

Special Study

**Extractive Industries  
Sector Strategy Review**

**Volume II: Annexes**

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Evaluation Department  
(EvD)



**European Bank**  
for Reconstruction and Development

Special Study  
Extractive Industries Sector Strategy Review  
Volume II

The documents in these annexes provide the background analysis, results and notes for the EvD's Special Study on investments in the extractive industries sector. The annexes should be read in conjunction with the main report (Volume I).

**Annex I – Portfolio analysis**

**Annex II – Country case studies**

Special Study  
Extractive Industries Sector Strategy Review  
Volume II

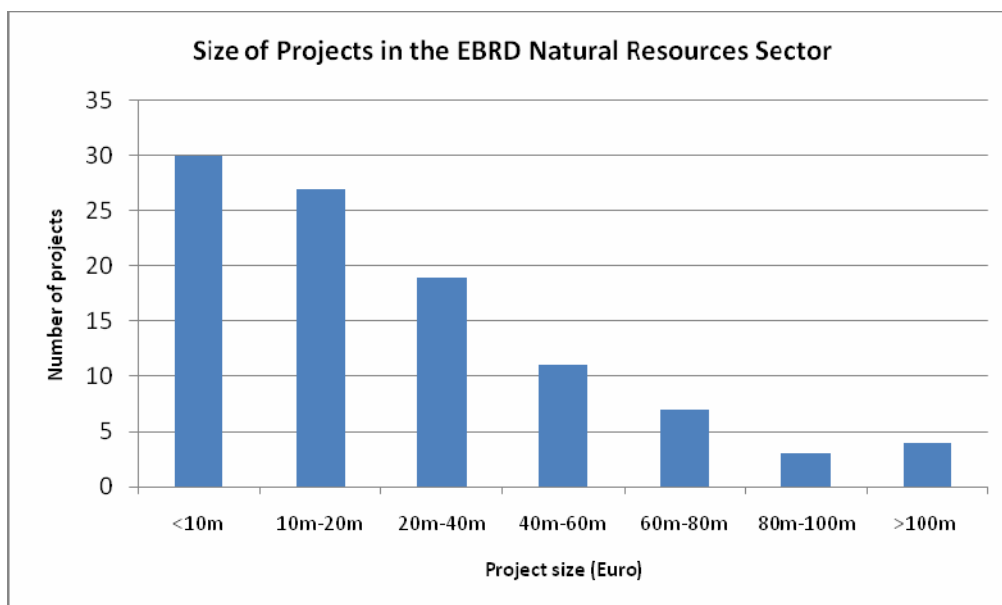
**Annex I**  
**Portfolio analysis**

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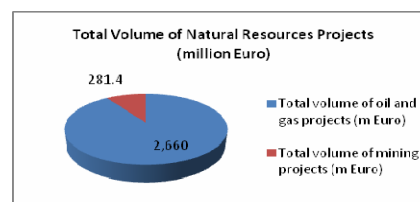
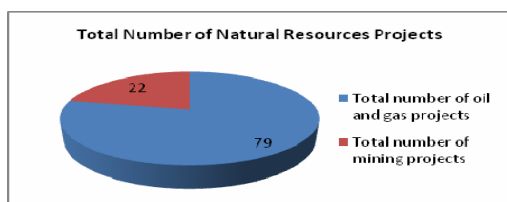
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## 1. Overview of the natural resources portfolio

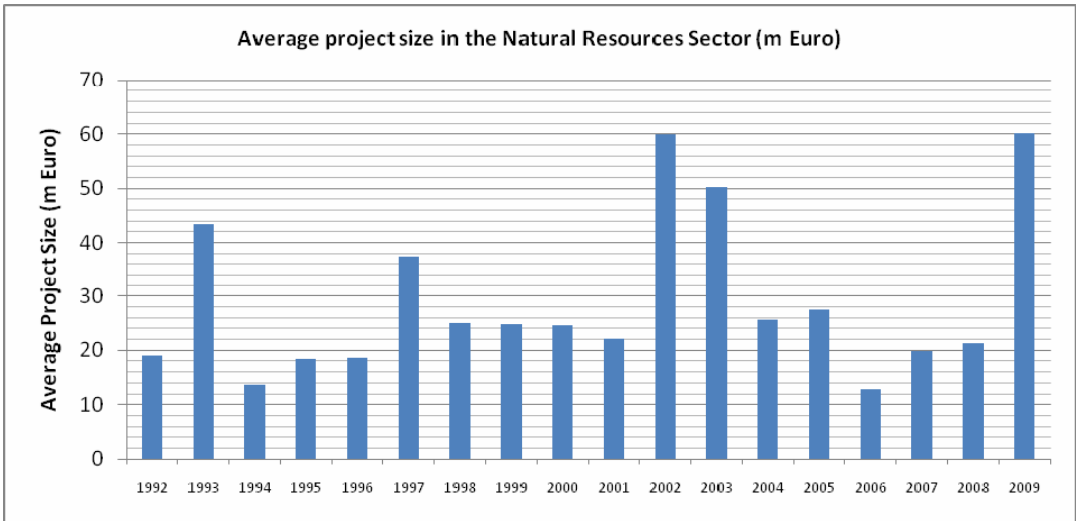
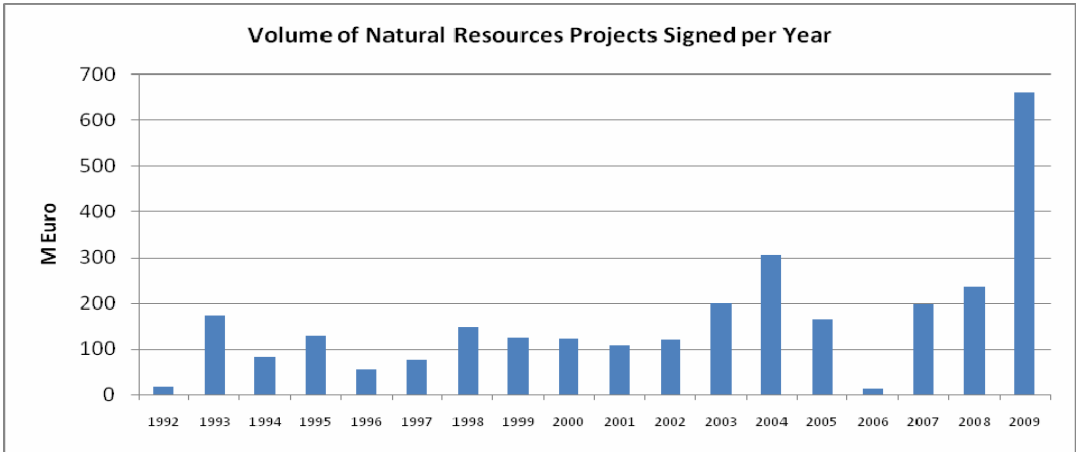
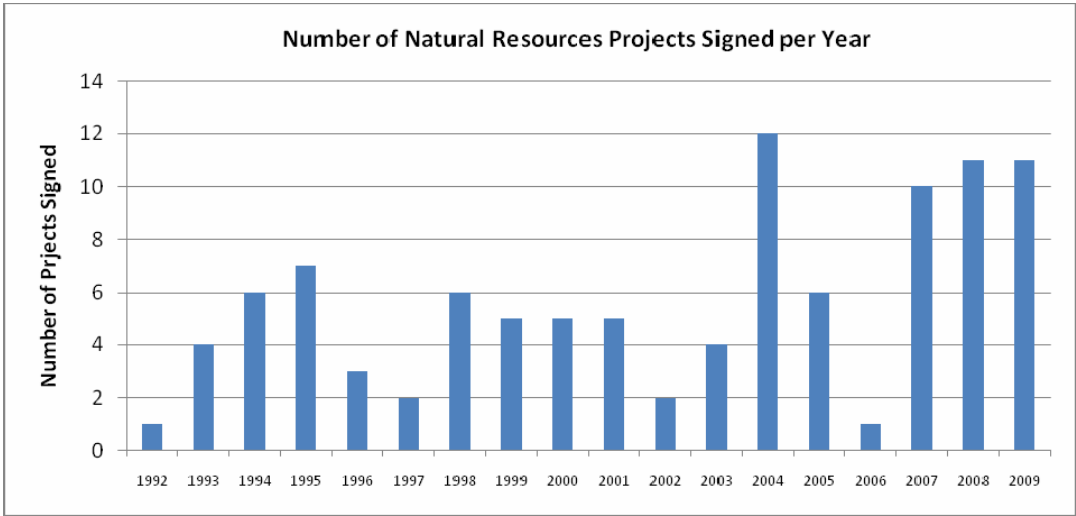
- From 1992 to December 2009, 101 projects signed.
- Smallest €0.31 million.
- Largest €200 million (MOL gas storage project in Hungary (2009)).
- Total EBRD finance of projects = €2,941 million.
- Average project size for sector = €29.1 million.



- Total number of oil and gas projects = 79 (78.2 per cent of projects).
- Total number of mining projects = 22 (21.8 per cent of projects).
- Total volume of oil and gas projects = €2,660 million (90 per cent of total volume for sector).
- Total volume of mining projects = €281 million (10 per cent of total volume for sector).
- Average project size of oil and gas projects = €33.7 million.
- Average project size of mining projects = €12.8 million.

