416 fbrouwer@revenuewatch.org	Direct
Dissemination of Leading Practice Sustainable Development in Mining Handbooks	DFAT	Australian Government Department of Resources, Australian Trade Commission	A\$0.017	2011	2013	Ms. B. Munkhjargal Senior Program Manager DFAT, Ulaanbaatar Munkhjargal.Birvaa@DFAT.gov.au +976-7013 9002	Direct

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Initiative Name	Funding agency development partners	Implementation & other development partners	Funding (millions)	Start	End	Contact	Relevance
Development of Frameworks for the Mitigation of Social Impacts in Mining Impacted Areas in Mongolia	DFAT	World Bank, Responsible Mining Initiative	A\$0.125	2011	2013	Ms. B. Munkhjargal Senior Program Manager DFAT, Ulaanbaatar Munkhjargal.Birvaa@DFAT.gov.au +976-7013 9002	Direct
BGR/MRAM module in IMRI programme (see GIZ)	BGR	Mineral Resources Authority of Mongolia (MRAM)	0.25 Euro	2012	2013		Direct
Support for Mining Sector Institutions on Mineral Resource Economics	BGR	Mineral Resources Authority of Mongolia (MRAM)	1.6 Euro	2013	2015		Direct
Integrated Mineral Resources Initiative (IMRI)	GIZ	MED, Ministry of Mining, Corporate Governance Development Center, Financial Regulatory Committee, Mongolian Youth Development Service Center, Mining industry, Development Bank of Mongolia, School of Economic Studies, National University of Mongolia, Small and medium enterprises	EUR 5	2011	2014 will be extended	Dr. Stefan Hanselmann Director Integrated Mineral Resource Initiative Chingeltei District, United Nations Street Ulaanbaatar, Mongolia T: +976 7011 7704 E: stefan.hanselmann@giz.de I: www.giz.de / www.imri-mn.com	Direct
EBRD/EITIM Post Validation Implementation Support	EBRD	Extractive Industries Transparency Initiative Mongolia	EUR 0.5	2011	projected 2014	Paul Moffatt, moffattp@ebrd.com	Direct
Establishment of a regulatory framework for Uranium Mines and milling operations in Mongolia	European Union		US\$1.3 (EUR 1)	2013	2015		Direct

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Initiative Name	Funding agency development partners	Implementation & other development partners	Funding (millions)	Start	End	Contact	Relevance
Environmental Protection in Mining	BGR	General Agency for Specialised Inspection (GASI)	3 Mio. Euro (all 3 phases)	2005	2014	Dr. Thekla Abel Environmental protection in mining project c/o General Agency for Specialised Inspection Builder's square 13, Room 429 Ulaanbaatar - 211 2338, Mongolia Tel/Fax: +976-11-331197 Mobile: +976-99953973 Email: thekla.abel@bgr.de thekla.abel@gmx.de	Direct
Water, Mining, & Communities South Gobi Industry Roundtable	IFC	Mining Companies Operating in the South Gobi (FDI, domestic, private, publicly held, SOE), World Bank, CIDA		2013	2014	Veronica Nyhan Jones: VNyhanjones@ifc.org Rebecca Darling: rdarling@ifc.org	Direct
Water, Mining in South Gobi-Social & Technical Training	IFC/CIDA	Private Sector	USD 0.20	2012	2013	Rebecca Darling, IFC HDQ in Washington, D.C. Telephone 202-458-9396	Direct
Extractive Industries Fiscal Regime project funded by the Topical Trust Fund on Managing Natural Resource Wealth	IMF	Ministry of Finance, Ministry of Minerals Resources and Energy	Not available	2011	2012	David Wentworth, Fiscal Affairs Department, IMF, Washington D.C. dwentworth@imf.org	Direct
Topical Trust Fund: Sovereign Wealth a) Medium Term Fiscal Framework (MTFF) development b) Cash management improvement c) Sovereign Wealth Fund development	IMF	Ministry of Finance		2013	2015	David Gentry, Public Financial Management Division II, Fiscal Affairs Department, IMF, Washington, DC. DGentry@imf.org	Direct

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Initiative Name	Funding agency development partners	Implementation & other development partners	Funding (millions)	Start	End	Contact	Relevance
GDT/LTO Reforms Project	IMF, Fiscal Affairs Division/US Treasury, Office of Technical Assistance/World Bank	General Department of Taxation, Large Taxpayer Office	Not available	2010	2014	Andrew Minto ajminto@gmail.com	Direct
Master Plan for Coal Development and Utilization	JICA	Ministry of Mining		2012	2013	Arai Junichi (Project Formulation Adviser) Arai.Junichi@jica.go.jp JICA Mongolia Office Tel: +976-11-312393 Bodi Tower 7F, Sukhbaatar Square 3, Ulaanbaatar, Mongolia	Direct
Capacity Building on the Natural Resource and Mining Sector	JICA	Ministry of Mining		2012	2015	Arai Junichi (Project Formulation Adviser) Arai.Junichi@jica.go.jp JICA Mongolia Office Tel: +976-11-312393 Bodi Tower 7F, Sukhbaatar Square 3, Ulaanbaatar, Mongolia	Direct
Overall Investigation on Mine Hazards Status and Information System Establishment for Mine Reclamation in Mongolia	KOICA	Ministry of Mineral Resources and Energy	USD 3	2010	2013	Mr. WOO Dong Wan Deputy Resident Representative KOICA Office in Mongolia Olympic street 10, Sukhbaatar District C.P.O Box 1039 Ulaanbaatar, Mongolia Tel: +976-11-31-1774 Fax: +976-11-7011-0560 E-mail: dwwoo@koica.go.kr	Direct

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Initiative Name	Funding agency development partners	Implementation & other development partners	Funding (millions)	Start	End	Contact	Relevance
Project for Demonstration of Mine Reclamation and Capacity Building of Ecological Restoration in Mongolia	KOICA	Ministry of Nature, Environment and Green Development, General Agency for Specialized Inspection(GASI)	USD 5.5	2014	2017	Mr. WOO Dong Wan Deputy Resident Representative KOICA Office in Mongolia Olympic street 10, Sukhbaatar District C.P.O Box 1039 Ulaanbaatar, Mongolia Tel: +976-11-31-1774 Fax: +976-11-7011-0561 E-mail: dwwoo@koica.go.kr	Direct
The project for establishment of a master plan for the mineral resources, infrastructure development and financing requirements	KOICA	Ministry of Foreign Affairs	USD 2	2013	2015	Mr. EO Kyu Cheol Program Officer KOICA Office in Mongolia Olympic street 10, Sukhbaatar District C.P.O Box 1039 Ulaanbaatar, Mongolia Tel: +976-11-31-1774 Fax: +976-11-7011-0561 E-mail: kyucheoleo@naver.com	Direct
HIV prevention in communities affected by mining	Oyu Tolgoi LLC	Mongolian Red Cross Society	US\$ 0.02	2012	2012	210648 Peace Avenue Sukhbaatar District Central Post Office Post Box 537 Ulaanbaatar 13, Ulaanbaatar, Mongolia Telephone: (976) (11) 312578 email: sarantulga@redcross.mn	Direct
Sustainable Artisanal Mining: Phase III (SAM)	SDC	The Ministry of Mineral Resources and Energy	CHF 4.5 (for Phase III)	2011	2014	http://www.sam.mn/en/contact-list.html	Direct
HIV/STI prevention among youth and mobile communities in mining areas	UNFPA	Mongolian Red Cross Society		2013	2016	210648 Peace Avenue Sukhbaatar District Central Post Office Post Box 537 Ulaanbaatar 13, Ulaanbaatar, Mongolia Telephone: (976) (11) 312578 email: sarantulga@redcross.mn	Direct

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Initiative Name	Funding agency development partners	Implementation & other development partners	Funding (millions)	Start	End	Contact	Relevance
Strengthening capacity of health care providers to respond to environmental and occupational health impacts of artisanal mining	WHO	Ministry of Health and Public Health Institute of Mongolia (National Toxicology Centre)		2013	2013	Dr. Soe Nyunt-U, WHO Representative, Mongolia (NyuntUS@who.int) and Ms. Michaela Pfeiffer, Technical Officer, Public Health and Environment Department, WHO (pfeifferm@who.int);	Direct
Rapid survey of health conditions of Artisanal Gold Miners and their families	WHO/SDC	Ministry of Health, School of Public Health		2013	2013	Dr. Soe Nyunt-U, WHO Representative, Mongolia (NyuntUS@who.int) and Ms. Michaela Pfeiffer, Technical Officer, Public Health and Environment Department, WHO (pfeifferm@who.int);	Direct
Mining Sector Institutional Strengthening Technical Assistance Project (MSISTAP)	World Bank	Ministry of Finance	US\$ 9.30	2008	2013	Team Leader: Ekaterina Mikhaylova	Direct
Extractive Industries Transparency Initiative (EITI) Multi-Donor Trust Fund (MDTF)	World Bank	Ministry of Finance	USD 0.25	2011	2013	Shar TSOLMON Mongolia EITI Secretariat Mongolia TTL (WB) Ekaterina Mikhaylova	Direct
Extractive Industries Transparency Initiative (EITI) MDTF Civic Society Support (pilot)	World Bank	World Bank and Civil Society Organizations	USD 0.1	2012	2013	Team Leader: Katherine Heller	Direct
Mining Infrastructure Investment Support Project (MINIS)	World Bank / DFAT	Ministry of Finance, Ministry of Environment and Green Development	US\$ 25	2011	2016	Team Leader: Gerald Paul Olivier Team Leader: Khaily Al-Jamal (Component 3)	Direct
EI Legislative Reform Support	World Bank, GIZ	Office of the President of Mongolia	on demand			Team Leader: Ekaterina Mikhaylova and Stefan Hanselmann	Direct

Annex 3. MINERAL POLICY AND PUBLIC ADMINISTRATION

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CONTEXT

Mongolia has undergone an extremely significant transition in a little over 20 years, emerging in the early 1990's through sudden political change which saw the introduction of multi-party democracy, the introduction of a free market economy and a new constitution. Within this timeframe there has been continuous political change, most notably in the last four years with the election of a reform-minded President and Parliament, resulting in greater public debate and involvement in policy developments.

Following the political changes of the early 1990's, the focus on the development of the country's mineral resources quickly drew both international and domestic attention. Early Mineral Policy including the 1996 Mining Law followed Western models, and led to the entry of international exploration companies from a number of countries. This rapid expansion of mining exploration activities in the last decade, coupled with an increasing small-scale mining sector and the emergence of major projects such as Oyu Tolgoi, has been accompanied by a series of Policy and Regulatory changes. These have impacted on the various institutions and agencies responsible for the development and implementation of regulatory frameworks relevant to the sector.

The Mongolian context for Mineral Policy and Public Administration continues to be very dynamic, reflecting an active public debate on the benefits and risks associated with the ongoing rapid development of the country's mineral resource base. This debate continues to shape the legislative agenda within the country. The current period of uncertainty between Parliamentary and Presidential elections has resulted in a lack of progress in many of the areas identified in the original Scoping Report, although there have been some significant changes and developments.

In particular, last year's elections resulted in a large number of changes within key Ministries and Agencies, including those responsible for the mining sector. A number of agency and divisional heads were replaced, with changes in some cases reaching further into the organisation. Against a backdrop of generally under-resourced institutions, this has further hampered efforts to improve current regulatory processes.

For example, despite the split and establishment of a stand-alone Ministry of Mining, the total number of staff focussed on mining reduced to approximately 65 people (compared to around 70 in the former Ministry of Mineral Resources and Energy). The split has led to a proportional increase in administrative roles, rather than in the policy developing units, with an estimated 5 to 10 staff within the Ministry focussed on Mining Policy⁵⁷ development for Mongolia.

In some cases the responsibilities for regulatory oversight have shifted or are being reviewed. For example, the Ministry for Environment and Green Development is developing regulations and new standards for Mine Closure, although other agencies such as MRAM and GASI have interests and accountabilities for different elements of this topic. It appears that there is increasing momentum for inspection functions in key thematic sectors such as mining to shift from GASI to the relevant Ministry or Agency – in the case of mining this would result in a significant increase in the responsibilities of MoM, MRAM and MEGD. While, this is still the subject of some debate there is significant pressure for this to happen this year. In parallel with these actions donors are attempting to bring some strategic assessment to the sector. As such, under the auspices of the World Bank's "Mining Sector Institutional Strengthening Technical

⁵⁷ The biggest department within the Ministry of Mining, and its main policy developing unit is the Strategy Policy and Planning Department. This Department has around 25 people out of which 5 work in its Mining Policy Division. Thus, around 5-10 people across the whole Ministry work on mining policy development in Mongolia.

Assistance Project”, a functional review of current roles and responsibilities commenced in April 2013⁵⁸.

The policy debate is dominated by discussion of the new Draft Mining Law. The level of stakeholder input and interaction on the legislation reflects the trend of recent years of greater public involvement in the development of policy. Another important trend is the increasing levels of responsibility being devolved to regional and local authorities through recent laws, examples include the Integrated Budget Law and the Water Law of 2012.

Against this backdrop is the continued moratorium on the issuing of new exploration licences, originally imposed in 2010 following concerns on the large number of licences and associated environmental impacts of mining.

THE EMERGING LEGISLATIVE ENVIRONMENT

HISTORICAL CONTEXT

The original Mongolian Minerals Law of 1997 was based on Western models. It was considered by industry to be progressive, improving the legal climate for direct foreign investment by clearly defining regulations and simplifying the licensing process while reducing royalty and exploration fees. The subsequent Environmental Impact Assessment law in 1998 reflected international approaches to the use of EIAs in the mine licensing process, and also introduced a level of decentralized control to the *aimag*, *sum* and *bag* level.

The 2006 Amendments to the Mineral Law preserved some elements of the 1997 version, but contained new provisions for State entitlements in several key areas. Uncertainty was created regarding how a number of these key provisions would be interpreted and applied, in particular surrounding the concept of ‘Deposits of Strategic Importance’. This provision allowed the government to designate certain deposits as strategic and demand a particular share of the deposit. At the same time, a group of Parliamentarians initiated a separate Windfall Profits Tax Law, reflecting concern that the country was not receiving its share of the benefits of increased commodity prices prevalent at that time. It originally only targeted copper, but was extended to include gold. All of the new Windfall Tax earnings entered the Mongolian Development Fund (MDF) created in February 2007. The Law held that MDF funds would be used equally (i) for stabilization of unforeseeable budget deficits, (ii) for investments aiming at increasing domestic economic capacity and at supporting small and medium enterprises, and (iii) for support of children and families. The Windfall Profits Law is perceived to have destabilised foreign investment, and was revoked in late 2009.

General concerns relating to development and the environment led to the rise of many environmental and mining-concerned NGOs often associated with larger umbrella organisations such as the Mongolian Environmental Civil Council (MECC), and the Mongolian Nature Protection Civil Movements Coalition (MNPCMC). These increasingly vocal groups focused on the serious issues of water pollution and over use associated with mining. This dialogue led to the creation of the 2009 *Law on the Prohibition of Minerals Exploration in Water Basins and Forested Areas*, almost universally referred to as ‘the law with the long name’. The law suspended mining near headwaters of rivers, in sensitive riparian habitats and in protected forest areas. Cancelled licenses were not however released from their duty to rehabilitate the environment. Provisions for compensation to licence holders were unclear, as were exceptions relating to deposits of strategic significance.

⁵⁸ “Functional Review of Institutions engaged in the Management and Regulation of the Mining Sector” - the overall objective is to provide a high level review of the functions performed by a number of public institutions in promoting, managing and regulating mining sector development which will assist the Government identify potential areas of legislative and institutional reform.

However, as noted in the Scoping Report and despite the speed of developments in this area, the previous Policy regime is generally considered to have facilitated the rapid emergence of the Mongolian industry to the current day.

DRAFT MINERAL LAW 2012/13

Amendments to the current Law have been developed since 2010 when a Working Group was first established at the MRAM, then transferred to a Working Group at the Ministry of Mineral Resources and Energy (now MoM), and finally the President's Office agreed to establish a Working Group to further develop the draft in 2011. Since then there has been a series of revisions reflecting significant stakeholder groups' input. In December 2012, the President's Office disclosed the Draft Mineral Law to the general public by putting it online and requesting written comments and inputs, leading to an intense public debate. The key proposed changes to the previous Law include the following:

- the introduction of the concept of "strategic minerals" which include water, oil, natural gas, radioactive minerals and rare earth metals;
- the expansion of the current two types of licences relevant to mining from two to four, with additional limits and restrictions on licence-holders;
- a move from the current first come-first served system for issuing licences to a process of competitive tendering;
- increased requirements for involvement of Mongolian entity participation⁵⁹;
- more extensive regulations on environmental protection, mine closures, public consultations, agreements with local authorities, local content requirements, mandatory insurance policies, prohibitions on high-grading and feasibility studies.

Industry commentary (both international and national through organisations such as the Mongolian National Mining Association (MNMA) and the Business Council of Mongolia (BCM)) has portrayed the changes as a shift to a more state-centric mining regime, which imposes additional requirements and obligations on license holders while potentially weakening the security of existing tenure. Economic modelling commissioned by industry and presented at a recent BCM forum suggested that projected growth rates of the Mongolian economy would be halved under the proposed new Minerals Law.⁶⁰ However, other stakeholders have welcomed the tightening of controls on important aspects of mining in the country.

The President's Office subsequently organised a consultative meeting with around 260 participants with support from the World Bank and GIZ, where industry and civil society representatives were invited to comment and explain their positions. Representatives of foreign embassies and international organisations were invited as observers. The President followed up this consultation by inviting a smaller group of stakeholder representatives to a meeting where he summarised his conclusion from the discussion as follows:

- After considering the comments and inputs of previous feedback processes, the President observed that "*we did not arrive at a state of joint understanding*". However,

⁵⁹ "Under the Draft Law, holders of prospecting, exploration and processing licences relating to areas other than the special border zones must be Mongolian-incorporated entities, but the Draft Law does not restrict foreign investment in such entities. However, the Draft Law does impose requirements for local equity participation of mining licence holders. The Draft Law states that "*not less than 34% of the equity in a foreign-invested mining licence holder must be held by a Mongolian citizen.*"

⁶⁰ <http://www.baeconomics.com.au/wp-content/uploads/2013/03/Economic-Assessment-of-Draft-Mineral-Law-18Mar13.pdf>

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he emphasised the process it has taken to reach this point: the efforts of the Working Group, public disclosure, and consultation. He indicated that it is crucially important to have a unified idea as the basis for further communication and steps.

- There is a need for further analytical work to be done to frame the Draft Mineral Law concept. This would include lessons learnt from past experiences (such as laws from 1997, 2006 etc.), based upon which a Mining Policy Concept should be developed. Therefore the President's office would request the MoM to establish a Working Group to first develop a Mining Policy Framework to establish a foundation for further improvements to the Draft Law.
- The drafting of the Minerals Law should not become a subject of the upcoming elections. Therefore, "*the Draft Minerals Law would not be submitted this spring*".
- Outstanding issues which need to be reviewed systematically include the following: state ownership, licensing, strategic deposits, community engagement, and environmental impacts. A complicating challenge is that Mongolia still does not have clear legislation related to property rights.

Public feedback included a diversity of views, but in general has been supportive of the decision to slow down the process. The level of interaction and opportunity for input is in contrast to previous approaches to developing and issuing legislation in the country.

Subsequent to this forum, the MoM established a Working Group to draft a Mining Policy Framework during April. This Working Group is led by the Minister of Mining, and consists of approximately 20 members consisting mainly of MoM staff with a few external researchers.

OTHER RELEVANT RECENT LEGISLATION

The Mining Law and the emerging Policy Framework interacts with other key pieces of legislation. The following non-exhaustive list reflects issues which were raised with the Design Team during discussions with various stakeholders.

A key provision of the **Water Law 2012** relates to the introduction of River Basin management authorities, which will be key institutions involved in the development and monitoring of water resources in regional areas. They will have authority to issue small to medium water allowances to industry, although it is likely that decisions on larger projects will be raised to National level. Water is the key environmental issue in many mining regions.

The **Integrated Budget Law of 2011** was passed in December 2011. This law contains measures to support fiscal sustainability and the successful implementation of the Fiscal Stability Law (FSL). It also requires feasibility studies and alignment with national priorities for projects to be included in the Public Investment Program and the budget. Key aspects include elements to promote citizens' participation in budgeting, in line with the underlying decentralisation approach being pursued by the government, and the introduction of a formula-based transfer allocation to provide greater certainty and stability in local and regional budgeting processes.

The **Strategic Entities Foreign Investment Law of 2012 (SEFIL)** introduced significantly greater controls on foreign investment compared to the more liberal regime of its 1993 predecessor. Introduced in the context of increasing concern in Mongolia about foreign ownership of resources, in particular mining concessions, it also led to pressure to renegotiate existing contracts. Recent comments from the government have suggested that they are considering amending the Law to restrict coverage to State-owned foreign entities only. It is expected that the amendments will be discussed and approved during the Spring Parliamentary Session which has just started.

KEY INSTITUTIONS - ROLES AND ISSUES RAISED

A significant number of the Ministries involved in mineral policy development and implementation are different to those in existence at the time of the Scoping Mission in 2012, and have been affected by changes in scope and function, as sectoral roles have been emphasised in some cases and separated in others.

The three key ministries and agencies responsible for mining activities are now the **Ministry of Mining**, which is responsible for minerals policy, legislation and regulation; the **Mineral Resources Authority of Mongolia**, which is responsible for licensing and regulation except for uranium exploration and mining which comes under the Nuclear Energy Agency; and the **General Agency for Specialised Inspections (GASI)** which is under review but currently responsible for occupational health, safety, environmental and licensing inspections. Government capacity has remained static despite the recent rapid growth in the mining sector, but has been impacted as noted earlier by politically-induced changes in key personnel.

The Ministry of **Environment and Green Development** is responsible for managing and monitoring environmental and natural resource impacts caused by mining, and has an interest in mine rehabilitation, including mitigating land degradation caused by small scale and artisanal mining activities. The **National Water Committee** and the **Water Authority** are responsible for management of the groundwater resources which are essential for the large scale mining operations being established in the south Gobi.

The **Ministry of Finance** has been working on mineral tax reforms and improvements in the mining tax assessment and audit capacity in the General Department of Taxation with the help of the IMF. The **Ministry of Population Development and Social Protection** is responsible for population development including gender and disability programs, administering welfare payments and managing other social sector benefits. The **Ministry of Education Culture and Science** through the universities, and the **Ministry of Labour** through TVET systems, are responsible for education and training in priority mining and related service areas where there are skills gaps. However the rapid growth in the mining sector and associated services sector has outstripped the institutional capacity to respond to demand for skilled labour.

There is not a strong culture of inter-agency cooperation or information sharing in Mongolia, and this is no different for the range of agencies with responsibilities for mining-related issues. This issue is further exacerbated by the changes referred to earlier, which may continue in relevant areas such as inspection and monitoring. The functional review currently being undertaken by MSISTAP represents a critical step in the coordination of potential support to relevant agencies.

MINISTRY OF MINING

After the 2012 election, the Government split the previous Ministry of Mineral Resources and Energy into two, creating a standalone Ministry of Mining, with new objectives and structure outlined in the Government Order from 29th August 2012 and its Action Plan for 2012-2016. The Ministry of Mining is a sector ministry responsible for the creation of the regulatory environment for the mining sector, including policy, strategy development, and implementation. The Mineral Resource Authority and Petroleum Authority are implementation agencies of the Ministry of Mining.

The Ministry of Mining has only about 65 staff and consists of four departments and six divisions.

1. The aim of the **State Administration and Management Department** is to create an effective, transparent and accountable working environment by providing leadership in public mining sector human resource development and management. By doing so, it

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also develops and coordinates international cooperation to align with mining sector strategies and priorities. Two divisions under this Department include:

- Legal Division and
 - Foreign Cooperation Division.
2. The **Strategy Policy and Planning Department** is by far the largest department with approximately 25 staff, and has an objective to provide guidance in the development of mining policy, mining finance policy, medium and long-term strategy, mining legislation and other mining related projects. It has four divisions:
- Geology Policy Division,
 - Mining Policy Division,
 - Fuel Policy Division, and
 - Economy, Finance and Investment Division.
3. The **Policy Implementation Coordination Department** has an objective to organize and coordinate policy implementation for mining activities, mine closure and mining technology.
4. The **Monitoring and Evaluation, Internal Audit Department** monitors the implementation of mining sector legislation, policy papers, programs and projects, evaluates outputs and conducts internal auditing.

The MoM officials, particularly the Director General of the Strategy Policy and Planning Department emphasized to the Design Team the following points as being the main challenges for mining sector development:

- Difficulties in the translation of national policies to the sub-national level. The lack of linking mechanisms between national and local governments is also one of the reasons why communities do not understand mining as a sector.
- Modernization and harmonization of existing mineral sector standards (exploration, development, operation, closure) with international standards and best practices. The lack of binding standards and enforcing mechanisms leads to deficient regulation and inspection processes.
- There is significant concern and debate about water and mining. Resultant suspicion about mine developments needs to be addressed.

The suggestions made to the Design Team included:

- Provision of support to develop realistic procedures and regulations and help with operationalising them within MoM's organisational structures.
- A focus on a strategic pilot site, and implementation of a comprehensive flagship initiative in order to demonstrate best practice.
- Provision of training assistance to public servants at all levels and across sectors, including local governments, covering the mining context including mine life cycle, safety, revenues etc.
- Recruitment of good Mongolian staff to design and implement activities.

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A separate discussion with the Head of the Foreign Cooperation Division emphasised the need for both donor harmonisation in support to the Ministry and its Agencies, and also for greater agency participation in the design of donor activities. The comments reflect concern with the capacity of the Ministry to engage with and absorb multiple donor interventions.

MINERAL RESOURCES AUTHORITY OF MONGOLIA (MRAM)

MRAM is the agency of the GOM responsible for implementing policy concerning geology, tenure and licenses for mineral resource including coal. The chairman is appointed by the Prime Minister, but is accountable to and reports to the Minister of Mining for day to day operations. The Agency consists of six discrete divisions, with three covering geology and mining cadastre areas, and the remainder covering mining, coal and general administration. There are approximately 170 staff across the Agency as a whole. The Director has been in place for a year and a half, the Deputy Director started in October 2012. Approximately 10 positions were changed as a result of political changes last year, mainly at or near the Division Head level.

