MINISTRY OF ENVIRONMENT AND GREEN DEVELOPMENT

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United Nations Development Programme
Country: Mongolia

PROJECT DOCUMENT

Project Title: Land Degradation Offset and Mitigation in Western Mongolia

UNDAF Outcome(s): 7. "Increased sector capacity for sustainable resources management, with the participation of primary resource users". Expected Outputs: 7.1 "Capacities improved for effective formulation, implementation and enforcement of sector policies and legislations" and 7.2 "A holistic (landscape-based) principle applied for planning, management and conservation of pasture/land, water and forest resources and biodiversity"

UNDP Strategic Plan Environment and Sustainable Development Primary Outcome: Growth and development are inclusive and sustainable incorporating productive capacities that create employment and livelihoods for the poor and excluded

Expected CP Outcome(s): Introduction of a holistic approach to the planning, management and conservation of land, water and forest resources and biodiversity. Outputs: "Capacities of Government officers strengthened for sustainable management of natural resources, particularly at the soum level"; and "Landscape–level land use planning demonstrated".

Executing Entity/Implementing Partner: Ministry of Environment, Green Development and Tourism

Implementing Entity/Responsible Partners: Line agencies, private sector, local governments

Brief Description:
Land degradation is the most serious environmental problem in Mongolia, accelerating desertification and affecting the country's remarkable landscapes, ecosystem integrity and biodiversity. Decreasing carrying capacity and productivity of land resources directly impacts the nation's productivity and efforts for equitable and sustainable development. Mongolia has witnessed fast economic growth in recent years, driven largely by the mining sector. By November 2014 there were 2768 mining exploration and exploitation licenses covering 11.8 million hectares or 7.5% of the total territory. Mining development poses multiple threats to land and water resources, affecting ecosystem integrity and resilience, biodiversity and livelihoods.

Western Mongolia's relatively intact and ecologically diverse landscapes provide habitat for seasonal migrations, predator-prey interactions, and natural river flow to occur that are all but lost in many regions of the world. They also support almost 38,000 nomadic and semi-nomadic herding families who rely directly upon the ecosystem services provide by the nation's sparsely inhabited grasslands. Although mining is relatively less developed in this region than other parts of the country (393 exploration and exploitation licenses covering almost 2.6 million ha. in November 2014), it is predicted to develop rapidly in the future. This project will therefore assist the Government of Mongolia "To reduce negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management". It will focus on two components:

The first component will support further development of the mitigation hierarchy and offsetting framework for land degradation in the planning and management system of mining concessions at the national level, in order to reduce threats to land and water resources and ecosystem integrity. It will emplace participatory and eco-regional assessments as the basis for integrated land use planning by the Government across 41.5 million ha of production system and natural habitat in western Mongolia. This will be achieved by incorporating science-based mitigation hierarchy into mining concession planning and provincial land use planning and management of competing land use types, and setting aside ecologically sensitive areas from mining related development. Institutional and personnel capacity for mitigating and offsetting the impacts of mining will be developed for local level

Government officers and other stakeholders as measured by the UNDP Capacity Assessment Scorecard.

The second project component will demonstrate application of the mitigation hierarchy and offsets to mining impacts through integrated SLM practices within selected pilot landscapes in the western provinces. Local herders and farmers, as primary resource users, and local Government will implement landscape-level land use plans to address land degradation challenges from competing uses. Specifically, the project will pilot best practice operationalization of the mitigation hierarchy and land degradation offset mechanisms in the selected landscapes by the mining companies. Integrated landscape management and offset mechanisms will be demonstrated covering at least 100,000 ha with prominent mining concessions and other competing land uses. Increased investments in SLM actions in the landscape will help to rehabilitate lands, and reduce the projected rate of land degradation and biodiversity loss.

The project will thus strengthen the policy, legal and planning framework governing the environmental impacts of mining, demonstrate best practice approaches, build capacity and facilitate a cross-sectoral collaboration for land management and planning at the landscape level.

Programme Period:	48 months
Atlas Award ID:	00087440
Project ID:	00094432
PIMS #	5287
Start date:	July 2015
End Date	July 2019
Management Arrangements	NIM
PAC Meeting Date	TBD

Total resources required	
UNDP managed funds	$ 6,569,863
UNDP	$ 850,000
GEF	$ 1,289,863
Other (partner managed resources)	$ 4,430,000
• **Government:** $4,150,000 (MEGDT, MoM)	
• **Other**	
• TNC $150,000	
• WWF $80,000	
• MNMA $50,000	

Agreed by Government of Mongolia: 2015.06.12

D. Oyunkhorol, Minister of Environment, Green Development and Tourism

Agreed by UNDP Mongolia: 12 June 2015

Sezin Sinanoglu, Resident Representative

Table of Contents

List of Figures

List of Tables

ACRONYMS

AA	Audit Authority
ADB	Asian Development Bank
ALAGaC	Agency for Land Affairs, Geodesy and Cartography
APR	Annual Project Report
ASM	Artisanal and Small-scale Mining
AWP	Annual Work Plan
BAP	Biodiversity Action Plan
BGR	German Federal Institute for Geosciences and Natural Resources
CBA	Cost Benefit Analysis
CBD	Convention on Biological Diversity
CBO	Community-based Organisation
CBNRM	Community-Based Natural Resources Management
CSO	Civil Society Organisation
CDR	Combined Delivery Report
CDS	Centre for Desertification study
COP	Conference of the Parties
CP	Country Programme
CPAP	Country Programme Action Plan
CPR	Centre for Policy Research
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DbD	Development by Design
EA	Environmental Audit
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EOP	End Of Project
ERA	Eco-Regional Assessment
ERC	Evaluation Resource Centre
ESEC	Engaging Stakeholders for Environmental Conservation
ESSP	Environmental and Social Screening Procedure
FAO	United Nations Food and Agriculture Organisation
FFI	Fauna and Flora International
GASI	General Agency for Specialised Inspections
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIS	Geographic Information System
GIZ	German International Cooperation Agency
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IWRM	Integrated Water Resources Management
KfW	Kreditanstalt fuer Wiederaufbau
KOICA	Korean International Cooperation Agency
LCC	Local Coordination Committee
LD	Land Degradation
LPA	Local Protected Area
M&E	Monitoring and Evaluation
MAP	Mongolian Action Programme
MCA	Millenium Challenge Account
MCUD	Ministry of Construction and Urban Development
MDG	Millenium Development Goal
MECC	Mongolian Environmental Civil Council
MED	Ministry of Economic Development

MEGDT	Ministry of Environment, Green Development and Tourism
MFA	Ministry of Food and Agriculture
MNMA	Mongolian National Mining Association
MNT	Mongolian Tugrik
MOF	Ministry of Finance
MOM	Ministry of Mining
MOU	Memorandum of Understanding
MRAM	Mineral Resources Authority of Mongolia
MRPA	Managed Resource Protected Area (project)
MTR	Mid Term Review
NAPCC	National Action Programme for Climate Change
NAPCD	National Action Plan for Combating Desertification
NCCD	National Commission for Soil Protection and Combating Desertification
NEAP	National Environmental Action Programme
NGO	Non-Governmental Organisation
NIM	National Implementation Modality
NPA	National Protected Area
NPD	National Project Director
NRM	Natural Resources Management
NUM	National University of Mongolia
PAAD	Protected Area Administration Department
PIR	Project Implementation Report
PMU	Project Management Unit
PPG	Project Preparation Grant
PPP	Polluter Pays Principle
PTC	Project Technical Committee
PUG	Pasture User Group
RBA	River Basin Authority
RCU	Regional Coordination Unit
RTA	Regional Technical Advisor
SDC	Swiss Development Cooperation Agency
SEA	Strategic Environmental Assessment
SLM	Sustainable Land Management
SMART	Specific, Measurable, Achievable, Relevant and Time-bound
SPA	Special Protected Area
SPAN	Special Protected Areas Network (project)
SRF	Strategic Results Framework
TE	Terminal Evaluation
TOR	Terms of Reference
TNC	The Nature Conservancy
TPR	Tri-Partite Review
UN	United Nations
UNCCD	United Nations Convention on Combating Desertification
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFCCD	UN Framework Convention on Climate Change
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund

SECTION I: Elaboration of the Narrative

PART I: Situation Analysis

INTRODUCTION

1. Mongolia is the world's most sparsely populated and largest land-locked country with a total land surface of 1.564 million km² and an estimated population of just 3 million. It is located in northern Asia, between China and Russia (Figure 1). Mongolia has an extreme continental climate with long, cold winters (January temperature averages as low as -30°C (-22°F), short hot summers and unstable rainfall patterns. During some winters, the country is hit by so-called "dzud" extremely cold and often snowy weather conditions during which millions of livestock may die due to starvation and the cold.

2. Western Mongolia, the focus of this project, covers the five provinces of Bayan-Ulgii, Hovd, Uvs, Govi-Altai and Zavkhan with a total area of 41.5 million hectares. It is the most remote, ethnically diverse, and mountainous region of Mongolia, with thousands of years of history of human occupation. Its relatively intact and ecologically diverse landscapes provide habitat for seasonal migrations, predator-prey interactions, and natural river flow to occur that are all but lost in many regions of the world. They also support almost 38,000 nomadic and semi-nomadic herding families who rely directly upon the ecosystem services provide by the region's sparsely inhabited grasslands.

3. Land degradation is the most serious environmental problem in Mongolia, accelerating desertification and affecting the country's remarkable ecosystem integrity and biodiversity. A recent study indicates that over 70% of the country's land cover is degraded to a certain extent, and 75% of Mongolia's pasturelands now suffer from degradation. Decreasing carrying capacity and productivity of land resources directly impacts the nation's productivity and efforts for equitable and sustainable development. Causes of land degradation are both natural (e.g. extreme weather and thin top soils) and human-induced (overgrazing, and increasingly mining), and are being exacerbated by climate change. The five western aimags are no exception to the national situation, and land degradation and desertification are visible and immediate problems.

4. Mongolia has been one of the fastest growing economies in the world in recent years, largely due to the performance of the mining sector. Due to its particular and complex geology Mongolia holds vast resources of minerals, and its potential for the extractive industries is enormous. Mongolia's resources of gold, copper and coal are among the top 10 in the world. In November 2014, there were 2768 mining and exploration licences covering 11.77 million ha of land, or 7.5% of the total territory of Mongolia, which is a very high figure internationally. Although mining is relatively less developed in the Western Provinces (393 exploration and exploitation licenses covering almost 2.6 million ha. in November 2014), it is predicted to develop rapidly here in the future.

Figure 1 Map of Mongolia

CONTEXT AND GLOBAL SIGNIFICANCE

Environmental context

5. Mongolia's landscape is generally divided between four eco-regions: alpine peaks in the west; the Great Gobi desert in the south; the vast steppe in the east; and taiga forests in the north. Each major eco-region displays a rich mosaic of habitats. Desert, wetland, forest, mountain, and grassland habitats are often situated in the same area.

6. The total surface area of all water bodies is estimated at more than 10,000km^2, including freshwater and saline lakes, marshes, and peat lands, as well as 50,000 km of rivers. Forests and scrubland cover 15 million hectares, or about 10% of the country. The Altai-Sayan montane forests (in the Western Region) and the Daurian steppe are two WWF Global 200 Ecoregions that are at least partially located within Mongolia. There are also 2 UNESCO natural World Heritage Sites, 11 Ramsar sites, 70 Important Bird Areas (IBA), and 5 sites under the East Asian Australasian Flyway Partnership for Migratory birds. By 2013, 99 National Protected Areas had been established covering approximately 27.2 million ha or 17.4% of the country, plus a further 1000 Locally Protected Areas covering a further 10% (17 million ha). The national target is for 30% of the territory to be under protected areas by 2015.

7. Mongolia supports a diverse and globally significant flora and fauna. There are records of 136 species of mammals, 436 bird species, 8 amphibian species and 22 reptile species. At least 76 fish species have been recorded. More than 3,000 species of vascular plants, 927 lichens, 437 mosses, 875 fungi, and numerous algae species have been recorded, including 150 endemic and nearly 100 relict species.

8. Regarding the IUCN Red List, Mongolia hosts 3 critically endangered species, 9 endangered species and 27 vulnerable species. These include the Mongolian Saiga antelope (*Saiga tatarica mongolica*) (100% of global population), the Gobi bear (*Ursus arctos gobiensis*) (100%), Siberian crane (*Grus leucogeranus Pallas*), the Bactrian camel (*Camelus bactrianus*) (approximately 37%), and the re-introduced Przewalski's horse (*Equus ferus przewalskii*) (95%); as well as some globally endangered species like the snow leopard (approximately 12%), the long-eared jerboa (*Euchoreutes naso*) and the Mongolian three-toed jerboa (*Stylodipus sungorus*). Parts of Mongolia are some of the last refuges of the largest sheep on earth, the argali (*Ovis ammon ammon*).

9. Western Mongolia's relatively intact and ecologically diverse landscapes provide habitat for seasonal migrations, predator-prey interactions, and natural river flow to occur that are all but lost in many regions of the world. The region stretches 700 km from north to south and comprises three major ecological zones: desert steppe (in the south), mountain-steppe, and steppe. To the east are the Khangai Mountains, while the foothills of the Altai Mountains run from NW to SE, rising in the west to panoramic glaciers and snow-covered 4000m+ summits. This mountain complex has exceptionally high levels of plant richness and endemism, including 2,500 vascular plant species with over 120 strictly endemic species. The basins of several great lakes are also situated in the region, including Uvs Lake, Khar Us Lake, Khyargas Lake and numerous smaller lakes. The forest area in the western region is relatively limited at 3,555,700 ha of which about 70% is *Saxaul* forest. Several priority species such as the globally endangered snow leopard (*Unica unica*) and its main prey species the Siberian ibex (*Capra sibirica*), and the argali inhabit the Western provinces.