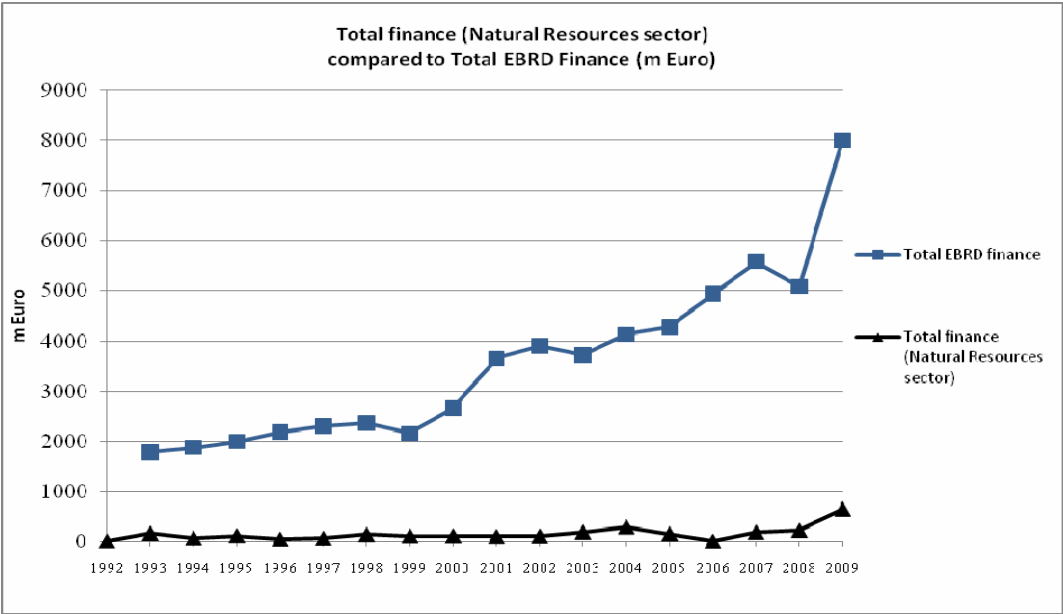
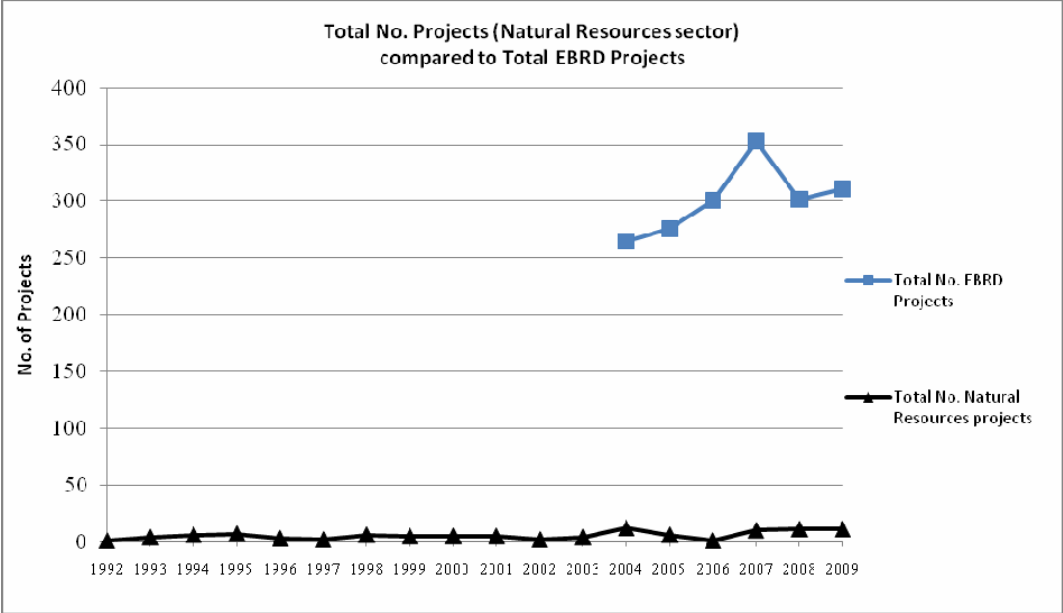


## 2. Historical trends in the EBRD natural resources sector



(Note: Overall average project size = €29.1 million)

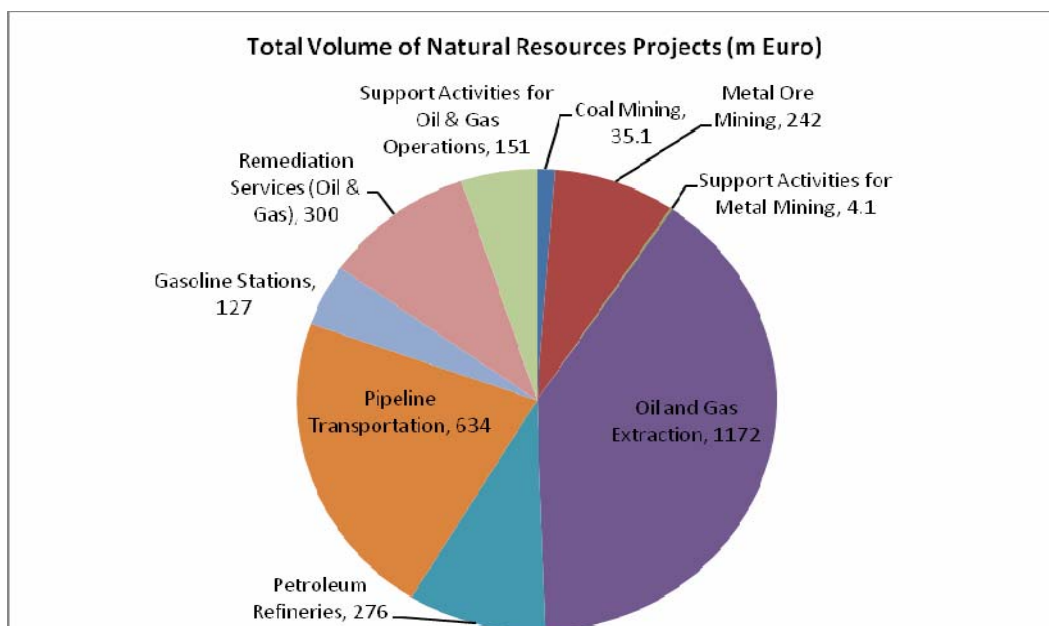
### 3. Comparison of number and volume of natural resource projects with total for the EBRD



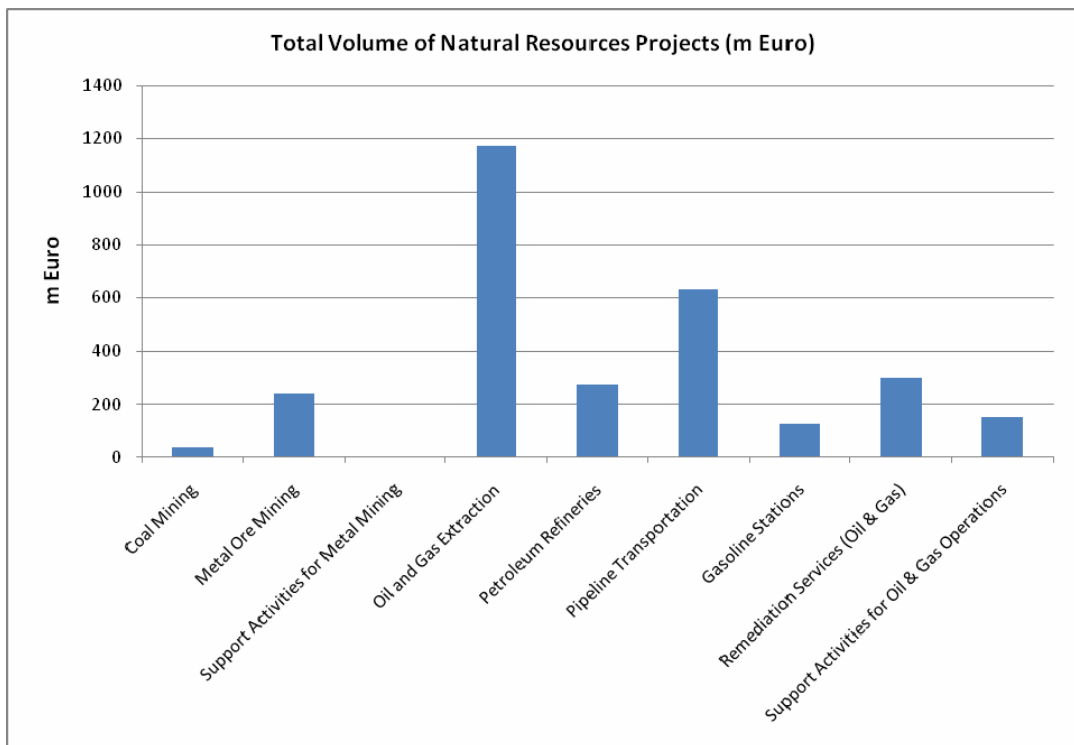
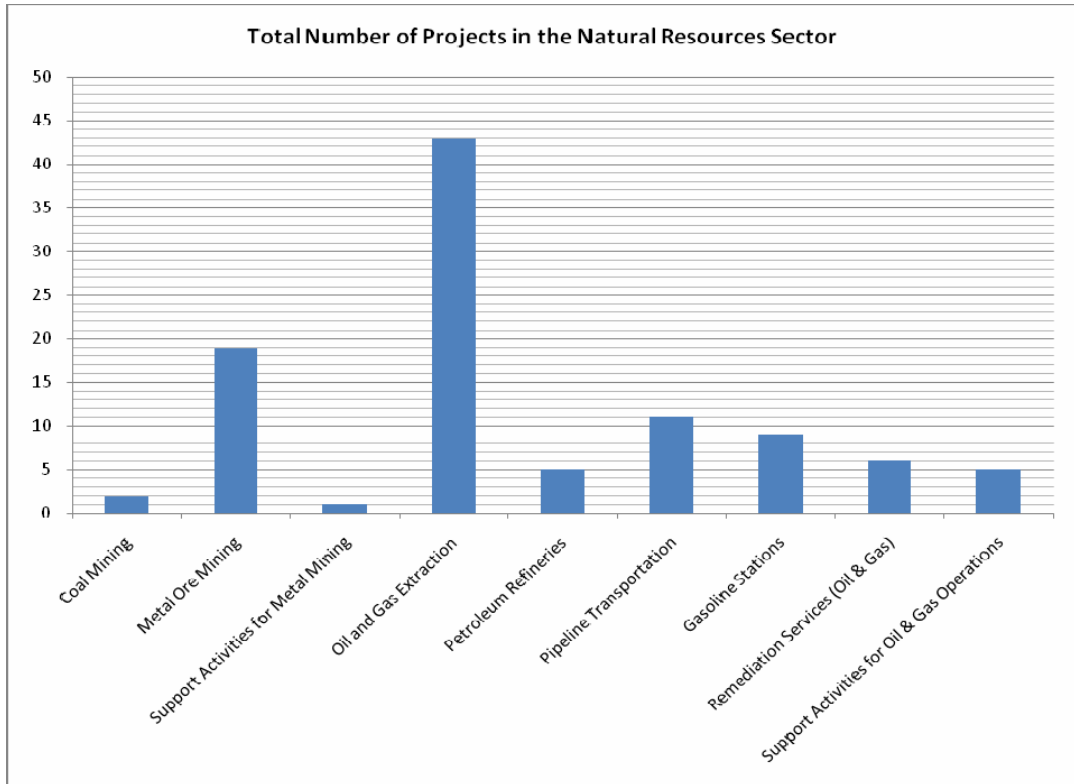
#### 4. Portfolio analysis for project type