The World Bank has worked with MRAM over recent years to upgrade its mining cadastre system in preparation for the introduction of a tendering process. This work has been delayed, and the area remains clouded after the recent conviction of a number of high-ranking MRAM officials for illegally issuing over 100 mining licences.

As a snapshot, the Mining Division within MRAM currently has 34 officers working on a range of issues, including review of feasibility studies and mine plans, mine closure, and management of small-scale mining operations. Of these staff, 10 have no direct mining experience. MRAM recently organised its own Study Tour around operations in Mongolia to help familiarise new staff with industry operations. Approximately 60% have a Masters Degree, but none have PhD level qualifications – only two or three have reasonable English proficiency. Some current staff are undertaking Masters-level study part-time through local institutions including the Mongolian University of Science and Technology.

The group is charged with reviewing feasibility studies and mine plans, which will be increasingly important in the context of elements of the emerging legislation dealing with waste management, mine closure and the avoidance of high-grading practices. One important aspect that those interviewed raised in this regard was the need for greater clarity about authority for enforcement – examples were quoted of MRAM officials being denied access to mine plan documentation. Similarly, although legislation on environmental issues such as dust management from coal mines does exist, it was acknowledged that a significant gap exists in terms of capacity to monitor and enforce the legislation at the local level. This would be the responsibility of GASI, but clearly MRAM has an interest from the policy implementation aspect.

Both the Director of the Mining Division and the Deputy Director were interested in the possibility of support from donors in areas of technical regulatory frameworks such as mine closure, and also opportunities to assist with building the capacity of officers within the Agency. The Deputy Director also raised the question of assistance with geological mapping (only 20-30% of the country is well-covered), and also learning from Australia's experience in the area of water and soil management⁶¹.

GENERAL AGENCY FOR SPECIALISED INSPECTION (GASI)

GASI has responsibility for inspection functions for industry in general, including the minerals sector. For the latter it therefore has current accountability for occupational health, safety, environmental and licensing inspections. It is a relatively new organisation, only ten years old, maintaining both central discipline-specific groups as well as inspectors in the field. In general,

⁶¹ A follow-up meeting was cancelled due to the late return of the Director of the Agency from overseas. The Design Team therefore had limited interaction with MRAM.

an *Aimag* office would include one Mining Inspector (two in the South Gobi region) and three to four environmental inspectors; at the *sum* level there would normally be only one environmental inspector. All local and regional GASI officers report back to the National Agency rather than local authorities.

Mines Inspectors are required to have studied Geology or Mining and to have had at least three years' experience, although in practice it has proved difficult to achieve the latter. Recent political changes did result in the loss of staff in the UB office, including one of the Agency Directors, but changes at the regional level were less significant.

GASI have worked with the German Agency BGR since 2005 on the "Environmental Protection in Mining" project, which is now entering its third and final phase for completion in 2014. The project has seen a specialist project leader embedded in the Agency, managing various activities with an underlying focus on environmental protection. Activities have included the introduction of modern risk management approaches to assessment and inspection of mining operations, including the development and use of appropriate guidelines and checklists. The final phase of the project has a focus on knowledge management, improving access to reports and communication processes between regional and national offices through the implementation of a Geology and Mining Inspection Information System.

Separate discussions with the BGR leader and the Director of Mining within GASI identified several recurring themes.

Information and Knowledge Management is an ongoing challenge. Most reports have historically been paper-based only, and there is a desire to make inspection reports more visible. In addition, inspectors in the field have a significant challenge in accessing and interpreting information on the locations of mining leases and other important features such as protected areas. At present they are only able to access written boundary co-ordinates, and are then required to use their own GPS data to interpret their location with respect to such data. Access to maps with relevant information and at a suitable scale is required to improve the effectiveness of inspection processes.

There are still **resourcing deficiencies**. In some cases a vehicle is not available for inspectors to be able to visit mining operations. While high speed internet access is now generally available at *aimag* levels, such systems have generally been established by commercial providers servicing mining companies, and are often not available to the GASI offices.

There is considerable interest within GASI on the subject of **Mine Closure**, as this relates directly to their responsibilities for inspecting mine rehabilitation and waste facilities. The Director of Mining⁶² has been reviewing recent Australian guidelines (in particular the new WA Framework), and identified a "huge gap" with current Mongolian practice. He flagged this as an area that he believed that Australia could provide some assistance with. Both he and the BGR representative confirmed the need for GASI, MRAM and the MEGD to work together more effectively on this topic than appeared to be the case at the moment.

GASI have also requested through BGR, a Study Tour to Australia to focus specifically on large-scale underground mining techniques such as block-caving, as no experience exists in Mongolia which would allow them to engage effectively in inspection activities of Oyu Tolgoi and other similar developments.

The greatest challenge at present is the continued uncertainty regarding GASI's future role in mine inspection activities. If changes are made and functions for mining are devolved to the

⁶² Mr Batbayar was one of four Mongolians who participated in the IM4DC Mine Closure program in September 2012.

MoM and MEGD then there needs to be significant care taken to ensure all staff and processes are devolved with them. If this does not happen then the large investment already made in mining inspection capacity will be significantly compromised.

MINISTRY OF ENVIRONMENT AND GREEN DEVELOPMENT

The former Ministry of Nature, Environment and Tourism was reformed to a general Ministry of Environment and Green Development in 2012. The objective of the Ministry is to promote sustainable development by mainstreaming environmental issues into social and economic development, especially considering the utilisation of natural resources, land rehabilitation, and community participation. The MEGD has responsibility for the Environmental Impact Assessment process for new mining operations. It is also currently developing mine closure standards.

The Ministry of Environment and Green Development has six Departments.

1. The role of the **State Administration and Management Department** is to create an effective, transparent and accountable working environment by providing leadership in natural environment human resource development and management, and to develop and coordinate international cooperation in line with policy, strategies and priorities.
2. The **Green Development Policy and Planning Department** provides policy guidance and medium and long-term strategy in green development for natural environment legislation and related projects.
3. The role of the **Policy Implementation Coordination Department** is to organize and coordinate policy implementation for environment activities and technology.
4. The **Environment and Natural Resource Department** is responsible for reducing environment pollution, an effective utilization of the natural resources, conservation and land rehabilitation.
5. The **Special Protected Area Management Department** is responsible for policy development and coordination of special protected areas, expansion of special protected areas and improvement of conservancy management.
6. The **Monitoring and Evaluation, Internal Audit Department** is responsible for monitoring the implementations of natural environment legislations, policy documents, programs and projects, evaluating outputs and conducting internal auditing.

The Minister identified the following priorities (i) support to the development of mine closure regulations; (ii) development of environmental rehabilitation standards, (iii) evaluation of costs of environmental damage, (iv) capacity building for GIS system for protected areas⁶³.

LOCAL GOVERNMENT

The rapid development of mining in certain regions has placed the focus on local and regional governments' capacity to cope with increases in demands for services, and also to interact with an increased range of organisations and institutions. Coupled with the government's push to decentralise and promote more local involvement in various aspects of governance through

⁶³ There is a small GIS unit of approximately six people within the Ministry responsible for the mapping of protected areas and environmental features, of particular relevance with respect to the regulation of The Law with the Long Name. It was noted that this unit would benefit from some specialised assistance.

increasingly participatory processes, this has placed considerable stress on these sub-national levels of government. It is worth noting that significantly less donor capacity-building activity has been focussed in this area, compared to centralised Ministry and Agency-focussed projects. As described earlier, several of those interviewed by the Design team highlighted the need for an increased focus on this level of government.

One of the new elements introduced in the Draft Mining Law has been the requirement for companies to enter into Community Agreements with local representative organisations. This proposal has received less attention than other provisions of the Draft Law, but would introduce a need for a significant increase in capacity at local government level to understand and engage with industry. Local and regional planning roles in mining regions will also become critical in terms of the ability of communities to realise the potential development benefits available as a result of the presence of mining operations.

At present, there is no direct structural link from the Ministry of Mining to local government. While other sector ministries like health, education, social welfare have appointees integrated into local government structures, the Ministry of Mining relies only on indirect links and collaboration of the local governments and environmental inspectors. Environmental inspectors at *Aimag* level are appointed by GASI or MEGD and have an employment contract with the *Aimag* Governor.

Additionally, there exists a mismatch between assigned functions and assigned revenues at local level which makes implementation of national level policies even more difficult.

There is currently no active representative group covering local government equivalent to Australia's Local Government Association. One nascent grouping was established a few years ago, but is reportedly inactive.

KEY DONORS INSTITUTIONAL SUPPORT

The World Bank has dominated most donor activity relating to the Mining Sector in Mongolia to date through various projects including the Mining Sector Institutional Strengthening Technical Assistance Project (MSISTAP), the Mining Infrastructure Support Project (MINIS), and the SESA and Groundwater projects described in the Concept Note. These have involved a number of partner institutions across GoM.

BGR have provided extended support to GASI through the Environmental Protection in Mining project, and have recently commenced a separate activity in MRAM related to geological mapping and assessment of Mongolia's industrial minerals resource base.

GIZ has recently commenced the Integrated Mineral Resources Initiative (IMRI), which covers a collection of discrete activities in various institutions. A key focus appears to be involvement with the private sector, for example through the provision of Technical Assistance to the National Mining Association to work on promoting modern approaches to risk management in the workplace.

The Swiss Development Agency has concentrated its mining-related work on the small-scale mining sector, with a focus on management of safety and environmental issues.

Both CIDA and JICA are also proposing to commence mining-focussed programs in the country in the near future.

Donor commitments to mining in Mongolia are significant – the greatest limitation faced is not need, opportunity or funding; it is the very limited size and absorptive capacity of Mongolian government agencies.

GENERAL RECOMMENDATIONS FOR AUSTRALIAN ENGAGEMENT

The concept note for the Design Mission outlined four priority areas for projects in the Policy and Administration area. These were:

- Mining and environmental inspections through GASI
- Tax audit
- Licensing including competitive bidding through MRAM
- Mining Sector Policy Advice and Research

The Design Team was provided with additional commentary and information that in some cases reinforced these issues, but also identified several challenges which reflect the significant changes in government Ministries and agencies since the Scoping Mission, and the extremely dynamic political economy relating to the development of the minerals sector in Mongolia. Specific themes relating to commentary from multiple stakeholders included the following aspects.

There is a significant capacity gap in the ability of relevant agencies to implement existing and emerging legislation relating to mining activities. This was acknowledged almost universally by the GoM representatives who engaged with the Design Mission. The issue is played out at the local and regional level, particularly in areas such as South Gobi where mining activities are concentrated. This aligns well with the guidance expressed several times in the Concept note for the design to focus on the South Gobi geographical area. ***The linkages between central and local/regional institutions should be a focus for the AMEP design, addressing current policy implementation and regulatory gaps at local levels, and reflecting the needs of both jurisdictions.***

In some areas, such as Mine Closure, there are a number of GoM agencies working on the same theme, with different responsibilities. Although some cooperation appears to be occurring, there is scope to facilitate greater interaction. Other donor activities have sought in some cases to improve this situation, for example the BGR GASI project includes both GASI and MRAM in some training and seminar activities. ***AMEP activities should aim to promote interaction and integration between relevant agencies and groups wherever possible. Guidance should also be sought from the current functional review project.***

There is considerable donor activity relating to government agencies and mining in Mongolia, and an increasing desire to align and identify synergies between projects. The World Bank has a number of key projects, including the upcoming functional review of relevant government institutions. Some of the areas flagged as priorities have already been the subject of other donor work. It will be important to maintain contact with all such initiatives in order to identify potential synergies and avoid duplication. GOM Stakeholders raised the need for donor coordination in terms of the impact on their own capacity to engage. ***The AMEP Design should explicitly factor in a responsibility to monitor and communicate donor information to activity designers and providers, and to identify opportunities for synergies.***

Given the dynamic nature of the Mongolian political economy and general context covered in this report, it is recommended that the AMEP Design should not attempt to lay out a fixed program of individual and large multi-year investments in each of the original areas listed above. There would be significant risks of project delays and failure to deliver development outcomes. Instead, it is proposed that a *Australia Mongolia Extractives Program* be created which can respond in a more flexible manner to the emerging needs and priorities of the GoM and other stakeholders. The outcome of the new WB Functional Review should be a key input into the development of longer term activities. The *Australia Mongolia Extractives Program* should have overarching responsibility for all Extractives Activities, not just those in the Policy

domain, providing Australian co-ordination and input into other key projects including the SESA and Groundwater elements of the design. Maintaining artificial barriers between the Policy, Environmental and Community sections of the design reduces the potential for synergies between elements, which are in many cases addressing the same set of inter-connected issues.

SPECIFIC RECOMMENDATIONS FOR *AUSTRALIA MONGOLIA EXTRACTIVES PROGRAM* ACTIVITIES

There are clearly some priorities identified in the Concept Note which can be addressed in the short term by activities under the umbrella of the proposed *Australia Mongolia Extractives Program*. Specific recommendations under each of the Concept Note headings are outlined below.

PRIORITY 1.1 AND 1.2 - MINING AND ENVIRONMENTAL INSPECTIONS THROUGH GASI

Discussions with GASI and BGR confirmed the need for and interest in support in strengthening Inspectorate functions. The possibility of TA support within the Agency was discussed, as was the importance of support to local level inspectors. Particular interest continues to be shown in acquiring risk management and auditing skills. There is a significant short term opportunity to capitalise on the third and final stage of the BGR project, and to build on this platform. However, it was not possible to undertake any detailed design work for this activity given the likelihood of responsibilities for mining-related inspections shifting to MoM/MRAM and MEGD.

It is recommended that this area be the focus of a range of ‘seed’ options by the *Australia Mongolia Extractives Program*, such as outlined on page 91. As functional uncertainties are resolved, and resources and staff reallocated, there is significant opportunity for this to become a larger strategic engagement, in collaboration with BGR or other trusted partner.

PRIORITY 1.3 - TAX AUDIT / LICENSING INCLUDING COMPETITIVE BIDDING THROUGH MRAM

Both of these areas have been the focus of the World Bank MSISTAP project. It is understood that the project is seeking an extension beyond the target end date of December 2013, expenditure has been delayed by many of the factors mentioned earlier in this Annex.

Under this project, a mining tax audit unit has been established, training conducted, and pilot audits planned for 2013. The project is also continuing to provide capacity-building support to the Cadastre division within MRAM.

It is recommended no immediate activity be designed, but rather that the potential for Australian input into these areas be the subject of further detailed discussion with the WB and GoM, capturing the learning from progress to date. Pending these outcomes, the *Australia Mongolia Extractives Program* could then undertake some ‘seed’ options in early 2014 that ensure continuity and work with the World Bank to develop a larger follow-on engagement.

MINING SECTOR POLICY ADVICE AND RESEARCH

While there is significant discussion at all levels about the emerging new Mineral Law, Mongolian stakeholders did not explicitly seek support for high level policy input in this regard from Australia. This is a highly-politicised debate, and there is internal commentary about the extent to which overseas interests should not be influencing Mongolia’s Policy decisions. The World Bank and other donors have provided some assistance in specific areas such as the use of Sovereign Wealth Fund mechanisms.

DFAT has supported the Economic Research Institute associated with the National University of Mongolia. To date the work of the group has mainly focused on macroeconomic analysis, but it

has capacity to link into other relevant areas. The ERI should be identified as a target for IM4DC's Institutional Linkages program.

A Australia Mongolia Extractives Program would be able to establish a panel of relevant experts to draw on as required, offering a more flexible approach than a dedicated unit or TA resource. It is also possible that small-scale assistance in the short term could be provided using IM4DC's Advice to Government facility.

Specific Policy and Regulatory themes such as Mine Closure could be the focus of an Activity under the *Australia Mongolia Extractives Program*. In the case of Mine Closure, which was raised by several government stakeholders, CIDA have identified the topic as a potential focus for their upcoming design. There is potential to design a partnership and combined approach as outlined in the example on page 93.

Another example relates to the regulatory and implementation challenges associated with the proposed introduction of Community Agreements. The draft Law contains provisions for agreements between mining companies and local authorities/communities, but no guidelines as to what might be included or how such agreements should function or be regulated. Exposure to Australia's recent experience in addressing this question with respect to Native Title and Indigenous Land Use Agreements, as well as other approaches to multi-stakeholder regional governance, could be of significant assistance in this regard.

It is recommended that AMEP input into Policy areas be focussed on responding to specific requests from GoM Ministries and Agencies, using the proposed Australia Mongolia Extractives Program as a co-ordinating mechanism. As GoM agencies and key donors appreciate the contribution that Australia can make, then opportunity may exist to help Mongolia in some of the central, but more politically sensitive, areas of policy. Inclusion of a Facility model within the Australia Mongolia Extractives Program would facilitate this progressive engagement.

PROPOSED 'SEED' OPTIONS

IMPLEMENTATION SUPPORT FOR MINING INSPECTIONS IN MONGOLIA

Summary of activity and objectives

The activity would involve the provision of Technical Assistance and training to both GASI and MRAM regarding the implementation and enforcement of OHS Regulations. It would focus both on risk-based approaches to auditing and monitoring different types of mining, as well as monitoring off-site impacts. The objective would be to improve the implementation of OHS regulations, using the monitoring and regulation of key mining operations of the South Gobi region as the focus for practical training and testing.

Target groups and beneficiaries

While GASI has primary responsibility for OHS regulation, key aspects of MRAM's work deal with planning and design issues that relate to OHS issues. Both institutions would be involved, with regional Mines Inspectors and OHS Inspectors a key target group.

While there is uncertainty regarding the future Ministerial functional responsibility for OHS, the fact remains that OHS regulation must sit with Government somewhere. This initiative is focused on the functional and oversight responsibilities, and these should be transferrable whatever decision the Government makes on GASI's future.

The activity would work with these institutions at the National level, but also seek to focus on the South Gobi where resources are currently stretched due to the intensity of mining activity, and community concern on issues such as dust are particularly high.

Rationale

GASI has explicitly requested support in this area to IM4DC, through the BGR representative currently embedded in the Agency. Training delivery to date has been on an ad-hoc basis, an integrated approach with a more permanent Technical Assistance resource would allow intervention in this area to be more effective.

Australia has an established and well-regarded expertise in Mine Safety, and experienced Inspectorate agencies particularly in the resource states of Queensland and Western Australia. Queensland in particular has experience in delivery of capacity-building activities both in Australia and in overseas countries, and has built a strong regulatory framework based around the application of risk management systems.

Initial activity could be used as the basis for longer term engagement through MOU's between respective agencies. Most activity would need to be delivered in Mongolia due to language issues. However, there would also be an opportunity to build in Australia-based 'shadowing' experiences for officials with a sufficient command of English.

Proposed activities

Activities would include the following elements:

- Appointment of a Technical Advisor who could spend extended periods embedded with GASI and MRAM, focussing on regulatory and monitoring frameworks for improving mine safety, and the definition of a competency framework for mines inspectors.
- Development of an integrated program of associated training activity, including through IM4DC short courses as appropriate.
- Partnering with the School of Mines at Mongolian University of Science and Technology to implement an equivalent program to existing Australian qualifications on Risk Management, through the IM4DC institutional linkage

program.

The activity would run for a minimum of two years.

Delivery partners

The initial activity should link to the BGR project in GASI. There is also potential to work with GIZ whose IMRI project includes a safety component focussed on the private sector, working through the National Mining Association.

Training activities could include an additional estimated \$300k from IM4DC as part of its Mongolia program.

Monitoring and evaluation indicators

- Number of inspectorate staff meeting agreed competency levels
- Frequency of inspections at regional level
- Stakeholder feedback on inspectorate performance, including local government, communities and industry.

Activity risks

Trained staff are not retained or lose their roles during functional reshuffling of OHS inspection responsibilities

MINE CLOSURE POLICY AND REGULATORY FRAMEWORKS

Summary of activity and objectives

The activity would work with relevant GOM agencies through the provision of technical expertise to develop and implement appropriate policies and regulatory frameworks which address mine closure provisions. Such frameworks increasingly cover both environmental and social aspects of mine closure, including the need for specific formal assessment processes. The activity would extend to the question of financial security arrangements for environmental rehabilitation. The activity could lead to a partnership with the Canadian agency CIDA, who have also expressed interest in focussing on this area.

Target groups and beneficiaries

The main GOM institutions involved include the MEGD, MOM, MRAM and GASI, all of whom raised the topic during discussions as part of the Design Mission.

Rationale

Several government representatives from different ministries and agencies raised this area as a specific concern for the government, and expressed interest in learning from Australia's expertise on this topic.

Within the Australian context, WA's recently introduced Framework for Mine Closure is regarded as being the best example of a modern approach to this topic. A recently-awarded DFAT ADRAS project is focussing on using this framework to examine similar regulatory approaches to mine closure in three African countries with significant mining industries, and there may be synergies to be gained in accessing relevant expertise.

The Australian Centre for Geomechanics, a joint venture between UWA, Curtin and CSIRO, has convened an annual conference on Mine Closure for the last ten years, with International Events held on a biannual basis in Chile, Canada and an upcoming conference in September in the UK. A small number of Mongolian officials participated in the last such event in Brisbane in 2012, as part of an IM4DC program. Australia is well-placed to facilitate increased involvement of Mongolian stakeholders in the international dialogue on Mine Closure, with the aim of developing ongoing expertise within Mongolian government and other stakeholder groups.

Proposed activities

Possible activities include the following:

- Provision of technical advice via Australian experts on modern frameworks.
- Involvement of Mongolian stakeholders in International workshops and seminars on Mine Closure
- Co-sponsoring of workshops and associated training activities in Mongolia with a specific focus on closure.

Delivery partners

The Canadian agency CIDA are keen to partner on this topic, and have relevant expertise. BGR are also keen to ensure progress continues from their current project, and have useful in-country expertise.

Activity risks

Lack of co-ordination between relevant government agencies could cause delays and confusion in implementation.

DEFINITION AND REPORTING OF ORE RESERVES

Summary of activity and objectives

Provision of Australian expertise to the Mongolian government and professional associations in Mongolia regarding the transparent and accurate reporting of ore reserves.

Target groups and beneficiaries

Ministry of Mines, MRAM, various professional associations in Mongolia

Rationale

A specific request was made to DFAT during the May 2013 Mining for Development conference for support in this area. The topic is regarded as essential within a well-functioning minerals regime, as it assists the avoidance of 'high-grading' deposits, and ensures transparency of disclosures to Securities Exchanges.

Australia has a well-established and recognised system for the definition and reporting of ore reserves, driven by various industry and professional associations including the Australian Institute of Mining and Metallurgy which is the key professional association for industry professionals, covering geology and mining disciplines. The system is centred on the JORC and VALMIN codes, particularly the former. Extracts from the relevant websites:

"The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code is produced by the Australasian Joint Ore Reserves Committee ('the JORC Committee'). The JORC Committee was established in 1971 and is sponsored by the Australian mining industry and its professional organisations.

The Committee comprises representatives of each of the three parent bodies: The Minerals Council of Australia (MCA), The Australasian Institute of Mining and Metallurgy (The AusIMM), and the Australian Institute of Geoscientists (AIG); as well as delegates of the Australian Securities Exchange (ASX) and the Financial Services Institute of Australasia (FinSIA).

The Committee is responsible for the development and ongoing update of The Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code), which is widely accepted as a standard for Public Reporting purposes."

The JORC Committee runs regular seminars in Australia to communicate the requirements for JORC reporting.

Proposed activities

- Technical assistance to Ministry of Mines to develop a similar reporting regime in partnership with local professional associations
- Development and support for a training program to be delivered in Mongolia by appropriate institutions.

Delivery partners

The JORC partners in Australia (AusIMM, MCA, AIG) would be the logical partner organisation, and have an established network of experts in this area on which to draw for potential resources to support offshore support and training.

Activity risks

Lack of take-up and enforcement by industry and government stakeholders

SUPPORT FOR THE IMPLEMENTATION OF LOCAL DEVELOPMENT AGREEMENTS

Summary of activity and objectives

Provision of assistance to national and local governments via a series of activities including technical assistance in developing frameworks for community agreements, and capacity-building to support implementation and monitoring of the provisions of the sections of the proposed Minerals Law dealing with Community Agreements.

Target groups and beneficiaries

Local government would be a key target for these activities, in addition to the agencies in national government who would be responsible for this area. The linkages between the different levels of government will be critical to the successful implementation of the proposed provisions.

Rio Tinto is advancing a Community Agreement with local groups in the South Gobi in parallel with the development of the legislation. This region would therefore be a logical target for initial activities.

Rationale

The new Mongolian Minerals Law which is currently under development contains specific provisions relating to 'local development agreements' (LDAs) between license holders and local government authorities. According to a recent draft of the Law (dated February 2011), agreements will be mandatory for all new projects and possibly existing projects as well. Notably, the national government will not be a party to an LDA, although it will be able to submit proposals and provide comment on drafts.

The draft law specifies that the following issues can be addressed in an LDA: improvement of local infrastructure; improvement of local social services; support for production and business of the local citizens; provision of jobs for local citizens; improvement of the environment.

As the law is currently drafted, LDAs will be required at the exploration as well as extraction and processing stages. One of the conditions that will have to be met before permission to conduct works is granted by the State regulatory authority is that an LDA has been concluded and remains valid. Responsibility for monitoring implementation and compliance will sit with the local authority. If a licence holder fails to deliver on spending commitments, the local authority will be able to request that the government revoke the licence. Any disputes relating to agreements are to be resolved by the courts.

The draft law specifies that agreements must be finalised within six months of a licence being granted. The wording of the relevant provisions is confusing, but it would seem that, in practice, the local authority may have as little as 2-3 months in which to review and negotiate the agreement.

Separately, the Oyu Tolgoi Investment Agreement includes a requirement that the developer enter into a community agreement with local government in the mine impacted area, although there is no guidance provided as to either process or content. Rio Tinto, which has extensive experience in agreement-making, has initiated a negotiation process with the relevant local government entities. It is anticipated that it will take some time (possibly a year or more) before the agreement is finalised. Once this happens, the agreement – and the process followed to reach it - is likely to become a benchmark for other large projects in Mongolia.

