

June 19, 2014
Ref no.121/14

Ms. Sukhgerel Dugersuren
Mongolia Coordinator
Rivers Without Borders
Mongolia

Dear Ms. Dugersuren,

Re: Your Letter of May 12, 2014 Regarding the Mongolia-Mining Infrastructure Investment (MINIS) Project

Reference is made to your letter dated May 12, 2014 in relation to the Mining Infrastructure Investment Project (MINIS).

We appreciate your close attention to the ongoing work on the Shuren Hydropower and Orkhon Gobi River Water regulation sub-projects. The potential environmental and social impacts concerns require careful study and are covered under the World Bank's safeguard policies through the Environmental and Social Management Framework (ESMF), which applies to all studies prepared under this project.

The project area under the MINIS project covers the entire country. While mining activities are centered in the Southern Gobi Region, the infrastructure required to develop these activities may be elsewhere. For this reason, the project area has been broadly defined and as such, the six sub-projects selected to date by the Project Steering Committee (PSC) are eligible under the Project.

Shuren Hydropower and Orkhon Gobi Water were selected by the PSC based on their potential to help meet Mongolia's need for additional power and water supply to cover the increasing demand, particularly from the mining sector. The MINIS project has therefore financed pre-feasibility study for Shuren Hydropower and preparatory studies for Orkhon Gobi to help inform decision-making on whether to proceed with full feasibility studies for the projects. These studies consider power supply alternatives in the case of Shuren Hydropower, and water supply alternatives including local groundwater in the case of Orkhon Gobi.

Other factors that we will take into account include the outcome of discussions between the governments of Mongolia and the Russian Federation due to the transboundary nature of the Shuren Hydropower project, as well as consultations with civil society on the proposed projects' environmental and social impacts. Public consultations will also be

carried out during the preparation of the environmental and social impact assessment (ESIA) studies, consistent with the World Bank's safeguard policies. The PMU will organize two sets of consultations as part of the ESIA process. The first set of consultations is on the Terms of Reference for the ESIA, and the second set of consultations will be on the draft results of the ESIA.

To date, the first and second drafts of the pre-feasibility study for the proposed Shuren Hydropower project have been compiled, but the final report is not yet complete. The preparatory study reports for the proposed Orkhon Gobi project have also been completed. We have asked the PMU and the GoM to publish all relevant study findings on the project website. As due-diligence studies of this type are the property of the client, we recommend that you request the studies directly from the PMU, the MoE and the MEGD.

Regarding your question about the mid-term review, the project team conducted this review in October 2013 as scheduled, and an implementation support mission took place in late April 2014. An Implementation Status Report (ISR) based on this mission is a public document and it will be available on our website very soon.

We value your close follow-up and monitoring of the MINIS project. Members of the project team would be happy to meet with you when they are next in Mongolia in September or October this year to discuss the more technical details raised in your letter.

In light of their interest in this matter, I am copying this letter to the Project Management Unit and to members of the PSC.

Sincerely,



Tungalag Chuluun
Acting Country Manager
World Bank Office, Ulaanbaatar

cc: H.E. S. Oyun, Minister, Ministry of Environment and Green Development
H.E. N. Batbayar, Minister, Ministry of Economic Development
H.E. M. Sonompil, Minister, Ministry of Energy
Mr. Kh. Gantsogt, State Secretary, Ministry of Finance
Mr. D. Dorjpurev, Vice Minister of Energy
Mr. B. Enkhbaatar, Project Management Unit Director
Mr. Khairy Al-Jamal, World Bank