Project type	Number	Volume (€ million)	Average project size (€ million)
Coal mining	2	35.1	17.5
Metal ore mining	19	242.2	12.7
Support activities for metal mining	1	4.1	4.1
Oil and gas extraction	43	1172.2	27.3
Petroleum refineries	5	275.9	55.2
Pipeline transportation	11	633.6	57.6
Gasoline stations	9	127.2	14.1
Remediation services (oil and gas)	6	299.9	50.0
Support activities for oil and gas operations	5	150.7	30.1
<b>Total</b>	<b>101</b>	<b>2941</b>	<b>29.1</b>

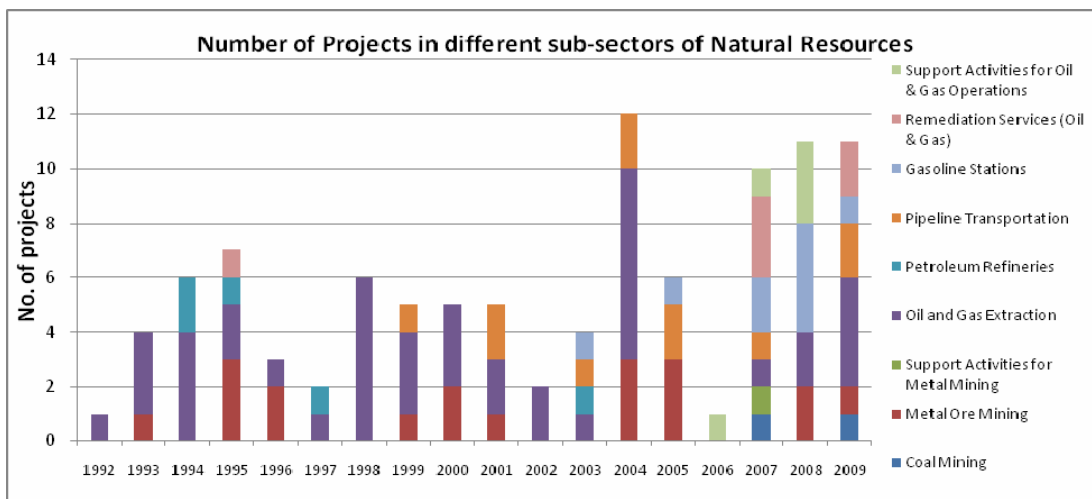
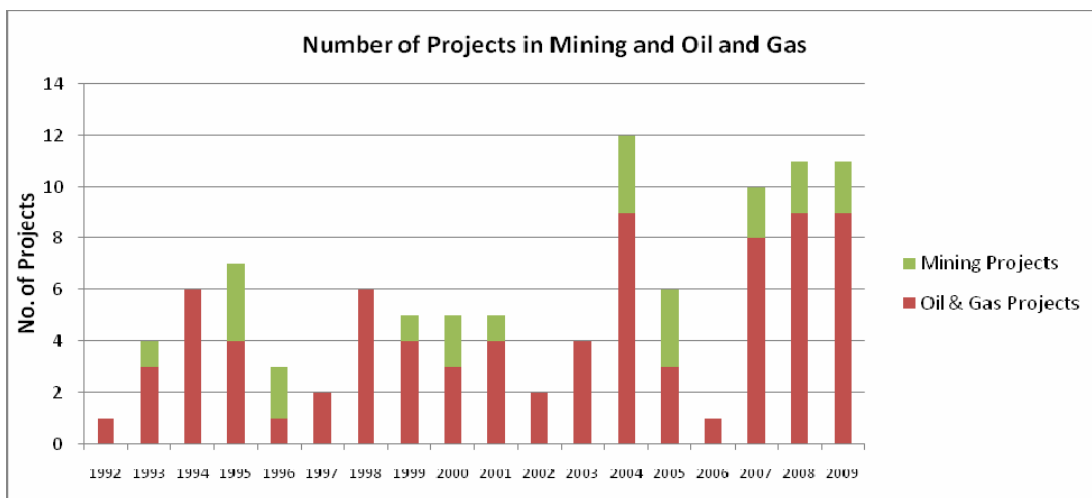
*Note: The project category "Remediation services" covers oil and gas only. Some remediation projects are also under mining.*







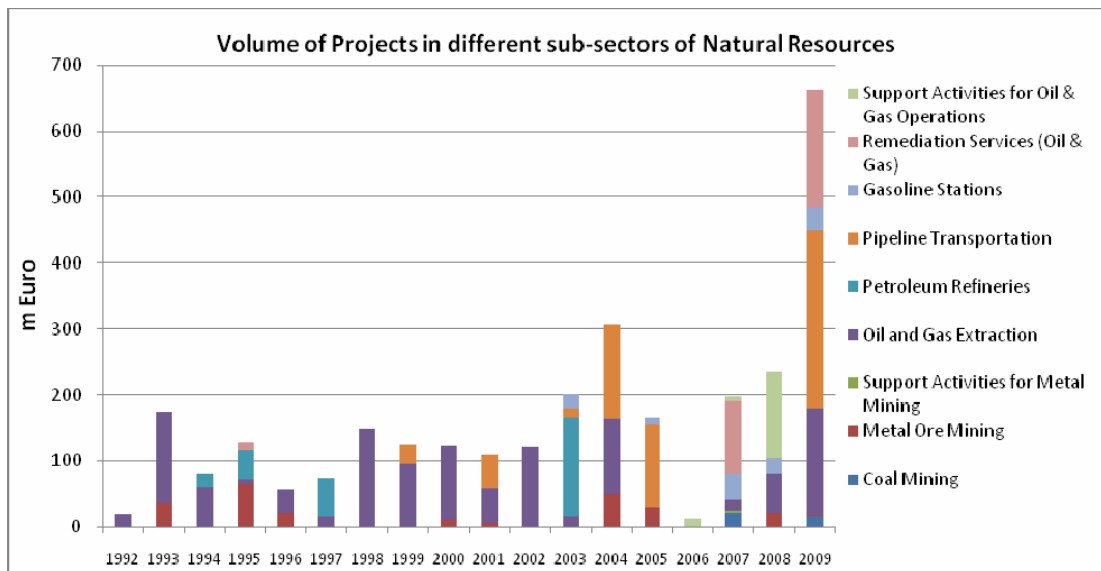
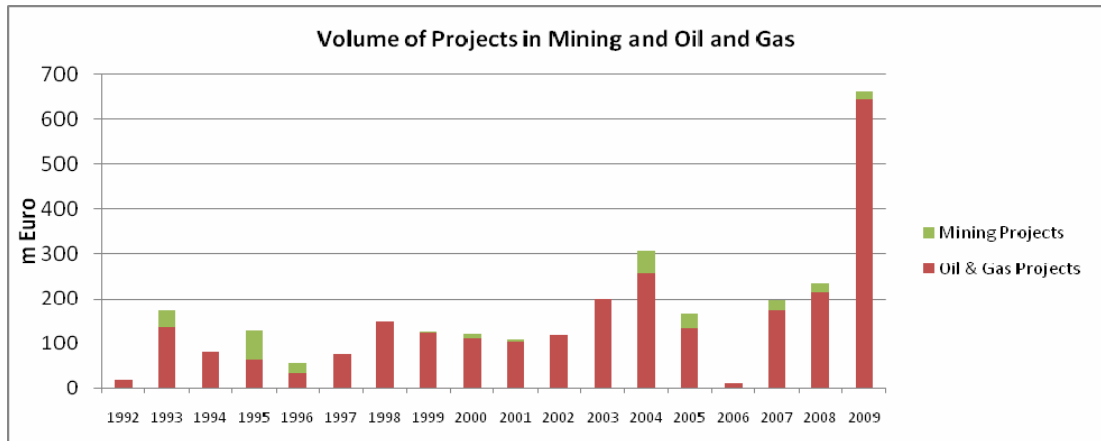
### 5. Number of projects in sub-sectors of natural resources



No. of projects

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total	
Coal mining																	1	1	2	
Metal ore mining			1	3	2			1	2	1			3	3				2	1	19
Support activities for metal mining																			1	1
Oil and gas extraction	1	3	4	2	1	1	6	3	3	2	2	1	7				1	2	4	43
Petroleum refineries			2	1		1						1								5
Pipeline transportation								1		2		1	2	2			1		2	11
Gasoline stations												1		1			2	4	1	9
Remediation services (oil and gas)				1													3		2	6
Support activities oil and gas operations															1	1	3			5
<b>Total mining projects</b>	0	1	0	3	2	0	0	1	2	1	0	0	3	3	0	2	2	2	2	22
<b>Total oil and gas projects</b>	1	3	6	4	1	2	6	4	3	4	2	4	9	3	1	8	9	9	9	79
<b>Total</b>	1	4	6	7	3	2	6	5	5	5	2	4	12	6	1	10	11	11	11	101