The anticipated roll-out of the new Minerals Law provisions relating to LDAs could provide an opportunity to place community – mining company relations in Mongolia on a more constructive footing and leverage better development outcomes for project-impacted communities. However, as currently drafted the new law will also present

significant challenges. The ‘least worst case’ is that the legislative requirements relating to LDAs are ignored, complied with in a formalistic way only, prove unworkable or otherwise fall into disuse. The worst case is that the law contributes to corruption at the local level and exacerbates discord around mining, with communities feeling short-changed by a process that does not deliver what they expected.

A key concern is that communities – and most of the mining companies operating in Mongolia – have had no prior experience of negotiating, let alone implementing, these types of agreements. Furthermore, it would seem that many of the companies, especially those that are locally and Chinese owned, are not accustomed to engaging with impacted communities in this way. This combination of factors presents a number of significant risks:

Overall, communities are likely to be disadvantaged in the process because of information and power asymmetries.

1. In the absence of effective governance measures, the less responsible companies will have a strong incentive to ‘cut deals’ with key local government personnel in order to obtain work approvals. There is also a very real risk that payments made to local government through the LDA mechanism are not used appropriately.
2. At the same time, some communities will most likely fare better than others, because they are better organised and more astute, and/or are dealing with a more responsive company. This will lead to inconsistent outcomes and could prompt a negative reaction from those communities that feel that they have missed out.
3. Due to inexperience on both sides, and the lack of central guidance, it is probable that at least some of the agreements that are negotiated will prove to be unworkable and unenforceable.
4. Without an effective external enforcement and oversight mechanism, it seems likely that compliance with agreements will be patchy at best, leading to an erosion of confidence in the process over time.
5. Requiring LDAs for exploration licences (as is currently proposed) could prove to be unworkable, given the number of such licences that are issued and the potentially large areas that they cover. Companies will also be reluctant to make commitments, given that the potential size and value of the resource is not normally known at this stage.

Australia has developed experience and research expertise in this area as a result of the implementation of the Native Title regime in Australia, as well as a mature governance system at the local government level which has resulted in extensive interactions between mining companies and local communities.

Proposed activities

a. Assistance to government on drafting regulations & guidelines via Technical Assistance in-country (~ 2 months)

Well drafted regulations could lessen some of the risks identified above and make the legislation more workable; poorly drafted regulations will have the opposite effect.

b. Development of guidance documents & training materials

To be effective, this would need to be supported by targeted training and workshops, preferably delivered through, or in conjunction with, a Mongolian-based organisation.

c. Development of model agreements

The agreements may need to be differentiated according to the stage and scale of the project, but should include a core set of provisions relating to governance, dispute resolution mechanisms, remedies, variation processes, assignment provisions in the case of a change of ownership, and so on. The model agreements ought not to be prescriptive about content, but should provide examples of the types of commitments that could be included. (The World Bank has previously funded work on a model Community Development Agreement for global application, but a simpler, less prescriptive, document would be required in the Mongolian context.)

d. Local government training

Fund training specific to local government personnel and representatives around such themes as: their role as representatives, running community consultation processes, identifying development priorities for their communities and preparing for agreement negotiations with companies. This training should also aim to generally expand attendees' knowledge of the mining sector, including the financial and technical considerations that inform company decision-making. The International Mining for Development Centre is a possible partner for this work.

e. Agreements database

Fund the establishment and maintenance of an agreements database that can be readily accessed by communities and companies. This would allow for greater transparency and help to reduce information disparities across communities and between communities and companies. It would also facilitate monitoring of the new law.

f. Evaluation study

This would enable any problems in the roll-out of the new law to be identified at a relatively early stage and provide an evidence base for taking corrective action.

Timing of the various elements would be sequential, and will depend on the eventual implementation schedule of the new Minerals Law.

Delivery partners

The World Bank has worked in this area at the global level as noted, and has expressed interest in the ideas outlined above. RWI have a related but separate proposal for engagement with Parliamentarians, and could be involved in some of the activities.

Rio Tinto are supporting a research project at UQ's Centre for Social Responsibility in Mining to track the development of the Oyu Tolgoi Community Agreement. It is likely that industry would be interested in supporting broader activity in this area.

Activity risks

Risks include the following:

- Delays and changes to the proposed Law
 - Changes to responsibilities within the Mongolian Government
 - Lack of capacity of local levels to engage
-

Annex 4. SOCIAL IMPACT AND GENDER

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INTRODUCTION

The purpose of this Annex is to describe the gender and social impacts of mining in Mongolia as discovered during the Design Mission, both from direct observation and from background research. The document will analyse these observations and make recommendations for mainstreaming gender across all components of the design. It will also explain the reasons for Australia's specific engagement in Outcome 2.

The paper draws on analysis already conducted during Concept development of the design, specifically *AMEP Concept Note, 26 July 2012* and the *AMEP Scoping Mission Final Report*. The work that was done during these two initial investigative missions has framed the work done by the Design Team and the Design Mission was planned and undertaken with the concepts from the earlier documents firmly in mind.

In terms of the Social Impacts and Gender aspects of the Design, the advice drawn from the Scoping and Concept reports recommended a focus on the South Gobi Province, in the vicinity of the large industrial mines, namely Oyu Tolgoi, Tavan Tolgoi and Ukhaa Khudag (UHG).⁶⁴ Thus, Design Mission field work concentrated on key stakeholder engagement in this area, including interviews at Oyu Tolgoi and UHG Mines, and with their Head Office personnel, administration and community representatives in Khanbogd (42km from Oyu Tolgoi), Tsogttsetsii (directly adjacent to UHG) and Dalanzadgad, the provincial capital. Additional meetings were held in Ulaanbaatar with Mongolian gender-based NGOs, International NGOs with offices in Mongolia and donor agencies such as the World Health Organization, UNFPA, GIZ, SDC, ADB etc.

REFLECTIONS ON PRIORITIES

In the Concept Note, the priority activities for Component 3 of the *Australia Mongolia Extractives Program* were:⁶⁵

- HIGH PRIORITY
 - Prevent and Reduce: gender-based violence, and HIV/AIDS and exploitative prostitution in mining communities
- MEDIUM PRIORITY
 - Improve women's participation in mining related employment
 - Support NGOs and CBOs to engage with government to ensure equitable and transparent distribution of benefits from mining
 - Social Impact Assessment regulations
- LOW PRIORITY
 - Building the skills of *sum* residents to be able to develop small businesses
 - Partnering with The Asia Foundation on ASM and mining community development
 - Assistance to ASM miners to reduce child labour

⁶⁴ See p. 14 of the Concept Note, "South Gobi communities located near the large mines are ideally suited to participate in all elements of Component 3 [social impacts of mining], addressing gender-related social and economic issues, and providing opportunities for broader community engagement on regional development and government service delivery issues."

⁶⁵ Concept Note, p. 15.

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- Mining companies and Corporate Social Responsibility
- Community engagement on regional development and government service delivery

The Design Team considered all of these identified activities during the course of the Design Mission, and discussed them extensively with key stakeholders. As an initial decision was made in Canberra prior to the field trip to Mongolia that the Design should focus on industrial rather than artisanal mining, the proposed ASM activities listed above were not pursued with vigour, although discussed in overall terms. There was also a strong message that DFAT must avoid subsidising Corporate Social Responsibility (CSR) activities of mining companies and, as the large industrial mining companies forming the focus of the Design already have very well-articulated CSR programs, that activity was also de-emphasised.

Thus, the remaining priority activities taken forward from the Concept Note into the Design Mission were:

- HIGH PRIORITY
 - Prevent and Reduce: gender-based violence, and HIV/AIDS and exploitative prostitution in mining communities
- MEDIUM PRIORITY
 - Improve women's participation in mining related employment
 - Support NGOs and CBOs to engage with government to ensure equitable and transparent distribution of benefits from mining
 - Social Impact Assessment regulations
- LOW PRIORITY
 - Building the skills of *sum* residents to be able to develop small businesses
 - Community engagement on regional development and government service delivery

Interviews and in-depth discussions with key stakeholders during the field mission confirmed that the remaining activities listed above were indeed important for the purposes of managing the main social risks for mining communities in Mongolia. Reflecting more closely the importance placed upon these various activities by Mongolian stakeholders, however, the priority order needs to be adjusted to what appears in the table below, accompanied by brief explanatory comments. In fact, the reordered priorities come closer to those suggested for Component 3 in the Scoping Report, namely:

Improve vulnerable Mongolians' capacity to access mining related social benefits, and to manage and mitigate social risks in mining communities

- *Improving women's access to and participation in mining (either through direct or service-related employment, or through local economic development opportunities) Initially targeting women in mining communities, with the possibility of expanding to non-mining communities;*
-

- *Preventing and reducing gender based violence, HIV and exploitative prostitution in mining communities.*⁶⁶

The reordered high and medium priority activities are all discussed in greater detail in the rest of the Annex, after the context-setting sections.

Table 8: Explanation of Priority Activities Reflecting Stakeholder Concerns

HIGH PRIORITY	
Priority Activities	Comments
Building the skills of <i>sum</i> residents to be able to develop small businesses	Particularly for indirect economic activities for the ‘have nots’, but also to enhance mining procurement performance
Improve women’s participation in mining related employment	Encouraging more girls to study mining-related subjects, especially at TVET
Support NGOs and CBOs to engage with government to ensure equitable and transparent distribution of benefits from mining	Capacity-building for Mongolian gender-related NGOs urgently needed to enable them to compete with international agencies for funding and perform their societal roles
MEDIUM PRIORITY	
Prevent and Reduce: gender-based violence (GBV), and HIV/AIDS and exploitative prostitution in mining communities	HIV/AIDS and other healthy lifestyle issues considered to be important. Requests were made for the continuation of the ADB program. GBV and human trafficking are considered important but not considered sufficiently prevalent by Mongolian stakeholders to warrant top priority action. Further qualitative research to establish prevalence needed before embarking on large-scale programs.
Community engagement on regional development and government service delivery	See multi-stakeholder engagement and participatory processes option described in Governance Annex.
LOW PRIORITY	
Social Impact Assessment regulations	Could be fitted in with other Governance activities

GENDER CONTEXT IN MONGOLIA

In legislative terms, Mongolia rates well on gender issues. Mongolia ratified the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) in 1981 and the Optional Protocols in 2002. The Parliament of Mongolia unanimously adopted a [Domestic Violence Law](#) on 13 May 2004, after years of lobbying by Mongolian women’s NGOs. A national law for the Promotion of Gender Equality was approved in 2011, supported by an implementation strategy and Action Plan for Implementation for the years 2013-2016, overseen by the National Committee on Gender Equality (NCGE), with the Prime Minister as its chair.⁶⁷ The NCGE has created ‘focal points’ in each of Mongolia’s provinces, i.e. civil servants who receive a 30 per cent salary supplement to enable them to work on implementing the Gender Equality Law.

Mongolia is an unusual country in many ways, and one of those is the status of women, particularly in the educational field. For many years, more Mongolian girls than boys have received higher education and this has led to a preponderance of Mongolian women in professional fields, such as the civil service, medicine, veterinary science, teaching etc... This does not mean that Mongolian women occupy a majority of positions of power, which is far from being true, but it does mean that, by comparison with many other countries, educational and career opportunities for Mongolian women are greater.

⁶⁶ Scoping Report, p. 70

⁶⁷ For a more detailed discussion of Mongolian laws and policies relating to gender issues, see Section 7 of the Design Document for MASP II.

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GENDER GAP STATISTICS

This leads to a high performance by Mongolia against various indices, such as the Millennium Development Goals and Human Development Index, particularly those indicators related to education and employment. In another index, the Global Gender Gap Report, 2012, although ranked overall at 44 out of 135 countries (Australia was ranked 25), Mongolia ranks sixth for proportions of female legislators, senior officials and managers, seventh for female literacy and healthy life expectancy, and ninth for wage equality for similar work. Indeed, Mongolia outranks Australia on some of these measures. In order to contextualise the status of Mongolian women compared to Mongolian men, when placed on the world stage, I have extracted below certain illustrative data and placed the Australian statistics next to them as a benchmark.

Table 9: Comparative Gender Gap Indicators for Mongolia and Australia 2012⁶⁸

Labour Force Participation				
	Female	Male	F:M ratio	Rank / 135
Mongolia	71	80	0.88	27
Australia	70	83	0.85	44
Legislators, senior officials, managers				
Mongolia	47	53	0.90	06
Australia	37	63	0.58	25
Professional and technical workers				
Mongolia	55	45	1.20	31
Australia	54	46	1.16	34
Literacy rate				
Mongolia	98	97	1.01	07
Australia	99	99	1.00	21
Healthy Life Expectancy				
Mongolia	62	55	1.13	07
Australia	75	72	1.04	82
Women in Parliament				
Mongolia	04	96	0.04	124
Australia	25	75	0.33	38
Women in Ministerial Positions				
Mongolia	07	93	0.08	109
Australia	21	79	0.26	48

Wage Equality Survey	Result (7 = equality, 1 = unequal)	F:M ratio	Rank / 135
Mongolia	5.41	0.77	9
Australia	4.57	0.65	68

A selection of the gender gap statistics are shown above. It is important to remember that these are measures of the gap between men and women in a particular country, not measurements of absolute situations. For example, although Mongolia ranks higher than Australia on the gender gap for healthy life expectancy, overall Australians have a higher life expectancy than Mongolians, both men and women. Similarly, the wage equality survey places Mongolians higher than Australians, although the actual wages earned by Mongolians are considerably lower than those of Australians.

Where Mongolia tends to fall down on gender gap statistics is in political empowerment of women, and infant and maternal mortality rates. Mongolia's maternal mortality rate was cited as 63 deaths per 1,000 live births, compared to 7 for Australia. Mongolia's Infant Mortality Rate

⁶⁸ World Economic Forum in collaboration with Harvard University and University of California, Berkeley, *Global Gender Gap Report 2012*, pp. 44-56.

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(IMR) was quoted in the 2012 Gender Gap Report as 26 per 1,000 live births, whereas Australia's was only four. Indeed, Mongolia's IMR has been increasing, from 17.6 in 2007, 19.4 in 2008, 20 per thousand live births in 2009, up to 20.2 in 2010. In South Gobi Province, the statistics are even worse, with infant mortality rates of 21.3, 22.7, 19.8 and 22.4 in the years 2007 to 2010.⁶⁹ These poor maternal and child health statistics reveal starkly where some of the major areas in which Mongolia needs further development lie. Although able to compete globally on an educational basis and on obtaining middle-ranking employment, Mongolian women perform poorly on measures of maternal health and positions of power.

WOMEN'S EMPLOYMENT IN MINING

The table below shows clearly that women's employment at Oyu Tolgoi mine does not exceed 38% of the workforce in any category, and is frequently well under 20 per cent. When you consider how well Mongolian women fare in obtaining lower to middle-level employment nationwide, this is a very poor performance and leaves much room for improvement. Although the breakdown of jobs by category was not available during the Design Mission, there was universal discontent with the nature of mining jobs open to women, and also to local men, among key stakeholders consulted. Available jobs were characterised as menial and unskilled, and community members expressed a desire to be able to upgrade their skills and employability so as to be able to obtain better paid and more satisfying jobs at the mines.

Table 10: Number of employed by residential origin and gender, by November 30 2011⁷⁰

Gender	Khanbogd	Bayan Ovoo	Manlai	Dalanzadgad	South Gobi	Rest of Mongolia	Total
Oyu Tolgoi, Nov 30 2011							
Male	83	5	8	74	20	789	979
Female	34	1	2	29	6	424	496
Sub-total	117	6	10	103	26	1,213	1,475
% Female	29.1	16.7	20.0	28.2	23.1	34.9	33.6
Others (contractors), Nov 30 2011							
Male	508	38	150	385	41	4,728	5,850
Female	254	5	71	248	8	908	1,494
Sub-total	762	43	221	633	49	5,636	7,344
% Female	33.3	11.6	32.1	39.2	16.3	16.1	20.3
Total							
Male	591	43	158	459	61	5,517	6,829
Female	288	6	73	277	14	1,332	1,990
Total	879	49	231	736	75	6,849	8,819
% Female	32.8	12.2	31.6	37.6	18.7	19.5	22.6

The Scoping Report had also highlighted the challenges for women obtaining direct economic benefits from the mining sector. The Report stated that:

⁶⁹ NSO, *Mongolian Statistical Yearbook, 2010*, p. 374.

⁷⁰ Oyu Tolgoi, ESIA, C9 Employment, 2012, p. 6.

[t]here are also a range of factors which make female participation in the mining workforce more difficult, including organisational culture, and socio-cultural barriers, stereotyping of jobs, discrimination (including through regulations that restrict or prevent women from employment as heavy equipment operators or underground workers which are generally higher paying jobs), sexual harassment, and lack of complaints handling mechanisms, or unwillingness to access them. The larger mining companies such as Oyu Tolgoi, Tavan Tolgoi and Energy Resources recognise the importance of maximising participation of the local workforce which is inclusive of women. All three companies now employ women as heavy vehicle drivers despite the regulations; however the organisational cultures and individual attitudes and behaviours within both government and companies ensure that challenges still remain for women wishing to work in the mining sector.⁷¹

This observation was supported by the NCGE and Mongolian gender-related NGOs, such as the Gender Center for Sustainable Development and Monfemnet. Mongolian women academics also confirmed that there is widespread community embarrassment about discussing matters of sexual harassment and discrimination in the workplace, so much work to be done in raising awareness.

These observations support the intervention by DFAT into the health and women's employment arenas in South Gobi Province, an area heavily impacted by the presence of an increasing number of mining projects, one of the largest being Oyu Tolgoi, widely considered to be Australian-owned. They also support the need for greater encouragement of female students in fields of study traditionally considered male, especially at TVET. Further, support for Mongolian gender-based NGOs and the NCGE in increasing awareness of the unacceptability of sexual harassment in the workplace and other forms of employment discrimination is clearly needed.

MINING SOCIAL IMPACTS CONTEXT

CONCENTRATION OF MINES IN SOUTH GOBI PROVINCE

The five districts of South Gobi Province that the Design Team have nominated for special focus for the AMEP are Dalanzadgad (also the provincial capital), Tsogttsetsii (where Energy Resources Ukhua Khudag or UHG Coal Mine is located), Khanbogd, the closest neighbouring community to the Oyu Tolgoi Mine, as well as Bayan-Ovoo and Manlai, considered to be direct impact districts by both UHG and Oyu Tolgoi Mines, as they suffer from the presence of mining infrastructure, such as road and rail. Further, the Tavan Tolgoi Coal Mine, when it is developed, will be one of the world's largest coal mines and will be located in Tsogttsetsii district.⁷² The cumulative impacts of these and other existing or proposed mines in the southern Gobi region combine to produce a heavily impacted mining zone.

The impacts of mining on a country are frequently unevenly distributed, and this is true of Mongolia. The Gobi provinces, and especially South Gobi Province, have a heavy concentration

⁷¹ Scoping Report, p. 30.

⁷² There is sometimes confusion about the naming of the mines in the Tavan Tolgoi complex. Energy Resources UHG is one, as is 'little' Tavan Tolgoi, a basic truck and shovel coal mine majority-owned by the South Gobi Provincial Government. 'Big' Tavan Tolgoi (Erdenes Tavan Tolgoi LLC) is owned by the Mongolian Government and has yet to commence. It has the potential to be one of the ten largest coal mines in the world.

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of active and planned mining projects that will operate far into the future, as shown in the following table.

Table 11: Large-scale Operational and Planned Mines in South Gobi Province⁷³

Mine	Commodity	Mine Life (yrs)	Production (000 tonnes/yr)	Estimated Direct Employment	Estimated Start Date
Tavan Tolgoi	Coal	200+	15,000	1,500	2012
Uhaahudag	Coal	40	10,000	1,000	2009
Baruun Naran	Coal	20	6,000	500	2012
Tsagaan Tolgoi	Coal	20	2,000	150	2015
Nariin Sukhait	Coal	40	12,000	150	2003
Ovoot Tolgoi	Coal	50	5,000	400	2008
Oyu Tolgoi	Copper	50	2,000	4,000	2012

REVENUE RETURNED TO CENTRAL GOVERNMENT

South Gobi province is sometimes thought to be wealthier than other Mongolian provinces because of the concentration of mining projects in its jurisdiction, which are assumed to bring revenue to the province. In the first instance, this is true, as South Gobi's annual revenue has increased from MNT eight million in 2007 to 14 million in 2008, 25 million in 2009 and 41 million in 2010. This sounds like a healthily increasing revenue stream, one that should enable the province to invest in development projects under its own steam.

What needs to be taken into account, however, is that the Mongolian Central Government takes most of this revenue back from the provincial administration, leaving mining-impacted areas no financially better off than others, although clearly bearing more of the direct burdens of the presence of industrial operations. For example, the annual grants made by the South Gobi Government to the Central Government in 2007 were almost two million MNT, in 2008 five million, in 2009 11 million and in 2010 over 31 million MNT. So, the Central Government has been steadily clawing back any financial advantage that may have been experienced by South Gobi. The same is true of the other major mining province of Orkhon, where Erdenet Mine is located. There were no remittances from the Central Government to the provincial revenues of either South Gobi or Orkhon from 2007 to 2010.⁷⁴

This is analogous to the situation in Western Australia, where mining tax and royalty revenues accrue to the State Government in Perth and are then redistributed as seen fit by the State Government. The result is that mining districts are not necessarily any financially better off than other districts (nor necessarily any worse) but they do unequivocally receive a far greater impact from mining operations than do non-mining areas. If these impacts are not well-managed, either by Government or civil society organisations, then the result can be reduced standards of living for those not benefiting directly from the mining projects.

POPULATION INFLUX

As commented in the Scoping Report and Concept Notes, 'the biggest social risks for mining communities relate to the influx of outsiders' where services become overstretched because the Government is unable to keep pace with the rate of population growth. For this reason, numerous studies have been made of projected population growth in the Southern Gobi area, notably by the Asian Development Bank and the World Bank. The Oyu Tolgoi Regional Development team has produced more recent population projection estimates at *sum* level, as shown in the following table. These calculations used the same methodology as adopted by the

⁷³ Sustainability East Asia *et al*, *Gobi Region Technical and Vocational Skills, Labour and Training Survey*, Ulaanbaatar, 2010, p. 49.

⁷⁴ National Statistics Office, *Mongolian Statistical Yearbook 2010*, Ulaanbaatar, 2011, pp. 194-6.

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Asian Development Bank (ADB) in its population projections for the South East Gobi but draw on slightly different assumptions based on the more recent data. The figures presented in the table below highlight the predicted substantial increase in the population size of Khanbogd and neighbouring *sums*.⁷⁵

Table 12: Sum Level Population Projections, Years 2010 to 2020

Sum Centre	Likely Future Function (and distance from Oyu Tolgoi)	Official Population, Census 2010	Population Projections		
			2010	2015	2020
Dalanzadgad	Regional Mining Centre (250 km)	18,746	17,000	22,600	30,000
Khanbogd	Key Urban Service Centre for Oyu Tolgoi (45 km)	3,522	3,500	14,000	20,000
Manlai	Satellite Urban Centre (120 km)	2,441	2,000	2,400	3,000
Bayan Ovoo	Satellite Urban Centre (80 km)	1,600	1,500	1,800	2,200
TOTALS		26,309	24,000	40,800	55,200

Note that these data do not include Tsogttsetsii *sum*, as they are taken from an Oyu Tolgoi document. As Tsogttsetsii started at a similar size to Khanbogd, and may be roughly assumed to expect a similar size of influx (if not greater, as it is home to several mines), it would be reasonable to assume that there may be an additional 20,000 people in Tsogttsetsii district by 2020, taking the projected population in the five mining impacted districts to over 75,000 people. This substantial and rapid rate of population growth can be expected to place the administrations and populace of the South Gobi mining districts under great social and environmental pressure, resulting in a diminished standard of living.

One aspect of influx is job seekers, who come looking for mining work and, if they don't find it, can become an additional burden on community resources. Both major mining provinces in Mongolia, Orkhon and South Gobi, demonstrate the presence of many unsuccessful job seekers in their unemployment rates, which are considerably higher than the regional and national rates. In South Gobi, for the years 2008, 2009 and 2010 respectively, the unemployment rates were 12.8%, 15.0 % and 15.4%, while the comparable national figures were 9.2%, 11.6% and 9.9%.⁷⁶ The large number of unemployed people drawn to mining areas justifies an employability intervention in areas affected by Australian-owned industrial mining projects, such as Oyu Tolgoi.

FIELD OBSERVATIONS FROM DESIGN MISSION

During the Design Mission, members of the team were able to visit three of the five districts of South Gobi Province that have been nominated for special focus for AMEP. These districts are Dalanzadgad, Tsogttsetsii and Khanbogd. We were unable to visit the other two proposed focus districts of Bayan-Ovoo and Manlai, although both are considered part of the direct impact zones of the UHG and Oyu Tolgoi Mines. In all three places, we were able to speak to district administration officials with responsibility for health and social welfare issues, women's

⁷⁵ Derived from Asian Development Bank. *Southeast Gobi Urban and Border Town Development Project*. Cited in Oyu Tolgoi ESIA, C13 Cumulative Impacts, pp. 5-6.

⁷⁶ NSO, *Mongolian Statistical Year Book*, 2010, p. 123. Figures based on the Labour Force Survey, not on registered unemployed, usually underreported.

organisations, and a range of other key informants such as teachers, businesspeople and livestock experts. We were also able to interview the Community Relations teams of both Oyu Tolgoi and Ukhaa Khudag Mines.

Our field observations reinforced the summary data on gender status in Mongolia discussed above and the anticipated effects of population influx. By far the majority of officials we met were women, including Deputy Governors in two districts (although the Governors are men).

A number of commentators noted a worrying increase of what are termed ‘child-headed’ households. These are not necessarily orphaned children, but may be the children of working parents, both of whom are employed on long shifts at mine sites, leaving children alone for many hours of the day.