10. Twenty four (24) nationally protected areas covering 11.35 million ha have been designated in Western Mongolia as well as a further 196 locally protected areas covering a further 2.08 million ha. These include LPAs such as "Gulzat" (126,772 ha) close to the Khotgor mining landscape in Uvs Aimag, which was established in 2006 to develop a model for sustainable community-based tourism and conservation. A management council has developed the Gulzat management plan based on community management concepts to conserve the remarkable biodiversity of the area.

Socio-economic context

11. Mongolia's population doubled to 2.93 million between 1990 and 2013. Nearly 55% of the population is under 30 years of age. Since the end of socialism, Mongolia's total fertility rate has declined more steeply than in any other country in the world, from 7.33 children per woman in 1970-75, to 1.87 in 2005-10. The nation's population density remains famously low at 1.8 persons per km^2. Approximately 32% of the population (about 200,000 families) is nomadic or semi-nomadic. Although most of the nation's wealth and culture abide in the countryside, more than 60% of all Mongolians now live in urban areas, including 1.4 million in Ulaanbaatar. A total of 363,300 people live in Western Mongolia

(12.4% of the national population), with 179,700 being economically active. However, these figures are declining as a result of out-migration (12.8% between 2005-10).

12. Mongolia ranked 103 / 187 countries in the Human Development Report 2014 (UNDP, 2014). Between 2000 and 2010 Mongolia's HDI rose by almost 1.43% annually, reflecting the progressive growth of the index in most regions of the world. However, Mongolia's rapid economic growth (17.6% in 2011 and 12.3% in 2012, 11.7% in 2013 and estimated 7.8% in 2014) is outpacing the general rate of poverty alleviation and national social development. Rapid economic growth is being accompanied by increased inflation, urban migration and environmental degradation, further exacerbating the social disparity. While urban poverty is decreasing (23.5% in 2012), rural poverty is rising (32.5% in 2012). In Western Mongolia, the rural poverty rate is also 32.5% but unemployment rate is 11.9% (4% higher than the national average, and particularly high in Bayan Ulgii province (23.5%)). Socio-economic statistics for the Western Provinces are provided below:

Table 1. Socio-economic statistics for the Western Provinces

Province	Population size	Life expectancy	Density person/km^2	Gender ratio	Economically active pop.	Unemployment %	No of herder households
Bayan-Ulgii	92,400	72.16	1.9	100.5	44,800	23.5	8,392
Govi-Altai	53,300	68.27	0.4	100.3	26,800	10.8	6,537
Zavkhan	64,600	68.62	0.8	101.1	37,400	5.6	7,764
Khovd	79,000	71.12	1.0	99.6	33,400	6.3	7,043
Uvs	74,000	67.72	1.0	102.1	37,300	10.1	8,005
Total/ average	363,300	69.57	1.0		179,700	11.9	37,741

13. The mining sector has become the key driver of Mongolia's economic growth. By November 2014, there were 2,768 mining and exploration licences covering 11.8 million ha of land, or 7.5% of the total territory of Mongolia, which is a very high figure internationally. Although the area covered by mining licenses has increased more than threefold since 2006, there has been a dramatic decline in the area of exploration licences (from 42.1% of the territory to 6.8%) due to a windfall tax that inhibited foreign direct investment, the 1999 *Law on Prohibiting Mineral Exploration and Extraction Near Water Sources, Protected Areas and Forests* (the "Law with long name") which resulted in the cancelling of more than 200 licenses, as well as a moratorium on issuance of new exploration licenses since 2010, which has recently been lifted.

14. Mining was responsible for 18.5% of Mongolia's GDP in the first six months of 2014. It also made up 66% of the industrial sector, 83.2% of total exports, 17.5% of the national budget and 81% of foreign direct investment. The largest exported product was coal, accounting for 43.4%, followed by copper concentrate (19%), crude oil (8%) and gold (3%). The three major minerals (copper, coal and gold) together accounted for 73 percent of total exports, China imported 92.6% of total exports from Mongolia, followed by Russia (1.8%). Billions of dollars of international investment are now flowing into mega-projects such as Oyu Tolgoi and Tavan Tolgoi mines. An estimated USD10 billion is expected to be invested in infrastructure development and energy and water provision to these mines in the

next decade. The Ministry of Construction and Urban Development (MCUD) expects that the population in the vicinity of Oyu Tolgoi will grow to around 16,000 in the next few years and the number could exceed 40,000 requiring the provision of 5,300 housing units (equal to an average Aimag Centre). Construction and operation of urban infrastructure, including roads, municipal service buildings, heating and power plants, solid waste management, will all have local impacts. The magnitude of the direct mining impact, such as mine dewatering, can be twice as much as the conversion area for a coal mine. Simultaneously, small-scale mining for gold and other precious metals by both legal and quasi-legal operators is expanding rapidly. Thousands of mineral claims are now littered across Mongolia's countryside.

15. The second largest GDP contributor in Mongolia is agriculture, accounting for approximately 14.8% of GDP and 9.7% of export earnings in 2012, and employing 35-40% of the workforce. Livestock husbandry is the primary economic activity of rural Mongolia, and represents 77.5% of agricultural production. Over 200,000 nomadic and semi-nomadic herding families rely directly for both capital and subsistence upon the ecosystem services provided by the nation's sparsely inhabited grasslands. Because there is very little private land, Mongolia's unique rural culture persists with both people and wildlife moving unfettered across a vast landscape. However, swelling livestock numbers (45 million in 2013) and changed grazing regimes have resulted in ecological degradation demonstrated by declining biodiversity, pasture health, herd fitness, and degraded soil and water systems. Due to the harsh climate, the nation has relatively little cultivated land (about 400,000 ha), mainly devoted to wheat, and contributing 3% to the nation's GDP.

16. The economy in the western provinces is dominated by the livestock sector (almost 11 million livestock), although the number of herder households is declining. Cultivated areas are even more limited than in other parts of the country. Mining is relatively less developed in the Western Provinces (393 exploration and exploitation licenses covering almost 2.6 million ha. in November 2014), but is predicted to develop more rapidly here in the future as part of the government's effort to lift this region out of poverty. There is therefore both a need and opportunity to test out new approaches here and to overcome challenges and conflicts that have arisen from the mining sector in other parts of country.

Legal and policy context

17. The core of Mongolian law is the 1992 Constitution, which sets out the fundamental rights of Mongolian citizens including "the right to a healthy and safe environment, and to be protected against environmental pollution and ecological imbalance". The Constitution imposes on its citizens a sacred duty "to protect nature and environment", and empowers the government "to undertake measures on the protection of the environment and on the rational use and restoration of natural resources".

18. Mongolia's *Green Development Policy* (2013) aims to transform Mongolia into a development model that ensures the improved well-being and prosperity of Mongolian citizens by safeguarding the sustainability of ecosystem services, increasing the effective consumption of natural resources and ensuring economic growth that is inclusive and environmentally sound. It has six strategic objectives, including "Sustain ecosystem's carrying capacity by enhancing environmental protection and restoration activities, and reducing environmental pollution and degradation".

19. The *State Policy on Minerals* (2014) aims to establish a stable investment environment; improve the quality of mineral exploration, mining and processing; encourage the use of environmentally friendly and advanced technology and innovation; and improve management of the mineral sector through capacity building. In particular it includes measures to enhance participation and consultation with local communities, and to enhance environmental protection and rehabilitation.

20. The *Law on Environmental Protection* (1995, amended 2012) regulates individuals, organizations and the Government on environmental protection and sustainable use of natural resources such as water, forest, pastureland and biodiversity. It also clarifies that land is state-owned unless owned by citizens of Mongolia, requires the payment of fees for the use of natural resources and requires the elimination of adverse environmental impacts. The 2012 amendment incorporates the principles of Environmental Audit, Strategic Environmental Impact Assessment, co-management of natural resources, including community-based natural resources management. Provisions are included on assigning rights to herder communities to use natural resources sustainably and benefit from conservation measures.

21. The *Law on Environmental Impact Assessments* (2012) regulates protection of the environment through the application of the mitigation hierarchy, EIA and decision-making at the start of a project, preventing ecological misbalance, or the misuse of natural resources. A new provision on biodiversity offsetting (Article 9) was added in 2013 for oil and mineral mining, and radioactive minerals. It requires Environmental Protection Plans to include measures to avoid, minimize, mitigate, eliminate and undertake biodiversity offsetting (biodiversity conservation activities in other habitat due to loss of the natural habitat arising from project implementation) for adverse impacts identified during the detailed Environmental Impact Assessment. In addition, the timeline and estimated budget for implementation of those measures must be determined.

22. Furthermore, Environmental Audit (EA) and Strategic Environmental Assessment (SEA – the process of identifying risks and potential impacts from national, regional and sectoral policies, programs and plans) is now obligatory, and the concept of cumulative impact assessment now needs to be applied. The law on EIA (2012) defines two types of environmental impact assessment - a General EIA, and a Detailed EIA. Although the 2012 reform made biodiversity offsets obligatory, the principles of applying the offset mitigation hierarchy to land degradation have not yet been formalised. Finally, the law introduced the requirement for an annual Environmental Management Plan consisting of an environmental protection plan and an environmental monitoring program.

23. The *Law on Special Protected Areas* (1994) provides for the establishment of protected area systems at national and local level, and establishes management regulations for nationally protected areas (State SPAs). The Law explicitly prohibits exploration and mining within State SPAs, and restricts tourism to certain zones. The related *Law on Buffer Zones* (1997) requires buffer zones to minimize, eliminate and prevent actual and potential adverse impacts to protected areas. They increase public participation, secure livelihoods and establish requirements for proper use of natural resources around the national protected areas. A revision to the law which includes providing funding for PAs from biodiversity offsetting was approved by Cabinet in November 2014 and will be submitted to the Parliament of Mongolia.

24. The *Law on Land* (2002) regulates possession, use of land by a citizen, entity and organization, and other related issues and is primarily implemented through Aimag and Soum officials (under guidance of Citizens Representatives' Khurals) by allocating pastoral resources, particularly winter camp sites and winter pastures in order to prevent over-grazing. Several other laws, such as the *Law on Forests* (2012), the *Law on Reinvestment of Natural Resource Use Fee for the Protection of the Environment Reinvestment of and the Restoration of Natural Resources* (2000), the *Law on Land Fee* (2007) also regulate the use of natural resources. A draft law on Pasture Management was prepared in 2011, but has not yet been adopted. Amendment of the Law on Land is pending with the Parliament.

25. The *Minerals Law* (1997, and revised most recently in 2014) regulates exploration, mining and related activities, including fees and tax incentives. It provides for up to 50% Government ownership of "strategically significant" resources if the exploration is jointly funded by the State and private investors, and up to 34% if the exploration funds are from foreign investors. The 2014 revision of the law was made to kick start the domestic economy and reverse the sharp decline in foreign direct investment, by improving the existing legal framework relating to mining. Among other things, this revision broadened the powers of the mining ministry, expanded the powers of the Mineral Resources Authority of Mongolia (MRAM), changed the obligations of licence holders (including the requirement to appoint an employee with responsibility for environmental matters), excluded the mining of common minerals (which includes gravel, sand and clay) from the Minerals Law, reduction of the maximum area for an exploration licence, and established a new agency – the National Geological Office.

Law on Prohibiting Mineral Exploration and Extraction Near Water Sources, Protected Areas and Forests (2009). This law, commonly referred to as the "law with the long name", was promulgated by representatives of local communities severely affected by gold mining, and has the purpose of prohibiting mineral exploration and mining operations at headwaters of rivers, protected zones of water reservoirs and forested areas, and to regulate rehabilitation activities carried out in these areas. The Law was designed to protect up to 25% of Mongolian natural ecosystems from destruction by mining, and protect the most vulnerable areas associated with water resources. It excludes Strategic deposits in the above mentioned areas, even though these have the potential for major impacts. For this reason, debate is ongoing on renewal of area demarcation to prohibit mining exploration and extraction. Further challenges with this very important law are: (i) that it lacks any negotiation process between the government, the private sector and civil society for its implementation, and (ii) that water bodies are defined differently in two laws. Also there is a severe lack of good data for its implementation.

Institutional Context

26. Mongolia is a parliamentary republic. The highest legislative body is the Mongolian Parliament (Great State Khural), which proposes and reviews legislation and policies and proposes revisions. It has a standing committee on Rural Policy and Environment which deliberates and advises on matters relating to environment and conservation, among others.

27. Administratively, Mongolia is divided into 21 aimags (provinces) and the capital city. Most maps and statistics also show four regions (Eastern, Central, Khangai, and Western regions), although there is no political institution at this level. The 21 aimags are constituted into 329 soums and these further into 1,664 baghs. The national government sets broad natural resource use parameters while Aimag and Soum governments have

immediate authority over natural resource use and ecosystem management. Mongolia has a dual system in which territorial units have both an appointed executive (governor) and elected local council (Citizen's Representative Khurals). At each level, the governor's office has the responsibility to prepare plans and implement policies. Within the Aimag Government office, the Department for Nature and Environment is mandated to support and ensure implementation, monitoring and evaluation of environmental policies and regulations. Soum Governors' offices prepare, implement, monitor and evaluate local policies, and provide administrative services like civil registration, civil services, licenses, permits. The aimag and soum Citizen's Representative Khurals, pass regulations for their jurisdictions, monitor local administrative bodies, approve local budgets and control their execution. The most significant environmental responsibilities of Aimags Governors' offices include forest resources protection, usage and ownership; land use, ownership and privatization; and mineral resources use and ownership.

28. The following are the key ministries and agencies with responsibility for environmental protection and mining:

29. The *Ministry of Environment, Green Development and Tourism* (MEGDT, until December 2014, the Ministry of Environment and Green Development) is a core Ministry and the lead Government agency for environmental management with responsibilities spanning biodiversity, protected areas, forests, EIA, water and tourism. It has eight departments, of which the Environment and Natural Resources Department is responsible for organization and coordination of implementation of legislation, policies and programs on mitigating and minimizing environmental degradation and pollution, promoting the appropriate use, protection and restoration of natural resources, to provide methodologies and management expertise and advice. The Ministry works through Environment Officers at aimag and soum levels, and also has soum-level rangers mainly dealing with protected areas.