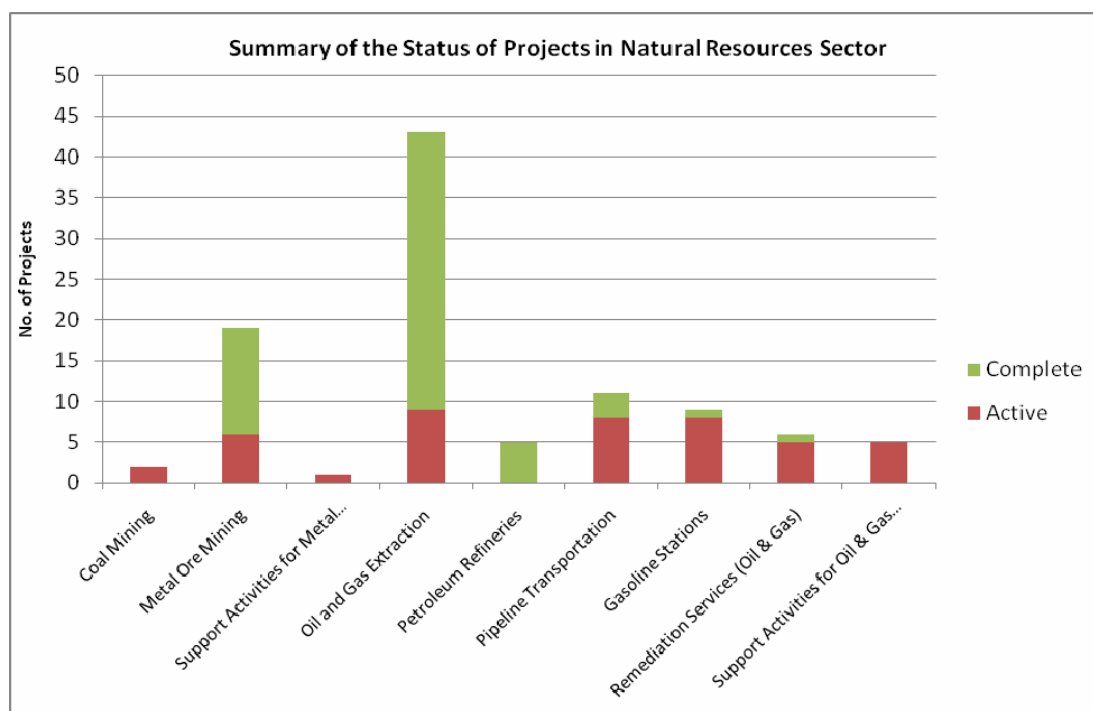
## 6. Volume of projects in sub-sectors of natural resources



Volume (€ millions)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Coal mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	21	0	14	35
Metal ore mining	0	36	0	64	21	0	0	0	12	5	0	0	50	30	0	0	21	2	242
Support activities for metal mining	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	0	4
Oil and gas extraction	19	138	60	8	35	15	150	96	111	53	120	16	114	0	0	16	60	163	1,172
Petroleum refineries	0	0	22	44	0	60	0	0	0	0	0	150	0	0	0	0	0	0	276
Pipeline transportation	0	0	0	0	0	0	0	28	0	52	0	15	143	125	0	1	0	270	634
Gasoline stations	0	0	0	0	0	0	0	0	0	0	0	20	0	10	0	39	24	34	127
Remediation services (oil and gas)	0	0	0	12	0	0	0	0	0	0	0	0	0	0	0	110	0	178	300
Support activities oil and gas operations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13	8	130	0	151
<b>Total mining projects</b>	0	36	0	64	21	0	0	0	12	5	0	0	50	30	0	25	21	17	281
<b>Total oil and gas projects</b>	19	138	81	64	35	75	150	123	111	105	120	201	257	135	13	173	214	646	2,660
<b>Total</b>	19	174	81	128	56	75	150	124	123	110	120	201	307	165	13	198	235	663	2,941

## 7. Portfolio analysis for project status

Project type	Total number of active projects	Total number of completed projects	Total number of projects
Coal mining	2		2
Metal ore mining	6	13	19
Support activities for metal mining	1		1
Oil and gas extraction	9	34	43
Petroleum refineries		5	5
Pipeline transportation	8	3	11
Gasoline stations	8	1	9
Remediation services (oil and gas)	5	1	6
Support activities for oil and gas operations	5		5
<b>Total</b>	<b>44</b>	<b>57</b>	<b>101</b>



## 8. Portfolio analysis in countries of operations

- 101 projects across the countries of operations (including 10 regional projects).
- Specific projects in 18 countries.
- No business in natural resources sector in 12 countries (except when there is coverage from regional projects).

Country	No. of active projects	No. of completed projects	Total no. of projects	Total EBRD finance (€ million)	Average project size (€ million)
Regional projects	7	2	9	205.7	22.9
Albania	2	0	2	34.6	17.3
Armenia	1	0	1	3.1	3.1
Azerbaijan	1	11	12	230.5	19.2
Belarus	0	0	0	0.0	0.0
Bosnia and Herzegovina	0	0	0	0.0	0.0
Bulgaria	1	1	2	37.3	18.7
Croatia	2	0	2	101.7	50.9
Czech Republic	0	0	0	0.0	0.0
Estonia	0	0	0	0.0	0.0
FYR Macedonia	0	1	1	17.3	17.3
Georgia	1	0	1	4.2	4.2
Hungary	1	2	3	367.3	122.4
Kazakhstan	4	0	4	85.9	21.5
Kyrgyz Republic	0	1	1	28.6	28.6
Latvia	0	0	0	0.0	0.0
Lithuania	0	0	0	0.0	0.0
Moldova	0	0	0	0.0	0.0
Mongolia	8	0	8	67.0	8.4
Montenegro	0	0	0	0.0	0.0
Poland	0	0	0	0.0	0.0
Romania	3	2	5	275.8	55.2
Russia	8	25	33	1057.3	32.0
Serbia	0	0	0	0.0	0.0
Slovak Republic	0	4	4	95.6	23.9
Slovenia	0	1	1	2.3	2.3
Tajikistan	0	0	0	0.0	0.0
Turkey	0	0	0	0.0	0.0
Turkmenistan	0	1	1	41.6	41.6
Ukraine	5	2	7	164.1	23.4
Uzbekistan	0	4	4	120.9	30.2
<b>Total</b>	<b>44</b>	<b>57</b>	<b>101</b>	<b>2,941</b>	

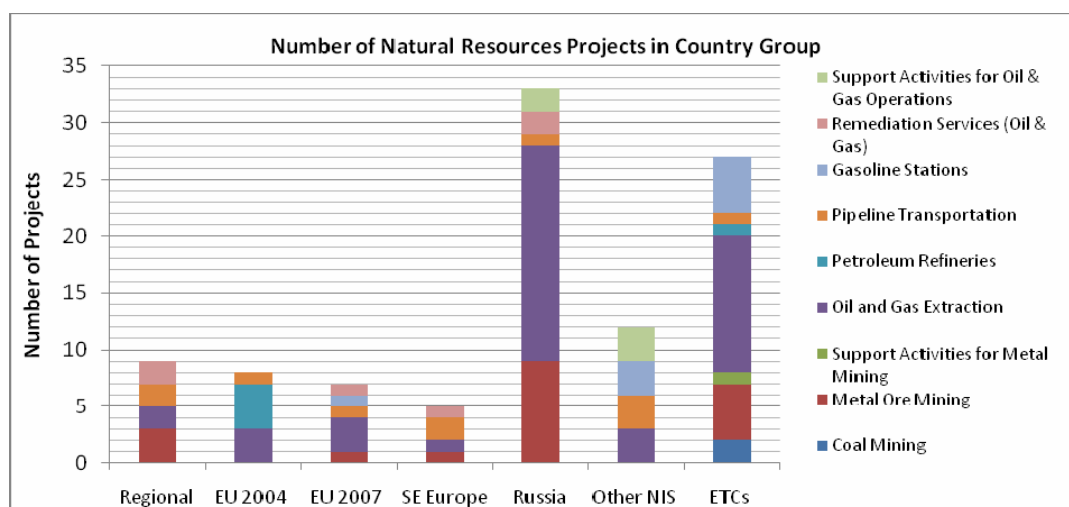
*Key points – natural resources sector*

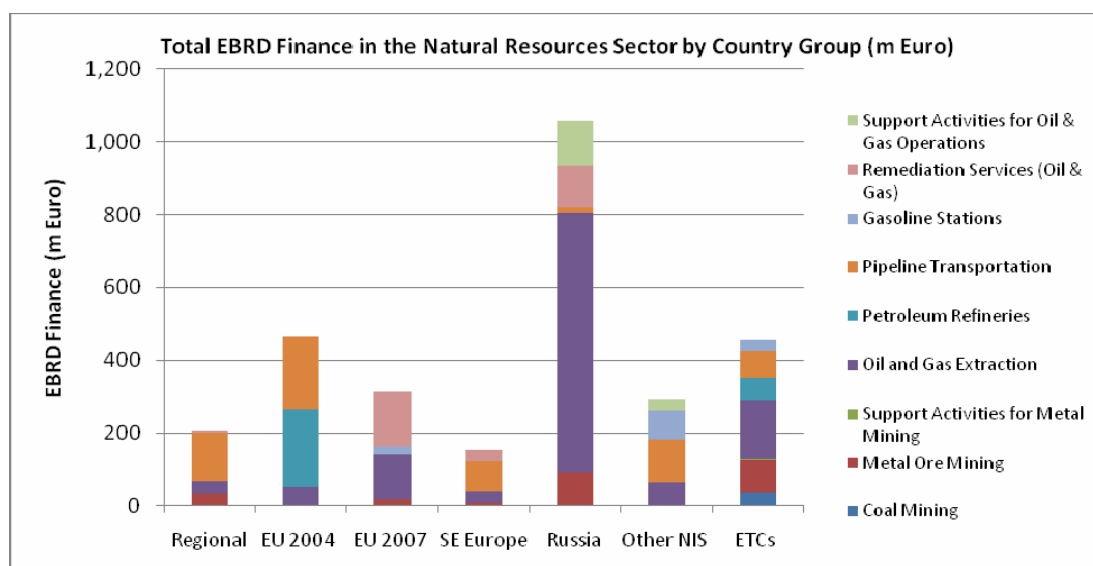
- 33 per cent of projects (and 36 per cent of total volume) in Russia.
- 12 per cent of projects (8 per cent of volume) in Azerbaijan.
- Only 4 projects in Kazakhstan.
- 8 projects already signed in Mongolia (since Oct 2006 when it became an EBRD country of operation). Average project size in Mongolia is small (€8.4 million, compared to sector average €29.1 million).

## 9. Portfolio analysis for country groups

Country group	Coal mining	Metal ore mining	Support activities for metal mining	Oil and gas extraction	Petroleum refineries	Pipeline transportation	Gasoline stations	Remediation services (oil and gas)	Support activities for oil and gas operations	Total
Regional	0	3	0	2	0	2	0	2	0	9
EU 2004	0	0	0	3	4	1	0	0	0	8
EU 2007	0	1	0	3	0	1	1	1	0	7
SE Europe	0	1	0	1	0	2	0	1	0	5
Russia	0	9	0	19	0	1	0	2	2	33
Other NIS	0	0	0	3	0	3	3	0	3	12
ETCs	2	5	1	12	1	1	5	0	0	27
Total	2	19	1	43	5	11	9	6	5	101

- EU 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia).
- EU 2007 (Romania, Bulgaria).
- SE Europe (Albania, Bosnia, Croatia, FYR Macedonia, Montenegro, Serbia, Turkey).
- Other NIS (Belarus, Kazakhstan, Turkmenistan, Ukraine).
- ETCs (Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Uzbekistan).