Some women are able to find paid employment more readily since the coming of the mines but it is not necessarily enjoyable work nor family-friendly in terms of rosters, shifts and travel times. Women complained that they could only obtain lower-skilled work and that the available jobs involved long hours of standing, considered to be bad for the health, especially reproductive health. Many women would prefer to work in local enterprises, either their own small businesses or those established by others, rather than having to travel to work at mine sites on long shifts and often in the dark, taking them away from their children and other home responsibilities.

Further, many community members expressed a wish for greater scope for non-mine employment and income opportunities, such as those afforded by successful small businesses. Although there had been considerable achievements at both the large local mines (OT and UHG) in fostering local suppliers, others complained that many small businesses could not qualify for the high standards required by the mining Procurement Departments. They also regretted that the many short courses and micro-business initiatives that had been attempted in the various communities seemed only to last a limited time and that too many small business efforts ended in failure. Key informants, from local administrations, NGOs and mining companies all commented that people recruited into small business development programs often gave up when they encountered difficulties, or had to pay their loans back, clear indicators that the programs have not been suitable for many participants to date.

IDENTIFIED ISSUES AND RECOMMENDATIONS FOR ACTION

HEALTH SERVICES

The district health officials had observed a rise in difficult child births, attributed to women travelling long distances to work over bad roads and standing all day, but also an increase of STIs, causing ectopic pregnancies. The presence of the mines, and especially the mining roads, had resulted in an increase of trauma injuries that added considerably to the hospital workloads. Although the Central Government has finally responded to the increased population in the major mining communities in South Gobi Province and promised new 50-bed hospitals to be constructed in both Khanbogd and Tsogtsetsii in 2013, officials were concerned that there would be problems getting enough skilled staff to run the new establishments. They also felt that they would be unable to continue the very successful and appreciated ADB-sponsored public health education programs when they ceased in April 2013, as they would not have the time and human resources to do so. Programs on healthy living targeting young people were considered to be particularly needed, especially on issues such as STIs, drinking, smoking and forming good lifestyle habits. To reinforce the importance to Mongolians of intervention in the health sector, a series of participants at the AMEP Design Presentation in Ulaanbaatar on 22 March urged DFAT to become involved with rural health initiatives, especially in mining areas where they are perceived to be acute.

The ADB project is called **HIV/AIDS Prevention in ADB Infrastructure Projects and the Mining Sector**. This project is being viewed as a pilot, working with OT and Energy Resources in the South Gobi, and also the Mongolian Employers Federation. The TA has made progress in testing selected HIV prevention activities in pilot sites. Separate packages of activities for the road and mining sectors and for truck drivers were developed and tested in pilot sites and target *sums*. Based on pilot interventions, the Government issued orders regulating HIV prevention activities in infrastructure and mining projects.⁷⁷ DFAT could do well to evaluate the ADB project upon its completion in April 2013 with a view to extending it, either in collaboration with the ADB, or with other partners if ADB does not wish to continue. What seems not to be in place yet is the capacity of rural health centres or NGOs to continue the work that has been piloted by ADB, so this could become the focus of the continuing intervention.

Proposed ‘Seed’ Option: Strengthening Health Systems Development at Sub-national Level (selected *sums* in Ulaanbaatar city and South Gobi Province)

Description

The World Health Organization (WHO) Mongolia Country Office has proposed a program designed to develop model sub-national health systems based on a whole-of-system approach. The concept for this activity is based upon recognition that, although the Mongolian Government is proceeding to develop improved health infrastructure, such as building hospitals and providing equipment, the necessary supporting systems and staff development activities are not being provided.

As the population influx to mining areas of Mongolia has placed their health services under unbearable strain, it would be appropriate to pilot this activity in South Gobi Province as well as disadvantaged areas of the capital city. If DFAT were to partner with WHO, they would use South Gobi as the model provincial location for the program. This national-local linkage would be of benefit to the Ministry of Health in enhancing its local service delivery mechanisms.

An added advantage would be that the ground-breaking Hepatitis C research and prevention pilot study being proposed by Rio Tinto and International SOS (still in concept design stage) could be incorporated into this model, with ISOS collaborating with WHO.

Objectives

Medium-term objectives are:

1. To improve skills of health care managers and workers and other sector staff in planning, implementing and evaluating the model health care delivery system;
2. To improve family and community practices to prevent and control common health problems;
3. To strengthen health infrastructure (essential drugs, logistics, water and sanitation, health care waste management, referral system, health information and surveillance system and laboratory network).

Long-term objectives are:

1. To reduce inequity in accessibility, affordability, availability and utilization of quality health services;

⁷⁷ Scoping Report, p. 35, TA 7175-MON on HIV/AIDS Prevention in ADB Infrastructure Projects and the Mining Sector (pilot) and ADB Project Data Sheet 42027-012, 27 March 2013.

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2. To improve health status of target population specially poor and vulnerable such as women and children, elderly, herders, people with disability;
3. To reduce morbidity and mortality from common diseases and ill health such as non-communicable and communicable diseases
4. To aim to increase healthy life-expectancy through strengthening health system at the subnational levels.

Beneficiaries

Community members in rural mining impacted and disadvantaged urban districts of Mongolia, national and local health officials and service providers.

Partners

WHO, Ministry of Health, Provincial District Chief Medical Officers, Mongolian Health-based NGOs (TBA).

Sustainability

If the model succeeds, it will clearly be replicable in other parts of Mongolia and could be carried forward by the Mongolian partners, with private sector or donor support if needed. Ideally, it will become standard operating procedure and therefore self-sustaining.

GENDER-BASED VIOLENCE AND HUMAN TRAFFICKING

Although Gender-based Violence (GBV) and human trafficking are issues frequently raised in connection with mining developments around the world, and were emphasised in the Concept Note, they were not specifically raised by key informants in the South Gobi. When questioned, South Gobi stakeholders stated that they had not observed any increase in domestic violence in their districts. Khanbogd was still considered to be a quiet, safe town, as was Dalanzadgad, whereas Tsogttsetsii has experienced an increase of drunken misbehaviour in the streets, rendering them less safe for women and children. This is attributed to Tsogttsetsii being host to casual migrant workers employed by small coal-mining operations and not subject to the code of conduct and other behavioural standards of the large mining companies like Energy Resources.

Human trafficking was not raised as a question of importance by any stakeholders in South Gobi, even when questioned. Had we visited the border settlements, this may have been different, but in the areas closer to the big mines, trafficking was not a major issue.

At a national level, Mongolian Government agencies and NGOs also did not raise GBV or trafficking as priorities, although they did observe that they were issues of some concern when pressed. The exceptions were the Mongolian Gender Equality Center (MGEC) and ECPAT, NGOs that specialise in human trafficking and who were discussing a proposal that they had put before DFAT in a consortium with the International Organisation for Migration (IOM).

Gender-based violence and human trafficking were raised as priority issues by international agencies in Ulaanbaatar, particularly the Asia Foundation (AF), which put forward two funding proposals to DFAT, one on each topic, and the UNFPA, sponsor of one of the AF proposals, the one on GBV.

IM4DC has already approved a short-term research project on GBV in mining areas in Mongolia, which should be used to frame any further investment by DFAT into this field of research. The activity is outlined below:

IM4DC Action Research Activity: Mapping Gender Based Violence and mining infrastructure in Mongolian mining communities, a comparative analysis.

The purpose of this research is to improve our understanding of Gender Based Violence (GBV) experienced in mining communities, by examining whether the proximity of mine camp locations (and other associated infrastructure) to population centres, affects the degree of GBV experienced in the community. Due to the high populations of men, excess spending money and associated alcoholism, GBV in the form of; sex-trafficking, forced prostitution, domestic violence and sexual abuse are linked to the arrival of mining in developing world communities (Campbell 2007, Farmer 2009, Mahy 2011, Silitonga 2002). However, very little empirical research has been conducted to; i) examine the scale of these impacts, ii) their link to the mining industry and iii) how governments and companies can provide policies to prevent and mitigate these impacts.

GBV is prevalent in Mongolia, affecting the lifestyles of women, children and men and broader communities through family breakdowns and increased HIV/STDs (Oke 2008). Likewise, Social Impact Assessments and Health Impact Assessments of mining companies in Mongolia have documented GBV as a priority area of concern in mine affected communities (ERM 2010, Centre for Policy Research and Population Training and Research Centre 2009).

This research seeks to conduct a comparative analysis of two mine-affected communities in the South Gobi of Mongolia; one where a mine camp is situated 70kms from the town centre and the second where the mine camp is only 2 kms from the town centre. The aim is to examine 1) the extent of GBV in mine communities and 2) identify whether the proximity of mine camps and other large infrastructures (transport corridors etc.) increases indices of GBV in townships, to conclude 3) if governments and companies can provide better infrastructure and services to prevent and mitigate GBV connected to the mining industry.

Proposed 'Seed' Option: Capacity-building training for Mongolian women administrators and civil society leaders

The National Committee for Gender Equality Head of Secretariat commented that additional training and support for the provincial Gender Law implementation focal points could go far to accelerating the too-slow pace of implementation of the law's provisions. She also noted that the 10-week course on preventing and responding to violence against women, run by Flinders University's Gender Consortium was very useful and she hoped that it would be repeated. The course, held in mid-2012 under the auspices of the DFAT Australian Leadership Award Fellowship, was attended by eight Mongolian women selected by the NCGE, from both Government and non-Government organisations. ⁷⁸

Description

Establishing a regular, at least annual, program for training and capacity building of Mongolian women administrators and civil society leaders would be greatly appreciated in Mongolia and would fit well within AMEP if candidates from mining provinces and mining-related departments were selected. A range of study tours and short-term training courses could be included. Training needs should be identified in co-operation with the NCGE and leading Mongolian NGOs working on programs for women and people with disabilities.

Objectives

To enhance and expand the capacity of Mongolian Gender Equality Law implementation officers, other women civil servants and Mongolian disability and gender-based NGO leaders and members.

⁷⁸ <http://blogs.flinders.edu.au/flinders-news/2012/07/05/taking-on-violence-against-women-transnationally/> accessed 05/04/2013.

Beneficiaries

Clients of the NGOs, such as victims of GBV, people with disabilities, women entrepreneurs and their families and all Mongolians who will benefit from the implementation of the Gender Equality Law. Selection of candidates from mining-affected districts will ensure that mining-impacted community members will benefit from the program.

Partners

Flinders University's Gender Consortium, DFAT's ALAF Program, other universities, MASP.

Sustainability

The knowledge gained by the participants will continue to provide enhanced capacity to civil servants and NGOs in their future activities. Links forged with other practitioners during training will provide opportunities for long-term capacity enhancement and support.

WIDENING GAP BETWEEN HAVES AND HAVE-NOTS

A major problem expressed by a wide range of key informants was that, although there was noticeable economic growth in their communities, due to the high number of people with mining jobs, there were also many people being left behind by the boom, and the gap between rich and poor in the community was widening. Many women were finding it difficult to obtain satisfactory employment in the mining sector, due to unsuitable qualifications. There are also substantial barriers for people with disabilities.

Ex-herders who were too old for shift work, or younger ones with low levels of education complained that they not only could not obtain mining jobs, they could not receive useful training to qualify them for employment. Herders who did not want to work on the mines but who wanted to upgrade the commercial viability of their products complained that they could not receive useful support for business development, as most of it was targeted at supplying uniforms or vegetables to the mining companies.

Proposed 'Seed' Option: TVET: Improve South Gobi TVET opportunities for local youth and vulnerable people.

Description

The proposal involves two components. Firstly, to build the capacity of TVET staff to manage and implement competency based training that is clearly tied to private sector demand. Secondly, to build the capacity of management and the necessary processes to improve public/private consultation mechanisms at the Dalanzadgad TVET College.

This intervention would complement the intensive and on-going multi-donor investment in improving the national TVET system, by assisting the local college to maximise its benefits from the significant infrastructure and equipment investments made by local mining companies and the Millennium Challenge Corporation over the last few years, amounting to about \$50 million from the MCC and over \$80 million from OT, primarily in upgrading the infrastructure of 8 TVET institutions nationwide. The Dalanzadgad (DZ) TVET College is situated in a directly-impacted mining area of Mongolia but has not been previously selected as a target college by either GIZ or SDC in their TVET programs.

As captured in the Government Action Plan 2012-16, the Government of Mongolia (GoM) has recognized the importance of better and more practical vocational education and training (VET) to improve the employability of young Mongolians, and significant steps have been undertaken towards achieving this objective: (i) improved participation of employer and unions in the policy process; (ii) creation of the National Council on TVET and of a TVET Department within the Ministry of Labour; (iii) emphasis on public-private-partnerships (PPPs) and on private sector participation in all aspects of TVET reform; and (iv) the introduction of a competency based training (CBT) system and the commitment to make use of elements of the dual model.

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Although the Government has initiated a fundamental reform of the VET system, two important gap areas remain where the Government is seeking international cooperation: (1) the challenge of improving the work readiness of men and women who are not able or not eligible to participate in the formal VET system; (2) the absence of a vocational counselling and career guidance system which would provide young students and others with the relevant information and advice based on their individual capabilities and the needs of the labour market. Enhancing performance in both these areas could contribute substantially to the ability of women and people with disabilities to benefit from the mining boom.

The Dalanzadgad TVET college is a public institution receiving funds from the National budget. It has 60 staff covering 13 skills areas including (among others):

- Heavy machinery
- Construction
- Design
- Carpentry
- Mechanics
- Electrical
- Sewing
- Cooking

The college runs both long- and short-term training for students from all over South Gobi Province, many from herding families, mostly aged between 16 and 24 years. Long-term training involves about 536 students (2013) in two intakes per year. The current intake of 280 students includes 110 girls.

Short-term training is done for various clients, including mining companies and Government agencies. Many short-term students are older, ranging from 18 to 44 years of age. In total the school would handle about 800 students per year (including adult education). Enrolment numbers have increased from 730 in 2010 and the Director described the curriculum as outdated, from the 1950s and 1960s.⁷⁹

As described in the explanation of mining-related population influx above, the South Gobi mining communities are growing rapidly and filling up with job-seekers and yet the Provincial TVET college is lagging behind in terms of staff and management capacity building, modern training techniques and approaches and the ability to provide courses responsive to community and private sector need. The Dalanzadgad TVET College itself is not exceptional, its difference lies in its situation in the middle of a modern mining boom, without the capacity to keep pace with developments.

Objectives

- Improved college management and governance;
- Improved partnerships with the private sector;
- Improved staff technical and competency-based training skills, through embedded technical assistance/twinning with Australian TVET colleges;

⁷⁹ Sustainability East Asia *et al*, *Gobi Region Technical and Vocational Skills, Labour and Training Survey*, 2010, p. 61.

- Improved access to formal TVET qualifications for local, but marginalised Mongolian youths and aged (women and men), including people with disabilities.

Beneficiaries

The activity will contribute to enhance the employability of South Gobi and other Mongolian men and women who are being left behind by the mining boom and who lack the marketable skills required to be productively engaged in either the formal or informal sectors of the economy. The activity will pilot skills development and career counselling aimed at mostly herders and ex-herders, and other rural and urban men and women who are not eligible to enrol in the formal VET sector. A special emphasis will be placed on including students with disabilities. “While men dominate in Mongolia when it comes to management, pay and politics, women lead the way in tertiary education.”⁸⁰ In TVET, however, women continue to be underrepresented, which is why the activity will take into account the special needs and demands of women in the labour market and with regards to skills development.

Partners

The proposal is to deliver this activity through GIZ. In 2012 the sector has been organised as a “collective impact group” of which all major development partners are members, as well as the major private sector player Oyu Tolgoi (OT - majority owned by Rio Tinto). The main contracting and strategic implementing partners for the proposed joint DFAT/GIZ activity are the Mongolian Ministry of Labour and the Ministry of Education and Science and Australian TAFE directors. Other implementing partners may include the Mongolian Employers’ Federation (MONEF), Mongolian Trade Unions, Mongolian National Chamber of Commerce and Industry, Mongolian National Mining Association, Business Council of Mongolia, Labour Exchange Office and the local business communities. The activity will also promote all forms of partnerships between public and private sectors.

Sustainability

This activity dovetails nicely with similar projects being conducted elsewhere in Mongolian by GIZ and SDC, with the distinction of being in a mining-affected area. The activity will bring the Dalanzadgad TVET College up to the level of others in Mongolia and help it to compete in the modern industrial sector, enabling it a better chance of surviving and thriving. With lessons learned from twinning with Australian institutions, it should learn how to increase its success on the private sector, short-term training market, which will help it to sustain itself into the future.

Proposed ‘Seed’ Option: Enterprise Facilitation training and support to increase the success of local entrepreneurs

Description

In all South Gobi districts visited by the Design Team, stakeholders complained that there was insufficient sustainable support for small business development, except for the businesses supplying the mines. The large mining companies, such as OT and ER do a good job of corporate social responsibility in developing businesses for their own supply chain and procurement needs but do not work beyond that scope, in the parallel economy that grows from the indirect and induced economic impacts of mining. Three-quarters of small businesses in the South Gobi reported that they did not earn sufficient revenue to invest in expansion or other ventures.⁸¹ Herders have more investment potential than *sum* centre citizens because of livestock assets (in other words they can sell livestock to obtain capital for new business venture, e.g. an additional ger to use as a seasonal café), and yet they do not know how to go about developing businesses to improve their standard of living while maintaining their traditional herding way of life.

⁸⁰ GIZ Proposal, p. 3.

⁸¹ CPR and PTRC, *South Gobi Social, Economic and Environmental Baseline Study*, 2008.

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Most small business development programs recruit candidates to their training courses, support them in obtaining start up loans and visit them from time to time for the duration of the program and then move on. It is very easy to obtain information on how many small business people have been enrolled in programs but next to impossible to obtain data on how many are still successful years later. Stakeholders from many walks of life complained that a majority of the small businesses folded once they struck adverse conditions, as there was a lack of ongoing support and mentoring, the trainers had gone back to the city, and it was easier to find a small job to pay back the loan than to persist with a business idea that may not have been their own to start with.

The Design Team’s Social Impact and Gender Expert has witnessed many half-baked attempts at fostering small businesses in developing country mining communities around the world and does not recommend that DFAT become involved in yet another similar waste of funds. Instead, she proposes that DFAT underwrite the introduction of an alternative approach that has been tried and tested over more than twenty years, in all manner of communities. This approach has a greater chance of working because its fundamental premise is self-reliance, something that is extremely culturally appropriate to Mongolians – people who have survived for centuries through their own hard work in one of the earth’s most severe climates and who are embracing the choices that private enterprise can bring.

In the United States, data collected since 1995 indicate that only half of new small businesses survive for five years or more and about one-third are still in business after ten years.⁸² In a country with a developed private sector economy and active government it is tough for small businesses to survive, so likely to be even more challenging in a nascent economy like Mongolia. That is why an exceptional effort is needed to enable budding small entrepreneurs in Mongolia to take advantage of the economic growth opportunities that the presence of large-scale mining affords. Enterprise Facilitation (EF), the method advocated by the Sirolli Foundation, boasts a survival rate consistently above 80% after five years for newly-created businesses supported by EF programs.⁸³ In addition, most small businesses employ several people, so the employment multiplier effect of successful enterprise facilitation is an additional economic boost.

EF, as developed and practised by the Sirolli Institute takes a radically different approach by only working with people who have already discovered what it is they want to undertake. The idea may be only nascent, but it must come from the budding entrepreneur, not from a facilitator, or it will be doomed to fail. This is the essence of self-reliance. The extract below explains how the EF coach works with a client.

After gaining the client’s trust, the Enterprise Facilitator encourages the client to recognise his/her strengths. As soon as clients identify what they are good at, they are coached to identify the missing elements and look for the opportunity. In this part of the coaching process, it is possible to diagnose what might be missing from a client’s business and suggest a remedy. The EF does not encourage the client to learn new skills but supports them in finding local individuals who can contribute a specific aspect or skill-set to the business. If the client cannot locate additional expertise on his/her own, then s/he is given the opportunity to ask the EF for help. If asked by the client to do

⁸² US Small Business Office of Advocacy, *Frequently Asked Questions About Small Business*, September 2012, p. 3. Available at www.sba.gov/advocacy

⁸³ Sirolli Institute, *Enterprise Facilitation Value Proposition*, 2010, p. 1.

so, the EF will assist clients in locating skilled people by leveraging the networking abilities of a group of local volunteers called a Board of Helpers (BoH).⁸⁴

The importance of this supportive self-help approach of the Sirolli method cannot be overemphasised. It is what distinguishes EF from the traditional, ineffective small business development projects typically sponsored by mining companies and donor agencies throughout the world.

Enterprise Facilitation succeeds in developing country settings, as the following example in the Democratic Republic of Congo (DRC) demonstrates. The EF project started in January 2009 and was implemented over a period of two years in Kamina, Bukama and Kalemie towns in Katanga Province, a mining area of south-western DRC. The project started in Kamina and extended to Bukama and Kalemie towns in March 2011, invited by those communities after they had witnessed the benefits of EF in Kamina. Today Bukama and Kalemie are fully-fledged enterprise facilitation project sites. Many people have so far been facilitated to start new business while others have expanded existing businesses. In total, approximately 193 people have benefited from the project by either opening new businesses or improving existing businesses while 775 new jobs were generated. Many other people also benefited from training, even though they did not open businesses.⁸⁵

Objectives

The EF model is a social technology recognised as a viable complement to conventional top down economic development strategies. This means that although it is important for economic infrastructure to be developed in mining areas by governments, donor agencies and mining companies, there needs also to be the enhancement of grassroots-level entrepreneurial spirit among people who are not directly benefiting from the large-scale projects but would be able to participate more fully in the parallel economy created by the indirect and induced impacts of mining. The EF model the passionate mentoring of local talent and promotion of quality local enterprises to achieve the following:

- Diversifying the economic base
- Creating jobs
- Respecting the natural environment
- Infusing the local community with vigour and content

Starting with the premise that creativity and intelligence are to be found in every community, EF engages entrepreneurs to discover what it is they truly love to do. Enterprise Facilitation is therefore a unique approach to local development based on facilitating the transformation of good local ideas into viable businesses. An Enterprise Facilitator (EF) works in the communities of interest in a responsive manner – being available to budding entrepreneurs to offer them **free** and **confidential** management coaching services. It requires discipline on the part of the facilitator never to initiate the relationship with the client and to never motivate them to do what s/he might wish. Instead, the motivation and the initiation must come from the budding entrepreneur.⁸⁶

This is how EF differs from standard business development approaches, which seek out and recruit candidates to participate in coaching programs, thereby ensuring that the initiative

⁸⁴ CSRSM, *Case study: Enterprise Facilitation Project in the DRC*, University of Queensland, 2013, p. 10.

⁸⁵ Independent valuation by A. Kimanzi, 2012. Cited in UQ study. See below. pp. 13-14. See also www.sirolli.com.

⁸⁶ *Ibid.*, p. 8.

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comes from the course organiser NOT the individual entrepreneur. In the EF model, entrepreneurs are self-motivated to strive for success because the project stems from their own passion and interest, the best guarantee of sustainability.

The Sirolli Institute is conducting a Feasibility Study visit to Mongolia in June 2013, working with Development Solutions (DS), a Mongolian NGO. The study visit will include Ulaanbaatar and Dalanzadgad and will be financed by Rio Tinto, AngloAmerican and IM4DC, with support from local government and Mongolian banking agencies. The study sponsors will share the outcomes of the FS visit with DFAT, through the office of Bruce Harvey, Communities Global Practice Leader for Rio Tinto. If the activity proves feasible, DFAT will have the opportunity to participate in extending the activity through the five mining impacted districts of the South Gobi as a first phase and perhaps into other needy areas of Mongolia as EF becomes more established within Mongolia and more Mongolian communities request Enterprise Facilitators as the word spreads.

Beneficiaries

Community members with income-generating interests and ideas but lacking information about how to realise them. The model is especially suitable for home-based enterprises, as people can adapt their business plans to fit in with their own needs and priorities, rather than the needs of a set program. It is also ideal for herders, who have successful products but lack knowledge about how to capitalise on them. EF can be especially suitable for women and people with disabilities, as they focus on developing enterprises suited to their innate skills rather than trying to conform to standard patterns.

Partners

Development Solutions, Sirolli Institute, Rio Tinto, AngloAmerican, IM4DC.

Development Solutions NGO is a Mongolian NGO that provides business development services (BDS). It worked with Mercy Corps on the development and improvement of the www.zuvluh.mn website, created in 2010 as a part of the Market Opportunities for Rural Entrepreneurs project (MORE) funded by SDC. Mercy Corps has donated the website to Development Solutions, which will be responsible for managing and maintaining this website to further enhance skills and knowledge of national consultants and BDS providers, expand their market access and strengthen network capacity. Development Solutions has experience working in South Gobi Province. Indeed, DS has previously worked with OT and ER on small-business development projects and therefore has first-hand knowledge of how difficult it is to ensure the success of a majority of recruited and sponsored small business people using traditional methods. For this reason, they are keen to try the innovative approach offered by the Sirolli Institute.

Sustainability

EF operates by producing locally-based Master Trainers and Enterprise Facilitators – from and rooted in each community – not fly-in-fly-out experts from the capital city. In addition, the EF community-based model includes the establishment of local Boards of Leaders, to oversee the functioning of the trainers and facilitators and Boards of Helpers who are able to provide the links and team members needed by each individual entrepreneur through their network. This tried and tested structure contributes substantially to the potential for sustainability of the program in contrast to standard donor projects that last two years and then fall apart when the paid expert leaves. Each Enterprise Facilitation Project, if successfully implemented, is offered the opportunity to become a licenced Sirolli Associates training centre, able to generate future revenues as an ongoing social enterprise.

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Annex 5. MULTI-STAKEHOLDER PROCESSES IN MONGOLIA

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INTRODUCTION

Understanding multi-stakeholder engagement as an inclusive and continuous process of constructive dialogue of groups with varying views or interests regarding one common topic or issue they are concerned with (or impacted from), the three main stakeholders in the context of the IDD are Government of Mongolia (GoM), mining industry, and environmental and mining related CSOs.

