



**The World Bank**

MN-Mining Infrastructure Investment Supp (P118109) (P118109)

REPORT NO.: RES37931

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
MN-MINING INFRASTRUCTURE INVESTMENT SUPP (P118109)  
APPROVED ON MAY 10, 2011  
TO  
MONGOLIA

ENERGY & EXTRACTIVES

EAST ASIA AND PACIFIC

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## ABBREVIATIONS AND ACRONYMS



**Note to Task Teams:** The following sections are system generated and can only be edited online in the Portal.

**BASIC DATA**

**Product Information**

Project ID P118109	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 10-May-2011	Current Closing Date 30-Sep-2019

**Organizations**

Borrower Mongolia	Responsible Agency Ministry of Finance
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**Project Development Objective (PDO)**

Original PDO

To facilitate investments in infrastructure to support mining and downstream processing activities, regardless of funding source, and to build local capacity to prepare and transact infrastructure projects.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-48880	10-May-2011	24-May-2011	20-Nov-2011	30-Sep-2019	25.00	17.14	5.73
TF-16382	28-Mar-2014	30-Apr-2014	30-Apr-2014	31-May-2019	4.05	4.05	0



### Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

**Note to Task Teams:** End of system generated content, document is editable from here.

## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Project Status

The Project was approved by the World Bank Board in May 2011. Its development objective (DO) is to facilitate investments in infrastructure to support mining and downstream processing activities, regardless of funding source, and to build local capacity to prepare and transact infrastructure projects. The Project has total IDA commitments of US\$25 million equivalent for four components: (1) Support for Infrastructure Investments (US\$18.11 million); (2) Capacity Building and Knowledge Transfer (US\$2.47 million); (3) Strengthening Groundwater Management (US\$3.23 million); and (4) Project Management (US\$1.19 million).

The Project underwent three restructurings:

I. Level 1 restructuring in March 2014 approved the triggering of additional safeguard policies and budget reallocation between disbursement categories and an additional financing of US\$2.1 million from the Australian Department of Foreign Affairs and Trade (DFAT), later amended to reach US\$4.05 million;

II. Level 2 restructuring in July 2016 extended the original project closing date by one year – through September 30, 2017.

III. Level 2 restructuring in September 2017 to extend the project closing date by two years – through September 30, 2019, which resulted in a cumulative 36-month extension from the original closing date of September 30, 2016.

The Project Management Unit (PMU) has prepared an agreed a dated plan to complete all the remaining safeguards studies and consultations by the project closing date. The project is on track to meet most of its objectives and in full compliance with legal, fiduciary and safeguards requirements.

The project status for each component is provided below:

#### Component 1: Support for Infrastructure Investments

The Component was originally supposed to support preparation of at least two strategic/priority projects for investments through financing feasibility studies (FS) and Environmental and Social Impact Assessment (ESIA) or Cumulative Impact Assessment (CIA).

Six priority projects were initially identified to be supported under this Component:



- i. Shuren hydropower plant
- ii. Orkhon water diversion
- iii. Rural and industrial water supply
- iv. Integrated steel complex
- v. Natural synthetic gas
- vi. Expansion of the Baganuur coal mine.

In 2015, a seventh project was added – Tavan Tolgoi coal mine. The feasibility study for this project was supported under the Mongolia Mining Sector Technical Assistance Project (MMSTA) (P108768) that closed in December 2015. The CIA for the Tavan Tolgoi project was not implemented by the MMSTA project closing date and was transferred to the Mining Infrastructure Investment Support Project (MINIS).

Projects (i) and (ii) are located in the Selenge river basin and therefore could result in environmental and social impacts on downstream areas and lake Baikal, located in Russia. The TORs were extensively consulted upon in Russia and Mongolia during March – July 2017 and become also part of bilateral meetings between Mongolia and Russia on transboundary issues. Based on the outcomes of the consultations and bilateral meetings, it was decided to first study these two projects through a Regional Environmental Assessment (REA). The projects that would pass the REA stage could then be pursued through FS and ESIA. A REA Terms of Reference has been finalized and has been posted on the MINIS website. In view of the MINIS Project closure on September 30, 2019, it will be impossible for MINIS to support REA, let alone FS and ESIA for the Shuren and Orkhon projects. As agreed with the Government, IDA funding allocated to the REA, ESIAs, and FSs will be cancelled as the activities cannot be completed by the closing date. The Government is considering options for implementing REA outside of MINIS.

After completing groundwater investigations in Bayanhongor and Umnugobi Aimags, project (iii) was dropped by the Government in September 2016 due to potential adverse impacts on environment and local communities.

The FS for sub-projects (iv- vi) have been completed; safeguards studies are on track and planned to be completed by the project closing date. The CIA for the Tavan Tolgoi mine project also is scheduled to be completed by the MINIS Project closing date.

Despite taking out of studies for three projects under Component 1 (Part 1. (a) (ii) of the Financing Agreement), MINIS Development Objectives associated with Component 1 – prepare two strategic projects for investment/transaction -- should largely be met by the MINIS Project closing date. If so, the project could retain the MS rating at closure.

## **Component 2: Capacity Building and Knowledge Transfer**

The objective of this component is to build capacity and of the concerned line ministries to prepare infrastructure projects for public and/or private financing. The Component supported more than 100 capacity building activities, including trainings on procurement, risk management, project appraisal, governance, auditing, environmental impact assessment, water supply, water management, and debt management; study tours to learn from best international



practice on PPP, groundwater management and other topics. Participants included representatives from the Ministry of Finance, Ministry of Economic Development, Ministry of Mining and Heavy Industry, Ministry of Economy and Tourism, Ministry of Energy, Ministry of Road and Transportation, and Ministry of Construction and Urban Development. The capacity building objectives of this Component are considered largely achieved.