## 10. Environmental categorisation – natural resource projects

Total 101 projects: (A 35 projects, B 47 projects, C 16 projects, FI 3 projects).

Project type	A	B	C	FI	Total number of projects
Coal mining	1	1	0	0	2
Metal ore mining	6	8	3	2	19
Support activities for metal mining	0	0	1	0	1
Oil and gas extraction	23	16	3	1	43
Petroleum refineries	0	5	0	0	5
Pipeline transportation	2	5	4	0	11
Gasoline stations	0	6	3	0	9
Remediation services (oil and gas)	1	4	1	0	6
Support activities for oil and gas operations	2	2	1	0	5
<b>Total</b>	<b>35</b>	<b>47</b>	<b>16</b>	<b>3</b>	<b>101</b>

### *Key points – natural resources sector*

- 34.7 per cent of natural resources projects are Category A.
- In total, 160 Category A projects in total in the Bank portfolio, out of total of 1,386 non-FI projects.
- 11.6 per cent of total Bank projects (excluding FI) are Category A.



## 11. Summary analysis of project evaluations in natural resources

### 11.1 Summary of investment project evaluations (by sub-sector) in the natural resources sector

	Total no. of projects	OPERs	XMRAs	Total evaluated	% evaluated
Coal mining	2	0	0	0	0
Metal ore mining	19	6	7	13	68
Support activities for metal mining	1	0	0	0	0
Oil and gas extraction	43	22	9	31	72
Petroleum refineries	5	4	1	5	100
Pipeline transportation	11	5	0	5	45
Gasoline stations	9	0	1	1	11
Remediation services (oil and gas)	6	0	0	0	0
Support activities for oil and gas Operations	5	0	0	0	0
<b>Total</b>	<b>101</b>	<b>37</b>	<b>18</b>	<b>55</b>	<b>54</b>

### 11.2 Summary of investment project evaluations (by country type) in the natural resources sector

	Total no. of projects	OPERs	XMRAs	Total evaluated	% evaluated
Regional	9	3	0	3	33
EU 2004	8	3	3	6	75
EU 2007	7	0	4	4	57
SE Europe	5	2	0	2	40
Russia	33	11	10	21	64
Other NIS	12	4	0	4	33
ETCs	27	14	1	15	56
<b>Total</b>	<b>101</b>	<b>37</b>	<b>18</b>	<b>55</b>	<b>54</b>

- EU 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia).
- EU 2007 (Romania, Bulgaria).
- SE Europe (Albania, Bosnia, Croatia, FYR Macedonia, Montenegro, Serbia, Turkey).
- Other NIS (Belarus, Kazakhstan, Turkmenistan, Ukraine).
- ETCs (Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Uzbekistan).

### 11.3 Overall performance rating of evaluated investment projects in the natural resource sector (OPERs and XMRAs)

	Unsuccessful	Partly Successful	Successful	Highly Successful	No rating	Total evaluated	Projects evaluated as Successful or Highly Successful
Coal mining	-	-	-	-	-	-	-
Metal ore mining	3	3	7	0	0	13	54
Support activities for metal mining	-	-	-	-	-	-	-
Oil and gas extraction	1	9	17	2	2	31	66
Petroleum refineries	2	0	3	0	0	5	60
Pipeline transportation	0	3	0	2	0	5	40
Gasoline stations	0	1	0	0	0	1	0
Remediation services (oil and gas)	-	-	-	-	-	-	-
Support activities for oil and gas operations	-	-	-	-	-	-	-
<b>Total</b>	<b>6</b>	<b>16</b>	<b>27</b>	<b>4</b>	<b>2</b>	<b>55</b>	<b>58</b>

### 11.4 Overall performance rating of evaluated investment projects in the natural resources sector by country group (OPERs and XMRAs)

	Unsuccessful	Partly Successful	Successful	Highly Successful	No rating	Total evaluated	% of projects evaluated as Successful or Highly Successful
Regional	1	1	1	0	0	3	33
EU 2004	2	0	4	0	0	6	67
EU 2007	0	1	2	1	0	4	75
SE Europe	0	1	1	0	0	2	50
Russia	1	8	9	1	2	21	53
Other NIS	0	1	1	2	0	4	75
ETCs	2	4	9	0	0	15	60
<b>Total</b>	<b>6</b>	<b>16</b>	<b>27</b>	<b>4</b>	<b>2</b>	<b>55</b>	<b>58</b>

- EU 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia).
- EU 2007 (Romania, Bulgaria).
- SE Europe (Albania, Bosnia, Croatia, FYR Macedonia, Montenegro, Serbia, Turkey).
- Other NIS (Belarus, Kazakhstan, Turkmenistan, Ukraine).
- ETCs (Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Uzbekistan).

### 11.5 Transition impact rating of evaluated investment projects in the natural resource sector (OPERs and XMRA)

	Negative	Unsatisfactory	Marginal	Satisfactory	Good	Excellent	No rating	Total evaluated	% of projects evaluated as Good or Excellent
Coal mining	-	-	-	-	-	-	-	-	-
Metal ore mining	0	0	6	3	4	0	0	13	31
Support activities for metal mining	-	-	-	-	-	-	-	-	-
Oil and gas extraction	0	1	3	9	14	2	2	31	55
Petroleum refineries	2	0	0	1	2	0	0	5	40
Pipeline transportation	0	0	1	2	0	2	0	5	40
Gasoline stations	0	0	0	1	0	0	0	1	0
Remediation services (oil and gas)	-	-	-	-	-	-	-	-	-
Support activities for oil and gas operations	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>1</b>	<b>10</b>	<b>16</b>	<b>20</b>	<b>4</b>	<b>2</b>	<b>55</b>	<b>45</b>

### 11.6 Transition impact rating of evaluated investment projects in the natural resources sector by country group (OPERs and XMRA)

	Negative	Unsatisfactory	Marginal	Satisfactory	Good	Excellent	No rating	Total evaluated	% of projects evaluated as Good or Excellent
Regional	0	1	0	1	1	0	0	4	33
EU 2004	2	0	0	1	3	0	0	6	50
EU 2007	0	0	0	1	2	1	0	4	75
SE Europe	0	0	1	0	1	0	0	2	50
Russia	0	0	6	7	5	1	2	21	32
Other NIS	0	0	1	0	1	2	0	4	75
ETCs	0	0	2	6	7	0	0	14	47
<b>Total</b>	<b>2</b>	<b>1</b>	<b>10</b>	<b>16</b>	<b>20</b>	<b>4</b>	<b>2</b>	<b>55</b>	<b>45</b>

- EU 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia).
- EU 2007 (Romania, Bulgaria).
- SE Europe (Albania, Bosnia, Croatia, FYR Macedonia, Montenegro, Serbia, Turkey).
- Other NIS (Belarus, Kazakhstan, Turkmenistan, Ukraine).
- ETCs (Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Uzbekistan).

## **Annex II**

### **Country case studies**

**Albania  
Russia  
Mongolia**

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## 1. Albania country case study

This country case study provides an overview of the key points identified during a visit of four days to Albania in May 2010 as part of a Special Study on the EBRD activities in the extractive industries sectors. The case study aims to support the work to provide recommendations for updating the Bank's policies related to extractive industries. The case study has the following structure: (1) Overview of the extractive industries sector in Albania; and (2) EBRD operations in Albania in the extractive industries sector.

### 1.1 Overview of the extractive industries in Albania

The natural resources sector in Albania is small, but has high potential for development and increased production, particularly for oil, chromium, nickel and copper. The production in the mining sector greatly decreased in the 1990s after the country shifted to a market economy.

Albania has had relatively high GDP growth over most of the last 10 years, and this, combined with an increase in wages (in real terms) in the last five years, has contributed to a reduction in poverty. World Bank figures indicate that the proportion of the population in poverty decreased from 25.4 per cent in 2002 to 12.4 per cent in 2008. Despite these improvements, and the fact that Albania's limited integration into global markets has helped to mitigate the impacts of the recent global financial crisis, there remains much more need to address poverty, particularly in rural areas. Overall unemployment in Albania in 2007 was 13.2 per cent of the labour force. The development of the extractive industries sector has a high potential to contribute to the further reduction in poverty, an increase in employment, and the development of Albania overall.

Although Albania has made progress on reforms related to the institutional and legal framework relevant to the natural resources sector, these reforms have been slow, which has resulted in under-investment and inadequate standards. For example, Albania has been slow to adopt its new Mining Law, and the capacity for implementation and enforcement of regulations remains very weak.

The Parliamentary elections in June 2009 resulted in a coalition government, and this government continues the policy to improve the climate for private sector investment in Albania. Over the last few years, the government has been making progress in the privatisation of state-owned enterprises, and increasing commercialisation and competition, including in the natural resources sector. For example, there are several private operators working in the oil sector, and, although it is still dominated by the state enterprise AlbPetrol, their operations are being privatised on a step-by-step basis. In the mining sector, there are also several small to medium-sized private companies operating.

State operations in the mining and oil sectors have left major environmental legacies, and the responsibilities for these legacies are a potential constraint and concern for private sector investment. In addition, there are numerous small-scale operators working in the mining and quarrying sectors, including many individuals whose livelihoods rely on these activities. There are high environmental and safety risks with these small-scale operations.

Albania is now a candidate country to EITI, but financial transparency and accountability still needs much improvement and there are few specific high-profile initiatives to promote transparency in the country.

In Albania there are limited opportunities available for loans to companies (particularly to SMEs) from commercial banks.

## 1.2 EBRD operations in Albania in the extractive industries

### *1.2.1 EBRD country strategy*

The current EBRD Strategy for Albania was published in November 2009, and earlier versions were updated in 2004 and 2006.

The Strategy for Albania states that the EBRD will consider private investments that adopt high standards of governance and business conduct as well as the transfer of skills, best practices and technology. The Strategy confirms that the EBRD is committed to the EITI. The Strategy emphasises the EBRD's focus on policy dialogue with the government of Albania and donor organisations to strengthen the framework for private sector growth. In particular, it states that policy dialogue will focus on regulatory reform and addressing other constraints to private sector operations, as well as transparency and accountability.

Specifically, the Strategy also states that the Bank will support SMEs, recognising that they are vital to long-term growth in Albania and also that they continue to employ the majority of the working population. In addition the Strategy emphasises the need to reduce the high dependence on imports, and to improve export competitiveness.