This annex aims at answering the question of what is the current situation of multi-stakeholder processes in mining, if and how it could be addressed by DFAT's Australia Mongolia Extractives Program (AMEP) in Mongolia. In order to answer this question, the annex purposes:

- to describe the developmental context in which engagement and participatory processes take place,
- to identify main challenges of stakeholders and their engagement, and based on that
- to suggest some ideas on approaching these challenges.

It should be emphasized that the annex does not claim to completely cover all issues, but is focusing on Extractives related aspects.

BACKGROUND

GENERAL SOCIO-ECONOMICS

After 350 years of foreign domination (the Manchu dynasty followed by a Soviet-ruled socialist regime), Mongolia became politically independent in 1990. It chose to build up a democratic society and a market-driven economic system by introducing a new Constitution in 1992. Donor organizations such as the International Monetary Fund (IMF), the World Bank, and the Japanese government supported this process by implementing various economic assistance programs that substituted the former COMECON (Council for Mutual Economic Assistance) transfers which ended with the collapse of socialist regime.

Formal mining was developed in Mongolia in the late 70s under assistance of socialist "brother" countries and as an important part of labor division within the COMECON. With the transition, particularly after the introduction of the Minerals Law in 1997 and implementation of the "Gold" Mining Development Program, Mongolia officially declared to extensively utilize its mineral resources. Consequently, there has been a rapid rise in mineral exploration and mining. And it is becoming now the main sector of Mongolian economy which contributes to 17% of GDP and accounts for 70% of export earnings⁸⁷. Despite the recent decline of foreign direct investment, Mongolia is still seen as one of natural resource booming countries. However, Mongolia is a new comer in the market-based mining sector world.

INSTITUTIONAL SETTING

Neither has Mongolia well-founded experience with engagement processes in the context of democratic relationships. In the last 20 years, it has been challenged to operationalize democratic relationships in general and stakeholder engagements in particular into concrete, workable tools and instruments. Understanding engagement as a process of creating opportunities for groups to influence decisions that impact their lives and setting incentives for decision makers to make informed and lasting decisions is a new (western) concept.

⁸⁷ World Bank Economic Update, April 2013

If one would look at traditional concepts of disputes and collective decision making, one would find (fairly modern for that time) customs of consultations like Khuraldai initiated by khans and leaders. Despite this tradition of broad consultation among elites, the heritage of 350 years being externally determined has however left its mark. Until recently, rules of the game “community” or nation were given by external rulers. Thus, the culture of developing, collectively negotiating or re-negotiating main rules has not been cultivated for centuries.

As it comes to individuals, traditional way of thinking and approaching relationships very much influences their day-to-day life. Centuries-old nomadic lifestyle involves a holistic understanding of all relationships and goes from general to particular. A nomad gets a picture of the environment he is placed in (main relationships are “localized”) and upon understanding the whole picture without judging it, he positions himself in this environment by taking pragmatic actions (positioning). Hereby, his actions are not based upon judgment of and attachment to the environment, but accepting the environment as it is. This integrative and very pragmatic way of thinking and forming (human) relationships has not been addressed in shaping the formal rules of consultations and engagement so far.

Thus, there exists a mix of different, to certain extent inconsistent habits which channelize decisions of individuals and groups when it comes to engagement with others. It is a great mix of the old tradition nomadic way of individualistic thinking with the “colonial” mentality during Manchu and Soviets as well as with “free” way of thinking of the past 20 years. There is a lack of institutional memory in visioning and strategizing self-determination and translating them into realizable tools of governance (including tools of engagement).

Likewise, the relationship and habits of Mongolians to the nature, to natural resources has been shaped through different values introduced over the course of Mongolia’s history of last centuries. These heterogeneous values (within and across generations) have been evolved through articulation and reasoning into social commitments. Many of the currently existing ones are inconsistent with each other. Some of them related to the use of natural resources are, for example:

- An intimate respect of Mother Nature: Every human decision is led by rules of harmonious existence within the nature taking only the most needful from it, possibly resources what humans are able to re-create. Every output from process is used as input into another process like using dropping of cattle for fuel. These are traditionally derived norms – idea of sustainability rooted in the tradition of nomadic lifestyle.
- Industrialization efforts of the socialist time with slogans of “seizing or conquering the nature” developed set of habits for extensive use of non-renewable resources. Popular songs and poetries about “removing hills and streaming rivers” ideally visualize this.
- Understanding of democracy and market-based economy from perspective of rights, but less from perspective of responsibilities and accountabilities, shapes very much current socio-economic thinking. Ambiguity and discontinuity of mining policies as well as inconsistency of mining policy administration is a demonstrating example for it. Thus, public policies related to utilization of mineral resources have – independently of whether consciously or unconsciously – empowered a small group of Mongolians. Introduction of laws and programs itself could not lead to well-being of all, as capabilities for all were not built.

DYNAMICALLY CHANGING ENVIRONMENT

This inconsistent institutional setting described above is now challenged with rapid change motivated by a perspective of large mineral revenues. After achieving real political freedom 23 years ago, Mongolia has now an opportunity for economic freedom. The change is very dynamic; however it is not steered because neither a clear vision for a mining-based economic

development nor a comprehensive strategy is in place yet. So, led by efforts to leverage global community economics, Mongolia is ad hoc learning by doing in a rapidly changing environment. “Back a horse, ride and decide on the way”, to use visualization language.

This change inherently initiates a process of search for identity of Mongolians as a modern nation. What do we want? How do we want to achieve this? What consequences does it have for existing values etc? Continuing with the visualization language, Mongolians are sitting in an unfinished, rapidly moving vehicle which they can barely steer, just managing it to not collapse, trying to finish the construction as it goes; thereby the passengers are experiencing all sorts of emotional and physical highlights and interactions.

Thus, decision makers are not really managing, but only firefighting. Government did not manage to develop concrete plans for building human capacity in the public service general and in particular for management of mining led development. The decision makers are acting in a very strong trade-off environment between polity and individual interests. “State itself has become a risk”, so the President at the Mongolian Economic Forum 2013.

Additionally, individuals experience rapid change in values in their everyday lives. Changes in familiar relationships as well in their social status – income and economic powers – challenge their way of thinking and understanding development. Strong desire/need to being the “owners of own destiny” is under continued risk of flipping over to exaggerated patriotism or even nationalism.

In respect to participatory processes, there is a reform energy. Decentralization reforms and introduction of inclusive decision making processes at *sum* and *aimag* level are championed by the President of Mongolia – through his initiatives of direct democracy, and anchored in the new budget legislation. Since recently, he calls for analytical foundation of policies and public discourse and debate culture for the sake of responsive and inclusive (mining led) development.

Some *aimags* and *sums* have recently started with citizens’ consultative meetings to decide how to use Local Development Funds introduced by the new legislation. Anecdotal evidences report about very engaged citizens actively participating in debates, and then however getting satisfied soon after being heard and not very involved in formulating of solutions. Experts having observed these processes emphasize the lack of understanding of the essence of engagement – having a problem solved, and the unavailability of useful tools and settings to facilitate constructive engagement.

CONSTRUCTIVE ENGAGEMENT AS DEVELOPMENT NEED

Thus, in this environment of inconsistent rules rooted in the legacy of old and recent pasts, of dynamic socio-economic change motivated by a perspective of commodity revenues, Mongolia is trying to manage multi-tasking. Lessons learnt within the last few years make Mongolians slowly realize – articulated in meetings of the Design Team as well as in the Concept Note – that it needs a much higher capacity of stakeholders, especially of authorities to proactively regulate and manage the use of natural resources.

Proactive approach requires genuine engagement and discourse. Compared to 2-3 years ago, there is a growing realization of this need for coordination and engagement of different stakeholders and interest groups. Often used jargons of nowadays are “we offer dialogue”, “sit down together and discuss”, “find a win-win scenario”, “formulate common issues of mutual interest”, “solutions formulated through participative processes seem to be closer to every-day life and every day needs”, “problems solved through participation are helping human lives, thus are more sustainable – both environmentally and socially”. Explicit realization of some leaders, especially among politicians, and recognition of the need for dialogue to formulate shared views and goals encourages moving away from a commodity view to real lives that Mongolians can achieve.

However, as above mentioned, implementation of rhetoric and commitments are struggling under a lack of concrete, workable tools and mechanisms of constructive engagement. Thus, there is an articulated and felt development need for operationalisation of policies for engagement into optimal systems and procedures. It is a real need created by the rapid economic development led by mining sector and an opportunity to ensure inclusive development.

Inclusiveness in form of public reasoning and discussion is crucial, especially at this stage of mining development in Mongolia. Many socio-economic and environmental challenges of mining can be better addressed through open discussion and trust building. Through articulating and reasoning of values, capabilities of stakeholder can be developed and opportunities for all can be jointly identified, expanded and integrated into policy decisions. At the end of the day, people know best what they value and what kind of lives they want to lead.

Additionally, it is directly related to improved governance. It addresses both supply and the demand side of governance. A pro-active, constructive engagement of stakeholders helps making the change process an owned process shared by majority and accepted. It will also contribute to building institutional and human capacity for mining sector management and administration. Sharing knowledge while engaging can be a way of gaining capability within short period of time.

EXISTING EXPERIENCE IN PARTICIPATORY PROCESSES IN MINING

STAKEHOLDERS

The institutional development of GoM and private sector as agents (or stakeholders) has been evolving since the early 1990es. The institutionalization of CSOs in Mongolia experienced different stages and NGO landscape has been drastically changing in the last 7-10 years. A short introduction to three main stakeholders follows below. Thereby an emphasis is given to civic society and environmental NGOs, as they – despite of organizational development challenges – have been main drivers of multi-stakeholder processes.

Government of Mongolia

After achieving political independence, two political parties came to dominate Mongolian politics, the Mongolian People's Party⁸⁸ and the Democratic Party. Elections, held every four years, featured pitched battles between the two sides for who would control the parliament – especially starting 2000 elections.

In 2008, the newly elected government – coalition of these two parties – declared the transition to a market economy and democracy had finished, and announced the beginning of a new era of “intensive economic growth and development”⁸⁹. According to these officials, Mongolia had established its democratic and economic institutional foundations, and the time had come to generate economic growth. This shift in emphasis came at a time of booming demand for Mongolia's vast mineral endowments⁹⁰.

During this term investment agreement on Oyuu Tolgoi copper and gold mine was accomplished, and Tavan Tolgoi coal deposit operation partly started. Advance payments from these projects were fully utilized for cash transfers in order to fulfil election promises, which heavily burdened budgets. The election of 2012 transferred power to the Democratic Party which named its coalition with the split arm of the Mongolian People's Party as “reform government”. Despite of vagueness of definition – even in the Government's Action Program,

⁸⁸ By that time named as Mongolian People's Revolutionary Party which was changed on the 6th of November 2010

⁸⁹ Entry speech of the Prime Minister 2008

⁹⁰ Government Action Plan 2008-2012

the “reform government” marks the end of dry spell for the Democratic Party which had been for 12 years in opposition or coalition’s minority partner. It symbolizes intention of the new Government to introduce a “reform ideology” in all spheres of public live.

One of the flagship concepts of the Democratic Party is the decentralization and empowerment of local governments. Despite of positive developments in fiscal decentralization, the main hitch is that local governments are accountable not vis-à-vis its community, but vis-à-vis the central government.

Civic Society

According to Mongolia’s development needs and based on already existing structures⁹¹ NGOs dealing with problems of social groups (women, youth, seniors, teachers etc) were at the front line. Then step by step starting early 2000 – obviously linked to governance challenges, issue-led NGOs have been established such as democratic education, human rights, transparency, accountability and monitoring etc. The rise of environmentally concerned NGOs and their rapid development in the last 7-9 years is linked with the development around extensive use of natural resources in Mongolia. Thus, most of the environmental NGOs were established around mid-2000s.

Currently, out of around 12000 registered CSOs in Mongolia 8000 are NGOs, and 176 NGOs distributed legally required annual reports in 2011.⁹² There are 710 environmental NGOs – according to the Mongolian Civic Environmental Council (MECC). Four years ago, at the first Forum of Environmental NGOs 320 were registered, two years ago - 560⁹³.

Few earlier established NGOs dealing with non-environmental topics have reached certain level of organizational development being able now to not only strategically manage their organizations, but also building concrete channels (mostly bilateral though) for engagement with other stakeholders. Most environmental and mining related NGOs, however, are at early stage of their development and struggling to tackle challenges both external and internal:

- At the beginning, they put enough pressure to politicians in the last 5-8 years – together with non-environmental NGOs - some of non-environmental are step by step entering the milieu of environmental NGOs. By doing so, they were successful in raising awareness of decision makers to take CSO seriously and recognizing them as significant players, or at least to certain extend as public opinion makers.
- Then, GoM and politicians have started to consider them, listening to them and offering concrete channels to engage⁹⁴. These channels are mostly designed by decision makers themselves and have temporary character – initiated and used case by case – in form of working groups, consultative meetings etc.⁹⁵. They have been practiced within GoM’s efforts to establish formal regulatory framework for engagement between the GoM and CSO which is still pretty slim though.

⁹¹ In the socialist time, there were quasi non-government organizations (called public organizations) representing different professional sectors (artists, writers etc.) or social groups (seniors, youth, women etc.)

⁹² Data from the Cabinet Secretariat of the Government of Mongolia.

⁹³ Number given by the Ministry of Environment and Green Development.

⁹⁴ Such as the support to the Mongolian Environmental Civic Council (umbrella organization of environmental and mining NGOs established 2008) – which was established within the framework agreement of the Government with Civic Society Council in 2007, signed by Prime Minister and Civil Society Council. Within this framework agreement, some ministries “helped” to set up sectoral Councils like the MECC.

⁹⁵ The same is with the mining industry – or at least the bigger players of the mining industry and large-scale mining companies.

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- Now, as described above, despite of incoherence in understanding engagement, GoM has been responsive – at least rhetorically – to NGO’s pressure: developing legal regulations and suggesting some tools to at least get into dialogue⁹⁶ and develop platforms.

But, the experience hitherto puts the question if the NGOs are actually capable to fully make use of these opportunities. Currently, they are internally not always well organized and externally not consolidated. Most NGOs face problems of internal governance and management. Most of them have been established as urgent reaction to certain events or issues within a short time they had to act quickly focusing more on substance. Thus, in many cases their internal organization is still underdeveloped, decision making processes are not structured and accountability arrangements are not in place yet, and strategic planning is hardly a settled tool. That raises a question about organizational viability of the NGOs. Additionally, NGOs face problems to engaging their members and supporters in organizational processes, empowering them, creating a sense of ownership. This questions their capacity to legitimately represent their groups and bringing enduring impact.

Thus, this situation makes other stakeholders (politicians, mining industry, even the general public) doubt about credibility and competence of CSOs. Moreover, in the sense of game theory, it gives the other stakeholders an opportunity to take advantage and insist on their own rules⁹⁷.

PARTICIPATORY PROCESSES IN MINING

Including different stakeholders, especially beneficiaries, in decision making processes has been becoming a part of policy rhetoric for almost a decade. Efforts towards institutionalization however took place in the last few years. The Mongolian Economic Forum a la World Economic Forum has been organized since 2010 and is one of “shining” examples of engaging different groups in visioning Mongolia’s future and conducting constructive discourse on policies. September this year, the World Economic Forum together with the Government of Mongolia is organizing a regional forum in Mongolia. Another example is the “Citizens’ Hall” established by the President of Mongolia to discuss draft laws and policies prior submitting to Parliament. The recent decision of the President not to submit the draft Minerals Law to Parliament was a direct result of web-based disclosure of the draft Law to stakeholders in December 2012 and of subsequent stakeholder consultations.

This spring, more government driven inclusive decision making process started taking place with respect to implement the new fiscal legislation. *Sum* and *bag* citizen have been meeting to decide how to use revenues of local development funds. So far, it has been resonated in the media as challenging, but very much worth of pursuing as it “gives decisions a human face” and raises sense of ownership.

Most well-known initiatives have been established in areas directly or indirectly related to the mining development. There are three main initiatives at national level: Extractive Industry Transparency Initiative (EITI) in Mongolia, Responsible Mining Initiative (RMI), and the Trilateral Partnership for Grievance.

The Government of Mongolia announced in 2006 its commitment to implement EITI in Mongolia, whereas initially its introduction into Mongolia was very much driven by civic society. After a preparatory phase during which the first EITIM reports were issued, Mongolia received

⁹⁶ See also the agreements of related Ministries with the Civil Councils of Environmental NGOs, of Health NGOs, of Education NGOs, and even Defense NGOs.

⁹⁷ The experience with three Forums of Environmental NGOs illustrate that: the first one initiated and orchestrated very much by the then Ministry of Environment, the second and third ones organized by the Civil Council of Environmental NGOs but fully funded by the Ministry of Environment and Green Development. In the meantime, the Council has been struggling to institutionalize its operation because of difficulties to consolidate efforts of all NGOs – the recently approved by-law has still a lot of gaps. This had to do (i) with Council Board members implementing projects funded by Ministry of Environment (conflict of interest), (ii) with related mistrust of other NGOs in the Council – accountability – and general problem of cooperation.

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a compliant status in October 2010. Altogether, there have been 6 reports published. The World Banks' Multi-Donor Trust Fund support has been provided to EITIM, which was significant and crucial for the preparatory phase. The main challenges are the lack of follow up mechanisms of reports, the quality of report data with regards to comprehensiveness to ordinary citizens, the unavailability of disaggregated data (according to mine projects, to *aimag* and *sum* etc.), the lack in institutional development such as legal environment, effective internal governance (EITIM Secretariat is integrated into public service) etc.

The Responsible Mining Initiative was established as a result of multi-stakeholder meeting series supported by The Asia Foundation (TAF). Government, industry and civic society representatives met over a period of a year and jointly formulated in 2008 their definition of responsible mining in Mongolia including 8 Responsible Mining Principles. Upon this, they founded an NGO with a mission to implement those principles. The Board consists of an equal number of multi stakeholder representatives. Since then, the RMI developed criteria for the 8 Principles and conducted conferences on corporate social responsibility in mining. Being a multi-stakeholders' organization, it faces realistic challenges of internal organizational development like clarifying its objectives and setting up optimal governance and management structures.

The initially high level agreement of Trilateral Partnership for Grievance constituted in 2011 a prejudicial mining grievance mechanism of social partners such as government (Cabinet Secretariat), industry (Employers' Federation and Mining Association) and civic society (Trade Union, mining and environmental NGOs) – with support of the USAID. There was a Coordinating Office/Secretariat established, and there are no reported activities and cases of grievance being solved through this mechanism yet. In preparation of this process a vast volume of learning material – Mining Hand Book and PPPs for training of trainers – was produced, which however only partly was made publicly available.

Additionally, there are several efforts of inclusive decision making at sub-national level supported by various international organizations.

One of the famous attempts of multi-stakeholder processes at regional or local level is the Southern Gobi Regional Development Council (SGRDC). The GoM established the Council in May 2010 under Resolution 124 and partnered with Oyuu Tolgoi to create and operate it. The Council provides a broad stakeholder group to guide and facilitate the development of the Southern Gobi region. Formed in accordance with the provisions of OT [Investment Agreement](#), the Council's vision is "to make the Southern Gobi region a model of sustainable development and the economic driver of the region and the nation." The Council aims to maximize the value of large investments made in the South Gobi region through effective coordination and partnership with participating council members and communities in the region. The Council objectives are to:

- guide the government in developing a medium to long term strategy for the socio-economic development of the South Gobi region,
- review and guide investment prioritization, development plans and government budgets in the region, providing feedback to relevant government departments and private sector investors,
- coordinate and advise on the planning, preparation, financial structuring, management, and implementation of public and private sector investments in the region and support the creation of development partnerships,

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- initiate sub-groups to tackle issues of special concern, e.g. water, power, population, housing and urban development, border crossings; PPP unit; South Gobi forum; vocational training; risk management, and
- provide support to comprehensive local and regional planning and development, resolve planning conflicts and encourage and support transparent and responsible local governance.

Because of the obscurity of legal status (is the Council an NGO or a government authority?) and of structure (Board and Council members were appointed by name and not by role, no description of roles and responsibilities), and of financing (at the beginning, Oyuu Tolgoi financed), the Council has become dormant and ineffective.

TAF has been working in up to 50 sums to support the process of establishment of Local Multi-Stakeholder Councils. TAF facilitated the process in which the concept for a Council was designed and rules negotiated; it also provided operational funds for organizing meetings and implementing decisions of the Councils. The aim of these Councils is to establish a platform for local stakeholders to get into dialogue on mining related issues, formulate solutions and implement those.

Additionally, there are different donor funded projects at local level which aim at improving local governance and inclusiveness, but are not explicitly focused on mining issues. For example, the MercyCorps has been engaged in supporting legal, institutional and administrative processes in *aimags* and *sums* – including Southern Gobi – through e.g. participatory planning and budgeting, procurement processes and participatory development of *sum* master plans. Their experiences show that community mobilization has been challenged by (i) partisan motivation or lack of genuine participation of communities, and (ii) realization that sustained effort is crucial as it takes many meetings and events for behavioural change to take root.

Thus, the experience in participatory process in Mongolia is characterized by a general lack of experience in modern culture of constructive dialogue, debate and public discourse. Particular features of existing multi-stakeholder processes are:

- Most of them have been externally driven – either motivated by international initiatives or donor funded or urged by a large investment project. The fact of formal establishment (or even the potential funding) has been so far the real driver, rather than the perspective of solving problems and developing/implementing feasible solutions.
- Although formally treated equal, stakeholder groups – especially civil society – have been in fact unequal because of either difference in mining sector knowledge or lack of access to (comprehensive) information, and the capability to make use of this knowledge/ information.
- Proper design and preparation of meetings or consultative events have been not taken as seriously as they needed. This includes for example a clarity of end purpose (problem solving), of rules of engagement (respect, discourse arrangements such as registration for speeches, listening, voting etc.), of timing and agenda articulated well in advance etc.
- Many initiatives failed in building up mechanisms to follow up results to motivate continued engagement and ensure communication and satisfaction that the end result is achieved (accountability for EITIM for example). Initial enthusiasm turned at best to a hope for yet uncertain improvement.
- Whether the negotiated decisions were successfully enforced was very much up to who with what power represented each stakeholder groups. Legitimate representativeness

has been a crucial issue, especially regarding who is legitimate to represent communities and CSO (or how is s/he made legitimate)?

- Initiators and founders of these platforms have been challenged by setting up transparent and accountable internal governance arrangements - organizational building. The lack of clear distribution of roles and responsibilities, authority lines, decision making procedures, operational guidelines and bylaws etc. led to operational and management crises.
- The current legislation of Mongolia does not foresee an appropriate status for such multi-stakeholder arrangement to get an institutional status. Thus, the lack of clarity on legal status of multi-stakeholder organizations leads to dominance of Government or to paralysis.
- The process of establishment of such initiatives and formats did not consider informal cultural context. It only went along formal lines and was not embedded into existing informal structures, such as way of thinking and negotiating, way of resolving conflicts etc.

MINING AND ENGAGEMENT ILLITERACY AS THE MAIN CHALLENGE

Based on the above observations, the main challenges of constructive engagement can be formulated as (i) a lack of understanding of the essence or purpose of stakeholder processes, (ii) a lack of factual knowledge about specifics of mining sector, and (iii) a lack of procedural knowledge on how to effectively and constructively lead engagement to problem solutions.

There does not exist a clearly articulated and mutually accepted understanding of the concept “stakeholder” and “multi-stakeholder engagement”. A widely-used translation of “stakeholder” into Mongolian is “participating parties” which does not fully correspond to the meaning of a person, group or organization holding a stake on a certain issue or activity (or which can affect or can be affected by a certain issue/activity).

The concept of engagement is even more difficult. As shown above, it is very generally understood as “cooperation” or “collaboration” – at least by the GoM. It seems like cooperation or engagement is perceived as for its own sake. CSOs on their part can be often observed by racking their brains on how they see real engagement. Is this exchange of views, or discussion of these views, or consultation on each other’s views, or negotiation on different views, or formulation of a common view? Or is it something else?

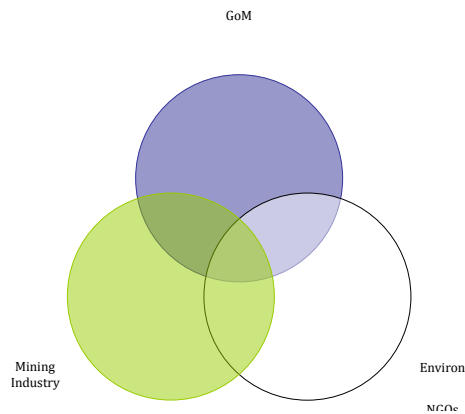
In any case, the meaning concepts need to be clarified and accepted by all stakeholders in order to be applied in practice. This has been the key reason underlying past failures in framing stakeholder engagement, designing and effectively implementing concrete mechanisms of GoM-CSO-industry interface. And it is fundamental in forming stakeholders’ real motivation to cooperate and engage with others. In the case of GoM, it has been responding to public pressure, however the motivations of most officials are led not by internalized understanding and recognition of the importance of engagement, but more driven by formal commitment of GoM and seen as pen or sticking point.

On the other side, mining environmental CSOs are now in the situation of being overwhelmed by very fast changing environment around mineral resources and development of the mining sector. Compared to the GoM and the mining industry, CSOs do not collectively represent a de facto equal player, even though they are assumed to be equal de jure (see Boxes 1 and 2). Thus, in order to really impact, mining environmental NGOs need to strengthen their capability as players and become de facto an equal partner. This would mean a development of NGOs as organizations in order to be able to play within existing rules of the game and – if needed – to constructively change these rules for the purpose of furthering their own mission.

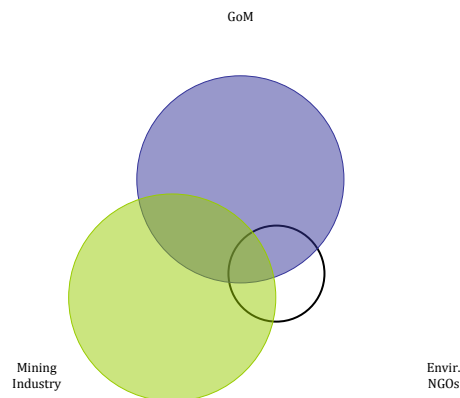
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It also includes the transformation of many NGOs from reactive movements into proactive social leaders and consolidation of each other's efforts to build social capital and create collective power strong enough to matter as player.