### **Component 3: Strengthening Groundwater Management**

Component 3 is designed to support the proper management of groundwater resources in the southern part of Mongolia. It is supported by US\$ 3.075m from IDA, scheduled to close on September 30, 2019, and a US\$ 4.050m grant from Australia's DFAT, which closed on May 31, 2019. The Component supported establishment of several groundwater institutions, including three River Basin Administrations (RBAs) and River Basin Councils in the South Gobi region, and Groundwater Monitoring and Information Unit. It also financed strategic studies, including Integrated Water Resource Management Plans for the three RBAs. Most of the activities planned under this Component have been completed and objectives of this Component are considered largely achieved.

#### ***B. Rationale for Restructuring***

Due to taking out of studies for three projects (i – iii) under Component 1 (Part 1. (a) (ii) of the Financing Agreement) and the approaching MINIS Project closing date, which makes it impossible to use available funds for other activities, the Ministry of Finance sent to the Bank a request for reallocation of credit proceeds and cancellation of USD5.7 million (or SDR4,155,000). Taking out the studies and cancelling the associated funds will virtually have no impact on the project prospects to achieve development objectives. There is no need to produce a new project results framework. The causes of dropping out the studies are provided above, under Section Component 1. Reallocation and cancellation details are provided in the following section. The IDA funds remaining after cancellation are sufficient to complete all, but the dropped-out activities.

The cancelled funds can be used for other IDA projects in Mongolia.

## **II. DESCRIPTION OF PROPOSED CHANGES**

Restructuring will comprise the following changes:

- (i) Taking out studies for the three projects under Component 1 (Part 1. (a) (ii) of the Financing Agreement):
  - Shuren hydropower plant
  - Orkhon water diversion
  - Rural and industrial water supply.
- (ii) Cancellation of IDA funds associated with studies for these three projects and cost savings under Goods and Incremental Operating Costs categories, in total amounting to USD5.7 million equivalent (or SDR4,155,000).
- (iii) Reallocation of funds between Categories, as detailed in the table below:



Category	Amount of the Financing Allocated before Restructuring (SDR)	Amount of the Financing Allocated after Restructuring (SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods	1,405,000	1,282,000	100%
(2) Consultants' Services	12,295,000	8,400,000	100%
(3) Training and Workshops	1,365,000	1,365,000	100%
(4) Incremental Operating Costs	935,000	798,000	100%
Amount cancelled as of June 21, 2019		4,155,000	
<b>TOTAL AMOUNT</b>	<b>16,000,000</b>	<b>16,000,000</b>	

(iv) Related adjustments in project costs and disbursement estimates.

### III. SUMMARY OF CHANGES

	Changed	Not Changed
Components and Cost	✓	
Cancellations Proposed	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Loan Closing Date(s)		✓
Disbursements Arrangements		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓



Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

**IV. DETAILED CHANGE(S)**

**COMPONENTS**

<b>Current Component Name</b>	<b>Current Cost (US\$M)</b>	<b>Action</b>	<b>Proposed Component Name</b>	<b>Proposed Cost (US\$M)</b>
Support for Infrastructure Investments	18.11	Revised	Support for Infrastructure Investments	12.41
Capacity Building and Knowledge Transfer	2.47	Revised	Capacity Building and Knowledge Transfer	2.47
Strengthening Groundwater Management	5.33	No Change	Strengthening Groundwater Management	5.33
Project Management	1.19	Revised	Project Management	1.19
<b>TOTAL</b>	<b>27.10</b>			<b>21.40</b>





**CANCELLATIONS**

Ln/Cr/Tf	Status	Currency	Current Amount	Cancellation Amount	Value Date of Cancellation	New Amount	Reason for Cancellation
IDA-48880-001	Disbursing	XDR	16,000,000.00	4,155,000.00	21-Jun-2019	11,845,000.00	UNDISBURSED BALANCE AT CLOSING
TF-16382-001	Disbursing	USD	4,050,000.00	0.00	21-Jun-2019	4,050,000.00	UNDISBURSED BALANCE AT CLOSING

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-48880-001   Currency: XDR					
iLap Category Sequence No: 1		Current Expenditure Category: GOODS AND NON-CSs			
	1,405,000.00	876,715.37	1,282,000.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: CONSULTANTS' SERVICES			
	12,295,000.00	7,947,487.05	8,400,000.00	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: TRAINING AND WORKSHOPS			
	1,365,000.00	1,253,291.29	1,365,000.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: INCREMENTAL OPERATING COSTS			
	935,000.00	768,401.72	798,000.00	100.00	100.00
<b>Total</b>	<b>16,000,000.00</b>	<b>10,845,895.43</b>	<b>11,845,000.00</b>		



**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

<b>Year</b>	<b>Current</b>	<b>Proposed</b>
2011	0.00	0.00
2012	2,553,457.64	0.00
2013	919,102.31	0.00
2014	2,431,173.37	0.00
2015	10,750,000.00	0.00
2016	10,500,000.00	0.00
2017	2,046,266.68	0.00
2018	0.00	809,100.00
2019	0.00	1,500,000.00
2020	0.00	0.00
2021	0.00	0.00
2022	0.00	0.00