### *1.2.2 EBRD project portfolio in the extractive industries sector*

The EBRD did not invest in the natural resources sector in Albania until 2008, and the Bank's portfolio in Albania now includes two natural resources projects out of a total of 37 projects signed in the country up to December 2009. The two projects have a total EBRD finance of €34.5 million, which is 7 per cent of the total signed volume of the EBRD portfolio in Albania of €515 million.

The two natural resources projects in Albania are quite different. The project in the oil sector is a relatively large project (€28.4 million). This project has a high transition impact, particularly in relation to privatisation of operations and environmental remediation.

### *1.2.3 Policy objective on increasing focus on sustainability*

The EBRD Energy Operations Policy (2006) covers some of the natural resources sector, and the sector approach in the Policy includes the objective to increase the focus on sustainability, including environmental protection and addressing environmental legacies, management of social aspects and benefiting local communities, energy efficiency, occupational health and safety, and the promotion of new technologies.

All four EBRD projects relevant to extractive industries in Albania (including the two cement plants) have a high transition impact related to sustainability. For example:

- One project has a major focus on environmental remediation through the clean-up of major oil spillages and contaminated land from the previous activities of the state company.

- The perception from the three projects that were visited is that the EBRD has had a particular influence on the management of social aspects, for example through facilitating the consultation with local communities and the significant employment from the local area. However, one of the lessons from the projects was that, in practice, many of the jobs require skills (for example, electricians and mechanics with industrial experience) that are available in Tirana and other industrial parts of Albania, but not in the local villages near to project sites. During consultation, the EBRD should encourage clients to manage the expectations of the local community in relation to employment, in order to avoid the potential to disappoint the communities. Clients should be clear about the likely proportion of employment that will be from the local villages, and the likely proportion that will be from elsewhere in the country.
- At all three projects that were visited had high standards of operation, health and safety management, and environmental protection were observed, including at the cement quarry. All three clients have made good progress implementing their agreed ESAPs. All three clients are employing experienced international management teams in Albania.
- All four projects have involved the implementation of technologies that are new to Albania, for example new drilling techniques for oil, and new exploration techniques for mining, which are contributing to raising the standards and sustainability in the sectors.

#### *1.2.4 Policy objective on sector reform and transition to improve the investment climate*

The EBRD Energy Operations Policy (2006) also includes the objective on sector reform and transition to improve the investment climate, including improving commercialisation, increasing competition and strengthening private sector participation; and promoting high standards of business conduct, governance and transparency. All four EBRD projects relevant to extractive industries in Albania (including the two cement plants) have a high transition impact related to sector reform and transition, for example:

- Both clients in the natural resources projects are committed to transparency related to publication of royalty payments. Although the EBRD has included this as a requirement in the planning of the projects, both companies are publically listed and therefore are already required to show high corporate governance and transparency standards.
- The projects have high operational and business standards, and are having a significant demonstration impact. In particular one project is reportedly raising the operational standards of contractors.
- All projects have resulted in strengthening private sector participation in Albania, including the privatisation of oil drilling operations, and support to a new private mining company. The two cement projects are increasing competition in the cement sector and greatly reducing the reliance on imports.
- Also, the projects are additional in terms of providing finance for investments for which commercial banks would be unlikely to take the risks.

#### *1.2.5 Policy dialogue*

There are numerous important issues that need policy dialogue focus in Albania, and the EBRD has been focusing policy dialogue on transparency (EITI), infrastructure development, road safety, and environmental clean-up (for example clean-up of government-owned oil fields), as well as specific aspects related to the necessary institutional and legal reform to facilitate private sector growth. As part of these activities, the EBRD has been working with other IFIs/donors (particularly the World Bank and IFC), for



example supporting the World Bank study *Mining Sector Reform, Restructuring and Future Prospects in Albania* (published June 2009). The government actions in these areas of reform are reportedly slow, and the EBRD needs to continue to focus on policy dialogue on specific key issues.

Although the cement plant and the quarries are operated to high standards of environmental, health and safety management, there are a significant number of individuals and small companies carrying out small-scale quarrying activities in the area. The combined visual impact, and potentially other environmental impacts, of all these quarrying works are significant (for example, the visual impacts from the cuttings into the hills of the valley). Individuals are also carrying out lime burning in the valley. In addition, the mining sector also has a significant problem with unregulated small-scale operators and individuals, and this has a particularly serious safety risk. One additional option for the EBRD's policy dialogue activities (and TC projects) could be to encourage the government to improve the organisation and monitoring of the small-scale operators in order to manage the visual and other environmental, health and safety impacts of quarries and mines, and to facilitate the consolidation of these operations taking into account livelihoods and other social aspects. Improvements in this area would strengthen the credibility of the government's strategies in the relevant sectors in Albania and help to encourage investments.

In addition, the EBRD Country Strategy for Albania (2009) recognises the fact that there is weak capacity for emergency oil spill response in Albania, which could be a future area of EBRD support.

### *1.2.6 Project implementation and Bank handling*

The indication from the clients visited was that they have a strong relationship with the EBRD, and they gave especially good feedback on the communication and support of the Resident Office. There might be benefits in terms of expanding the portfolio in this sector, and for specific policy dialogue activities, if a banker from the Natural Resources team was stationed permanently in the Albanian Resident Office.

The IFC have provided similar parallel funding to the clients. There is reportedly good coordination between the EBRD and IFC to ensure consistent requirements. For example, for one project there were joint due diligence activities, the template for the monitoring report has been structured to be the same for both the EBRD and IFC, and the timing of reporting is the same.

#### **Boundaries of EBRD policies**

The two cement projects included development of two quarries near to the site for the cement plant. The visit to two projects focused on whether these types of projects with captive quarries are covered by the relevant EBRD sector policies and procedures. The reviews confirmed that, although there are some issues related to the quarries (for example, security issues), the quarries are generally being planned/managed to high standards and that the EBRD paid as much attention to the quarries in planning as it did to the cement plant. The quarries are an integral part of the company activities, which would not be profitable without them.

### *1.2.7 Documents reviewed*

- EBRD Strategy for Albania (2009-12).
- Review of Albania national strategy in natural resources compared to the EBRD strategies (Elena Nikolova, EBRD July 2010).
- Several specific documents on individual EBRD projects in Albania (Board documents, OPERs, monitoring reports and so on).

## 2. Russia country case study

This country case study provides an overview of the key points identified during a Special Study on the EBRD's activities in the extractive industries sectors, which has included several meetings with key players at the EBRD, a visit to Russia in July 2010 for meetings and site visits with selected EBRD clients, and a desk study of relevant documents. The case study aims to support the work to provide recommendations for updating the Bank's policies related to extractive industries. The case study has the following structure: (1) Overview of the extractive industries sector in Russia; and (2) EBRD operations in Russia in the extractive industries sector.

### 2.1 Overview of the extractive industries in Russia

Russia is one of the leading countries in terms of the size of oil and gas reserves and in current extraction activities. In addition, the country has major potential in the mining sector with large reserves of coal, iron ore and non-ferrous metals such as aluminium, copper, nickel and so on. The development of the extractive industries sector in Russia has been providing a major contribution to the Russian economy.

However, business activities in the extractive industries sector in Russia remain challenging in terms of commercial risks and integrity issues. The oil and gas sector is dominated by Gazprom and other major state-owned monopolies. There are commercial risks to the operations of major international oil and gas companies if resources are viewed as "strategic reserves" or "strategic assets". The production sharing agreements (PSAs) that started to become a feature of the sector in the 1990s are no longer used.

In addition, the ongoing lack of transparency is a potential constraint to EBRD operations. Russia has not signed up to be a candidate country of the EITI.

The oil, gas and mining reserves are spread across different regions of Russia and many of the resources are in very remote areas. The massive size of the country presents challenges in the transportation of the extractive industry products. The dominance of the state-owned monopolies in the transportation network, and particularly the issue of export of gas through pipelines, has been a high-profile issue for some time.

As well as the constraint of the remote locations, the extreme weather conditions present major challenges to extractive industry operations in Russia. The weather can also impact the market for oil and gas. For example, the warm winter of 2008/2009 and the especially cold winter of 2009/2010 affected gas sales in the country.

Although the country has vast reserves and major extraction activities, technologies are generally not well developed and there is high potential for improving energy efficiency. In addition, the country has major environmental legacies from historical oil and gas and mining activities. Also, the oil and gas sector carries out widespread gas flaring, causing greenhouse gas emissions. The government has set a target of reducing flaring by 95 per cent in the sector by early 2012.

Although the country generally has reasonable standards of regulations in environmental, health and safety practices, the capacity of authorities to enforce the regulations remains weak.

The oil and gas sector has suffered from the combined effect of the fall in oil and gas prices and the economic downturn in 2008/2009. During the financial crisis there have been limited opportunities for loans to companies from commercial banks in Russia, except on a short-term basis. However, commercial loans in the sector are reportedly now more available.

Although the sector is dominated by the large state-owned companies, there are many medium-sized companies that might present feasible opportunities for EBRD projects.

## 2.2 EBRD extractive industries operations in Russia

### 2.2.1 EBRD country strategy

The current EBRD Strategy for Russia covers 2009 to 2012. In fact one of its core strategic directions is to assist Russia's efforts to modernise and diversify its economy to reduce the current concentration on the natural resources sector.

The Strategy recognises that large state companies are likely to remain the key players in the natural resources sector, and that improvements in governance, restructuring and commercialisation of these state companies is an important priority.

The Strategy has a focus on the main areas of transition impact, and in the natural resources sector on projects that promote energy efficiency, good governance and best environmental practices. Specifically, the Strategy states that the Bank will pursue the reduction of gas flaring, and also that the Bank will extend knowledge transfer and lending to oil and gas producers to reduce the environmental impact of their operations, while increasing their efficiency.

The Strategy has a particular focus on improving energy efficiency through the Bank's ongoing activities under the Sustainable Energy Initiative.

The Strategy only includes some broad areas of policy dialogue that are relevant to extractive industries, such as development of the institutional and regulatory framework for encouraging competition and ensuring equal access to infrastructure.

### 2.2.2 EBRD project portfolio in the extractive industries sector

The Russian government's strategic approach to the extractive industries sector has many differences to the EBRD's strategy, and this is providing some constraints to the expansion of the Bank's natural resources portfolio in Russia.