BOX 1: Stakeholders equal de jure



Box 2: Stakeholders unequal de facto



Understanding of global mining industry in general and mining as an industrial sector with specific phases of development means to know what and when to expect and how to participate as a stakeholder. In particular, it includes specific factual and procedural knowledge about the mine life circle – starting with exploration, development, operations and going to mine closure, as well as about the whole value chain and different stakeholders' role in it. Mining literacy is the founding basis for knowledge driven, evidence based engagement and decision making. It contributes to understanding, trust building, constructive engagement, and thus to proper management of expectations. Particularly important thereby is to ensure national ownership in the process of accumulating and building up knowledge on mining and related topics.

MAKING DIFFERENCE: OPPORTUNITIES FOR AUSTRALIAN AID

ADAPTIVE AND GRADUAL APPROACH TO AMEP DESIGN

The above described situation in the mining development of Mongolia – mix of inconsistent rules/habits channelling decision making, their rapid evolvement and change, lessons learnt from participative processes, especially the lack of cumulated and shared knowledge about mining and relevant processes – suggests a different approach for the *Australia Mongolia Extractives Program*, namely an adaptive and gradual one.

Adaptive means in particular that instead of detailed definition of program elements and projects, the *Australia Mongolia Extractives Program* includes an *AMEP Facility* and *Partnership Agreements* with exactly formulated objectives and outcomes. Concrete projects will be identified on demand – based on clear but simple criteria as philosophy of engagement according to *Australia Mongolia Extractives Program* objective and outcomes. The idea is not to fix the individual projects yet and be responsive and open to changing needs rather than designing silos. Thus, the *Australia Mongolia Extractives Program* will go along with the country's development, imbed into the development and add value to the change process.

Gradual means that being very realistic about possibilities for institutional capacity building within the given time frame of 4 years and given resources. Rather, the *Australia Mongolia Extractives Program* will mobilize resources and facilitate processes within which institutions

can grow. It would be meaningful to build upon MSISTAP's institutional functional review and conduct an institutional capacity assessment, especially of the mining policy management and administration. Gradual also means to ensure ownership in the process, in particular ownership in accumulating and building up home grown knowledge about mining sector, its role, management and administration.

Finally, the *Australia Mongolia Extractives Program* will nurture and leverage the established brand of a very well received and highly appreciated profile of DFAT as investor in "most precious capital" – human capital. It would suggest to start with building capacity of people in the public sector and in parallel gradually add value to building strong institutions. Concrete suggestions to this adaptive and gradual approach, in particular for multi-stakeholder processes, will be given below.

INVESTMENT IN ENGAGEMENT PROCESSES FOR PROBLEM SOLVING

Within given time frame and resources, and based on DFAT's existing profile, Australian aid in the mining sector could make real difference by investing in human resources and institutional development for evidence based, constructive engagement process. *Australia Mongolia Extractives Program's* outcomes with respect to multi-stakeholder engagement could be (i) comprehensive mining knowledge based on international best practices available which then cumulated over time and shared among stakeholders develops to a home grown and shared pool of knowledge on mining, (ii) at individual level, leadership and expertise available for stakeholders to guide participatory processes and constructive engagement, and (iii) at institutional level, examples of good practices of transparent and effective processes and operations in place, both in the public service and in the multi-stakeholder participative processes.

This would mean that the projects (incl. 'seed' options suggested in the IDD) will fulfil the following criteria and go along the policy approaches being formulated and facilitate capacity building, especially for procedural knowledge:

- Enables both the access to international best practices as well as the development of home grown expertise on mining through proper knowledge accumulation and sharing mechanisms,
- Provides analytical tools and analytical foundation or builds analytical expertise for stakeholder engagement in policy development,
- Facilitates dialogue, nurtures culture of dispute, builds relationship and networks among stakeholders, encourages and motivates public discourse, stimulates meaningful and constructive engagement, initiates conflict resolution mechanisms,
- Develops workable and sustainable stakeholder engagement platforms and tools for both bilateral and multilateral processes,
- Leads to sustainable solutions of concrete issues or problems through participatory processes,
- Stimulates or establishes sustainable follow up mechanisms for existing stakeholder platforms,
- Builds capacity for effective government procedures and systems for proactive engagement,
- Stimulates and builds individual leadership and expertise for participative processes.
- If necessary, mediates meaningfully between stakeholders, encourages public discourse.

- Facilitates local consultations and dialogue, stimulating the building of common values.

The suggested approach could be implemented through continued capacity building of both individual and institutional.

Institutional Capacity Building

Capacity of institutions could be built through support of transparent and effective processes and operations by sharing Australia’s procedural knowledge and process management experience, especially in (mining) engagement. It starts with initiating and designing, laying foundations through knowledge dissemination and goes to planning and implementing concrete examples and Mongolian “models” of workable tools for constructive engagement and meaningful consultation:

- Help enable equal access of all stakeholders to comprehensive information and knowledge on timely manner.
- Support proper technical preparation and planning of engagement events and tools: starting with event concept going to selection or appointment of legitimate representatives, agreement on governance rules, agenda design and moderation.
- Assist in development of follow up mechanisms which will help to clearly see the results or benefits of engagement and mobilize or set incentives for continued engagement.
- Facilitate a process of conscious or intentional experiment in developing innovative formal and informal settings for engagement.
- Support national and sub-national agencies to better link processes for cross-government coordination.
- Help accumulate and utilize lessons while both formal and informal rules and norms for consultative processes will evolve over time.

Individual Capacity Building

Individual capacity could be built through continued investment in human resources development and adding value to MASP by building up capabilities for engagement in mining. Thereby, capabilities include not only opportunities, but also ability to make use of these opportunities:

- First of all, help decision makers at national and sub-national level as well as communities and general public understand the rules of the “game” being played – mining. Understanding the rules of global mining “game” would establish a basis for understanding one selves’ environment and challenges at hand, motivate for conscious interaction and consensus building. It will than build trust and open up space for dialogue.
- Then, stimulate individual’s understanding of the essence of engagement as being a way of pro-active dialogue for reconciling different interests and leading to solution of a problem/issue of common value.
- Motivate development of soft skills such as effectively articulating concerns, analysing data, negotiating positions, defining mutual interests and formulating solutions. Building relationship in a new, dynamic environment is a part of soft skills development, too.

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- Facilitate learning processes within and across all stakeholder groups to develop culture of dispute, proactive engagement and conflict resolution mechanisms. Thereby, Mongolian-Australian peers learning on the ground is of great value.
- Facilitate processes within which leadership can grow both formal and informal. Hereby, leadership not only in management or in certain field of expertise, but also leadership in communication and engagement.
- Stimulate and support development of expertise in moderation and facilitation, ability in bridging between and reconciling different interests – be it cultural, social or factual.

POTENTIAL DELIVERY MECHANISMS

There are parts in the *Australia Mongolia Extractives Program* where DFAT could be perceived as serving its own (Australian private sector) interests. And this risk has to be managed among others through delivery teams without direct conflict of interest, such as multilateral organizations like the UNO, the WB or bilateral partner of non-mining countries such as the SDC, GIZ, BGR etc.

Investment in mining and engagement literacy is, however, a field where Australia can best contribute and add value through its experience and would be a non-partisan body/mediator/facilitator. Because of its vast knowledge, expertise and experience in the field, Australia is seen as (almost) the single⁹⁸ possible development partner who can help Mongolia to further this agenda. Despite of a recognized need for mining and engagement literacy, it requires an intermediate body which can facilitate the learning process. This gap can be optimally filled by DFAT which has high recognition by Mongolians as being the one of best investors in education in general, and in learning for development in particular. Thus, this profile now can be confirmed and strengthened through investing in mining literacy and understanding of engagement. In fact, it is a unique opportunity for Australia to be directly present, develop its own profile and ensure visibility through a positive image of an enabling facilitator or mediator for learning. The *Australia Mongolia Extractives Program* would enable or empower people and organizations through ensuring access to knowledge and facilitating home grown knowledge building and sharing processes.

As multi-stakeholder engagement is a learning process, it is a process of skills development. The skills development modules should give opportunities to different stakeholders to learn not only from Australian counterparts and partners, but also from each other. Therefore possible delivery methods could include:

- Knowledge sharing, accumulation and dissemination
- Awareness raising
- Facilitative meetings
- Peers learning
- Technical advisory services
- Coaching and mentoring
- Internships programs
- Job shadowing and job secondments

⁹⁸ Canada would also be seen as such, however Canada's aid in mining is in its early stage.

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- Twinning both organizational and personnel
- Short and medium term training, both class-room and web-based
- (Long term) interactive training modules
- Analytical feeding and diagnostics etc.

Potential target audiences or change partners:

- Stakeholders: national and local governments, companies' top level decision makers, corporate social responsibility practitioners, national and local civic society organizations, communities, in particular herders' organizations
- Herders, vulnerable or disadvantaged groups
- Mediating and facilitating organizations or experts on the ground
- Groups conducting applied research on participatory processes and engagement.

Potential partnerships and/or delivery teams:

- Existing multi-stakeholder platforms such as the EITI Mongolia
- Highly recognized informal individuals (wise elders) and groups on the ground
- Open knowledge experts
- Mediating NGOs and intermediaries
- Australian alumni in Mongolia
- Australian agencies with contacts in or working in Mongolia

For concrete activities see two suggested 'seed' options at national and local levels.

PROPOSED 'SEED' OPTIONS

MINING LITERACY: KNOWLEDGE BUILDING, DIALOGUE AND ENGAGEMENT (NATIONAL)

Summary of activity and objectives

The overall aim of the activity is to develop a learning process of systematic mining knowledge accumulation by and for Mongolians which on the long term builds a sound basis for dialogue and debate contributing thereby to constructive engagement.

This means that key stakeholders develop in a participative manner a holistic understanding of mining through better availability of comprehensive, relevant, utilizable information and data about the entire mine life circle and value chain, and through this process of learning they develop home grown mechanisms and tools of discourse and debate. This will, on the long term, contribute to trust building among stakeholders and their capability (and eventually of general public) to constructively engage in decision making processes related to mining-led economic development.

The expected outcomes are:

- Better access to systematic, comprehensive and relevant knowledge on mining
- Improved understanding of mining context
- Agile participatory process of knowledge accumulation and learning
- Increased willingness of stakeholders to dialogue for problem solving and improved debating culture.

Target groups and beneficiaries

The main precondition is a strong commitment and involvement of main stakeholders. The Government of Mongolia will be represented through the Ministry of Mines. The industry will be represented through one of existing umbrella organisations such as the BCM and MNMA or through another entity appointed by the industry. The same with the civil society – either through the Publish What You Pay (PWYP) Coalition, the Open Society Forum (OSF) or another appointed entity. Additionally, collaboration of international development organisations engaged in building capacity in mining related areas would be an add-value.

The activity targets key national stakeholders, especially decision makers, and the general public. The people of Mongolia are beneficiaries of the activity.

Rationale

The Ministry of Mines expressed an urgent need to disseminate knowledge about the mining sector to the general public, especially at local level, in order to feed and improve the implementation of national mining policies. The MoM officials acknowledged that currently the knowledge of Mongolians is far behind the actual mining sector development in the country. There is a strong will of the MoM to increase mining literacy of general public and communities, but in reality the MoM faces a shortage of resources – both human and financial – to develop actions, products and to deliver them to the target groups.

The industry emphasised the lack of mining context knowledge of both the decision makers and communities which makes communication and trust building a big challenge. This makes it difficult both to formulate CSR activities with consideration of mine life cycle and to contribute to the national and local development. The industry lacks confidence and expertise in developing mining literacy of broad groups of people.

The civil society acknowledges the urgent need of educating different groups, especially

citizens and CSO in getting to know what mining is about and what it is not about in order to knowledgably communicate their concerns, negotiate confidently and formulate useful/realisable suggestions. There have been some efforts made by few leading CSO to improve the knowledge of citizens and local CSO with limited seed funds of international organisations such as the EITI MDTF of the World Bank. However, there exists a strong shortage of funds available for such kind of systematic process of knowledge accumulation and dissemination.

Thus, different stakeholder groups are realising an urgent need for mining literacy for all, stakeholder groups as well as general public and local communities. Moreover, there exists willingness on all sides to move along this line and improve the situation. And each stakeholder group is getting slowly conscious that it needs joint efforts of different stakeholders to ensure quality and effectiveness, and manage conflict of interest perceptions. However, it lacks a third, independent entity/agency to facilitate and accommodate this process, at least the starting process – an agency which has no direct interest and is recognised as being trustful and competent to accommodate the process of knowledge accumulation, production, sharing and further development.

On the other hand, if one would look at activities of capacity building organisations in Mongolia, especially international development organisations, one would find plenty of different sources and knowledge products related to mining. Unfortunately, these sources and knowledge products are only for certain group of people and owned mostly by individuals, not shared – not to mention about a lack of systematic accumulation, sharing and further development.

Additionally, there is a large pool of international knowledge which in foreign languages - the WB's EI Source Book or Oxford's National Resource Charter, Kuwait's National Resource Charter or RWI's Resource Governance Index to name a few. Australia has also different sources for educating aborigines and communities in mining sector specifics and challenges. Translation of those into Mongolian or adjustment of those to Mongolian context will definitely add a great deal of value to the mining literacy in the country.

However, development of national context mining knowledge which is home grown is of course the main focus. It needs time, facilitation and technological infrastructure – soft and hard. DFAT could address this need by facilitating a values-based mining knowledge development and learning mechanism. Engagement or participation of different stakeholders of the mining sector in the process of building up mining knowledge is the value which underlies this mechanism. It is a participatory mining knowledge development and learning mechanism. This investment will also add value to DFAT's investment in people hitherto (MASP and other scholarship programs) and positively contribute to DFAT's visibility in Mongolia.

Proposed activities and sustainability

The key activities over a period of 3 years should be developed in detail, these are the initial suggestions:

1. Development of different knowledge products and shared learning platform: The products' package will include comprehensive audio, video and written material about the mine life circle and value chain along with information on stakeholders involved and their roles. Experts with national context knowledge will design and produce audio and video materials guided by stakeholders and supported by international experts if needed. For the written material however, a participatory design and implementation is suggested where different stakeholders can directly contribute to the dynamic process of development of a
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Citizen's On-line Mining Encyclopaedia – an interactive web site. This online source will include material for (i) policy makers and researchers, (ii) policy implementation agencies, and (iii) general public. It will be a dynamic and open pool of mining related knowledge where everybody can contribute and – provided that simple and clear criteria for soundness are fulfilled. Additionally, different print products such as a Visualised Mining Handbook or Resource Books can be developed.

2. All material produced – audio, video and written – will be placed on-line at the Citizen's Online Mining Encyclopaedia available to everybody. Most of them will be open for improvement, adjustment and further development by interested individuals and organisations nominated or registered by stakeholders. As this needs to be organised and requires good IT solutions, it can be organised in phases.
3. The development of the materials could continue beyond the life time of the activity. Moreover it is desirable, but cannot be expected as this is beyond the direct influence of the activity. However, because of the real need and participatory approach taken in the activity, it is logical to expect that a process of institutionalisation will take place and champions or players or group of stakeholders naturally emerge over time to be willing to take an institutional responsibility. But one need to have in mind it cannot be seen as prerequisite. In worst case scenario, in order to enable sustainability, all materials and generated channels of delivery (web-site etc.) can be made to a Common Creative, opening thereby a possibility to use, further develop and sharing within broader groups. In any case, a substantial pool of Mongolian context mining knowledge will be systematically accumulated by the end of the activity.

The sequencing of activities should be harmonised with 'Seed' Option 2.

Delivery partners

The delivery team could be either (i) a direct DFAT team or (ii) national or international contractor with expertise in open knowledge development and learning (or their consortium). In Mongolia, there is an Open Network for Education (ONE Mongolia) provided within a DreamIT Project implemented by Mongolia's internet pioneer Datacom with support of the IDRC (Canada's International Development Research Center). At this stage, however, the Design Team did not discuss with them yet.

Delivery partners are:

- Government of Mongolia – Ministry of Mining
 - Mining industry – umbrella organisations like BCM and MNMA, individual mining companies.
 - Civil society – PWYP Coalition, OSF, MECC etc.
 - Existing multi stakeholder organisations – EITI Mongolia etc.
 - Foreign / Australian organisations with experience in mining literacy
 - International organisations such as the WB, UNDP, GIZ, RWI etc.
 - Communication, public education, mining sector specialists and IT specialists from Australia
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- Communication, public education and IT specialists and champions in Mongolia

Management and oversight

DFAT takes here a central role as accommodator and facilitator. Different to many activities so far, it would mean that the activity will be DFAT executed (because of reasons described in the Rationale). A prerequisite for the start of the activity is to translate the orally articulated need and interest of stakeholders into a written form of commitment or agreement with MoM, CSO and industry. With this a Technical Committee of interested stakeholders could be established to guide the process of mining literacy development. The activity implementing unit could be managed by either (i) the DFAT directly, (ii) national or international contractor with expertise in open knowledge development and learning (or their consortium). This will ensure positive visibility of DFAT through an activity which addresses issues of common interest of the society, responds to an urgent need of stakeholders, and – within a given limit of time – contributes pro-actively to building individual and public knowledge about mining.

Monitoring and evaluation indicators

Indicators need detailed development and qualitative monitoring will certainly difficult. Suggestions are for example:

- Quality and quantity of comprehensive and relevant information
- Amount of accessible data and knowledge which is systematic (easy to find, understand and use)
- Number and scope of participatory processes in which knowledge was accumulated through sharing and debating
- Increased willingness of stakeholders to dialogue and problem solving
- Number of involved in trainings and learning events
- Quality of audio and video products, interactive responses
- Number of impactful events (consultations etc.) initiated or motivated by participation in knowledge accumulation processes or by use of the accumulated/produced material
- Amount and scope of interactive comments online
- Amount and scope of data generated online
- Diversity of stakeholders contributed to the process of knowledge accumulation (production, sharing, development)
- Quantity and quality of cases where new engagement tools and mechanisms were developed through learning process

Activity risks

- Early stage of awareness about the need to work together towards mining literacy, however this is not a high risk and manageable through proper communication of mutual benefits.
 - The activity management structure has multi stakeholder engagement elements on which Mongolia does not have proven best practice. However, compared to past failures, this activity has a very concrete (and not an abstract) purpose and a concrete “problem to solve” – mining illiteracy.
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LOCAL EXTRACTIVE SECTOR TRANSPARENCY (SUB-NATIONAL)

Summary of activity and objectives

The overall aim of the activity is to support the Extractive Industry Transparency Initiative of Mongolia (EITIM) and its multi-stakeholders to further their mission for transparency and accountability in the extractive sector through building EITI at local level.

This means that EITIM will produce and disseminate locally contextualised EITI reports through operation of EITIM local offices in four *sums* of South Gobi – regular activities of local Multi-stakeholders Working Groups. Besides of ensuring transparency of local mining sector, on the long term, engaging capability of local people will be strengthened through availability of comprehensive data on mining which (i) is easy to locate and understand, (ii) has local context, and (iii) addresses information needs of ordinary public and communities.

The expected outcomes are:

- Improved availability of comprehensive and locally relevant information
- Improved capability of stakeholders, especially *bag* and *sum* communities to engage with other stakeholders
- Institutionally strengthened EITIM

Target groups and beneficiaries

The main beneficiaries are the ordinary people – especially herders and their families – living in South Gobi, especially in four selected *sums*. The activity will target key stakeholders engaged in local mining sector: local governments, mining companies and mine activities in selected *sums*, and civil activists and civil society organisations including herders.

Rationale

Mongolia joined EITI in 2006 and became compliant in October 2010 after validation. There have been six EITIM reconciliation reports covering mineral revenue since 2006. A further report covering 2012 revenue is about to be issued. As mineral activity rises the importance of transparent reporting of mineral revenues will become all the more important. The National EITIM Council has a vision to widen and deepen the initiative and anchor it institutionally and financially formulated in its June 2010 strategy.

EITI implementation has been supported by the EITI-MDTF managed by the WB with three grants covering the periods of 2007–2009 (USD304,394), 2009–2011 (USD275,000) and 2011–2013 (USD 250,000) to be extended til end of 2014. The current grant aims at (i) building stakeholder capacity to engage in EITI through stakeholder training and conferences, (ii) strengthening the EITI Secretariat's communications capacity and knowledge base and (iii) meeting the EITI Secretariat's operational needs. A formal request of the GoM for the fourth grant is under preparation.

While first reports were funded by the MDTF, the Government has been committing US\$165,000 yearly since 2011 for full reconciliation of EITIM reports. In addition, EBRD is implementing a technical assistance project to support the implementation of EITI in Mongolia by improving its legislative environment and communication and dissemination of national EITI results.

A new EITI-MDTF facility to support civil society's engagement in EITI and related transparency issues beyond the scope of EITI Work Programs undertaken by EITI Multi-stakeholder Groups (MSGs) was established and Mongolia was selected to pilot its use

(USD 100,000 for a year pilot). Under the facility the WB has been executing activities developed with counter-parts in civil society and in consultation with the National EITI Council starting 2012. The activities complement above described WB and EBRD grants and contribute to strengthening engagement by civil society groups.

The activities funded by the above mentioned projects align with the post-compliance objectives of EITIM, although they do not reflect fully the potential scope of the post-compliance EITI program indicated by the National EITIM Council's strategy. They also do not reflect the adaption process needed to align EITIM with the new EITI rules approved just recently by the International EITI Board – May 2013. Accordingly, the World Bank intends to examine together with the National EITI Council the potential for developing and costing a more expansive program for post-compliance and new EITI rules adjustment that would need to be underwritten by increased financial commitments from the Government, from the EITI-MDTF and from other stakeholders.

Critical thereby is the need to build up EITI at local level, thus institutional strengthening through effective local EITI offices and local EITI products able to reach out to ordinary citizens and herders. DFAT could address this need by providing additional funding to the WB EITI-MDTF for effective operation of local EITI offices and production of local reports in four South Gobi *sums*. This investment will also add value to DFAT's investment in mining literacy at national level also suggested as 'seed' option.

Proposed activities and sustainability

The key activities over a period of 3 years should be developed in detail, these are the initial suggestions.

1. South Gobi *aimag* and *sum* EITI reports with locally disaggregated data.
2. Audio, video and print communication products making EITI data easy to understand and use through visualisation among others EI maps etc.
3. Local level outreach where stakeholders in *sums*. Visualized Mining Handbook or *Sum* Mining Referee could be also developed and disseminate through appropriate channels such trainings, ger-to-ger peer learning meetings, *Sum* Citizens Khural etc.
4. These instruments will be developed and implemented in participatory processes where possible to ensure ownership and learning for engagement.
5. All material produced – audio, video and print – will be placed on-line at the Citizen's Online Mining Encyclopaedia available to everybody (see 'Seed' Option "Mining Literacy").

The national EITI and its Secretariat will ensure sustainability of local EITI offices through guidance and monitoring as well as through ensuring financial and institutional stability beyond the life time of the activity.

Delivery partners

The activity will be implemented through the EITIM and its Secretariat which is also responsible for the implementation of the WB EITI-MDTF grant. Thus, the delivery mechanism of the activity will be integrated into this current grant and is about to be extended til the end of 2014. The new grant will go until at least 2016.

The key partners are

- Government of Mongolia – Prime Minister's Office and Ministry of Mining.
 - Mining industry – through its representatives in national EITI and through local
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mine project representatives.

- Civil society – PWYP Coalition and its local members, OSF, MECC and its local members etc.
- International organisations such as the WB, and EITI Global, RWI etc.
- Communication, public education, mining sector specialists

Management and oversight

Through integration to the WB EITI-MDTF grant, the activity will be managed by the WB or the EITIM Secretariat. Thus, a delivery mechanism through trusted partners and existing partnership will be applied.

Monitoring and evaluation indicators

Indicators need detailed development, suggestions are for example:

- Quality and quantity of local EITIM reports
- Diversity of local EITIM communication products of good quality
- Amount of accessible local EITIM data which is comprehensive and relevant to community needs (easy to find, understand and use)
- Quality of local EITIM offices
- Functionality of local Multi-Stakeholder Working Groups
- Improved capability of stakeholders, especially *bag* and *sum* communities to engage with other mining sector stakeholders
- Number of involved in trainings and learning events
- Number of impactful events (consultations etc.) initiated or motivated by participation in stakeholder processes, by mutual learning or by the use of the accumulated/produced material

Activity risks

- Long and through process of data disaggregation. The risk is not a high risk and manageable though good planning and assigning experienced experts.
 - Legitimate representation of local communities and herders in local EITI Multi-Stakeholder Working Groups. Ensuring consultation with and process ownership by local communities will mitigate this low risk.
 - Lack of expertise in developing local EITI offices. This medium risk has to be mitigated through realisation of differences in operating EITI at national and local level, thus through developing innovative approaches of making local EITI a really useful tool to local people.
 - Genuine participation and sustained effort of stakeholders. This high risk has to be managed through continued dialogue, patient awareness raising and facilitation of learning.
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Annex 6. ENVIRONMENT AND MINING IN MONGOLIA⁹⁹

ENVIRONMENTAL IMPACTS OF MINING IN MONGOLIA

ISSUES

Environmental Characteristics of Mining Areas

- a) **Limited water availability**, which is closely linked to Mongolia's climatic extremes—hot, dry summers; and long, cold winters. Precipitation is low and seasonal, there are no perennial surface streams, evaporation rates are high, and groundwater recharge is about one millimetre per year.
- b) **Catastrophic climate extremes**, especially for herder families and their flocks: prolonged droughts (dzud) in winter that kill livestock in large numbers because food and water become inaccessible due to low forage production in the previous growing season, or prolonged ice or snow cover, dust storms, and flash floods.
- c) **Soils are thin and not readily arable**; moreover, the thin surface crust that forms on them and protects what little moisture and humus they contain is easily disturbed by vehicle traffic and sharp-hooved animals. Pastureland is plentiful but low in plant productivity. This, together with scarce water sources, necessitates rotation of herds from one location to another and imposes natural limits on herd sizes and composition that have been respected over the centuries.