30. The *General Agency for Specialized Inspection* (GASI) is responsible for implementing Specialized Inspection of some 200 laws and other regulations. The Department of Environment, Tourism and Geology, Mining Inspection is responsible for the implementation of around 30 environmental laws (plus some 330 regulations, guidance, and other standards) covering water protection, biodiversity law enforcement, EIA, and pollution control at national level. Aimag and Soum level Inspection Offices each have a small number of field staff responsible for specialised inspection, appointed by the GASI.

31. The *Ministry of Mining* (MoM) is mandated to develop policy on geology and mineral resources, petroleum, fuel supply and responsible mining. Its purpose is to expand the mineral resources, to develop the mining sector, support the value added production, to support rapid social and economic development, in order to ensure safe and adequate environment for citizens and improve citizens' quality of life by introducing environmentally friendly and advanced technology.

32. The *Minerals Resource Authority of Mongolia* (MRAM) is an implementing agency under the mining ministry, and is responsible for implementation of the mineral laws, regulations and resolutions, serves customers and investors of the mining industry, and enhances the contribution of the mining sector to the Mongolian economy.

33. *Administration of Land Affairs, Geodesy and Cartography* (ALAGaC) under the Ministry of Consutruction and Urban Development (MCUD). Currently all land use

issues come under the responsibility of ALAGaC. ALAGaC unites the functions of surveying and mapping, land administration, registration of immovable property and land use planning.

THREATS, ROOT CAUSES AND IMPACTS

34. Land degradation is the most serious environmental problem in Mongolia. Decreasing carrying capacity and productivity of land resources directly impacts the nation's productivity and efforts for equitable and sustainable development. Moreover, land degradation most directly and severely hits the rural population as herders depend heavily on pasturelands and derive their food sustenance and cash income almost entirely from their animals. A recent study indicates that over 70% of the country's land cover is degraded to a certain extent. More than 75% of Mongolia's pasturelands now suffer from degradation[1]. Land degradation accelerates desertification and pastureland vulnerabilities, decreases soil fertility and further diminishes the already marginal crop production capacity. In addition, land degradation in riparian areas increases flooding, run-off, erosion and siltation, and degrades wetlands and destroys riparian vegetation, threatening human security and livelihoods as well as biodiversity. The maintenance of ecosystem and water provisioning systems are critical for survival of rural communities and the national economy.

35. Causes of land degradation in Mongolia can be categorised as natural (e.g. droughts, deficit in soil moisture and a very thin layer of fertile soil, strong seasonal winds and dust storms) and human-induced. Human-induced causes include impacts from changes in traditional livestock husbandry and overgrazing in particular around the water points and settlements, as well as increasingly mining. These causes of land degradation are exacerbated by climate change. The root causes of all these threats are uneven population density, the transformation from a subsistence to a market driven economy and the demand for improved living standards from an increasingly urbanised population. The following paragraphs expand on these threats, their root causes and impacts.

36. *Climate change*: Mongolia's specific geography results in a continental, harsh climate with a high fluctuation of daily, seasonal and annual temperatures, unstable rainfall patterns and high wind speeds. Climate change is expected to have significant effects on Mongolia's ecosystems, and particularly on snow cover, glaciers, permafrost, pasture land and water resources. Meteorological observations from 1940-2011 show that the average annual air temperature has increased by 2.1°C and annual precipitation throughout Mongolia has decreased by 10%. Furthermore, drought is accelerating. Climate change is thus exacerbating land degradation and desertification problems. Moreover, degraded pasture/land results in an enormous source of carbon released to the atmosphere, as opposed to stored organic carbon in fertile soils. As such, land degradation contributes to the per capita greenhouse gas emission in Mongolia which is estimated at 4.4 tons annually.

37. *Over-exploitation of grazing lands*: Grazing lands occupy 72.4% of the total territory and support an important economic and subsistence sector. Prior to 1991, livestock herding was conducted using traditional, nomadic practices, and the herds were largely owned cooperatively. Government regulation helped to manage livestock numbers and grazing

[1]Desertification Atlas 2010, Institute of Geo-ecology

practices. Approximately 70% of all livestock were owned by the State. However, in the early 1990s, herds were privatized and market access and supports disappeared. Wealthy Mongolians turned to livestock as an investment opportunity and source of pride. Enormous herds of domestic stock managed by herding families on behalf of largely absentee owners now roam the countryside. Opportunities and incentives to reduce livestock herd sizes evaporated further altering grazing practices, while attempts to grow the cashmere industry caused the number of goats to rise dramatically. This combination of factors resulted in a phenomenal increase in livestock numbers from 26 million in the early 1990s to 45 million today. Despite the country's small population, as much as 80% of Mongolia's fragile landscape is grazed beyond capacity, as demonstrated by declining biodiversity, pasture health, herd fitness, and degraded soil and water systems, including siltation, erosion, and diminished ecosystem productivity.

38. *Mining development* in all its forms, industrial and artisanal, formal and illegal, poses multiple threats to land resources, ecosystems and wildlife, as well as human health and well-being. The direct and indirect threats of mining differ between the exploration and mine development/extraction stages, as follows:

39. Feasibility and mineral exploration stage: Before mining takes place, minerals have to be discovered and the economic and technical feasibility of mining has to be demonstrated. Although most assessments are conducted remotely without on-site impacts, subsequent site evaluation and exploration activities require drilling and sampling, necessitating the construction of roads to facilitate vehicular access. The **direct threats** are typically temporary and include localized pasture and habitat degradation; however this phase can also lead to **indirect threats** as a result of road construction and other infrastructure placement as well as due to the influx of people to project areas. Use of heavy trucks (40 tons and over) for transporting minerals generates dust and contributes to land degradation.

40. Mine development and mineral extraction stage: Mine construction and mineral extraction requires the removal of the vegetative cover and topsoil and drilling, blasting, excavation, and the construction of road arteries, rail lines, and/or conveyor systems. The **direct impacts** of these activities on land and water resources include land degradation at the mine sites, characterized by loss of herd productivity due to the loss of pasture land and hay and vegetable yields, soil damage, subsoil damage and depletion of ground and surface water, pollution and habitat loss. The level of impact will depend on the type of mine and the scale of mining operations. Waste rock disposal is of particular concern, because if not managed properly, it can contaminate ground and surface water. Tailings specifically, contain trace quantities of metals found in the host ore, as well as added compounds used in the extraction process containing toxic substances. However the **indirect impacts** of mining are of potentially greater concern. Indirect threats result from a conjunction of multiple mining activities operated by different companies. Specifically, mining can be a major driver of economic activities, creating jobs and urban centres, and generating demand for food stuffs, fuel and other commodities in remote areas. This can lead to an influx of people and the expansion of farming, logging or other activities to service the demand for raw materials, leading to water and land resource degradation, habitat destruction, overexploitation and additional pollution. Without effective management at the landscape level, already serious land degradation will accelerate in many areas around the country. An example of indirect impacts is the Oyu Tolgoi (copper and coal) mine in South Gobi, which created 13,000 jobs increasing the local population four fold. The mine established its airport, connected to the central electric grid, piped deep groundwater from

70 km away for the purpose of mineral exploitation and laid 100 km of asphalt road to the Chinese border for mineral export. There is also a plan to lay 260 km of railway to the Chinese border. All these have caused severe impact on the productivity of pasture and they have taken traditional grazing areas away from many herding communities.

41. **The five western *aimags*** are no exception to the national situation, and land degradation and desertification are visible and immediate problems. 71% of the territories is estimated as desertified (~300 Mln ha) to a certain extent and 24% (~100 million ha) is strongly desertified. The problems are greatest in Gobi Altai province with 87.8% degraded to a certain extent. The annual rate of deforestation predominantly caused by human activities over the last 11 years is above 3%[2]. Since 2000, the water level of large lakes has been decreasing (Khar-Us lake's water level has decreased by 32 cm), and many rivers and springs are suffering decreased water flows.

42. The economy in the western *aimags* to date is dominated by a livestock sector that benefits from free access to state-owned pastureland. With ever-increasing livestock numbers, (rising from 7.4 to 10.8 million in only 4 years (2007-10)) pressure on relatively unaffected grasslands is increasing forcing herders to migrate in search of better pasture. Pastureland carrying capacity varied from 88% to 111% between the five provinces in 2011 and is manifested in overstocking, lack of water points, and significant change in pasture vegetation composition.

43. Exacerbating the pressure on land resources, there are approximately 1,000 current mining licenses, 85% of which are exploration licenses and the remainder for extraction of coal, gold and tungsten. Although, the Government suspended issuing new licenses in mid-2010 (recently lifted), land areas allocated for licenses adds up to 23 million ha, directly and indirectly affecting the quality and availability of pasturelands and encroaching on the borders of Protected Areas (eg Khotgor coal mining landscape lies just 20-30 km from the "Gulzat" LPA boundary and is threatened by infrastructure developments). The western axis of the Millennium Road, connecting the region's southern and northern parts will have impacts as well.

44. These patterns contributed to a high level of poverty and net out-migration of 45,226 people from the Western provinces from 2005-10, representing 12.8% of the total population (including Kaxakh people returning to Kazakhstan). There is therefore an urgent need to reduce pressures on natural resources from these competing and often conflicting land uses. The specific problem that this project will address is the lack of an operationalised framework in the context of integrated land management to fully mitigate and offset the undesirable impacts of mining on ecosystems, livelihoods and biodiversity.

Long-term solution and barriers to achieving the solution

45. For the next decades, the mining sector will continue to significantly contribute to the national economy, with particular expansion expected in the Western region. In addition, the other types of land use, including nomadic livestock husbandry, urban and infrastructure development, protected areas, crop farming and tourism, will continue to remain essential elements of the country's sustainable and inclusive economic development. Therefore, the proposed long-term solution for managing competing land

[2] Forest Agency (former) of Mongolia, 2012

uses avoiding extreme degradation of land and ecosystem services and functions in the future, is to ensure cross sectoral and landscape-level planning and management that incorporates full application of the mitigation hierarchy including offsetting damages caused to land resources and ecosystems, backed by adequate regulatory framework and capacities. The mitigation hierarchy approach, including offset, provides an opportunity to avoid impacts and to mitigate or compensate for land degradation caused by prospecting and mining operations including associated infrastructure installation. Such an approach will enable the people and government of Mongolia to accrue tangible national and local economic benefits from utilization of their mineral resources, at the same time as securing net environmental and social gain.

46. There are however two overarching barriers that stand in the way of advancing the preferred long-term solution.

Weak regulatory framework and institutional capacity for application of mitigation hierarchy:

47. Effective management of the direct and indirect impacts derived from mining is hampered by the limited systemic and institutional capacity at the national level (as indicated by the baseline Capacity Scorecard assessment of just 42.7%. Full application of the mitigation hierarchy, including through offsets, is not yet widely applied, and there is a great need for capacity development at all levels and in all relevant sectors.

48. Although Mongolia's current legal, policy, planning and institutional instruments for regulating the mining industry have recently been strengthened to make biodiversity offsets obligatory, there remain many gaps and inconsistencies in the legal framework for applying the full mitigation hierarchy (and offsets in particular) to address land degradation. For example, there is a need to integrate land degradation offset and mitigation into relevant laws such as Law on Land (currently being amended), Law on Soil Protection and Prevention from Desertification, and Law on Protected Areas (currently being amended). Furthermore, legislation should be passed to incorporate offsetting in land use plans at national, aimag and soum levels, based on application of the results of eco-regional assessments to aid informed decision making by the Government. Finally, it is essential to ensure that allocated compensations to local communities from mining companies are sufficient to cover long-term costs of impacts on their livelihoods and to ensure that amended laws (particularly the award of exploration licences) reflect the needs of local communities, ensuring adequate time for consultations and feedback.

49. Land planning and management issues such as land, water and forest resources are regulated by several Government ministries and agencies and are therefore not optimally coordinated. For instance, the Ministry of Construction and Urban Development is responsible for land use planning and management issues, Ministry of Food and Agriculture for pastureland management and Ministry of Environment, Green Development and Tourism for desertification control. There is a lack of overall coordination mechanisms for land management among the relevant bodies and systematic support to adopt a landscape or ecosystem-based planning approach are limited. Coordination of relevant interventions supported by Government and development partners in the western region are urgently needed to develop sustainable land management. No eco-regional assessment has yet been completed for this region as the basis for a more evidence-based approach to land use planning.

50. There is also a lack of knowledge and, in general, a low capacity among staff within the national and (particularly) local governments, about mining impacts on land and water resources. Similarly, the systems and techniques and the application of legal tools and incentives that can be used to ensure sustainable mineral production practices while ensuring long-term benefits for the Mongolian people are poorly known. Although the principle of offsetting is now anchored in law, there are gaps in understanding of the term at all levels (and it is frequently confused with rehabilitation). Awareness raising and capacity building is therefore crucial. The staff in charge of guiding, developing and implementing regional land use and management plans have limited knowledge and experiences of science-based integrated landscape level planning and management to maintain ecosystem services such as provision of pasture and water resources, and the maintenance of landscape level ecosystem resilience for the sustenance of local livelihoods.

Lack of capacity and experience in applying the mitigation hierarchy and offset mechanisms on the ground

51. At the local level, there is a great lack of capacity and experiences for applying the mitigation hierarchy and offset mechanisms. The limitations include: (i) insufficient experience in integrated landscape level land use planning optimizing the balance between competing land uses; (ii) regional and local land use plans that fail to consider direct and indirect impacts of mining on livestock herding and other sectors; (iii) the significant lack of data and information regarding direct and indirect impacts for planning and decision making; (iv) a lack of experience in applying offset mechanisms for land degradation through SLM at the site and regional levels.