The EBRD had signed 33 direct projects in the sector up to December 2009, 24 of which were in the oil and gas sector, and nine in mining of metals (for example, gold, iron ore and aluminium). Ninety per cent of the total volume in the sector up to December 2009 was in oil and gas projects and 10 per cent was in mining projects. The average size of EBRD investments in the natural resources sector in Russia is €32 million.

Given the scale of the reserves in natural resources in Russia, more projects and higher volume would be expected in this sector. However, several aspects make working in this sector in Russia particularly challenging, including the disconnect between the EBRD Strategy and the approach of the Russian government, particularly in relation to the transition objectives that are important to the EBRD approach.

Due to these differences the EBRD's approach has since been not to carry out large projects with the major oil and gas companies. Other risks include the potential difficulties of transportation of oil and gas in relation to the state ownership of the pipeline network.

As well as the above challenges, business in the oil and gas sector greatly depends on the oil price. When the price is high, then potential clients have enough liquidity and generally do not require the EBRD investments.

Despite the issues and risks described above, there are many potential opportunities in Russia for the Bank with medium-sized private companies that are likely to be small enough to avoid government interference, and this should help to enhance competition. In addition, there is potential for environmental projects with the larger private and state-owned companies, particularly related to environmental clean-up and reduction in gas flaring.

However, the expansion of the portfolio would be facilitated if the overall direction of the EBRD business plan in the natural resources sector in Russia was developed in more detail.

The EBRD has operations in the natural resources sector through other teams, including Equity Funds and the Trade Facilitation Programme.

### *2.2.3 Policy objective on increasing focus on sustainability*

The EBRD Energy Operations Policy (2006) covers some of the natural resources sector, and the sector approach in the Policy includes the objective to increase the focus on sustainability, including environmental protection and addressing environmental legacies, management of social aspects and benefiting local communities, energy efficiency, occupational health and safety, and the promotion of new technologies.

The EBRD projects in Russia in the natural resources sector have been focusing on these aspects, including the promotion of new technologies and energy efficiency. One of the earliest projects in the natural resources portfolio was the loan for the oil spill clean-up in the Komi Republic of Russia in 1995. The portfolio has more recently shifted towards more projects that address environmental problems. For example, the EBRD is working with one company employing new technologies to provide solutions for using associated gas. The Bank has recently signed a loan with another company for a project to begin commercial utilisation of the associated gas from wells of two oil producers. Without this project, the gas would otherwise be flared, which has significant impacts related to greenhouse gas emissions.

Elsewhere in Russia, the Bank's project in 1998 for Phase 1 development of the Sakhalin II oil field included some attention to regional development. The focus on this important aspect of sustainability was stepped up in the planning of Phase 2 of the development in Sakhalin. Although the loan for Phase 2 was not signed, the Bank's influence on the development of the region has reportedly been positive.

### *2.2.4 Policy objective on sector reform and transition to improve the investment climate*

The EBRD Energy Operations Policy (2006) also includes the objective on sector reform and transition to improve the investment climate, including improving commercialisation, increasing competition and strengthening private sector participation; and promoting high standards of business conduct, governance and transparency.

Despite the constraints related to these potential transition impacts in Russia, the EBRD projects have been structured to address these aspects, for example they are contributing to strengthening competition in the private sector and improving corporate governance. During the financial crisis it is positive that the EBRD continued operations in the sector in Russia, unlike the IFC, which reportedly stopped new investments.

The issues of integrity and corruption are particularly high profile in Russia and it is particularly important that the Bank pays detailed attention to these issues during project preparation and implementation.

### *2.2.5 Policy dialogue*

The Russian government has not been open to policy dialogue activities in the natural resources sector over the last few years, but the current financial crisis might mean that policy dialogue could now have more influence.

Although the EBRD Country Strategy for Russia does mention some broad areas of policy dialogue, the EBRD would benefit from a more precise plan for policy dialogue in Russia, focusing on specific topics, such as environmental clean up and gas flaring.

In the early years of the EBRD's operations, policy dialogue was carried out by the World Bank and was not in the EBRD's mandate. It was at that time of major changes in the natural resources sector in Russia that policy dialogue would have been particularly useful, although there are still several useful potential topic areas for policy dialogue at present.

### *2.2.6 Project implementation and Bank handling*

Overall, the clients visited during the evaluation gave positive feedback on Bank handling and support, including from the Natural Resources banking team, Equity Funds team, TFP team and the ESD. However, given the large number of opportunities in Russia, a larger portfolio in the natural resources sector might be expected in this country. There are many constraints to the Bank's business in this sector, including potential political intervention. However, the EBRD would benefit from a more proactive approach to expanding the portfolio, targeting specific companies and project types (for example, environmental clean up and gas utilisation). A more proactive approach to client communications, building relationships and monitoring, is likely to lead to an expanded portfolio and better implementation. A more structured and detailed business plan would facilitate this approach. In addition, an increase in resources based in the Resident Offices would greatly help expand the portfolio and manage better projects in this sector.

### *2.2.7 Documents reviewed*

- EBRD Strategy for Russia (2009-12).
- Review of Russia national strategy in natural resources compared to the EBRD strategies (Elena Nikolova, EBRD July 2010).
- Correspondence between Sakhalin Environment Watch and EvD (July 2010).
- Several specific documents on individual EBRD projects in Russia (Board documents, OPERs, monitoring reports and so on).

### 3. Mongolia country case study

This country case study provides an overview of the key points identified during a Special Study on the EBRD activities in the extractive industries sectors, which has included several meetings with key players at the EBRD, a visit to Mongolia in August 2010 for meetings and site visits with selected EBRD clients, and a desk study of relevant documents. The case study aims to support the work to provide recommendations for updating the relevant policies related to extractive industries. The case study has the following structure: (1) Overview of the extractive industries sector in Mongolia; and (2) EBRD operations in Mongolia in the extractive industries sector.

#### 3.1. Overview of the extractive industries in Mongolia

Although the economy of Mongolia grew by an average of 9 per cent per year from 2006 to 2008, there was little improvement in poverty. In 2008, mining activities contributed to about 28 per cent of GDP and the continued growth in importance of the mining sector has a high potential to provide a major contribution to the economy and to reduce poverty levels.

The mining sector is particularly important at present because the global financial crisis caused an economic downturn in Mongolia in 2009. For example, the investment agreement between the government and a mining company for the development of a copper/gold mine has much potential to strengthen the local and national economy. However, in the medium-term there is a risk that the country's economy could rely too much on the mining sector, and it is important that there is some diversification in the economy.

The main mineral resources are copper, gold and coal. For example, Mongolia has very large coal reserves in the east and south regions. The proximity of the main coal mines in Mongolia to markets in China and the high prices of other energy sources have resulted in the resurgence in the coal sector in Mongolia in recent years. At present, 50-60 per cent of coal production is from three state-owned mining companies. However, these are loss-making companies because, in order to keep electricity tariffs down, they are obliged to sell the coal to the state-owned power stations at lower than market prices. The government is considering the privatisation of these mining companies.

Overall, until recently there has been very limited funding made available to support the coal mining sector. Much of the coal is used in the power sector, where coal accounts for about 80 per cent of primary energy consumption. The air quality problems in Ulaanbaatar have raised the profile of the need for improved combustion and smokeless coals, and there is potential for the market for these fuels to grow in future.

Although there are major natural resources available, mining in Mongolia has been constrained by the poor infrastructure network in terms of inadequate roads and railways, and unreliable power sources.

One of the major issues in relation to the likely rapid development of the mining sector in Mongolia is the capacity of the national and local administrations to manage properly the revenues received from the mining companies. The government needs to carefully manage the revenues and investments from mining. The government is supposed by law to direct a fixed percentage of the mining revenues back into

the local communities from the region of the mine, but in practice this is complicated by constraints of the national budget.

Although the mining sector does provide increasing employment and increased opportunities for local private companies, and therefore has significant positive social impacts, there are major problems in Mongolia from small-scale and artisan mining. Several of these small operators and individuals are unlicensed. The government has been working to address these problems through donor-funded projects focusing on the development of legally accountable artisan mining cooperatives.

The Mineral Resources Authority is the main organisation in the government relevant to mining. The government has issued over 5,000 licences related to mining exploration, over 1,100 licences for mining development, and 26 licences for oil exploration/production. Overall, the government strategy for mining is to promote economic growth through export-orientated private sector development, but at the same time is planning to increase the percentage of state ownership of the strategic resources. This has the potential to send out unclear and mixed messages to potential investors.

The government's National Development Strategy (2007) includes coverage of the national strategy in the mineral industry. The strategy is similar in direction to the EBRD approach in terms of privatisation, encouragement of investment and HSE risk management. However, the Government of Mongolia adopted the New Minerals Law in 2006 and this gave the government the right to purchase up to 50 per cent of some "strategic mineral deposits" in Mongolia, particularly those that were originally discovered through government-funded exploration. Although the current government is in favour of privatisation, there is a risk of government interference in mining production in future.

There are some oil and gas resources in the country, although the exploration and development has been slow and the country is dependent on Russia for oil and gas supplies. A total of 10 companies (foreign and Mongolian) are working in Mongolia on exploration/production of oil. The Mongolian government does not have a clear strategy for the oil sector, but is investigating the potential for a refinery and pipeline network in Mongolia, and in particular is considering the optimum location of such a refinery. The government also needs to update the Petroleum Law.

Mongolia is a candidate country to EITI, but progress in implementation is slow, and this is one area where support is needed.

Environmental management is an important aspect of the sector development, including rehabilitation of mines. The Ministry of Nature, Environment and Tourism of Mongolia reportedly has limited capacity.

## **3.2. EBRD extractive industries Operations in Mongolia**

### *3.2.1 EBRD country strategy*

The EBRD set up office in Mongolia 2006. The current country strategy for Mongolia was approved by the EBRD Board in October 2009 and replaces the first strategy from 2006. One of the core directions of the EBRD Strategy for Mongolia is to promote the sustainable development of the natural resources sector, including the highest standards of transparency and environmental management.



Although the EBRD Strategy for Mongolia (2009) indicates that the Bank will focus on private sector opportunities in natural resources, it does suggest that the Bank could work with both the government and private investors in order to help ensure the right balance of state and private interests. Another theme of the Bank's Strategy for Mongolia is on investments in energy efficiency.