Environmental Impacts of Mining

- a) **The direct impacts of mine construction itself are of relatively low importance on a regional scale.** Considerably larger are the areas of land that will be affected by mine dewatering, where lowering of the surface water table will dry up the springs and shallow wells and stress the few tree species that grow in the desert and desert steppe soils and other plants dependent on the water table. Even impacts of this magnitude are not of great consequence in the context of the entire region, but they can be quite significant on a local or subregional scale in the context of herders and their animals, resident and migratory wildlife, and land degradation.
- b) **Water supply needs for mining and mine-related developments can likely be met** by resources within the Southern Gobi Region up to 2020 and perhaps beyond under a low-development scenario. The mine operations themselves are by far the largest water users. Whether the extraction of fossil groundwater as planned by the mining companies is the best use of this non-renewable resource has to be carefully weighed. Gaps in information on groundwater resources need to be filled to support more accurate predictions and planning.
- c) **Under a high development scenario additional water sources will be needed**, and there are two schemes already under consideration to transfer surface water from central Mongolia. This raises two very significant issues of development planning. First, it means that one of the natural limits to growth in the Southern Gobi Region, water availability, is going to be exceeded. Second, the transfer of water may have opportunity costs in terms of constraints on future development in the river basins where other conditions are more favourable for sustainable growth.

⁹⁹ This briefing is based on Jay Roop's October 2012 consultation mission to Mongolia and unpublished reports of the World Bank. Additional information on compliance was provided by Rory Hunter, Policy and Program Officer, Environment and Climate Change.

- d) ***Coal transport is already having significant impacts.*** Coal dust that spreads downwind from the coal-loading points at the mines and from unloading and reloading at coal storage and trans-shipment yards near the Chinese border has serious local impacts. The most significant regional scale impact from the standpoint of residents is the dust stirred up by heavy trucks travelling on unimproved roads; it affects quality of life and the health of humans and livestock. The physical presence of the trucks and their noise and dust interfere with movement of wildlife; for example gazelle and Asiatic wild ass no longer move between the two sections of the Small Gobi Strictly Protected Area because of traffic volume on the road that passes between them to the border crossing.
- e) ***Population will increase dramatically in the sum centres in the vicinity of the mines.*** Not all of the mining companies have disclosed hiring and housing strategies; but based on the information available, significant population increase can be expected, and it will be augmented by the influx of additional people who come to the area either as employees of industries that cater to the mining operation or as job seekers or entrepreneurs in search of business opportunities.
- f) ***Air quality is routinely well within the ambient quality limits of Mongolia,*** with the exception of the standard for suspended particulates that is violated along coal transport routes and during dust storms. Increased truck traffic will add substantially to air emissions.

Mitigation of Environmental Impacts:

- a) ***Reducing the present impacts of the transportation of coal and other mine outputs involves a number of steps,*** chief among which is improving the routes currently used and, when volume permits or necessitates, constructing rail connections. It is imperative in both cases of roads and railroads that an adequate number of effective wildlife crossings (underpasses or overpasses) be appropriately located and properly designed and constructed, otherwise the mitigation of present transport impacts will come at the expense of further fragmentation of wildlife habitat and reductions in populations of large herbivores. Livestock crossings will also be required to avoid unduly restricting the movements of herds moving from one pasture area to another, but these are easier to design since the animals can be guided through them by herders.
- b) ***Aimags and particularly sum governments are unprepared to handle the population increases*** that will result from even the base-case development scenario. They need land use plans and zoning ordinances to guide the planning of new housing and supporting businesses and services. Mining companies have been assisting with such planning in several *sum* centres.
- c) ***The largest challenge remains that of planning and implementing sustainable development in the region.*** This has to take into account collectively all of the constraints imposed by the region's natural resources and all of the present and potential demands on those resources on a regional scale. Development that overcomes one constraint—water supply for mining, for example— will ultimately be unsustainable if the limits of water resources available for public supply and livestock are exceeded as a result of mining induced population growth.

New Environmental Legislation.

On 17 May 2012, the Mongolian new EIA law that includes provisions on strategic environmental assessment (SEA) was enacted by the Parliament. Supported by the Asian Development Bank (ADB), the GoM is formulating specific regulations to implement the new Law that include Environmental Impact Assessment (EIA) and Strategic Environmental

Assessment (SEA) procedures and the application of rehabilitation bonds in the mining sector. These regulations could be issued in 2013.

ENVIRONMENTAL IMPACTS OF MINING IN MONGOLIA – OPPORTUNITY FOR AUSTRALIAN SUPPORT

The World Bank is working with the Mongolian government to undertake a Strategic and Social Environmental Assessment of Mining. It will be responsive to the special conditions that are shaping mining reform, yet it also has to be a vehicle for concrete actions to promote the environmental and social sustainability of the mining sector. It will call for the engagement and collaboration of several central government institutions, as well as those at *aimag* and *sum* levels, given the cross-cutting nature of the environmental and social challenges at stake. It is also an opportunity for promoting donor coordination to facilitate support to the Mongolian government for the implementation, monitoring and evaluation of the SESA recommendations by the end of 2014.

The specific objectives of the SESA are to:

- a) Diagnose the key environmental and social problems and opportunities associated with the rapid growth of Mongolia's mining sector. As per the feedback received during the October 2012 workshop where the draft SESA ToR were consulted, stakeholders' concerns with mining development include, first and foremost, potential impacts on water resources; restrictions to land and pasture management which may endanger the lifestyle, culture and traditions of nomadic herders; and, underestimation of the opportunity costs and health impacts associated with mining development. Whether or not these concerns are SESA's key issues will be validated through the SESA's public and consultation process.
- b) Identify the policy, legal, regulatory, and institutional adjustments and capacity-building actions needed to minimize the adverse environmental and social impacts of mining operations and associated infrastructure development, while enhancing the positive impacts;
- c) Propose specific measures that GoM can implement to improve the environmental and social sustainability of mining in Mongolia.

Institutional arrangements:

- a) **Implementing Agency.** The Government of Mongolia in line with the new EIA Law will undertake the SESA through the Ministry of Mining, even though non-governmental stakeholders are expected to provide significant input during SESA preparation. The SESA team will liaise closely with the Ministry of Mining and the SESA Steering Committee, described below, to undertake the SESA.
- b) **Steering Committee.** SESA preparation and subsequent implementation of the SESA-produced Action Plan will be guided by a Steering Committee whose status, members and functions will be defined by the government of Mongolia. The Steering Committee would be an inter-sectoral and multi-sectoral committee that will guide the SESA's analytical component, and inform the approach to the policy dialogue, discussions, and consultations with stakeholders. As of March 5 2012 the Steering Committee has not yet been established. It is unlikely that the SESA can progress far without the committee.
- c) **Consultant Team.** As of March 5 2012 procurement for a team of national and international consultants is underway. It is expected that they will be mobilized sometime in the second quarter of 2013.

- d) **Donor Reference Group.** A reference group of interested donors (WB, DFAT, GIZ, CIDA) has been informally proposed in October 2012, but not yet formalized.

Scope of Work

The geographic scope of the SESA will be the entire country of Mongolia. The SESA will address the environmental and social issues associated with the expansion of mining and mineral processing activities. The SESA will also consider the environmental and social implications of the ancillary infrastructure that is constructed as part of this expansion focusing on larger-scale mining projects (such as mine-specific roads and railways, including siding and trans-shipment facilities, power plant and water pipelines). The development of regional infrastructure that is constructed for multiple purposes (such as power transmission grids, export railways) is generally outside the scope of this SESA, but the SESA will take into account similar strategic environmental reviews and regional planning exercises, such as the Southern Gobi Regional Environmental Assessment (January 2010) to ensure harmony with approaches being followed under other significant and relevant government initiatives.

Analytic Work and Public Participation

SESA is an iterative process. On the one hand, public participation to inform decision making will be fed by analytic work. On the other hand, the results of public consultation and participation will define the direction and focus of the analytic work. In this way, the focus of the analytical work and the stakeholders' ownership of the SESA process would improve over time.

Scoping of priority environmental issues

Spatial analysis will be used for mapping and overlaying environmental data to scope critical environmental issues. This will be quite detailed and likely consume quite a bit of the SESA's resources.

Report on Mining Growth Policy Options.

Building on the evidence and results of these analyses, the SESA team will produce a report of mining growth policy options associated with priority environmental and social issues in Mongolia. The report will

- a) identify priority environmental and social issues in mining areas;
- b) assess environmental and social benefits and costs of growth scenarios associated to different policy options; and,
- c) suggest mining sector growth policy options with optimal net benefits (positive less negative impacts on growth, the environment and society) at the *sum*, *aimag*, and national level.

This report will inform the public consultations to be undertaken with key stakeholders for defining mining growth policy options for sustainable and inclusive development in Mongolia.

Define Mining Growth Policy Options

The assessment of priority environmental and social issues associated with mining growth policy options undertaken by the SESA team shall be reviewed by the stakeholders. Relevant information on the mining growth policy options will be prepared by the SESA team in formats adapted to the needs and capacities of different stakeholders. The results from the definition of policy options at the *sum/aimag* and national levels will be reported separately by the SESA team and publicly disclosed as per the SESA communication plan.

Gap Assessment

The SESA team will assess legal, regulatory, institutional and capacity gaps in environmental and social management systems to implement the defined mining growth policy options. Gaps found through the review will be ranked according to their importance for implementing the defined mining policy options so that the most critical constraints could be addressed in the first place.

SESA Action Plan

By analysing the gaps, the SESA team will suggest recommendations to close them and an Action Plan to implement these recommendations. Recommendations for policy actions should consider appropriate entry points via stand-alone environmental legislation and/or mainstreaming in other sector legislation, and for policy issues with complex social consequences (e.g. any reform of the ASM sector), include a concise political economy analysis (i.e. assessment of principal winners and losers) based on findings of the stakeholder analysis. The SESA recommendations will include appropriate institutional strengthening and capacity building measures and an appropriate program of activities for stakeholder engagement. All of the Action Plan's recommended measures should include (i) an implementation schedule; (ii) the lead organization responsible for implementing each measure; (iii) estimated one-time investment costs and recurrent costs; (iv) monitoring and reporting; and (v) potential sources of funding for the implementation of the recommendations. ¹⁰⁰

Review of Gap Assessment and Action Plan

The gap assessment and action plan will be reviewed and discussed in a national workshop. The feedback received will be documented and considered by the SESA team in the preparation of the final draft of the SESA report.

Draft Report on Mining Growth Policy Options

The SESA Steering Committee will review and provide feedback prior to the discussion of the Draft SESA Report by representatives of stakeholders in the national workshop. Based on the feedback received from the SESA Steering Committee the SESA team will prepare the version to be discussed in the national workshop. The Final Report will include an Executive Summary, all the text and annexes, and a revised Action Plan.

PROJECT ENVIRONMENTAL SCREENING AND COMPLIANCE BRIEFING

All DFAT projects must be screened for environmental compliance. The first step is to answer a set of environmental screening questions, as follows:

- a) Will the investment be in a vulnerable place or risky sector?
- b) Could climate change or natural disasters impact on the investment?
- c) Could the investment impact on ecosystems that sustain livelihoods?
- d) Could opportunities to build resilience to people's livelihoods be incorporated into the investment?
- e) Could the investment have a significant impact on the environment including the potential to increase greenhouse gas emissions?

At this point in time there is not enough information to screen specific engagements that may be undertaken as part of DFAT's extractives engagement in Mongolia. If Australia's support is

¹⁰⁰ DFAT is considering financing the implementation of some recommendations from 2014-2016 through Component 2 of its Mining For Development support to Mongolia.

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primarily providing technical assistance (as opposed to infrastructure) then impacts will be limited and all that is required is for the program manager to complete the risk and value assessment (see below) and ensure on-going monitoring through the QAI process.

However, if Australia moves beyond technical assistance (e.g. construction of infrastructure or a policy that induces environmental impact through increased mining) then the potential impacts of these activities need to be assessed in accordance with DFAT’s environmental management guide.

ENVIRONMENT SCREENING QUESTIONS	
Questions to assess environmental impacts and determine next steps for all aid investments	
<i>Consider both the impact of the design and implementation phases, and of the ongoing activity</i>	
Vulnerability	<p>1. Will the investment be in a vulnerable place or risky sector?</p> <p>A vulnerable place is one where the natural value is high (e.g., productive ecosystems supporting livelihoods, internationally and nationally listed protected sites, habitats of rare or threatened species, national parks, wetlands, estuaries, aquatic systems, near-shore marine ecosystems, forests, cultural sites of significance, etc.), and it is susceptible to negative impact. For example, coral reefs can suffer long-term damage if disturbed, so any activity in the vicinity of a reef would be considered to be in a vulnerable place.</p> <p>A risky sector is one where the environment could be modified or pressured by the scale, intensity and / or frequency of the activities that will be carried out. For example: infrastructure; rural and urban development; mining; energy; forestry; fisheries; water supply; transport; and manufacturing.</p>

ENVIRONMENT SCREENING QUESTIONS	
Questions to assess environmental impacts and determine next steps for all aid investments	
<i>Consider both the impact of the design and implementation phases, and of the ongoing activity</i>	
	<p>2. Could climate change or natural disasters impact on the investment?</p> <p>Climate change is already impacting on the severity of extreme weather events, including floods and slow onset droughts. In likely future scenarios, climate change will have wide-ranging impacts on the productivity of natural ecosystems and agricultural systems, and on the integrity of infrastructure in flood-prone and coastal areas. These impacts threaten to undermine the achievements of development programs, particularly for the millions of poor communities who derive their livelihoods from natural resources and vulnerable ecosystems. Taking the likely impacts into account in development planning and decisions will help to manage and reduce the risks. Projecting climate models into the design of at risk infrastructure for example, will help to make it more resilient to extreme events.</p> <p>Climate change will impact on the effectiveness of development initiatives across all sectors. These could include:</p> <ul style="list-style-type: none"> • Less/more water for food production and people • Spread of vector borne diseases • Loss of productive ecosystems including forest, reefs and mangroves • Increased risk of storm and flood damage to infrastructure <p>Disasters can impact on the effectiveness and outcomes of development initiatives. Impacts could include:</p> <ul style="list-style-type: none"> • Loss of lives • Reduction in economic growth • Loss of livelihoods • Infrastructure loss/damage • Higher costs of construction and maintenance • Delays in implementation of development program • Environmental degradation
Resilience	<p>3. Could the investment impact on ecosystems that sustain livelihoods?</p> <p>Things that damage ecosystems include:</p> <p>Land clearing and land use change; Environmental pollution; Habitat and ecosystems loss; Uncontrolled fisheries; Water diversions and river development; Forest clearing and degradation; Natural disasters; Climate change impacts</p> <p>Things that build ecosystems resilience include:</p> <p>Comprehensive enforced laws for sustainable use of natural resources; Accounting for natural capital; Incentives for ecosystems services; Protection of natural habitat and biodiversity; Mitigating and preparing for natural disasters and climate change</p>

ENVIRONMENT SCREENING QUESTIONS	
Questions to assess environmental impacts and determine next steps for all aid investments	
<i>Consider both the impact of the design and implementation phases, and of the ongoing activity</i>	
	<p>4. Could opportunities to build resilience to people’s livelihoods be incorporated into the investment?</p> <p>Opportunities to build resilience in development activities include:</p> <ul style="list-style-type: none"> • Building capacities to manage the environment, mitigate and prepare for natural disasters • Building capacities and adaptive strategies for climate change • Overcoming barriers to sustainable use of natural resources and renewable energy • Developing resource use strategies that maintain the resilience of productive ecosystems • Research to fill critical knowledge gaps and inform sustainable development
Safeguard	<p>5. Could the investment have a significant impact on the environment including the potential to increase greenhouse gas emissions?</p> <p>A significant environmental impact is one where the scale, duration, frequency and intensity of the activity is significant with respect to the condition and value of the environment being impacted, and where the impact cannot be safely mitigated. For example: large scale infrastructure projects; mining; large scale development involving land clearing and conversion of natural systems to production systems or urban areas; large scale water extraction or diversion or modification of aquatic systems; new roads into natural forest areas; harvesting of wildlife including fisheries; and industrial development.</p> <p>All development actions have some impact on the environment. Things that can have serious adverse impacts include:</p> <ul style="list-style-type: none"> • Large construction and infrastructure projects • Mining and energy developments • Broad scale land clearing and habitat conversion • Coastal zone development • Large scale water resource development • Projects that increase access to/exploitation of vulnerable habitat • Activities that will increase demand for scarce resources, Harvesting of wildlife

Annex 7. MONITORING AND EVALUATION FRAMEWORK

CONTEXT

The *Australia Mongolia Extractives Program* presents particular challenges from a performance measurement standpoint:

- The Mongolia development context is highly dynamic, with rapidly changing economic, social, cultural, political and environmental factors.
- The mining sector is especially dynamic, influenced as it is by the dynamic national context, and the politics of large-scale foreign interests.
- DFAT's engagement in the extractives 'sector' is relatively recent, and the sector itself is still developing a full appreciation for the risks and opportunities of engagement; and how performance may be meaningfully measured.
- There are long causal linkages between the anticipated interventions in extractives, and the benefits that are expected to accrue at household level in terms of reduced poverty and improved wellbeing.
- The monitoring and evaluation (M&E) of facilities has long been recognised as challenging, owing to the open-ended and emergent nature of the engagements, which challenge conventional methods of assessing progress against an explicit 'blue print' for change.

These and other factors ensure that the performance assessment arrangements for the *Australia Mongolia Extractives Program* must adopt a proactive learning stance—reflecting a stronger emphasis on learning and adaptation than conventional 'progress reporting' for compliance purposes. Nevertheless, this should not minimise the need to ensure accountability for resources, decision-making and progress.

The following sections provide initial thinking about how the performance arrangements may be established and refined during the inception phase of the *Australia Mongolia Extractives Program*.

RATIONALE FOR AMEP

- Developing countries' natural resources can provide an unparalleled opportunity to help poor people escape poverty. The extractives industry is a multi-trillion dollar global enterprise that operates on a scale that vastly exceeds ODA expenditure. But the development potential can only be realized if resources are carefully managed, with revenues used to fund public services that meet people's needs. Natural resource extraction projects can be a catalyst for broader economic development that provides jobs and incomes for people¹⁰¹.
- Mongolia is rich in mineral resources including copper, gold, molybdenum, tungsten, iron ore, tin, nickel, zinc, silver, uranium, fluorspar, phosphates and coal. The mining sector has taken off since 2005 with the expansion of coal production in south-eastern Gobi for export to China. Coal production has increased from 6 million tons in 2005 (mostly small producers near Ulaanbaatar) to about 20 million tons in 2012. In recent years (2009 – 2011) over forty five new mines are reported to have started production

¹⁰¹ DFAT (2013) draft Mining Strategy.

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with an employment of 8700. Over the next decade there is expected to be nearly a fivefold increase in copper production and a fourfold increase in coal production¹⁰².

- Benefiting from the extraction of natural resources requires governments to carefully manage each step of the value chain, which includes: establishing a transparent framework for awarding exploration and production licences to mining companies; regulating extractives operations and monitoring their compliance with social and environmental safeguards; establishing royalty and taxation regimes that encourage investment while ensuring that governments get a good deal for their non-renewable resources; distributing the revenue fairly and in a way that supports sustainable development, particularly for communities impacted by the extractives projects; and establishing mechanisms for managing extractives revenues that promote broad-based economic growth¹⁰³.
- Maximising the benefits provided by the extractives sector has been consistently identified by partner governments as an area in which the Australian Government can provide assistance. As one of the world's largest and most successful exporters of minerals and energy commodities, Australia is well placed to provide this assistance. Our extractives sector is a major contributor to Australia's economic and social development, having directly contributed over \$500 billion to Australia's wealth in the 1990s and 2000s, and directly and indirectly employing 320,000 Australians. The expertise we have developed from our mining experience makes us well-placed to support developing countries to maximise the benefits and minimise the risks of their resources sectors¹⁰⁴.

CONCEPTUAL FRAMEWORK FOR M&E OF AMEP

All development programs can be seen as 'policy experiments'¹⁰⁵. As such, program designs align with an implicit 'theory' about how desirable social change might occur—a 'theory of change'¹⁰⁶. To bring about social change, human actors interact through time within a social system¹⁰⁷. One role of a design document is to explicate the 'theory'—the temporal sequence of relationships ('actors') and issues ('factors') that will influence the desired changes. One role of M&E is to test the 'theory'—to judge the extent and merit of the changes fostered by the program¹⁰⁸. These judgements are required to satisfy demands for accountability ('to prove') and learning ('to improve'); and ultimately to reflect on the merit of the original 'policy experiment'.

A simple way to elucidate the logic behind a program is to define the chain of actors through whom the desired changes are expected to be borne out.

¹⁰² DFAT (2012) *Scoping Mission Report*, AMEP, June 2012.

¹⁰³ DFAT (2013) Draft Mining Strategy.

¹⁰⁴ DFAT (2013) Draft Mining Strategy.

¹⁰⁵ Rondinelli, D. A. (1993) *Development projects as policy experiments: an adaptive approach to development administration*, Routledge, New York.

¹⁰⁶ Davies, R. (2002). *Improved representations of change processes: improved theories of change*. Biennial Conference of the European Evaluation Society, Seville.

¹⁰⁷ Rogers, E. (1962). *Diffusion of Innovations*. New York, The Free Press.

¹⁰⁸ Cole, G.E. (1999) Advancing the development and application of theory-based evaluation in the practice of public health, *American Journal of Evaluation*, September 1999, vol. 20, no.3, p 453 – 470.

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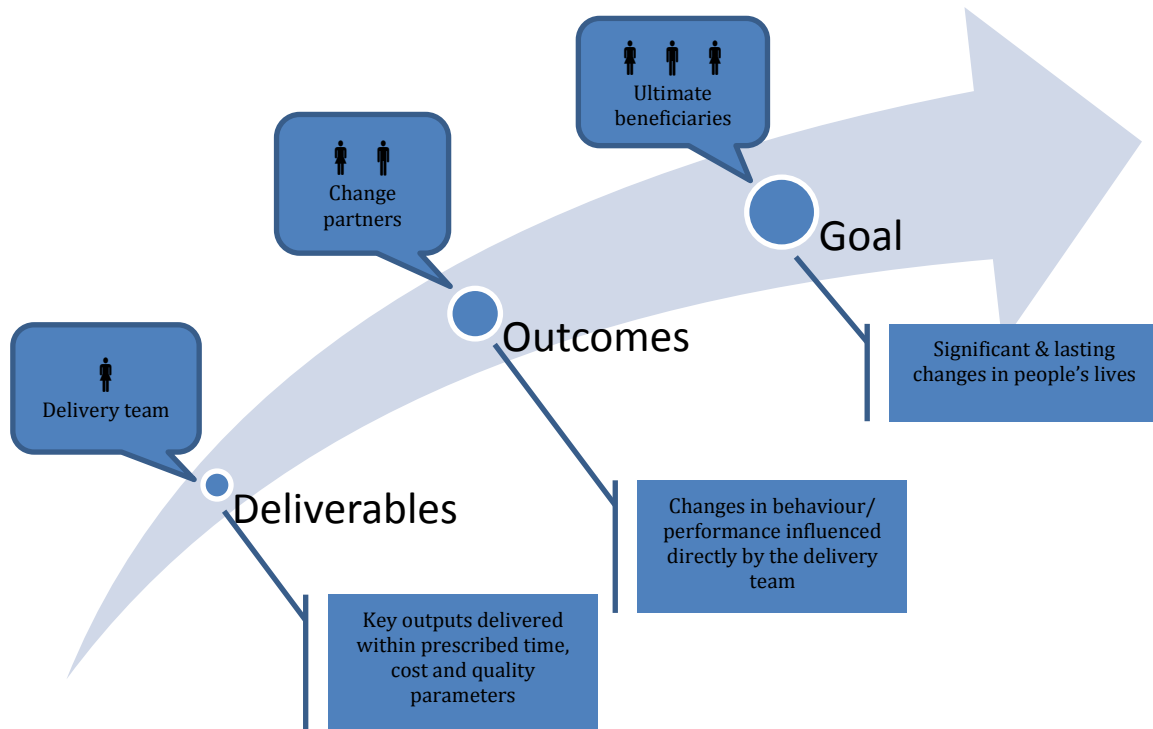


Figure 8: Classes of human actor that underpin a 'theory of change'

The following diagram depicts how this conceptual model is applied to the *Australia Mongolia Extractives Program*.