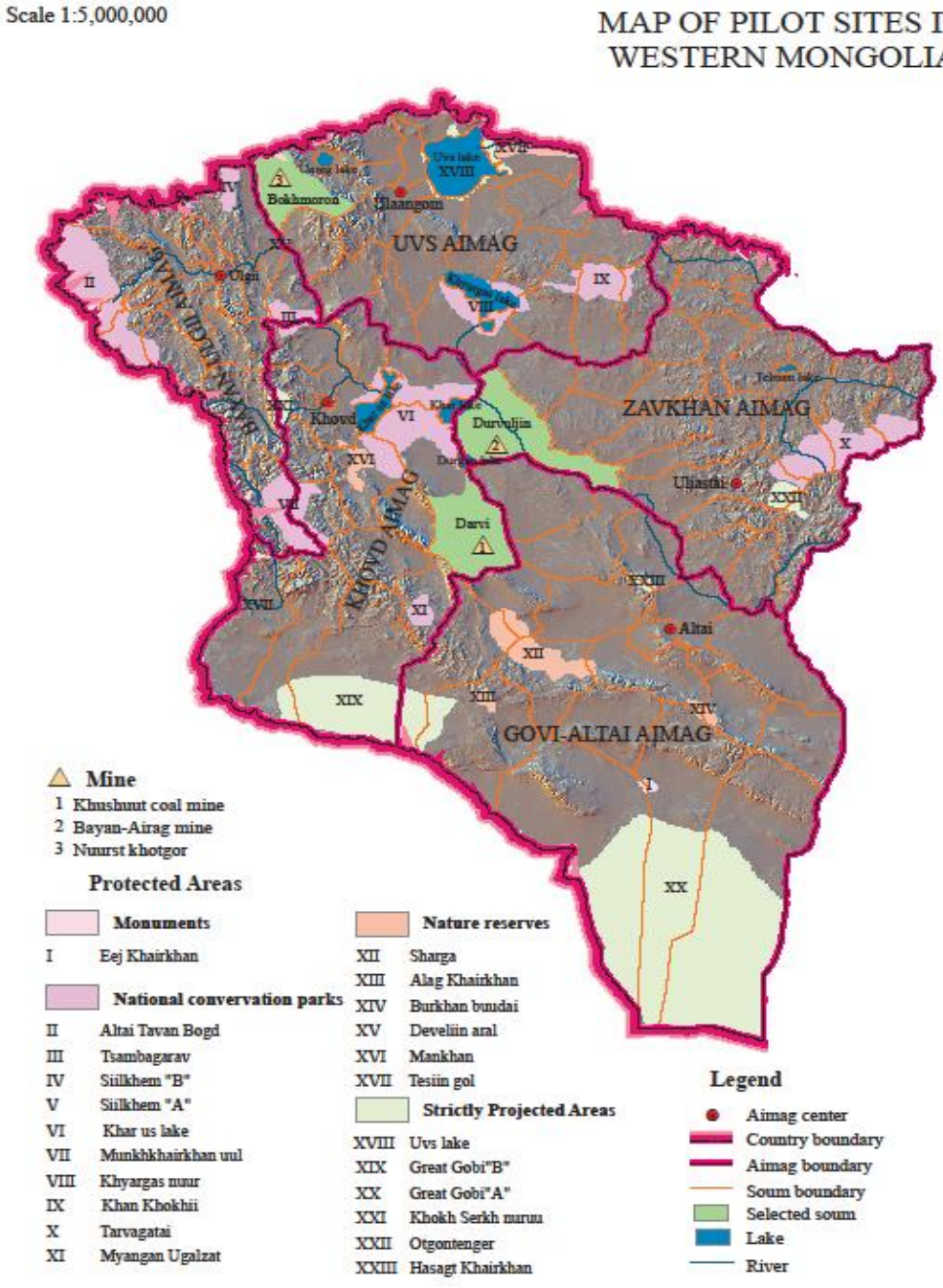
52. Offset principles are very new in Mongolia. In 2012, the first ever biodiversity offset programme was developed with the support of international NGOs for Oyu Tolgoi, but even this first example still remains largely conceptual. Additionally, the offset has not been fully applied for land degradation, and capacity and knowhow is seriously limited. Finally, the mining companies themselves, and the national environmental consultancies that are hired to undertake EIA and apply the mitigation hierarchy, generally lack the necessary capacity and experience particularly with respect to the use of offsets. The skills and knowledge base to enable local communities to develop more efficient strategies for sustainable resource use, managing competing land uses and for reversing land degradation is generally poor. Furthermore, financial transaction procedures for the use of offset from mining corporations to local government and communities to undertake SLM are generally not in place, although an important regulation in this regard was enacted in 2014.

INTRODUCTION TO PROJECT SITE INTERVENTIONS

53. The candidate pilot landscape demonstration projects in Component 2 of the project are distributed across Western Mongolia, as indicated in **Figure 2**. The process for the selection of the pilot landscapes was undertaken in three phases, and is described in more detail in the pilot landscapes report:
    - Phase 1: An initial long-list of potential sites was proposed by MEGDT, supplemented by consultations with Mineral authorities, aimag governors and key NGOs and related projects. This resulted in a candidate list which was then scored against a number of criteria.

- Phase 2: Further consultations were held with MEGDT and key stakeholders, to produce a short list. Companies for high potential sites were then approached regarding their willingness to collaborate with the project, and preliminary consultations were held with related communities. Site visits were made to Khotgor coal mines in Uvs province and Khushuut coal mine in Khovd province.
- Phase 3: In a meeting on 4 November 2014, the Director Environment and Natural Resources of MEGDT confirmed 3 pilot landscapes (Khotgor coal mining landscape (which comprises 3 separate mining companies), Khushuut coal mine and Bayan Airag gold mine). A fourth silver mine was also retained for consideration, but due to the small budget available would be unlikely to be confirmed. The companies were then invited to a meeting by MEGDT to describe the intentions of the project and invited to sign a letter of intent.

Figure 2. Map of Western Mongolia showing location of pilot landscapes



54. Final selection/confirmation of the pilot landscapes will take place during the project inception phase, when the companies will be asked to sign an MOU with MEGDT and UNDP confirming their precise roles and responsibilities in the project.

55. Table 2 provides a summary of the potential pilot landscapes, and the proposed partner mines / mining companies. A broader description of each is given in the baseline section.

Table 2. Summary information on the proposed pilot landscapes and partner mines / mining companies

	Pilot Landscape #1 "Khotgor"			**Pilot Landscape #2 "Bayan Airag"**	**Pilot Landscape #3 "Khushuut"**
Aimag	Uvs			Zavkhan	Khovd
Soum	Bukhmuren			Durvuljin	Darvi
Soum area (ha)	373,475			726,000	560,500
Pilot Landscape area (ha.) t.b.c during IP	200,000			10,000	50,000
Mine name(s)	Khotgor	Khotgor	Khotgor	Bayan Airag	Khushuut
Mineral type	Coal	Coal	Coal	Gold, copper	Coal
Mining company	Khotgor LLC	Erchim LLC	Khotgor Shanaga LLC	Bayan Airag LLC	MoEnCo LLC
Nationality of ownership	Mongolian	Mongolian	Joint venture (Korea)	Joint venture (Virgin Islands)	Singapore based and Hong Kong listed company
Date licensed	1999	2009	2011	2008	2007
Budget ($) of EMP 2014	4,180	7,300	17,843	19,600	118,000
Population in Soum	2,189			2648	2,712
# of herder families	284			451	546
# Pasture User |Groups	6			4	6
Protected areas nearby	Gulzat LPA				

STAKEHOLDER ANALYSIS

56. Addressing land degradation through SLM requires an inter-sectoral approach involving interventions relating to soil, water, crop, pasture, livestock, forest, mining and ecosystem management. It requires the services of technical, social, economic, cultural and political experts at all levels. Thus the responsibility for reducing land degradation through SLM does not belong to any particular sector institution. So far in Mongolia, there are key institutions that can provide core functions in land planning, land management and land protection for SLM.

57. During project preparation, a stakeholder analysis was completed in order to identify key stakeholders and their roles in project implementation (see Table 3). This analysis is then further developed in PART IV: Stakeholder Involvement Plan.

Table 3. Roles and Responsibilities of Stakeholders in Project Implementation

Stakeholder	Anticipated Role in Project
National level - Governmental	
State Great *Khural* (Parliament)	The highest legislative body – 76 members elected for 4 year term - has the mandate to propose and review legislation and policies and propose revisions including any proposed by the project). Has a standing committee on Rural Policy and Environment that advises on matters relating to environment.
National Commission for Soil Protection and Combating Desertification (NCCD)	The NCCD is comprised of 11 ministries and 7 other agencies and government institutions. It coordinates and monitors activities that address land degradation and desertification, and oversees the National Action Plan for Combating Desertification (NAPCD) which is implemented through all provinces and soums through environmental rehabilitation on target sites. Project activities will be linked to implement environmental rehabilitations on target sites based on implementation of NAPCD.
Ministry of Environment, Green Development and Tourism (MEGDT)	The lead national implementing partner of the project. A senior MEGDT official will chair the Project Board, and the Director of the Department of Environment and Natural Resources will be the National Project Director. MEGDT is Government's central administrative body responsible for the environment, conservation and green development, including protected areas. Upgraded in 2012 to a core Ministry, it has eight departments and one implementing agency (National Agency for Meteorology and Environmental Monitoring). The Department of Environment and Natural Resources is responsible for organization and coordination of implementation of legislation, policies and programs on mitigating and minimizing environmental degradation and pollution, promotion the appropriate use, protection and restoration of natural resources, to provide methodologies and management expertise and advice. MEGDT will therefore lead the further development of the mitigation hierarchy and offsetting policies, regulations and implementing mechanisms, and will also ensure alignment and linkage with other policies, plans and projects (eg SPAN, MRPA). MEGDT's Green Development policy provides the key framework for the project (targets on land degradation and biodiversity).
Ministry of Mining (MoM)	MoM will be a key partner for the development of policy on land degradation mitigation hierarchy and offsets and for advising on project implementation, identification and implementation of demonstration sites (companies) for integrated landscape planning and management, rehabilitation of mining lands and providing entry point to mining sector. The Ministry of Mining is mandated to develop policy on geology and mineral resources, petroleum, fuel supply and responsible mining. Its purpose is to expand the mineral resources, to develop the mining sector, support the value added production, to support rapid social and economic development, in order to ensure safe and adequate environment for citizens and improve citizens' quality of life by introducing environmentally friendly and advanced technology.
Ministry of Food and Agriculture (MFA)	MFA is the Government's central administrative body responsible for developing intensified food and agricultural sector able to overcome natural and economical risks and able to compete in local and international markets. There are eight departments and several funds and centres directly under the MFA including veterinary and breeding fund, agro-farming fund, husbandry conservation fund, centre for applying new technologies to agriculture. MFA will be the main partner to develop strategies and regulations on protecting and rehabilitating degraded grassland and ensuring proper use of rangeland/pasture management. Monitoring and evaluating the implementation of relevant laws and regulations and taking actions for issues related to grassland and rangeland in accordance with the laws.
Ministry of Finance	The Ministry is responsible for financing and the annual budget allocation and will be involved in all key consultations and training, as well as policy development activities on fund management, and rules and regulations for collection and reinvestment of SLM conservation funds.
Government Agency of Land Affairs, Geodesy	Government agency within the Ministry of Construction and Urban Development (MCUD) responsible for supporting sustainable development and rural livelihoods through implementation of the state policy on land management, cadastre, geodesy and

and Cartography (ALAGaC)	cartography. There are four main divisions: Cadastre Division, Geodesy and Cartography Division, Information Technology Division and Land Management Division**.** Specific activities include the following: (i) Organizing and implementing general land management planning at national level; (ii) Providing technical guidance concerning land ownership, possession, utilization, rehabilitation, protection and land management. (iii) Establishing network for land quality and characteristics monitoring, and ensure sustainable use of land; (iv) Analyzing utilization of land in accordance with established primary and secondary land use classification code and develop and implement management plan for land protection; (v) Resolving land conflicts. The agency has very close cooperation with TNC (sub-contractor) over the eco-regional assessments. The project will cooperate closely with the agency on landscape level land use planning based on eco-regional assessment at national and provincial levels, and application of the plans. The agency will also support the project with provision of geospatial data and services needed for socio-economic planning.
The General Agency for Specialized Inspection (GASI)	Responsible for implementing some 200 laws and other regulations, over 400 legal instruments in all. The Department of Environment, Geology, Mining and Radiation Inspection is responsible for the implementation of around 30 environmental laws. However, it also enforces some 330 regulations, guidance, and other standards. Field staff are integrated into the Aimag and Soum level Inspection Offices nationwide. This agency will be responsible for enforceability of aspects of related legislations and guidelines for land degradation offsetting. It will also be one of the target organisations for capacity building.
National level – Academic and Research	
The Institute of Geo-ecology	Has four divisions including the Center of Desertification Study. The mission of the Center is to study trends of desertification and land degradation and prepare scientific recommendations for combating desertification, develop and pilot test tools and methodologies to combat desertification, and demonstrate actions for controlling sand movement in some settlements of the Gobi and the Desert Gobi regions. The center will be a key partner to provide scientific information in SLM and desertification control.
The Institute of Geography	Active in conducting research and assessments on natural landscape formation and dynamic change and monitoring in ecosystem in forest steppe, eco-geochemistry and its impacts to nature and human wellbeing in urban and mining development areas, socio-economic conditions based on geographical information system at national level. The institute will therefore be a key partner to implement project relevant activities.
Institute of Botany	Affiliated to the Mongolian Academy of Sciences. Will assist in conducting baseline studies and research related to land degradation and provide guidance to local environmental offices and communities to implement SLM; will provide technical backstopping and advice on policy level interventions to mainstream the offset mechanism.
Institute of Biology	Affiliated to the Mongolian Academy of Sciences. Will assist in conducting baseline studies and research and provide guidance to local environmental offices and communities to implement the mitigation hierarchy and offsets; will provide technical backstopping and advice on policy level interventions to mainstream the offset mechanism in collaboration with TNC.
International Organisations working in Mongolia	
United Nations Development Programme	The GEF implementing agency. UNDP Mongolia environment programme promotes "introduction of a holistic approach to the planning, management and conservation of land, water and forest resources and biodiversity" as key areas of intervention to enhance resilience of ecosystems and vulnerable populations to the changing climate". Other GEF projects including "Strengthening Special Protected Area Network" (SPAN) and "Managed Resources Protected Area" (MRPA) will be key partners for the proposed project activities including offsetting and protecting SPA area in the pilot landscapes.

