

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR MONGOLIA

**REPORT ON THE INVITATION
TO THE PUBLIC TO COMMENT**

1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period dedicated to the Bank's strategy for Mongolia and provide the Bank's management responses to these. The comments received during the public consultation period were reviewed by the Bank's management and reflected in the strategy as appropriate.

In accordance with the EBRD Public Information Policy (PIP), the draft strategy for Mongolia was posted on the EBRD website in English and Mongolian for 45 calendar days from 24 March 2017. The public was invited to submit comments on the draft strategy no later than 8 May 2017. For information, the previous strategy was also made available on the website in English and Mongolian at

<http://www.ebrd.com/where-we-are/mongolia/overview.html>.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

One comment on the draft strategy for Mongolia was received during the public consultation period.

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with civil society organisations on 2 December 2016 in Ulaanbaatar to gather civil society's feedback during the preparatory phase leading to the draft strategy. The consultation provided a platform for dialogue between civil society representatives and EBRD staff and management involved in the strategy preparation process. A summary of the meeting and a list of participating organisations are provided in the Annex to this report.

2. PUBLIC COMMENTS AND STAFF RESPONSES

Reference	Comment	EBRD Response
Strategic Directions		
	<p>According to the CSO comment, the current strategy does not respond adequately to the challenge of Mongolia's dependence on mining, coal and the export of commodities. The comment states that there is a contradiction between the proposed Strategic Theme 1 ("strengthening the competitiveness of the non-extractive sector") and 2 ("leveraging a well-governed mining sector"). The comment also argues that the Bank's portfolio continues to favour the mining sector. It urges the Bank to give priority to measures that would contribute to the diversification of the economy. Finally, the comment suggests that strategic themes and operational responses should be reassessed in light of the change in economic circumstances since the adoption of the previous country strategy.</p>	<p>Although the strategy acknowledges that the mining sector will remain the principal driver of Mongolia's growth for the foreseeable future, it places a strong emphasis on increasing economic resilience, particularly in the context of the country's exposure to commodity cycles and weak public finances. To that end, the first theme focuses on strengthening the competitiveness of the private, non-extractive industry and SMEs (including in agribusiness), and broadening and improving access to finance while also providing technical cooperation to the authorities to promote diversification and sound financial and banking policies. While the Bank will continue to support responsible mining projects that meet its high operational, environmental and social standards, the Bank will seek opportunities, to deepen value chain development, which is essential for sustainable growth, as specified in the second strategic theme.</p> <p>The assessment of the operational environment, including the macroeconomic context, has been updated and informed the development of the strategy's strategic themes and the Bank's operational responses.</p>
	<p>The CSO comment urges the Bank to make new investments in "big mining projects" conditional upon the prior development of "regional water and biodiversity strategies". The comment argues that direct and indirect impacts of mining operations and infrastructure development on water and biodiversity should be assessed in a strategic and timely manner, accompanied by appropriate offset plans.</p>	<p>As part of all project appraisals prior to investment, the issues related to water resources and biodiversity are a key element of our due diligence, and we will continue to review the potential risks related to these issues at the project level at a scale and depth appropriate to each project. It is evident that a more integrated approach is required for the assessment and management of these two issues in certain geographical</p>

		regions (for example the South Gobi) and such an approach could enhance the sustainability of the economic development in those areas. The Bank has been working with a range of stakeholders over a number of years on these two specific issues and the integration of such. It is proposed that this work continues to develop during the time period covered by the new country strategy.
	The CSO comment urges the Bank to exclude any support to coal mining or coal power projects. It claims that coal-fired power plants support the development of Mongolia's mining sector and expresses concerns over the use of coal for energy production in Mongolia. The Bank is requested not to provide any support to coal power plants (including through associated facilities, new capacities, rehabilitation of existing facilities that increase capacity, or coal mine expansion to serve new power plants).	<p>The 2013 Energy Sector Strategy, against which all projects seeking financing are assessed, excludes investments in coal fired generation, except in rare and exceptional cases.</p> <p>The Bank is currently not involved in supporting any coal-fired power plants in Mongolia, nor "associated facilities". Prior to considering support for any such projects in the future, they would be assessed against the criteria for coal-fired projects as set out in the 2013 Energy Sector Strategy and the requirements of the Bank's 2014 Environmental and Social Policy.</p>
	EBRD investments, according to the CSO comment, should be directed towards "innovative, decentralised and sustainable energy solutions", and should address energy poverty, in particular in urban ger districts and rural areas. More support should be given for the development of renewables, and demand-side energy efficiency measures.	<p>Since the beginning of its operations in Mongolia in 2006, the Bank has played a leading role in helping the country unlock its renewable energy potential. The Bank is the only IFI who has led the financing of all wind projects in the country (Salkhit 50MW in operations, Tsetsii 50MW in construction, Sainshand 50MW under study).</p> <p>In the short term the Mongolian central grid cannot accept more than 150MW of wind capacity. Therefore, the Bank will focus on helping the country develop its solar power capabilities in the future. The Bank is currently working to support the Government in organising auctions for solar power to benefit from the worldwide drop in solar prices, which is an important factor for making renewable energy more affordable for households. Once an appropriate framework for solar power is in place, the Bank will aim to</p>