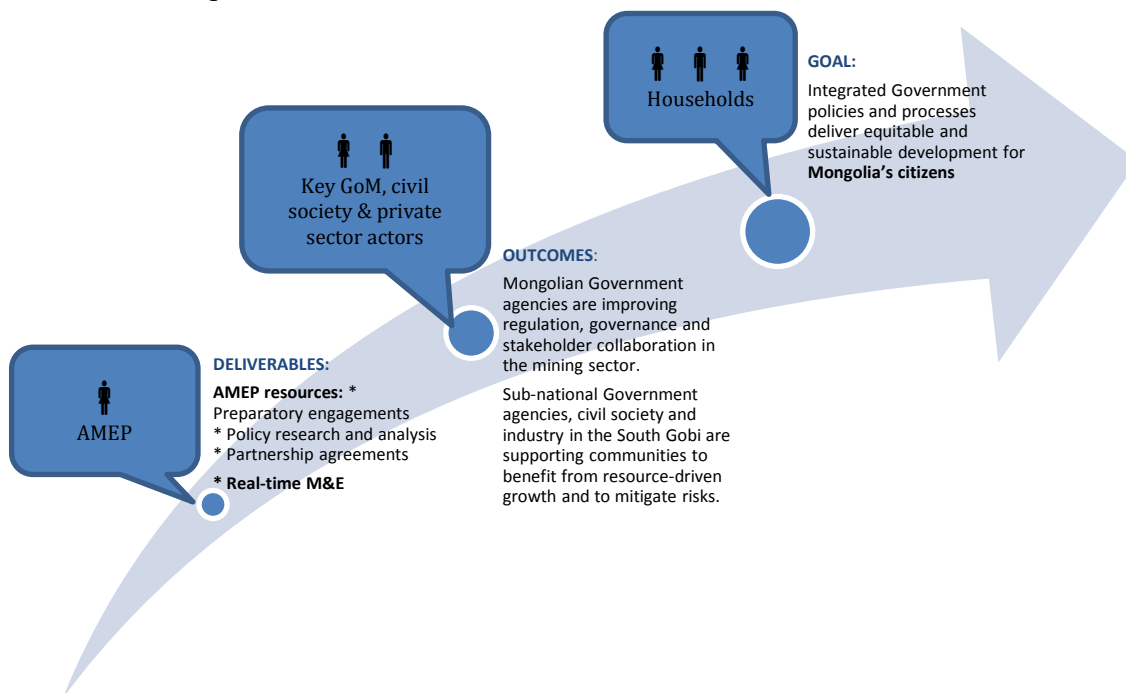


Figure 9: Overview of the Australia Mongolia Extractives Program theory of change

Performance assessment arrangements for development initiatives must strike a meaningful balance between rigorous/comprehensive measurements at each stage of the change process; and economic/efficient measurements of only the key/substantive elements of the change process. Data and information captured should be guided by what is required to support

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learning, program improvement and accountability. The M&E arrangements must also consider the capacity and engagement of key actors and stakeholders.

The M&E arrangements for the *Australia Mongolia Extractives Program* will adopt a pragmatic ‘mixed methods approach’ that accommodates the complex and dynamic development context within which the program is situated (as noted above), and the emergent nature of the design.

GOAL-LEVEL PERFORMANCE MEASUREMENT

The ultimate beneficiaries of the *Australia Mongolia Extractives Program*, as defined in the goal, are the people of Mongolia (Mongolian women, men, girls and boys). These actors define the *raison d’être* of the facility—and embody the significant and lasting changes (‘impact’) that are expected beyond the life of the investment.

Impact assessment will focus on changes in household wellbeing; both from the standpoint of economic and social statistics from national government agencies and development partners (i.e. a synthesis of secondary data¹⁰⁹); and from primary data compiled through a series of household case studies in localities where the facility has supported interventions. To the extent possible, the primary and secondary data will explore differing impacts on women and men, the disabled, and marginalised/vulnerable people. For efficiency and capacity reasons, a contracted researcher/institution will facilitate both the assimilation of secondary national data, and the implementation of the longitudinal case studies.

The long causal linkages between *Australia Mongolia Extractives Program* interventions and improvements in national household wellbeing metrics mean that it will not be possible to definitively attribute any changes to DFAT’s investment. Nevertheless, any changes detected during the life of the *Australia Mongolia Extractives Program* will provide a useful context within which to assess the relevance of the facility more broadly, and support learning and adaptation of approaches. Further, the national household statistics will provide a useful context to interpret the more specific local changes identified through the household case studies in target localities. These methods will be used as much for understanding the context as for determining progress and performance.

To support co-learning, the *Australia Mongolia Extractives Program* will convene an annual presentation of the impact research to the AMEP Program Reference Panel, DFAT and key GoM partners. These ‘high level’ findings will inform debate about the direction and on-going relevance of the *Australia Mongolia Extractives Program*.

OUTCOME-LEVEL PERFORMANCE MEASUREMENT

Assessing the facility’s outcomes will be challenging owing to the emergent and responsive nature of the engagements. Neither the precise actors, nor the precise interventions are self-evident from the outset. This means that the facility must invest disproportionate resources and effort in routinely verifying changes in the context, and progressively exploring emerging opportunities at national and local levels.

Assessment of Outcome 1 will require the facility to routinely document interventions and engagements with national GoM actors; the extent of influence exerted; and any evidence of policy or process changes that manifest from these engagements. Principal sources of evidence will be from participant observations by *Australia Mongolia Extractives Program* staff. Secondary sources will include media reports, GoM publications/announcements and commentary by private sector and civil society actors. The various sources of evidence will be

¹⁰⁹ During the inception phase, a comprehensive analysis of available secondary sources of household data will be compiled. These sources will be synthesised at baseline and endline.

compiled in a ‘progress journal’¹¹⁰ by *Australia Mongolia Extractives Program* staff. The evidence base in this journal will accrue as a key resource for the *AMEP Reference Panel* to consider when reviewing facility achievements and directions. In addition, an independent review will be conducted at mid-term and at completion to explore in depth, the relevance, effectiveness and sustainability of any reported changes in mining-related policies and processes by the GoM as they relate to the facility goal. The facility’s progress journal will be a key resource for the evaluation team to define its sample frame and focus of enquiry.

Assessment of Outcome 2 will require implementing partners at sub-national level (private sector, institutional and civil society) to comply with a reporting protocol that enables both accountability for facility resources, and an assimilation of overall progress and achievements. The reporting protocol—the *AMEP Intervention Assessment (AIA)*—will involve all facility partners (i.e. a census of interventions) to report pre and post intervention information. Regular synthesis of this information will enable the *AMEP Reference Panel* to engage in informed debate about the performance and direction of the facility in relation to the goal. The diversity of actors and engagements means that the AIA will be challenging to administer and interpret, but will be necessary to provide intelligence about the portfolio of interventions. In practice, the AIA will entail a clear articulation of the ‘theory of change’ of each partner’s engagement at the outset, and an accounting for key results on completion. The precise method and instrument will be refined and piloted at inception, but will broadly seek answers to the following questions:

- Who is the target beneficiary group (demographic and geographic dimensions)? How many people have benefited directly?
- What specific problem does/did this target group face?
- What intervention(s) were employed to tackle this problem, and why were they selected?
- Why was the partner entity well-placed to intervene?
- What is needed to further strengthen the sustainability of changes?
- What influence on behaviour and/or uptake of innovations among beneficiaries is evident?
- What factors may/have eroded the influence of the intervention among beneficiaries?
- What resources have been committed/expended?

The assimilation of this intervention-level performance data will be the responsibility of the facility M&E specialist. The salient findings will be presented to the *AMEP Reference Panel* on a routine basis to support oversight and refinement of the facility portfolio. Arguably, the debate and evolution of thinking that this process will support will be key to ensuring that the sub-national component is relevant and achieving meaningful results for people in mining-affected areas.

In addition to the AIA, the independent reviews (at midterm and completion) noted above will also explore the perspectives of key stakeholders concerning the extent to which interventions have supported communities to benefit from resource-driven growth.

¹¹⁰ The progress journal will comprise a database designed to chronicle a diversity of engagements with GoM actors, and any evidence of influence (e.g. comments/quotations, observations, media commentary or government publications) arising from these engagements.

FACILITY DELIVERY PERFORMANCE

The *Australia Mongolia Extractives Program* will work towards the two outcomes by supporting and resourcing a range of small – medium sized interventions.

The success of the *Australia Mongolia Extractives Program* will be largely contingent on the engagement of a highly informed, respected and effective *AMEP Reference Panel* which will ensure that interventions selected and approved by the *AMEP Facility* are relevant in the evolving context, and present a high likelihood of success. Indicative intervention selection criteria include:

- The intervention has been identified by a credible source
- The intervention is unambiguously aligned with either Outcome 1 or Outcome 2
- The basis for judging intervention success is clear
- Risks associated with the intervention are minimal or manageable, and are documented with appropriate mitigation responses
- It is plausible that the intervention will foster sustainable changes that will create enduring benefits
- It is plausible that the intervention will catalyse other changes or benefits arising from the industrial mining sector
- The resources required for success are affordable and within approved limits

The *Australia Mongolia Extractives Program* will maintain an information system to track the scope, scale and quality of interventions, and will routinely report a synthesis of management metrics to the *AMEP Program Reference Panel* and DFAT. This information will assist in ensuring that implementation progress remains on track, within budget and of agreed quality, and will be drawn on to support annual reporting to DFAT and GoM as well as supporting ad hoc briefings and information requirements.

M&E RESOURCES

The implementation of this M&E plan will require the investment of resources in the order of 5% of the *Australia Mongolia Extractives Program* budget. The key inputs will include:

- Part-time M&E specialist to oversee the development and refinement of the M&E plan (including the implementation of the AIA), and to provide guidance on the quality and methodological integrity of sub-contracted M&E inputs.
- Sub-contracted social research group to implement and document annual household case studies in target areas; and to synthesise secondary data from national and donor sources at baseline and end line.
- An MIS sub-contract to develop and support a bespoke management information system (MIS) that can assimilate monthly management metrics (including grant disbursement data); aggregate partner organisation progress reports for the AIA (Outcome 2); and compile and present the ‘progress journal’ data (Outcome 1).

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- Independent evaluators¹¹¹ to conduct a mid-term review and independent completion review.
- *AMEP Program Reference Panel* member costs will include honoraria and meeting costs (including documentation, travel, venue etc.).
- An allocation for commissioned studies to explore emerging issues and opportunities identified by the *AMEP Program Reference Panel* and *Australia Mongolia Extractives Program* staff.
- A modest allocation to support routine monitoring costs by DFAT staff from Beijing and Canberra.

¹¹¹ Up to four specialists are likely to be required: an evaluation specialist to lead the review team and ensure methodological integrity; a mining governance specialist; a community engagement and social development specialist; a Mongolia political economy specialist (if other team members lack Mongolia context experience).

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	Logic	Measurement focus	Method	Source	Schedule	Responsible	Audience/ Format
Goal	Mongolia’s citizens experience equitable and sustainable growth from their mineral resources	Changes in household conditions (economic, social, environmental)	Analysis of secondary data	GoM national development statistics	Baseline; end line	Contracted researcher	DFAT & GoM/ Synthesis report and stakeholder workshop discussion of findings
			Longitudinal case studies	Sampled households in target areas	Annual		
Outcomes	Mongolian Government agencies are improving regulation, governance and stakeholder collaboration in the mining sector.	Changes in national mining-related legislative environment	Progress journal	Government publications, media, commissioned research	Updated monthly; reported annually	<i>Australia Mongolia Extractives Program Coordinator</i>	DFAT and AMEP Reference Panel/ Summary report and presentation
			Independent review	Relevant GoM stakeholders	Mid-term; completion	Independent evaluators	DFAT and AMEP Reference Panel/ Summary report and presentation to stakeholders
	Sub-national Government agencies, civil society and industry in the South Gobi are supporting communities to benefit from resource-driven growth and to mitigate risks.	Changes in people’s access to economic and social development services	Service coverage metrics reported (Facility Intervention Assessment)	Partner organisations	Six-monthly progress reports	Partner organisations	DFAT and AMEP Reference Panel/ Summary report and presentation
			Independent review	Relevant GoM stakeholders	Mid-term; completion	Independent evaluators	DFAT and AMEP Reference Panel/ Summary report and presentation
Deliverables	Efficient delivery of support for: <ul style="list-style-type: none"> GoM stakeholders concerned with national and local mining-related policies and processes Civil society, private sector and institutional stakeholders engaged in South Gobi to promote employment and enterprise opportunities 	Timeliness, cost effectiveness and quality of deliverables invested by the facility	<i>Australia Mongolia Extractives Program</i> management metrics	Internal reporting (MIS)	Monthly management reports; six-monthly summary	<i>Australia Mongolia Extractives Program</i> staff	<i>Australia Mongolia Extractives Program</i> Coordinator and AMEP Reference Panel/ Monthly management reports and six-monthly summary

**Annex 8. POSITION DESCRIPTIONS / TERMS OF REFERENCE
(NOT INCLUDED)**

Annex 9. RISK MATRIX (NOT INCLUDED)

Annex 10. PEOPLE/AGENCIES CONSULTED

Mongolian Government

- Mr Amarjargalin KHURELBAT, Head of International Cooperation Division, Ministry of Mining.
- Mr G. TAMIR, Senior Officer Mining Policy Division, Ministry of Mining.
- Mr D. DULGUUN, Senior Officer, International Cooperation Division, Ministry of Mining.
- Mr Ch. OTGOCHULUU, Director General, Department of Strategic Policy and Planning, Ministry of Mining
- Ms Batmunkh NARAN, Third Secretary, Department of Asia and Pacific, Ministry of Foreign Affairs.
- Mr Ganbat BATTULGA, Second Secretary, Ministry of Foreign Affairs.
- HE Sanjaasuren OYUN, Minister of Environment and Green Development
- Mr Dorjgurkhem BATBOLD, Director, Division of International Cooperation, Ministry of Environment and Green Development.
- Ms L. BOLORMAA, Senior Officer, Department of Economic Cooperation, Loan and Aid Policy, Ministry of Economic Development.
- Ms BATZOLBO, Officer, Department of Economic Cooperation, Loan and Aid Policy, Ministry of Economic Development.
- Ms Erdene BAYASGALAN, Expert, Environmental and Mineral Resource Department, Ministry of Environment and Green Development.
- Mr Nyandam NYAMTSEND, Officer of the Mining Department, Mineral Resources Authority of Mongolia.
- Mr Dondogdorj ZOLJARGAL, Director, Public Administration and Management Department, Ministry of Population Development and Social Protection.
- Mr Bataa BATKHUU, Director-General, Department for Coordination of Policy Implementation, Ministry of Mining.
- Ms Khishgee TSENDJAV, Specialist, National Committee on Gender*
- Dr Tserendorj SODNOMPIL, Project Manager, HIV/AIDS Prevention in ADB Infrastructure Projects and the Mining Sector, Office of Deputy Prime Minister*
- Ms Sanjjav OTGONTSETSEG, Expert at Department of Local Governance and Development, Cabinet Secretary of Mongolia.
- Bayar KHULAN, Officer of Mining Project, Program and Research, Department for Coordination of Policy Implementation, Ministry of Mining.*
- Mr Nyamtseren BATBAYAR, Head of Environment and Mining Inspection Department, General Agency for Specialised Inspection (GASI).
- Mr Jadamba, Acting Head of Policy Implementation Regulating Department of Vocational Training, Ministry of Labor
- Woman from Ministry of Labor with whom we had lunch alongside Jadamba and Anthony Tyrrell
- Ms Ts. BAYARJARGAL, Head, Department of Health, South Gobi Province
- Ts. Badamtseren, Head, Division of Labour, Social Welfare and Service, Dalanzadgad
- T. Munguntuul, Specialist, Education and Science, Social Development Unit, Dalanzadgad,
- N. Jamyankhorol, Head, Social Development Unit, Dalanzadgad
- Ms. MashlaiBOLORMAA, Secretary and Head of the Secretariat, National Committee on Gender Equality;
- Ms Janchivrentsen AMARJARGAL, Foreign Relations & Project Specialist, National Committee on Gender Equality ;
- Ms OTGONTSETSEG, Social Welfare Officer, Khanbogd District Government
- Ms BUMTSENGEL, Livestock Officer, Khanbogd District Government
- Ms GERELMAA, Deputy Governor, Tsogttsetsii District

Australian Government

- Mr Geoff Bowan, Counsellor (Development), DFAT Beijing
- Mr Tony Burchill, Consul General & Trade Commissioner, Mongolia
- Mr Paul Gibbons, Counsellor (Economic), Australian Embassy Seoul
- Mr Mike Wight, Second Secretary (Economic), Australian Embassy Seoul

International Development Partners and Project Offices

- Ms Jan Sheltinga, Counsellor (Development), Canadian International Development Agency (CIDA).
- Mr Robert Schoelhammer, Country Representative, Asian Development Bank.
- Mr Enkhbold ENERELT, Associate Investment Officer, Asian Development Bank.
- Ms. J. ALTANTUYA, Social Sector Officer, Asian Development Bank.
- Mr Arai Junichi, Project Formulation Adviser, Japan International Cooperation Agency.
- Ms Coralie Gevers, Country Representative, World Bank.
- Mr B. Enkhbaatar, Project Director, Mining Infrastructure Investment Support Project (MINIS), World Bank.
- Ms Ekaterina Mikhaylova, Senior Mining Specialist, World Bank
- Matthias Reusing, Second Secretary, Head of Section- Governance, Social Affairs and Mongolia, EU Delegation
- Mr Mangal ENKHBAT, Project Manager, Mining Sector Institutional Strengthening Technical Assistance Project (MSISTAP), World Bank.*
- Davaa TUUL, Procurement Specialist, Mining Sector Institutional Strengthening Technical Assistance Project (MSISTAP), World Bank.*
- Felix Fellmann, Country Representative, Swiss Agency for Development and Cooperation (SDC).
- Mr Diepak Elmer, Deputy Country Director / First Secretary, Swiss Agency for Development and Cooperation (SDC).
- Ms Tudev ENKHTSETSEG (Enkhe), Policy Expert, Sustainable Artisanal Mining Project, Swiss Agency for Development and Cooperation (SDC).
- Ms Sabine Müller, Country Director, GIZ.
- Mr Peter Blunt, Governance Programme Manager, Governance and Decentralization Program, Swiss Agency for Development and Cooperation (SDC).
- Dr Stefan Hanselmann, Program Director Integrated Mineral Resource Initiative (IMRI), GIZ.
- Dr Jürgen Hartwig (Ph.D.), Programme Director, Cooperative Vocational Training in the Mineral Resource Sector, GIZ.
- Ms Anna Kleinschroth, Community Development Adviser, GIZ
- Baavai TUGULDUR, Development Assistance Specialist, USAID.*
- Mr Piet Hein Van Heesewijk, Senior Program Officer, Governance Partnership Facility (GPF), World Bank.
- Dr Thekla Abel, Team Leader, Environmental Protection in Mining Project, Mongolian General Agency for Specialized Inspection (GASI) / German Bundesanstalt für Geowissenschaften und Rohstoffe (BGR)
- Ms Argentina Matavel Piccin, Representative, United Nations Population Fund (UNFPA)
- Ms Dorjsambuu AMARAA, Child Protection Specialist, UNICEF*
- Mr Robert Reid, Resident Country Director for Mongolia & Attaché, Millennium Challenge Corporation (MCC), U.S. Embassy Mongolia.
- Dorjgotov ENKHTUGS, Development Assistance Specialist, Millennium Challenge Corporation (MCC), U.S. Embassy Mongolia.
- Dr Soe Nyunt-U, Country Representative, World Health Organization (WHO).
- Ms Michaela Pfeiffer, Technical Officer, Interventions for Healthy Environments, World Health Organization (WHO).
- Dr L. OYUNTOGOS, Technical Officer in Environmental Health, WHO Country Office
- Paul Jenkins, Regional Director, Austraining International*
- Ms Khalzan BOLORMAA, In-Country Manager, Austraining International*
- Mr Thor Danielsson, Head of Delegation, International Federation of Red Cross and Red Crescent Societies (IFRC)*
- Ms Rentsendorj OYUNBILEG, National Programmer Office, International Organization for Migration (IOM).
- Ms. Sezin Sinanoglu, Resident Representative, UNDP
- Mr Thomas Eriksson, Deputy Resident Representative, UNDP
- Anthony Arena, Australian Volunteer, Groundwater Management Project, World Bank*
- Mr Mohamed Fall, Country Representative, UNICEF
- Mr Badarch ERDENE-OCHIR, Rural Development and Environment Officer, World Bank

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- Mr B. ENKHBAATAR, Project Director, Mining Infrastructure Investment Support Project, World Bank/ Government of Mongolia

Civil Society

- Ms Terbish AMGALAN, Gender Centre for Sustainable Development
- Ms Oidov OYUNTSETSEG, Chairperson, Steering Committee, Gender Centre for Sustainable Development.
- Ms T. UNDARYA, National Co-ordinator, Monfemnet National Network
- Ms Ts. MANDKHAIKHATAN, Public Relations & Information Manager, Monfemnet National Network
- Ms O. GERELEE, Administrative & Program Officer, Monfemnet National Network
- Davaakhuu OYUNBADAM, PhD Candidate, Faculty of Business, Charles Sturt University*
- Ms Meloney C. Lindberg, Country Representative, Asia Foundation.
- Ms Tirza Theunissen, Program & Operations Manager, Asia Foundation.
- Ms G. GANBAYASGAKH, Head, Mongolian Gender Equality Centre (MGEC)
- Dr O. BATBAYAR, Manager, National Tuberculosis Program of Mongolia.
- Dr Batdelger TUVSHINTUGS, Director, Economic Research Institute / Associate Professor of Economics, National University of Mongolia.
- Amarsaikhan ENKHMANLAI, Project Manager, Economic Research Institute, National University of Mongolia*
- Ms Lkhagvasuren ARIUNAA, CEO, InTeC / Mongolia Australian Society*
- Sharavdorj TUVDENBALJIR, Non-official Advisor of Human Rights Commission of Mongolia / Member of Mongolian Environmental Parliament
- Ms Jennifer L Butz, Country Director, MercyCorps.
- Ms Surenkhorloo PUREVDORJ, Fresh water and climate change officer, WWF Mongolia.*
- Ms. ENKHTUYA, Executive Director, ECPAT
- Dr NARANTSETSEG, Chief Medical Officer, Khanbogd District Hospital
- Ms SAINBAYAR, Head of Women's Association, Khanbogd
- Ms KHASHTSETSEG, Citizens organiser – teacher, Khanbogd
- Ms JAVZANSUREN, Social worker, TVET School, Dalanzadgad
- Mr KHARKHUU, Manager of Mining Training, TVET School, Dalanzadgad
- Ms LHAMSUREN, Manager of Technical Training, TVET School, Dalanzadgad
- Ms S. ENEBISH, Head of NGO Network, Dalanzadgad,
- S. Budjav, Red Cross, Director in charge for Branch, Dalanzadgad
- B. Enkhtuya, Head of Women Success Formula NGO, Dalanzadgad
- Dr G. URANTSOOJ, Chairperson, Centre for Human Rights and Development
- Mr TUVDENBALJIR Sharavdorj, Member of Mongolian Environmental Parliament*
- Mr BAT-ORSHIKH Erdenebat, Executive Director, Development Solutions
- Dr ENKH-AMGALAN Ayurzana, CEO, Centre for Policy Research
- Dr B. ERDENEBAATAR, Natural Resources & Rangelands Expert, Centre for Policy Research
- Dr BOLOR, Board Member, Mongolian National Veterinarians Association

Private Sector & Consultants

- Mr Bruce Harvey, Global Practice Leader - Communities & Social Performance, Rio Tinto.
- Dr Brian Fisher, Managing Director, BAEconomics, Canberra, Australia.
- Ms Janet Reark, General Manager of Regional Development & Social Performance, Oyu Tolgoi.
- Ms O. ENKH-ARIUNAA, Regional Development & Social Performance Manager, Oyu Tolgoi.
- Ms G. SUGAR, Principal Adviser – Social Performance, Oyu Tolgoi
- Dr Graeme Hancock, President and Chief Representative, AngloAmerican.
- Ms Jeanne Bartholomew, Business and Training Manager, Sustainability East Asia LLC.
- Ms Susan Giles, Senior Advisor, Sustainability East Asia LLC.*
- Ms Susan Larsen, Director, International Development Consulting (Australia).*
- Jonathan Pell, Director, Adam Smith International (Australia).
- Mr Matthew Anderson, Manager Strategic Analysis, Rio Tinto (Ulaanbaatar).
- Byamba MUNKHSUREN, Director, MAMU LLC (mining consulting)*

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- Anthony Tyrrell, International Education Consultant, Specialist in Technical and Vocational Education and Training (TVET)
 - Mr O. BATBAATAR, Manager Tavan Tolgoi ('Little TT') Representative Office, Dalanzadgad
 - Ms ALIGERMAA, Manager Energy Resources Representative Office, Dalanzadgad
 - Kh. Monkhat, Energy Resources
 - A Jamiyan, Mongolian National Mining Association (MNMA), Dalanzadgad,
 - Dr Kern Von Hagen, Manager Pipeline Talent, Oyu Tolgoi
 - Mr Alagaa, Director, Mongolian National Mining Association (MNMA), Ulaanbaatar
 - Ms N. ARIUNAA, Community Health, Safety and Security Program Officer, Oyu Tolgoi
 - Dr Iaan Venter, Chief Medical Officer, Oyu Tolgoi Clinic, International SOS
 - Dr Travis Cunningham, General Manager, International SOS Mongolia LLC
 - Dr Michael Robinson, Medical Director, Remote Territories and Occupational Health, North Asia, International SOS, China
 - Mr NARANKHUU, Procurement Officer, Oyu Tolgoi Business Development Centre, Dalanzadgad
 - Ms TSENDSUREN, Procurement Officer, Oyu Tolgoi Business Development Centre, Dalanzadgad
 - Ms GANCHIMEG, Senior Community Relations Manager, Energy Resources, Tsogttsetsii
 - Mr DORJSUREN, Community Relations Manager, Energy Resources, Tsogttsetsii
 - Ms OTGONJARGAL, Community Relations Officer, Energy Resources, Tsogttsetsii
 - Ms ZOLJARGAL, Community Relations Officer, Energy Resources, Tsogttsetsii
 - Mr Rentsen SUNDUI, Adviser to CEO, Energy Resources LLC
 - Ms BOLORMAA Nyam-Osor, Corporate Social Responsibility Manager, Energy Resources
 - Mr BAYARMAGNAI (Mak), General Manager, Coal Washing Plant, Energy Resources
 - Mr Sumaa ERDENEBAT; Regional Development Adviser, Oyu Tolgoi, Dalanzadgad Mr L. MUNKH-ORGIL, HR Manager, Oyu Tolgoi Mine
 - Ms N. BADAMTSETSEG, Specialist Site HR, Oyu Tolgoi Mine
 - Ms MUNKHCHULUUN and Mr MYAGAMARTSEN, Program Assistants, Oyu Tolgoi, Dalanzadgad
 - Mr OTGONBAYAR, Community Information Centre Officer, Oyu Tolgoi, Dalanzadgad
 - Oyu Tolgoi Community Relations Team, Khanbogd – Mr BOLD, Mr BILGUUN, Mr MUNKHBAYAR, Ms AZAA, Ms UURINTUYA, Ms ZOLOO, Mr BAYARBAATAR
- * Those marked with an asterisk only attended the presentation on Friday 22 March 2013.