World Bank	The Sustainable Livelihoods Project (Phases I & II completed) aims to improve governance and community participation for the planning and delivery of priority investments in rural areas of Mongolia. The first component aims to build the capacity for local governance and livelihoods at local and national levels to support rural development. At local level, this component provides training and technical assistance in the areas of medium-term planning, community participation, budget preparation, procurement, supervision, reporting and monitoring and evaluation, and would therefore support project implementation through building capacity and increasing local participation on project sites.
Swiss Agency for Development and Cooperation (SDC)	Extensive experience in pasture/land management projects, including Coping with Desertification and Mongolian pasture - Green Gold projects. A key partner in improving pastureland health and collaborating with local communities. The project will cooperate with SDC on improving livelihoods of herder households by ensuring the sustainable management of pastureland and securing better access to technological knowledge managements and markets.
The Asia Foundation	Engaging Stakeholders for Environmental Conservation II project (ESEC) was launched in 2013 to address the environmental impacts of artisanal and small-scale mining (ASM). It aims to mitigate negative environmental impacts from ASM such as water and soil degradation. ESEC I project was implemented by The Asia Foundation from 2010-13 and developed useful guidebooks and materials on responsible mining and sustainable resource us for artisanal miners. The project will be a key partner to mitigate negative impacts of artisanal mining and increase awareness among local communities.
National Non-Governmental Organisations	
Mongolian Environmental Civil Council (MECC)	MECC was established as an 'umbrella' organization of environmental NGOs in 2008. It has 22 local branch councils including western provinces, having a membership of about 703 NGOs as of January 2014. Key roles and responsibilities of MECC are to provide information and services to environmental NGOs and citizens with a commitment of environmental protection, coordinate cooperation and support by establishing links with government and citizens. Potential of becoming a partner in project implementation through branches in the western provinces, and also as a representative of civil society organisations on the Project Board.
Mongolian National Mining Association (MNMA)	One of the main (umbrella) NGOs in the mineral sector of Mongolia. Co-financer, and potential key national stakeholder for the project in supporting implementation of demonstration sites for integrated landscape management; target group for capacity building of applying innovative technologies for land, water and forest resources management, rehabilitation of mining lands, main actor for disseminating information on replication of project results to other companies.
The Nature Conservancy (TNC)	A key NGO partner in project implementation, particularly in the mitigation hierarchy, eco-regional assessment and developing policy and guidelines. TNC has extensive experience in conducting eco-regional assessments in support of informed decision making by Government. TNC will be a key partner for Outcome 1 of the project, leading completion of the ERA and integrating the results with land use planning, supporting follow-up designation of LPAs etc, and identification of offset opportunities.
WWF	First international NGO in Mongolia (1992) with mission "To ensure local community stewardship for their natural environment". WWF has significant experience on biodiversity conservation, water management, climate change and local community participation through its long term implemented projects such as Altai-Sayan and Eastern Steppe Region projects. The project will cooperate with WWF Mongolia on data sharing in Western Mongolia – endangered species, river basin management plans.
Centre for Policy Research (CPR)	CPR is the first Mongolian non-governmental policy research institution (established 1998). Focuses on rural development, agriculture, land reform, pasture and risk management, herders' community development, rural poverty and social issues and environmental management. Its expertise includes also ways to address challenges, at both national and local levels, of broader issues of a transitional economy like fiscal decentralization, public administration and regional development. In addition, CPR is engaged in extensive training, promotional and advocacy activities. Potential partner and contributor on policy research and development.
Private sector organisations	

Mining companies	Mining companies are users of natural resources (minerals) and the main target stakeholder for piloting offset mechanism by including determination of offset criteria based on the eco-regional assessment; determination of offset opportunities and potential activities; application of mitigation hierarchy; quantification of residual impacts; identification of comparison of potential offset sites; calculation of SLM and biodiversity gain for preferred offset sites; involvement in offset agreements and implementation plan including implementation structure and M&E mechanism; to receive technical support for offset implementation The specific Mining companies to be engaged in each of the project's pilot landscapes are: • Khotgor pilot landscape (Uvs province): 3 companies: Khotgor LLC, Erchim LLC and Khotgor Shanaga LLC • Bayan Airag pilot landscape (Zavkhan province): Bayan Airag LLC • Khushuut pilot landscape (Khovd province): MoEnCo LLC Further detail on these companies is provided in Table 2 and the pilot sites report.
Authorised environmental consultancies for conducting detailed EIA	A main target for capacity building within the first component of the project, since these consultancies conduct the detailed EIA for all types of projects. Capacity to identify mitigation potentials and propose options to avoid, mitigate and offset are crucial required skills
Tourism and agriculture companies	Tourism and crop farming businesses are users of natural resources and partners for piloting offset mechanism. They will be consulted during the preparatory phase/policy activities as well.
Provincial and local level stakeholders	
Aimag governments	A typical Aimag Governor's Office includes divisions dealing with general administration, welfare, legal and financial aspects. They are responsible for organization of activities for implementation of environmental laws in their respective provinces; to develop plans for environmental protection and sustainable use of natural resources, to submit to the Citizens Representative Khurals and ensure their implementation. The following departments are particularly relevant to local level land degradation/SLM policy formulation: The Land Department organizes land possession and land utilisation to citizens and legal entities based on geodesy and cartography, and provides land ownership to Mongolian citizens. Typically, the Department will have divisions responsible for land policy; land management, ownership; cadastre, geodesy and cartography; land evaluation, and land fees; information technology; and internal matters. The Department will be a key target for capacity building for integrated land management planning based on the eco-regional assessments. The Nature and Environment Department have an Environmental Policy Division; Environment and Natural Resources Division, Specially Protected areas and Forest and Wildlife Department, reflecting more or less the relevant departments and divisions at the central MEGDT office. Close cooperation will be maintained by the project in all respective areas: support soum environmental officials, cooperation in community initiatives, biodiversity monitoring system, developing aimag policy on LD mitigation/offsetting. The Department will also be a key target for capacity building for knowledge and skills to apply procedures and guidelines for mitigation hierarchy, monitoring and validation, as well as integrated land management planning. The Food and Agriculture Department has at least four divisions, namely, the Policy Division, Crop Division, Livestock Division including a Breeding Office, and a Veterinary Division. These divisions together are responsible for implementing the regional agricultural and food policies and providing support to the soum agricultural officer. The Department will be a key target for capacity building for integrated land management planning and sustainable land management.

Soum governments	Soum Governors' offices prepare, implement, monitor and evaluate local policies, and provide administrative services like civil registration, civil services, licenses, permits. Their roles in relation to the project will include: issuing certificates for use of natural resources; monitoring conservation activities, sustainable use of natural resources, rehabilitation, obliging those causing damage to the environment for payment or remedy, to halt or to inform the respective authorities on damage to the environment. At the Soum level, typically there are three key officers, representing the three key areas relevant to SLM. They are: (a) Agricultural Officer, (b) Land Manager; and (c) Environmental Inspector.
Aimag and soum Citizen Representatives Khurals	Representative bodies of the people; they pass regulations for their jurisdictions, monitor local administrative bodies, approve local budgets and control their execution. The following duties are relevant to the project - approval of budget for activities on environmental protection, sustainable use of natural resources, rehabilitation and monitoring over these activities; define a threshold for use of natural resources; to issue an endorsement for gazetting of local protected areas, defining the protection regime and monitoring the implementation, to defining boundaries for protection of water sources, discussing the state of environment report and information database, presented by governor, annual hearing on changes on environmental resources from Governor.
Bagh and khoroo citizens Khurals	They will have a key role in addressing use of pasture and water points, monitoring environmental protection and use of common resources, hearing governor's report on environmental protection
Bagh and khoroo governors	Key role in ensuring implementation of activities on environmental protection, approved by the bagh and khoroo citizens Khurals
River Basin Administrations (RBA)	RBAs report to MEGDT through a division under the Department of Environment and Natural Resources. They are responsible for drafting and implementation of river basin management plans upon approval by MEGDT, provision of professional guidance on water issues to all level governors and Citizens Representatives Khurals, review of requests for water use and compilation of information of water users in the relevant river basin, monitoring over water resources, setting limits for water use, issuance of opinion for granting exploration and mining licenses in their relevant river basins. They are therefore a key project stakeholders for the project in protection and sustainable use of water resources as well as a target for capacity building.
River Basin Councils	Platform for multi-stakeholder engagement in drafting, provision of guidance on river basin management plans, monitoring implementation of river basin management plans. Consists of representatives of provincial government, NGOs, Provincial Department for Nature and Environment, local communities, water users and water experts.
Pasture User Groups (PUGs)	Community based organizations of herders (PUGs) have been promoted for the sustainable use of pasturelands and for improved economic opportunities under the Green Gold project of SDC. Currently, 960 PUGs and 67 herders marketing cooperatives have been formed in 96 soums including the Western provinces to rehabilitate degraded pasturelands, improve yield, and cultivate fodder. These PUGs and cooperatives will be key partners for on the ground activities to be undertaken by the project.
Local communities	The key users of natural resources and beneficiaries of the project. Land degradation offsets will be piloted in close cooperation with herder communities that face problems with limited grazing area due to mining operations and other development projects. They play critical roles in site level and ground activities as a co-management partner, particularly through PUGs and cooperatives on pastureland improvement and agriculture productions. They will also be involved in rehabilitation of degraded lands.

BASELINE ANALYSIS

Component 1. Emplacement of the land degradation offset and mitigation hierarchy framework and capacity

58. The Government of Mongolia has made significant efforts to address land degradation (including from mining), particularly through development of its policy and legal framework. The Mongolian Action programme for the 21st century (MAP-21), approved in

1995, is the country's national agenda on sustainable development. It covers activities at the national and provincial levels, based on the country's natural resources and ecosystems, and covers sustainable social development, sustainable economic development, proper use of natural resources and protection of nature and the environment, and means for implementing Mongolia's System of sustainable development. Other Action Plans such as the National Environmental Action Plan (NEAP - never formally approved), Biodiversity Action Plan (BAP), National Action Programme of Climate Change (NAPCC) and the National Plan of Action to Combat Desertification (NPACD) contain integral parts of MAP-21.

59. Mongolia ratified the UN Convention on Combating Drought and Desertification and approved its National Action Programme for Combating Desertification (NAPCD) in 1996 (updated in 2010). Since then, a number of activities have been undertaken in the areas of policy development and planning, capacity building of local community groups, strengthening collaborative management over pastoral lands, improving livestock quality and enhancing non-livestock income sources for the rural population. In 2003, the UNCCD-NAP was revised and updated. The goals of the "new' NAP are to mitigate the negative impact of desertification caused by climate change and inappropriate human activities, define adaptation mechanisms, and elaborate policy and action plans to combat desertification.

60. Mongolia ratified the Kyoto Protocol in 1993 and the government has taken considerable steps towards the implementation of the UN Framework Convention on Climate Change (UNFCCC), including accomplishing required commitments such as the Initial National Communication and Technology Needs Assessment. The National Action Programme for Climate Change (NAPCC) was updated in 2011. The NAPCC's Strategic Objective 2 states: "Ensure ecological balance and reduce socio-economic vulnerabilities and risks step by step through strengthening of national adaptive capacity to climate change." The action plans for the first phase (2011-2016) include: integrated watershed management; technological and economic capacity building for water saving systems, extension of water reservoirs and basin constructions from rivers; precipitation and snow melt harvest, conservation of biodiversity vulnerable to climate change, implementation of measures for reducing pasture degradation, coordination of sector development strategies for sustainable water use, and enhancement of the greenhouse gas sequestration capacity of pasture and soil.

61. Mongolia initiated a National Environmental Action Plan (NEAP) in 1993. The NEAP covers Environmental actions to the year 2010. The Plan focuses on the following three major parts: Principal Environmental Issues: environmental protection, management of natural resources, conservation, and natural disaster mitigation; Social and Economic Dimensions; and Other Mechanisms and Responses. NEAP raised issues that include: land degradation, the wildlife population decline, eco-tourism promotion, and institutional capacity, including regulations, co-ordination, and human resources. The NEAP calls for the integrated development of natural resource law to support Mongolia's efforts in sustainable development. Currently, the Government is formulating the NEAP covering the period up to 2020.

62. The National Program on Protected Areas (approved in 1998) and its 1999 Action Plan aims to establish and maintain comprehensive, effectively managed, and ecologically representative networks of PAs covering 30% of Mongolia by 2015. The Programme

provides 10 key elements for its implementation, such as the establishment of a national program, the necessary legal framework, as well as governance, human capacity, management, research, public awareness and education, public participation, funding and infrastructure, and international cooperation. These elements align with the goals of the CBD Programme of Work on PAs.

63. Mongolia has an impressive legislative framework for addressing the environmental impacts of mining, both at the exploration and exploitation stages. Important amendments to the environmental legislative framework took place in May 2012, with many additional regulations and guidelines produced to aid implementation. The new framework embraces the Polluter Pays Principle (PPP), community-based natural resources management (CBNRM) and offsetting principles. The amended Environmental Impact Law specifically provides for biodiversity offset. Environmental Audit (EA) and Strategic Environmental Assessment (SEA) have become obligatory and cumulative environmental impact has been introduced. In 2014, an important by-law was approved on obligatory re-investment of up to 85% of the fees collected from utilization of natural resources back to the conservation and restoration measures at the local level. Environmental management plans must be prepared annually for each mine, including both an environmental protection plan and environmental monitoring program.