In particular the Bank has the strategic objective in its country strategy to support the national government and regional/local governments to manage mineral wealth and diversify the economy.

The EBRD Strategy for Mongolia has more specific detail on the targeted topics for policy dialogue than in some other country strategies. For example, the Strategy states that the Bank will carry out policy dialogue with the Ministry of Mineral Resources and Energy, the Mining Authority and the Petroleum Authority of Mongolia in relation to the improvement of legislation in the natural resources sector, on the implementation of the EITI, on the potential to develop the mineral processing industry, and on the development of infrastructure for the export of minerals.

### *3.2.2 EBRD project portfolio in the extractive industries sector*

Eight natural resources have been signed by the EBRD in Mongolia up to December 2009. These have a total volume of EBRD finance of €69 million. There are six equity investments (totalling €32.3 million) and two loan projects (totalling €34.6 million). The two largest projects are in the coal mining sector.

In total, the EBRD has signed 21 projects in different sectors in Mongolia, and the portfolio in the natural resources sector makes up 60 per cent of the total volume of EBRD projects in Mongolia of €111.3 million up to December 2009. The average size of natural resources projects in Mongolia is €8.4 million, compared to the average size of other projects outside the sector of €3.4 million.

The above background on the EBRD portfolio in Mongolia demonstrates the importance of the natural resources sector in the country. A further two projects in the sector have been signed in early 2010 related to the UHG coal mine. In addition, there are potential projects in the pipeline, such as related to the development of the Oyo Tolgoi copper/gold mine.

### *3.2.3 Policy objective on increasing focus on sustainability*

The EBRD Energy Operations Policy (2006) covers some of the natural resources sector, and the sector approach in the Policy includes the objective to increase the focus on sustainability, including environmental protection and addressing environmental legacies, management of social aspects and benefiting local communities, energy efficiency, occupational health and safety, and the promotion of new technologies.

The issues related to sustainability are particularly important for the extractive industries sector. The EBRD natural resources projects in Mongolia are with medium-sized private Mongolian companies, and are contributing to strengthening competition in the sector. The projects are operated to high standards in relation to technical operations, business management, HSE management, community integration and

skills transfer. This is particularly the case for one project, which would be an excellent case study for a demonstration project, especially in relation to community consultation and social aspects.

Another mine is also achieving good standards. The project is promoting the new technology to Mongolia of a smokeless fuel plant, which is being funded from the EBRD loan. This is important because of the severe air quality problems in Ulaanbaatar that result from the burning of thermal coal in power stations, industry and households.

The EBRD has been carrying out a TC project in relation to the legal, economic and technical framework to address the air quality problems in Ulaanbaatar. The support has two components: (i) education and awareness on air quality and the use of smokeless fuel, and (ii) support to the government in policies on equalising prices, such as through taxes, subsidies and so on. The main findings were that it is not yet feasible to introduce such taxes and subsidies, although the project has made the government aware of the mechanisms, benefits and implications of such policies. The project has been carried out in cooperation with the World Bank and ADB, which are implementing some pilot projects on smokeless fuels.

The two DIF projects have the requirement of compliance with national HSE standards. However, the Ministry responsible for monitoring and enforcement of these standards has weak capacity, and cannot be relied on to enforce properly the standards. In many countries the capacity development of such authorities would be a useful area of TC support, in cooperation with donors and other IFIs.

One important aspect of the natural resources sector is the potential for a sustainability fund, where royalties are ring-fenced into a specific fund that focuses on aspects of sustainability for future generations. For example, some of the fund could be spent on clean up of environmental legacies, community development and diversification so that mining towns are sustained when the resources are depleted, investments in renewable energy and so on. However, in Mongolia such opportunities are limited as the government is currently in such financial difficulty that all incoming revenues need to be spent. There would be potential for the EBRD to encourage a pilot project where a smaller proportion of royalties are ring-fenced into such a fund.

There is much focus in civil society on whether the EBRD should be funding coal mining projects, because of the issue of greenhouse gases. The current IFC policy is not to fund coal mining. However, Mongolia is a good example where such projects can result in high transition impact, for example when the project is for medium-sized private Mongolian companies and is therefore enhancing competition; when the project involves a focus on local employment and skills transfer, community consultation and integration, high HSE standards, strong demonstration effect; and when the project involves a sustainability fund and rehabilitation bond, or specific new technology such as a smokeless fuel plant; or when the project involves high-quality coking coal that is used in iron and steel plants operating with high standards. If the EBRD is to continue to fund coal mining, then it is important that such aspects are designed into projects. In many cases, coal mines will be developed anyway if the EBRD does not fund them, and often without such aspects of transition and with much lower standards.

### *3.2.4 Policy objective on sector reform and transition to improve the investment climate*

The EBRD Energy Operations Policy (2006) also includes the objective on sector reform and transition to improve the investment climate, including improving commercialisation, increasing competition and strengthening private sector participation, and promoting high standards of business conduct, governance and transparency.

The government strategy in the natural resources sector is uncertain, for example in relation to privatisation and the ownership of “strategic resources”. The EBRD projects are contributing to raising the operational standards in the sector, which will have a major impact on the economy of Mongolia. In the EBRD projects, the use of advanced technology and aspects described above related to sustainability, particularly the focus on local employment and skills transfer, have the potential to generate strong transition impact and demonstration in the sector.

As with many EBRD countries of operations, integrity, transparency and potential corruption are an issue in the extractive industries sector, although the perception is that these aspects are less of an issue in Mongolia than in several other countries. Integrity checks are carried out as part of due diligence in planning. The slow implementation of the EITI is one of several areas where the EBRD could provide support to the government through policy dialogue and TC.

The potential interference of the government is a risk in relation to the provision in the Minerals Law on “strategic resources”. In the energy resources project, the client is a consortium of different Mongolian companies, which is perhaps less likely to be a target of interference than a single large company.

The Bank has been involved in an IFI initiative to advise the government on various aspects of mining sector development, including transparency and sustainability. The EBRD has contributed through a TC project to develop a database of mining assets and strengthen the capacity of mining authorities, contributing to improved transparency of mining sector information. This project has been carried out in coordination with other IFIs. It involves the digitisation of the mining cadastre of the Mineral Resources Authority of Mongolia. This is expected to reduce the entry cost for mining companies in acquiring information on prospects, thus leading to increased investments in exploration for mineral deposits. In addition, the cadastre will be made available publicly, which will greatly help to manage potential corruption related to licensing activities.

The EBRD country strategy includes the objective to support the de-bottlenecking of mineral export routes in the country through the upgrade and development of transport links. In addition, the large electricity supplies needed for the exploitation of minerals will bring potential opportunities to support the development of the country’s energy infrastructure. The achievement of these objectives will require close working between the Natural Resources, Power and Energy, and Transport banking teams to identify opportunities.

### *3.2.5 Policy dialogue*

Given the uncertainty in the government strategy, the need for policy dialogue and support is important. There are several good examples of policy dialogue activities by the EBRD in Mongolia:

- Support to the government on policy related to smokeless fuel and air quality, particularly through the TC project.
- Working with the World Bank on advising the government related to taxes, and suggesting a sliding scale of royalties, which contributed towards the decision to repeal the tax on excess profit.
- Discussion with the government related to the planned railway, which is delayed and waiting for government approval.
- Policy dialogue related to the objectives of the TC project on the mining licence cadastre and availability of information.
- In addition, in 2007 the EBRD founded the Consultative Council for Investment Climate (CCIC) to provide a framework for a regular consultative process between the public and private sector. This has provided a vehicle for direct dialogue between the decision makers, local and foreign businesses, and donors.

Policy dialogue is an ongoing and long-term activity, and more resources are needed in the EBRD country office for this to be more effective.

Although the EBRD country strategy mentions some areas of policy dialogue, more targeted plans for policy dialogue should be developed. These should be flexible, but more detailed action plans would help prioritise and would benefit the initiatives, given the lack of resources in country. They could be combined with TC projects, and could include the following potential areas:

- capacity development of the national government and regional/local governments to manage mineral wealth
- implementation of EITI
- expenditure of mining revenues on local infrastructure
- small-scale and artisan mining
- capacity development of environmental authorities to enforce national standards.

### *3.2.6 Project implementation and Bank handling*

The focus of many bankers in the EBRD is generally on signing a deal, and therefore on project preparation activities, and less on the support to the client and monitoring after the deal. However, a strong focus on the client support and monitoring is evident for most of the projects in Mongolia, and the Operation Leaders have developed strong relationships with the major clients. Also, there is clearly much attention paid by the Operation Leaders to development aspects and transition impacts during project planning and implementation. Most clients have given particularly strong feedback on the Bank handling. The EBRD has also initiated some relevant TC projects in Mongolia. However, the problems with the DIF-AIDD project demonstrate that when the Bank attention to implementation is not so focused, projects can be much less successful.

In all countries it is important for the EBRD to take a proactive approach to finding bankable projects. The Natural Resources banking team had a significant dip in the amount of new business in 2006, and the projects signed in Mongolia since then have had a major positive impact on the portfolio. The proactive approach of the Operation Leaders in Mongolia has been important to the current success in this sector. However, it is important for more resources in the Resident Office so that the many opportunities in the sector can be developed into projects.

### *3.2.7 Documents reviewed:*

- EBRD Strategy for Mongolia (2009).
- Mongolia National Report on Sustainable Development for the 18th Session of the Commission on Sustainable Development, Ministry of Nature, Environment and Tourism of Mongolia (2010).
- Mongolia – Discussion Paper – A Review of Environmental and Social Impacts in the Mining Sector, World Bank (2006).
- Review of Mongolia national strategy in natural resources compared to the EBRD strategies (Elena Nikolova, EBRD July 2010).
- Mongolia – Country Economic Memorandum – The Role of the Mining Sector in the Mongolian Economy.
- EBRD Draft Assessment of the Use of Coking Coal in Steelmaking: Prepared for Energy Resources LLC, Mongolia (ERM December 2009).
- Terms of Reference (ToR) for the Ulaanbaatar Clean Air Initiative – Legal and Operational Framework – Phase I (February 2009).
- Terms of Reference (ToR) for the Ulaanbaatar Clean Air Initiative – Legal and Operational Framework – Phase II (Draft) (February 2010).
- Terms of Reference (ToR) for the Development of a Digital GIS for Mongolia (April 2010).
- Several specific documents on individual EBRD projects in Mongolia (Board documents, OPERs, monitoring reports and so on).