		<p>support solar projects in line with the Government's policy objectives.</p> <p>In addition, EBRD credit lines such as the MonSEFF (Mongolia Sustainable Energy Financing Facility) support the introduction of small-scale renewables in Mongolia. The credit line is also supporting companies to implement demand-side energy efficiency measures by providing loans through local partner financial institutions and free-of-charge technical assistance.</p> <p>More broadly, the EBRD is actively supporting investments in resource efficiency and renewable energy in Mongolia. Since 2006, the EBRD has invested EUR 116m in projects under its Green Economy Transition approach. Overall, these investments have resulted in annual primary energy savings of approximately 1 million GJ and annual CO2 emission reductions of 724,000 tonnes.</p>
	<p>The CSO comment recommends that the Bank puts more emphasis on finding innovative renewable solutions to address air pollution, in particular in the context of the challenge to provide heating and electricity to the ger districts in Ulaanbaatar.</p>	<p>The renewable energy projects financed by the Bank are already (i) replacing production from polluting coal-fired CHP (combined heat and power) plants and (ii) encouraging the Government to implement tariff reforms that incentivize the use of electric heating in the ger district at night, which maximises electricity consumption at a time when wind energy is feeding the system with excess power. In addition, the Bank aims to contribute to improving the access to basic communal services in the ger districts, including district heating, where particular attention would be given to demand side measures.</p> <p>The lack of connectivity in the ger districts has been noted in Section 2.7.</p>

Environmental and Social Implications of Bank Proposed Activities	<p>The CSO comment recommends that the Gender Profile (Annex 5) should disaggregate “community or work force impacts” by their impacts on men and women in order to allow for a more detailed analysis of the impacts and their possible mitigation measures for women, female-headed households and other vulnerable groups. In addition, the indirect effects of EBRD projects should be taken into account in assessing gender disparities and consequent mitigation measures, according to the comment.</p> <p>On the project-level, the CSO comment recommends introducing explicit human rights and gender impact assessments for projects with expected moderate to significant social impacts, to be reflected in Social Impact Assessments. Mitigation Plans, Social Management Plans, and Stakeholder Engagement should include respective gender-specific mitigation measures.</p>	<p>The EBRD is mandated by its 2014 Environmental and Social Policy, the former Strategic Gender Initiative and the current Strategy for the Promotion of Gender Equality, to identify and address any differentiated gender impacts (and opportunities). The text in the strategy references, inter alia, the gender gaps in the country as well as the potential risks of, inter alia, trafficking. Project level due diligence is informed by these Bank policies and strategies. If there is concern that impacts are not being adequately addressed, the Bank encourages this to be raised during the disclosure period to which all EBRD financed projects are subject.</p>
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Summary of EBRD meeting with civil society on 2 December 2016 in Ulaanbaatar

As part of the public consultation process, the EBRD held a consultation meeting on 2 December in Ulaanbaatar with local representatives of civil society organisations. The consultation provided an opportunity to discuss strategic aspects of the forthcoming strategy for Mongolia and was attended by ten civil society representatives.

Strategic directions

The Bank's envisaged approach for the forthcoming strategy period in Mongolia and planned strategic priorities were broadly supported by the civil society organisations who participated in the consultation meeting.

In particular, CSO representatives commented positively on the Strategic Theme dedicated to "green solutions" that aim to improve the quality and sustainability of infrastructure services, e.g. through increased efficiency and commercialisation. CSOs stressed the need to invest in renewable energy opportunities and to support innovative green technologies and businesses in accessing the market, in particular with regards to municipal and environmental infrastructure, including in the ger district, while taking into account the effects of climate change. CSO representatives expressed their overall agreement with the objective to diversify the economy in support of the non-extractive sectors, thereby decreasing reliance on commodity cycles. According to CSOs, agriculture could represent an area for the EBRD to consider in terms of expansion of its activities.

With regards to the Strategic Theme of "Leveraging a well-governed mining sector to maximise value creation", CSOs were supportive of the Bank's support for responsible mining in order to ensure sustainable and resilient growth. CSOs demanded continued strong commitment to the EITI and the highest transparency and accountability standards in the sector. Furthermore, CSOs expressed their concerns about challenges in the implementation of existing regulations and legislation, which should be addressed, in particular in order to better manage the environmental performance of developers. The discussion also highlighted the local impacts experienced by communities in relation to mining sector developments where CSO representatives stressed the need for the highest environmental and social standards in extractive projects.

Operating Conditions for Civil Society and Public Participation

CSOs emphasised the importance of securing access to information and conducting early consultations with CSOs, which can act as a link to local communities helping to increase awareness and disseminate information.

With regards to the operating conditions for civil society and democratic progress, CSOs shared the overall assessment that the civil society sector in Mongolia is relatively vibrant and CSOs have the opportunity to engage in legislative and consultative processes, however, herders and rural populations remain underrepresented. CSOs continue to face capacity challenges, also due to the difficulty in mobilising funding.

List of CSOs represented at the consultation meeting

- Asia Foundation–Mongolia
- Baigali Ehiin Avral San NGO

- Centre for Human Rights and Development
- GerHub
- Mongolian Mining Association
- Open Society Forum/ Publish What You Pay Coalition
- Owners of Khuvsul Lake
- The Nature Conservancy
- Transparency International Mongolia
- Zorig Foundation