64. In 2010, the Government placed a moratorium on the issuance of new licenses for mining exploration and exploitation (which has very recently been lifted). Furthermore, a new law was approved to prohibit all mining operations and exploration in forested areas and river headwaters in 2009, while all mining activities are strictly excluded in protected areas. Enforcement of the amended law resulted in putting 242 mining licenses on hold, out of which 69 are fully cancelled and 36 are partially cancelled. The rest are under review. The damages claimed by mining companies caused significant legal implications for the Government and these are expected to continue.

65. Since mining causes considerable damage to land, two types of rehabilitation are practiced in Mongolia. These are "technical" and "biological" rehabilitation. Technical rehabilitation mainly means flattening of waste dumps, filling mined areas and covering with topsoil to allow biological rehabilitation to be conducted. A guideline on technical and biological rehabilitation of degraded land by mining was approved in 2009 and revised following the ratification of the new environmental laws in 2012 to bring it in line with international best practices. According to MRMA, up to the end of 2013, out of a total of 24,637ha of mining land, 18,356ha had been rehabilitated, with 10,263ha under technical rehabilitation and 6,782 ha under biological rehabilitation.

66. An Environmental Rehabilitation Fund has been established under MEGDT. Mining companies must deposit 50% of the costs of their annual environmental management plan into this fund, which is then held pending satisfactory performance or until closure of the mine. 10% of the funds held are transferred to the soums and districts to cover the costs of monitoring rehabilitation measures, and a further 10% for monitoring mine closure and maintenance activities. A similar mechanism allows soums and districts to hold funds relating to exploration projects. If the company fails to fully implement the measures provided in the environmental management plans, the Governor, environmental protection and inspection agencies of the relevant soum or districts shall use the deposited funds for these measures and the company shall provide any additional funds required.

67. A guideline for conducting detailed environmental impact assessment was approved in January 2014. This requires the license holder to contract an authorised consulting company to define the potential negative impacts of a proposed project, including identification of the best project alternative, with recommendations for avoidance, mitigation, and elimination of negative impacts. It requires the residual impacts on biodiversity to be offset in the similar ecological conditions to the disturbed areas, after taking necessary mitigation and rehabilitation activities. Landscape level planning or regional assessments shall be a basis for defining offsets and the result of biodiversity offset shall be a net positive impact where biodiversity gains exceed biodiversity losses due to the impacts of a specific development project. This requires the company to: (i) define the objectives of net gain for biodiversity; (ii) define biodiversity management actions; (iii) conduct monitoring over implementation; (iv) develop budget and funding plan. Biodiversity offsets may include: direct biodiversity offset actions; improving and restoration of some elements of ecosystems, species and population of species; reduction of threats to biodiversity; or improvement of certain conditions of habitats. Professional organizations in collaboration with relevant stakeholders will develop an offset plan, focusing on the following: a baseline of species of flora and fauna needed to offset; biodiversity offset net gain, indicators and monitoring plans; activities and action plans for biodiversity offset net gain; methods for undertaking activities and budget. Specific metrics and multipliers are defined for calculating the offsets.

68. Despite this legislative progress, capacity to develop and implement offsetting plans is lacking, and there are not yet any examples of offsets being applied in Mongolia. Oyu Tolgoi copper mine, which commenced operations in 2013, is the first to have formulated a biodiversity offset programme, with support from international NGOs such as the Wildlife Conservation Society (WCS) and Fauna and Flora International (FFI). However, implementation is not yet fully operationalised.

69. In Mongolia, Land use plans (LUP) are produced at national, aimag and soum levels. (i) The 20 year National Land Management Plan (2004-2023) reflects the long-term strategic development objectives of the country. Its development is coordinated by ALAGaC in cooperation with all Ministries and other relevant organizations. (ii) Aimag Land Use Plans are based on the National Land Management Plan, and cover 12 – 15 years. Environmental issues are becoming of ever-greater importance in these plans which are produced and monitored by the aimag governments and the ALAGaC. (iii) Soums are obliged to produce annual Soum Land Use Plans in accordance with the aimag LUPs. These plans deals with detailed and urgent land management and development issues, and are developed by the soum government with support of the respective aimag land office. The Aimag land office, through its land manager in the respective soum, monitors the implementation of the plan.

70. The Government is taking substantial measures to develop a more evidence-based land use planning system. Eco-regional assessments of biodiversity and ecosystem services have become a key tool in land use planning, helping ensure that ecologically valuable and irreplaceable locations are kept away from any development activities, especially in the mining sector, and also provide the basis for identifying offset areas. TNC has completed eco-regional assessments for the Eastern-steppe ecoregion and the southern Gobi with investments of USD 600,000 and USD 870,000 respectively. In anticipation of the current project, the government has also financed (USD 160,000) the Phase 1 (data gathering phase) of an Eco-regional Assessment for Western Mongolia, which is nearly completed.

71. The National Action Plan for Combating Desertification (NAPCD) under the NCCD, is an important programme for SLM. It has been updated in line with the UNCCD's 10 Year Strategy, and is implemented through all provinces and soums. During the period 2010-13 the average annual investment to combat desertification was US$ 3.6M.

72. UNDP, with funding from AusAID (former) supported a Cost Benefit Analysis (CBA) of the Mining Sector through its Environmental Governance programme in 2012, with the objective of estimating the economic, environmental and social costs and benefits of mining operations in the country. The project developed a CBA model for mining operations, consisting of 14 spreadsheets including land cost, subsoil, soil and water spreadsheets. The tool was applied for the whole mining sector level and at a coal mine and a gold mine. Through its Environmental Governance programme, UNDP supported institutionalizing of environmental audit with formally approved guidelines and methodologies, training curricula and appointment of a certification entity and first round of certification training to environmental auditors. Environmental audit will be applied during the project lifetime as a tool to identify implementation gaps, along with related remedial actions for partnering mining companies. The UNDP also implements a US$ 3.5 million programme to build local government capacities, through which in-service training opportunities are being provided for local Soum and Aimag self-governing bodies. The training programme includes subjects in support of informed decision making on mining related issues at their localities. This complements the capacity building aspects planned under the proposed project for local authorities to more effectively deal with mining related issues.

73. The Bundesanstalt für Geowissenschaften und Rohstoffe (BGR) – German Federal Institute for Geosciences and Natural Resources "Environmental Protection in Mining" project (ended 2014) has supported the geological survey and environmental aspects of mining with a focus on mine closure, environmental auditing and responsible mining. The project has published a compendium of environment related laws for mining, and has held conferences for 9 years to share best practice in mine closure for practitioners across the sectors.

74. An agreement was signed in 2014 with the Korean International Cooperation Agency (KOICA) for US$ 5M to establish a mine rehabilitation center and develop capacity of all relevant stakeholders (mining companies, civil society) in this field.

Component 2. Application of mitigation hierarchy and land degradation offset mechanism

75. In accordance with the updated National Action Programme for Combating Desertification, all provinces developed sub-programs for combating desertification and significant local level baseline activities have been initiated since 2012. These include extending forested areas (a total of 124 ha has been reforested at an estimated cost of US$127,100), bringing 22,930 hectares of forest into sustainable management, improving pasture management over 213,379 hectares, improving ground water supply (64 springs protected (estimated at US$98,560), 1 well repaired, 105 wells established (estimated US$942,375), and establishing mechanical barriers to cope with sand movements. In addition, Government has started significant programs such as the National Program on Mongol Livestock (2010), Western Province Development Plan (2007-2015) at local level to develop SLM and reduce land degradation through using natural resources in appropriate ways,

improving pasture management, and mitigating negative impacts of economic development projects.

76. A number of initiatives focusing on pastureland management and improving pastureland conditions have been undertaken by international partners:

77. The World Bank financed "Sustainable Livelihood Programme" Phase I and II (US$ 62.73 million) has been supporting pastureland risk management activities in every corner of the country. Phase III of the programme (US$ 24 million) is expected to start shortly, and aims to improve governance and community participation for the planning and delivery of priority investments in rural areas of Mongolia. It will support capacity building for local governance and livelihoods, through technical assistance in the areas of medium-term planning, community participation, budget preparation, procurement, supervision, reporting and monitoring and evaluation.

78. The Swiss Agency for Development and Co-operation (SDC) provided financing of USD 10 million for "Coping with desertification" and "Mongolian Pasture – Green Gold" projects which are working at a community level to address overgrazing of rangelands. The Green Gold project, with US$ 4 million funding, aims to strengthen self-reliance of poor and vulnerable herders. It focuses on building the capacity of communities to use pasture sustainably for increased production. Phase II of the project started in late 2013 with US$ 10 million, covering the western region of the country. It is empowering PUGs to support sustainable use of rangelands (rotational grazing, resting of pastures, haymaking etc.), economic development, and equitable and effective local governance, and to support applied Rangeland Management Research.

79. The IFAD/GEF Mongolia Livestock adaptation project (2011-2017) aims to increase the Mongolian livestock system's resilience to changing climatic conditions by strengthening the adaptive capacity of Mongolian herders. It supports re-introduction of traditional pasture management techniques and improvement of grazing schedules in Mongolia. The project's approach includes support for testing technologies to harvest snowmelt and rainwater, along with exploring options for using mobile solar water pumps. Furthermore, rangeland monitoring systems are supported, as well as the monitoring and dissemination of climate data.

80. The UNDP/GEF Strengthening protected area network in Mongolia (SPAN) project (2010-2015) is supporting policy development, capacity building and financing mechanisms for the PA network. It will link with this project through building the legislation framework and assisting to implement relevant regulations on targeted local areas, developing innovative financing mechanisms for PAs which could include offsetting, and strengthening collaborative management.

81. The UNDP/GEF Mongolia's network of Managed Resources Protected Areas project (2013-2018) goal is to ensure the integrity of Mongolia's diverse ecosystems to secure the viability of the nation's globally significant biodiversity. The project objective is to catalyze the strategic expansion of Mongolia's protected area system through establishment of a network of community conservation areas covering under-represented terrestrial ecosystems. It has the similar on-the-ground potentials for linkage with the proposed project as the SPAN project, above. MRPA project pilot sites include Gulzat LPA that is adjacent to the Khotgor mine.

82. WWF Mongolia promotes the expansion of community-based conservation on both national level and in the Western Provinces through support to River basin management planning, EIA guidelines and biodiversity conservation. WWF's project "Sustainable water management as a climate change adaptation strategy in Western Mongolia" (2008-2010) aimed to ensure the ecological integrity of Khovd River Basin and the sustainable management of its water and related resources as a climate change adaptation strategy. The main outputs of the project are the integrated water resource management plan for the Khovd River, as well as establishment of the River Basin Councils. This project will provide good lessons learned on developing landscape level land use planning.

83. At the local level, province and soums have critical roles in providing technical assistance to herder associations and herder households in joint planning and co-management of natural resources. In this regard, annual land management plans of the soums should be developed under a participatory approach including herders and soum government officials and officers in charge of land, environment and agriculture. This approach is implemented successfully in some part of the country where the herder groups or PUGs are active. As a result, herders use grassland in accordance with the pasture management plan developed by them and the pasture use contract entered into with soum governors. This results in managing pasture sustainably and productively according to their ecological potential and in monitoring the effects of management on pastureland health.

84. **Pilot Landscape #1 "Khotgor" Baseline:** This pilot landscape encompasses Bukhmuren soum in Uvs aimag, which covers an area of 373,400 hectares. It is a coal mining landscape, including three mines.
    - "Khotgor" open-cast coal mine was first licensed in 1999 covering an area of 39.5 hectares, with a second license in 2011 with area of 51.2 ha. It employs 59 people. Production of the mine was 52,007 tons in 2014. The mine is owned by Khotgor LLC, which is a Mongolian registered company. The following mitigation activities have been undertaken by the mining company: technical rehabilitation of 14.7 ha out 34.3 ha of disturbed land, watering the site area, roads, collection and removal of wastes, provision of earphones and masks for workers to ensure occupational health and security. The total budget for activities carried out under the Environmental Management Plan in 2014 was MNT 7,860,000 (about US$ 4180). There is no offset agreement yet in place.

    - "Erchim - Nuurst Khotgor: This is an open-cast coal mine, first licensed in 2009 covering an area of 29 hectares and employing 14 people. Production of the mine was 26,400 tons of coal in 2014. The mine is owned by Erchim LLC, which is a Mongolian registered company. The following mitigation activities have been undertaken by the mining company: watering the roads to reduce dust, temporary placement of rubbish bins in proper places, waste water disposal points at lower parts of settlements, disinfection of waste disposal places, to reduce the number of roads in order to avoid further land degradation, to build water discharge channels to reduce the soil erosion near tailings, to grow perennial plants, trees and bushes, to prevent ground and surface water pollution by not disposing wastes, to take preventive measures for water sources and wells, to take regular water samples from water sources. The total budget for activities carried out under the Environmental Management Plan in 2014 was MNT 13730000 (about US$ 7300). There is no offset agreement yet in place.

"Khotgor Shanaga": This open-cast coal mine was first licensed in 2007, covering an area of 25 hectares under a mining license and holding three exploration licenses with total area of 750 ha and employing 22 people. Production of the mine was 141,817 tons in 2012. The mine is owned by Khotgor Shanaga LLC, which is a joint venture with the Republic of Korea. The following mitigation activities have been undertaken by the mining company: afforestation, protection of vegetation, maintenance of waste disposal sites, proper signing of roads to reduce the expansion of existing roads and associated dust and air pollution. The total budget for activities carried out under the Environmental Management Plan in 2014 was MNT 33,689,330 (about US$ 17,843). There is no offset agreement yet in place. The predominant landscape within this pilot is desert steppe with typical limey soils. There are 2,180 people living in the Bukhmuren soum, including 284 herding households. The main livelihoods of the rural communities are derived from herding of 99,859 livestock (109 camel, 2,814 horses, 4,712 cattle, 41,251 sheep and 50,973 goats). There is only a very small area of cultivated agriculture (237 ha), predominantly of vegetables and fodder. The Gulzat locally protected area is located within this soum, about 20-30 km from the mines. The main mining impacts that need to be addressed are the following: land degradation (damage to pastures from roads), air pollution (dust from roads causing health impacts), soil pollution by heavy metals, loss of flora and fauna. Local herders consider it very important to build a single asphalt road for mining transport, to reduce environmental impacts. There is limited experience of applying SLM techniques.

85. **Pilot Landscape #2 "Bayan Airag" Baseline:** This pilot landscape encompasses Durvuljin (726,000 hectares) and Erdenekhairan soums in Zavkhan aimag. It is centred around the Bayan Airag mine. This is an open pit gold mine, first licensed in 2008, covering an area of 6,102 hectares. The mine is owned by Bayan Airag LLC, which is a joint venture (Mongolian and Virgin Islands). The predominant landscape/habitat types within this pilot are mountainous. There are 2648 people living in the Durvuljin soum, including 451 herding families. The main livelihoods of the rural communities are derived from herding. There is only a very small area of cultivated agriculture.The herders are concerned about the combined impacts of mining, climate change and other activities on land degradation and desertification and that more biological rehabilitation of mining lands is required. The following mitigation activities have been undertaken by the mining company: continuous monitoring of air pollutants and measurement of noise at 7 points, dust measuring points also were installed. Water monitoring stations also are operational and samples are taken once in 2 weeks. Sampling of waste water treatment station are taken once a month for analysis to be done in Ulaanbaatar. Soil quality is being monitored on monthly and quarterly basis. Baseline survey for vegetation is being undertaken and will be monitored annually. Mammal and bird population dynamics and migration will be monitored as well on an annual basis. The total budget for activities carried out under the Environmental Management Plan in 2014 was MNT 37,000,000 (about US$ 19,600). There is no offset agreement yet in place.

86. **Pilot Landscape #3 "Khushuut" Baseline:** This pilot landscape encompasses Darvi soum in Khovd aimag, which covers an area of 560,500 hectares. It is centred around the Khushuut mine. This is an open pit coal mine, first licensed in 2007, covering an area of 600 hectares. The mine is owned by MoEnCo LLC, Singapore based and Hong Kong listed company. The predominant landscape/habitat types within this pilot are combination of mountain, mountain steppe and forest steppe. There are 2,712 people living in the Darvi soum, including 546 herding families. The main livelihoods of the rural communities are derived from herding of 142,234 livestock, and also agriculture. There is only a very small

area of cultivated agriculture (156 ha), predominantly of wheat, barley, corn and vegetables. The Sharga Manhan Nature reserve is located within this soum, covering an area of 396,290 ha. The main mining impacts that need to be addressed are the following: dust, air pollution, land degradation, soil pollution, vegetation, wildlife and local communities as well as water pollution and waste. Local herding communities consider that a lot more needs to be done by the mining company to address the impacts on their livelihoods, including more rehabilitation of degraded mining lands. The following mitigation activities have been undertaken by the mining company: watering the roads for transportation of coal, constant monitoring on reduction of the speed of vehicles to reduce dust, protection of water sources and wells, cleaning up sacred water sources, removal of topsoil and appropriate storage, regular monitoring, covering of coal during transportation, watering the site for coal loading, regular maintenance of roads with objective to reduce air pollution, installation of water monitoring points, replacing drinking water storage tank, prevention and neutralization of soil pollution from lubricants, fuel and spills and closure of unnecessary unpaved roads. The total budget for activities carried out under the Environmental Management Plan in 2014 was MNT 223,000,000 (about US$ 118,000). There is no offset agreement yet in place.

PART II: Strategy

PROJECT RATIONALE AND POLICY CONFORMITY

Fit with the GEF Focal Area Strategy and Strategic Programme

87. The project directly addresses the GEF 5 Land Degradation Focal Area Objective 3 – *Reduce pressures on natural resources from competing land uses in the wider landscape*. The project will support this by increasing national and local capacity for integrated landscape level planning and management, application of mitigation hierarchy and offset for land degradation to effectively manage the direct and indirect impacts of mining. It will contribute to LD3 Outcome 1 (*Enhanced enabling environments toward harmonization and coordination between sectors in support of SLM*) by supporting an enhanced enabling environment for mitigating and offsetting the impacts of mining, and coordinating policy, legal and regulatory frameworks for SLM between sectors competing for land area and natural resources; it will also build the capacity of national and local institutions through knowledge transfer for better decision-making on actions related to land use and mining to avoid negative trade-offs. For LD 3 Outcome 2 (*Good SLM practices in the wider landscape demonstrated and adopted by relevant economic sectors*), the project will demonstrate mitigation and offsetting to address the impacts of the mining sector, including the provision of financial resources to rural land users to sustain and upscale good practices. The project furthermore fulfils the anticipated private sector engagement outcome of LD3 through engaging extractive industries in SLM, by effective application of the full mitigation hierarchy including offsetting, for the benefit of local herding communities.

88. The project is also in accordance with the UNCCD promoted Sustainable Development Goal at the SD Conference (Rio+20), namely "Zero Net Land Degradation" drawing lessons from the implementation of existing targets for the Convention. In this regard, the Government of Mongolia is requesting GEF support to advance the country's efforts to offset the negative impacts of mining on ecosystem services and land productivity. The project will also contribute to the achievements of MDG1 on poverty reduction and MDG7 on environmental sustainability.

Rationale and summary of GEF Alternative

89. This Project aims to reduce the negative impacts of mining on rangelands in the western mountain and steppe region by incorporating the mitigation hierarchy and offset for land degradation into the landscape level planning and management.

90. **In the baseline scenario**, the Government of Mongolia has identified the development of the mitigation hierarchy including offsetting as a priority for addressing the land degradation impacts from mining. It is one of only 45 countries (and a handful of developing countries) to have established a legal framework for mandating compensatory biodiversity conservation mechanisms (including offsets). It is continuing to invest in efforts to develop and implement this legal framework for mitigation and offsetting, and to integrate offsetting and avoidance of mining impacts into the land use planning and management framework. However, there remain gaps and contradictions in the current legal and regulatory framework that do not allow full implementation of the provisions. Capacity for implementation of the framework also remains very low, and there are no demonstrations yet of successful offsetting on the ground. Therefore, without the proposed

project, Mongolia would still work towards the implementation of the mitigation hierarchy and offsetting to address the impacts of mining, but the process would take considerably longer, and it would be more difficult to achieve the international standards for best practice required. Investment by mining companies in mitigating and offsetting land degradation would be less likely in the absence of a clear legal framework and national capacity for effective governance of the sector. Efforts to date have been inadequate to remove the existing barriers to the introduction of an effective national offsetting regime that will contribute towards sustainable land management and encourage sustainable use of biological resources. Therefore ecosystem degradation will continue and the opportunity for better use of Mongolia's exceptional mineral resources while at the same time delivering better outcomes for poor rural communities and biodiversity, will be missed.

91. **In the GEF alternative scenario:** The project will support further development of the mitigation hierarchy/offsetting framework, embed it into the land use planning system and build capacities among key stakeholders and facilitate demonstration activities on the ground. Intensive awareness raising and capacity building efforts will ensure that all concerned stakeholders understand the principles behind the mitigation hierarchy/offsetting framework, the requirements for its implementation, and the potential benefits that can be realized to different parties. The project will also facilitate the reinvestment of benefits from offsetting back into SLM. The competent authorities, inspection authorities and other stakeholders will be brought rapidly to implementation readiness, and through the pilot landscapes the practical implementation of the processes will be demonstrated. The results and lessons learned will be shared nationally and internationally, contributing to global best practices and the ongoing regional and global processes on offsetting. Overall, the project will ensure that the national economy, business community and local communities all stand to gain from the further development of Mongolia's mining industry.

PROJECT GOAL, OBJECTIVE, OUTCOMES AND OUTPUTS/ACTIVITIES

92. **The project's goal is: "Conservation of ecosystem integrity and resilience, biodiversity and livelihoods in Western Mongolia's productive landscapes"**

93. **The project objective is**: "To reduce negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management".

94. Despite the extensive baseline efforts reported in Part I, the operationalization of a fully functional mitigation hierarchy and offsetting framework has not yet happened, particularly due to the limited institutional and personnel capacity. Additionally, the enabling framework of landscape level planning is not yet in place for Western Mongolia. Consequently, the Government of Mongolia has requested support from the GEF and UNDP to embark on a project to alleviate the above barriers and create the necessary enabling policy and institutional conditions for such a framework to be fully operationalised and demonstrated.

95. The project objective will be achieved through the implementation of two inter-connected components. Component 1 addresses the need for a strengthened national regulatory and institutional framework on mitigation and offsetting of the impacts of mining. It includes the identification and embedding of priority conservation areas into provincial level land use planning through a comprehensive eco-regional assessment. The operationalisation of

this framework will be supported by development of institutional and personnel capacity for the implementation of programs and activities and enhancing the awareness of stakeholders including the private sector (mining companies and consulting firms), local governments and communities, academia, parliamentarians and law-enforcement agencies. Component 2 will involve demonstration of pilot mitigation and offsetting agreements through sustainable land management activities by local communities. This will provide experience and lessons to inform refinement of the framework and implementation processes. The two components will result in the following project outcomes:

Outcome 1: Land degradation mitigation and offset framework operationalised, through eco-regional land use planning and capacity development. This component will work with relevant ministries and institutions to establish the land degradation and mitigation hierarchy and offsetting framework in the planning and management system of mining concessions at the national level, in order to reduce mining threats to land and water resources and ecosystem integrity. Detailed procedures, guidelines, norms and standards will be developed and reviewed, including development of institutional requirements for compliance monitoring and fund management, and the establishment of rules and regulations for collection and reinvestment of offset/conservation funds. In addition, a formal mechanism will be emplaced to apply participatory and eco-regional assessment findings to aid informed decision-making by the Government. The component will introduce integrated planning and management to 41.5 million hectares of production system and natural habitat in western Mongolia, incorporating science-based mitigation hierarchy into mining concession planning and provincial land use planning and management of competing land use types, and setting aside ecologically sensitive areas from mining-related development. The project will thus strengthen the policy, legal and planning framework governing the sector, and facilitate a cross-sectoral collaboration for land management and planning at the landscape level. Institutional and personnel capacity for reducing negative impacts of mining will be developed as measured by the UNDP Capacity Assessment Scorecard which has been adapted specifically for this project so that local level Government officers and other stakeholders gain skills and knowledge to ensure the full process of mitigation hierarchy is practiced.

Outcome 2: Land degradation mitigation and offsets applied through SLM within selected landscapes: This component will demonstrate introduction of the LD mitigation and offset mechanism through integrated sustainable land management practices for competing land use types (*i.e.* mining, infrastructure development, livestock grazing, irrigated and arable farming, areas under special (state) and local protection, and tourism initiatives in protected area buffer zones) in the western mountainous region of the country. Local farmers and herders, as primary resource users and local Government will play an essential role in implementation of landscape-level land use plans and in addressing land degradation challenges. Specifically, the project will pilot best practice development and operationalization of mitigation hierarchy (including rehabilitation) and land degradation offset mechanisms in the selected pilot landscapes by the related mining companies in close cooperation with local Government, local communities and NGO/CSOs. Integrated landscape management and offset mechanisms will be demonstrated covering at least 100,000 ha, with prominent mining concessions and other competing land uses; increasing rehabilitated lands, and reducing the projected rate of land degradation and biodiversity loss. Increased investments in SLM actions in the landscape will generate a 50% increase on the 2014 environmental management plan budgets of partner mining companies in the pilot landscapes. The MEGDT, as the overall authorized agency for mitigation hierarchy

and offsetting, will oversee and provide guidance on the development and implementation of the pilot agreements.

96. In addition, implementation of the project is supported by monitoring and evaluation inputs in order to achieve effective and efficient project implementation based on results-based management. This will include assessment of capacity development and awareness levels on specific subjects, as well as use of the Land Degradation Tracking Tool in order to substantiate related SRF indicators.

97. The project's Stakeholder Involvement Plan (see Section IV, Part IV) provides details of stakeholder organizations and their roles in project implementation, including mechanisms for participation. This includes central government agencies concerned with mitigation and offsetting; responsible authorities in the aimags and soums; social and environmental NGOs involved in offsetting and land degradation issues; research and academic institutions; and private sector organizations and businesses involved in the mining sector.

98. Activities under the two outcomes will be focused at two main levels of intervention: (i) the national/regional level, in order to further develop the national regulatory and institutional framework, to complete the eco-regional assessment for Western Mongolia, and to develop national capacity for governance of the framework and technical support measures for its implementation; and (ii) the provincial/ local level in Western Mongolia, to demonstrate pilot offsetting activities in the field in collaboration with local authorities, mining companies and communities, and to raise awareness and understanding of offsetting processes and their regulatory framework.

Outcome 1: Land degradation mitigation and offset framework operationalised, through eco-regional land use planning and capacity development
Total cost US$ 3,373,000; GEF US$573,000; Co-financing US$2,800,000

99. The three outputs and outline activities proposed to achieve this outcome are described below.

Output 1.1: Land degradation mitigation and offset procedures and guidelines developed, integrated in the mining concession planning and licensing system and operationalized.

100. This Output will build on the recent substantial progress that government has made in strengthening policy and regulations for mitigating and offsetting the impacts of mining. These include: revisions of the Law on Environmental Impact Assessment (1998, revised in 2012); State policy on Minerals (2014); Mineral Law (2006, revised in 2014); and the Guidelines on detailed Environmental Impact Assessment (2014), which include a section on biodiversity offsets. The project will prioritize measures to resolve contradictions (and fill gaps) between policies and laws relevant to mitigation and offsetting, to formally link mitigation and offsetting into land use planning, and to improve participation and access to information regarding mining impacts and mitigation measures. The following activities will be carried out to realize this output:

101. An inter-ministerial working group will be established to ensure that Government policies and guidelines for applying the mitigation hierarchy and offsetting are comprehensive and consistent and that there is good coordination between sectors. A

review of existing laws policies and guidelines, procedures and standards will first be undertaken to identify gaps and contradictions. This review will also cover offsetting agreements and institutional requirements for compliance monitoring and fund management, and the establishment of rules and regulations for collection and reinvestment of offset/conservation funds. There is also a need for a robust mechanism to ensure that offsets remains the last resort after all other elements of the mitigation hierarchy have been applied, and that strict criteria for offset mechanisms are put in place. Following the review, measures will be implemented to address the identified issues and to fill gaps and inconsistencies, including:

- Integrating land degradation offset and mitigation into relevant laws such as Law on Land, Law on soil protection and prevention from desertification and Law on Protected areas
- Amending laws (particularly the award of exploration licences) to reflect the needs of local communities, ensuring adequate time for consultations and feedback
- Pursuing resolutions to contradictions between identification of conservation areas (MEGDT) and geological surveys to implement mining policy without considerations of conservation sites (Ministry of Mining)
- Develop regulation and guidelines for the Law on Common Minerals (sand and gravel) to ensure that mining operations update their licenses for common minerals
- Explore how offsetting through SLM can be more effectively linked to the Law on SPAs which only "protects" these areas, and does not address ecosystem functioning within them
- Develop mechanisms to ensure that offsets are adequate for addressing long-term impacts eg after mine closure
- Amend legislation to incorporate offsetting in land use plans at national, aimag and soum levels, based on application of the results of eco-regional assessments to aid informed decision making by the Government, and use this to reduce the overlaps between mining concessions and areas of special needs (protected areas etc.).
- Reduce overlap of mining concessions with areas of special needs (special protected areas etc.)
- Explore benefits of bringing land affairs under the Office of the Prime Minister, rather than under a sectoral ministry
- Include a robust cost-benefit analysis (CBA) methodology, based on that already developed by UNDP for costing/quantification of the negative mining impacts on land/water resources and ecosystem functions and services into the EIA guidelines
- Develop guidelines and regulations for the financial aspects of offsetting, including collection and reinvestment and fund management
- Identify mechanisms to ensure that allocated compensations to local communities from mining companies are sufficient to cover long-term costs of impacts on their livelihoods (eg. establishing fences and wells in new area, travel cost for moving to new places, reduction of livestock productivity due to adaptation to new pastures etc.)
- Explore mechanisms to generate additional funding for addressing land degradation caused by mining eg. through use of the Sovereign Wealth Fund to support impacted communities through SLM
- Review results from the testing of formal agreement mechanisms for offsets, including incorporation of financial contributions
- Prepare guideline for the implementation of offsetting and mitigation hierarchy through SLM, based on the experiences learned from the pilot landscapes under Outcome 2.

- Develop further guidelines and user-friendly handbooks on offsetting and rehabilitation methodologies based on successful examples

The revised regulations, guidelines and procedures will be approved and integrated into the mining concession planning and licensing regulations and systems, and operationalized with clearly identified stakeholder roles and responsibilities.

Output 1.2: Participatory and science-based eco-regional assessment conducted in western Mongolia and applied to provincial (landscape-level) land use planning.

102. This Output will further extend Mongolia's coverage of science-based eco-regional assessments (ERA) as a tool for applying rigorous, science-based and systematic landscape level conservation planning approaches to balance development needs, such as mining and infrastructure, with those of nature conservation. The Nature Conservancy (TNC), a world leader in this respect, will apply its Development by Design (DbD) approach for western Mongolia to provide the required evidence-base for applying the mitigation hierarchy (avoid, minimize/restore, and offset) to conflicts between negative impacts of various development projects on land/water resources and conservation priorities at the landscape level. The results will be incorporated into land use planning, as a basis for offset implementation.

103. In anticipation of this GEF project and recognising the urgent need to develop landscape-scale conservation planning to address mining impacts, the government already initiated the ERA for Western Mongolia through a contract with TNC in 2014. A participatory and evidence-based biodiversity assessment, using remote-sensing, GIS and optimisation modelling (Marxan) has been used to identify an initial portfolio of ecologically sensitive areas and regional level aggregated offset opportunities. Under the proposed project, this initial portfolio of sites will be refined by removing and replacing areas that are already subject to ecological disturbance or which conflict with existing mineral developments. This will result in a final approved portfolio of conservation sites representing 30% of the territory of Western Mongolia, this being the areal representational goal set by Government policy. Completion of the ERA will involve a high degree of participation and capacity building, particularly through the development of a multi-stakeholder working group which will provide both local and technical advice. A high level event will be organised to launch the final ERA report which will also be made available on the MEGDT web site.

104. Under this Output, Phase 2 of the ecoregional assessment will involve incorporating the approved portfolio of conservation and offset areas as well as the mining concessions into land use planning at all levels, with follow-up designation of protected areas. This is needed for applying the offsets which are mandatory in the EIA legislation. In particular, the sites need to be formally included into the land use plans of each aimag and each soum, and also into the river basin management plans that are currently being prepared by the River Basin Authorities. This activity will link with Output 1.1, which aims to pass legislation to incorporate offsetting in land use plans at all levels, based on the results of eco-regional assessments to aid informed decision making by the Government. It will also be necessary to improve inter-sectoral coordination for land use planning, by engaging all relevant sectoral ministries and institutes.

Output 1.3: Capacity of key stakeholders developed to apply mitigation and offsetting at the national, aimag and soum levels, and public awareness raised.

105. This output will strategically address the most significant barrier to effective impact avoidance, mitigation and offsetting of mining impacts in Mongolia, which is the current low baseline individual and institutional capacity, as evidenced by the Capacity Development scorecard (see Annex 1), which recorded a baseline score of 42.7%. Indeed, the environmental and inspection officers lack knowledge and skills for evaluating the negative impacts from mining on the ground, so it is essential to build their capacity especially on implementation, monitoring and evaluation. Although these officers have been introduced to the new amendment (offsetting) of the EIA Law through one-round of regional training courses, there is no on-the-ground experience of implementation of offsets in Mongolia. Even at Oyu-Tolgoi, the only mine-location with some experience in developing a biodiversity offsetting strategy, the field implementation has not yet begun. Similarly, there is little experience for integrated land use planning at aimag and soum level, and in the river basin management authorities, (including knowledge for application of the Law on prohibition of all mining operations and exploration in forested areas and watersheds).

106. The first step, to be initiated during the inception phase through consultation with relevant stakeholders, will be to prepare a comprehensive Capacity Development Plan, based on a detailed needs assessment for each target group. This will cover all relevant stakeholders (national, aimag and soum levels), including public sector organisations, community-based organisations, civil society organization, environmental consulting firms, mining companies, etc..

107. The Capacity Development Plan will be implemented through user-friendly manuals, training workshops, facilitated learning by doing at the pilot landscapes, and exchange visits. As a result: (i) government organizations will gain capacity for reviewing and approving environmental management plans related to offsetting; (ii) local level Government officers will gain skills and knowledge to ensure the full process of the mitigation hierarchy is applied according to best practices using the relevant guidelines, monitoring and validation; (iii) relevant officers (eg Land Managers, Environment Officers) at aimag and soum levels will receive specific training in integrated land use planning, eco-regional assessment, the use of GIS to address mining impacts, and environmental monitoring; (iv) the mining companies and their environmental consulting firms, will be capacitated to design and implement effective mitigation and offsetting measures as a key mechanism for delivering their corporate social responsibilities.

108. Because offsetting is relatively new to Mongolia and global experience is also limited, the development and dissemination of knowledge resources is important. A much broader understanding of its application is needed amongst the public, decision-makers and implementers. Issues related to different types of offset, offset criteria, applicability of offsets, measuring net gain and no net loss, defining the appropriate level of net gain, valuation of activities and options of applying market mechanisms all need to be better understood. Particular efforts will be made to ensure greater public participation in, as well as awareness and transparency of offsetting. The project will therefore implement public awareness activities to ensure that by project closure, environmental NGOs/CSOs, as well as local communities have become participatory local champions of functional and effective offset planning and implementation.

109. A Communications Plan will be prepared and implemented. Activities are expected to include media coverage (TV, radio, newspapers, magazines) at national and provincial levels, as well as targeted awareness raising for particular groups (eg. elected representatives). Guidelines and mechanisms will be established to ensure that provincial Governors take the responsibility to incorporate community views and opinions in their decision-making on concessions, environmental management plans and offsets. Sharing and access to information on mitigation and offsets and their incorporation into land use planning (legislation, guidelines and examples) to encourage replication of best practices will also be improved, through further development of the MEGDT website / database on environment, workshops, training. Furthermore, user-friendly manuals and handbooks need to be developed in order to provide clear directions for high level decision makers, government officials at all levels, developers and authorized consultancies for detailed environmental impact assessment. Online information dissemination of best practices and lessons from Mongolia's and international experiences in applying the mitigation hierarchy and offsetting processes will be supported with specific location- and/or theme-based case studies. A national seminar will also be organised towards the end of the project to take stock of the experiences of implementation, disseminate best practices and lessons, and prepare a replication and up-scaling plan.

Outcome 2: Land degradation mitigation and offsets applied through SLM within selected landscapes
Total US$ 2,600,000; GEF US$ 600,000; Co-financing US$ 2,000,000

110. This Outcome covers the testing and demonstration of mitigation and offsetting through sustainable land management to address the impacts of mining in the selected pilot landscapes. The three outputs and outline activities proposed to achieve this outcome are described below.

Output 2.1: Integrated land management plans operationalised in selected landscapes with full participation of key stakeholders.

111. This Output will ensure that the impacts of mining for each of the project's pilot landscapes are addressed through impact avoidance, mitigation and offsetting measures implemented through participatory integrated land management plans. In accordance with the national regulation, land management plans are already prepared for each aimag and annually for each soum. These include detailed maps and are approved by aimag/soum governors and the Citizens Representatives Khurals and the land affairs agency. However, the current plans do not cover the mitigation and offsetting measures that are needed to address the impacts of mining and ensure a net environmental gain from such developments. It will also be necessary to strengthen the participatory approach in the development of these land use plans particularly at the soum level, through a high degree of cooperation with the soum land officers. The total area covered by the integrated management plans supporting offsetting and rehabilitation of mining impacts is targeted to exceed 100,000 ha of land for the pilot landscapes.

112. The project will therefore facilitate a cross-sectoral collaboration for land management and planning at the landscape level by supporting the local authorities (particularly at soum level) to develop and operationalise landscape level land use plans in the selected pilot landscapes with full participation of local stakeholders. This will be achieved through the establishment of a Local Coordination Committee (LCC) for each pilot landscape that

will bring together representatives of all main stakeholders to review issues and options and to draft the integrated management plan. This approach will enable extensive dialogues between the mining companies, local communities, herder community associations and local conservation NGOs, to promote active participation of stakeholders in the mitigation and offset programmes.

113. The resultant integrated management plans will include clear measures for: (i) optimising the balance of competing and conflicting land uses, including review of mining concessions; (ii) setting aside ecologically sensitive areas e.g. by inclusion under the protected area network; (iii) determining the field implementation SLM measures to be undertaken by the communities to offset the residual impacts from mining that will help maintain essential ecosystem services and functions, including livestock grazing and water regulation, generating multiple benefits; (iv) planning of rehabilitation of degraded lands (mining and other) to be undertaken by the mining companies with support of local communities (based on global best practices, including top soil treatment and rehabilitation, vegetation regeneration/recolonisation, landform reconstruction, transplanting, habitat transfer).

114. Each integrated land management plan will be submitted by the LCC to the soum governor for approval (also for approval by the Citizens Representatives Khurals and the land affairs agency). Each will include the necessary governance mechanisms, budgets for implementation according to an agreed timetable, which will be monitored through a defined M&E mechanism, to be practiced at least in part by local NGOs/CSOs or local communities using participatory and other mechanisms (such as the participatory environmental monitoring methods developed by Asia Foundation and Green Gold project).

Output 2.2: Land degradation mitigation hierarchy/offset piloted in selected landscapes.

115. Over the project period, best practice approaches to avoiding, mitigating and offsetting the impacts of mining will be tested and demonstrated in the pilot landscapes. The potential pilot landscapes and related mining companies were identified during the PPG phase, and are described in the pilot landscapes report (See Annex 6). The final confirmation of the pilots will be made during the inception phase. For each pilot landscape, the engagements of each mining company will be developed and formalised in an MOU to be signed during the Inception Phase. The project will then work closely with each mining company to avoid, minimize/restore, and offset negative impacts to the ecosystem by applying the full mitigation hierarchy and offsetting in their specific spheres of operation.

116. EIAs must be conducted for all mining licence applications, and mitigation and offsetting measures are required from all mining companies through their annual environmental management plans, which are approved by MEGDT. There are some examples of agreements and actions for "offsetting" in the Western provinces, but these are rarely comprehensive and do not adequately mitigate or offset the impacts. Examples include: (i) 5,000 Saxaul seedlings prepared by the Altain Khuder mine to transplant into natural condition around their mining area as part of the company's rehabilitation actions; (ii) a 2.5 ha area has been rehabilitated by a mine company in Bayan-Ulgii province in 2013; (iii) agreement to plant trees (1 per 18 tons of coal transported) initiated by the Environmental Office in Uvs province (not yet implemented). However, mitigation and offsetting measures do not adequately compensate for impacts, and due to the new nature

of the offsetting regulations there are practically no examples of effective offsetting of residual impacts on the ground. By way of example, in 2013 only 106 million MNT (less than USD 6,000) was allocated by mining companies to measures on environmental protection in Govi-Altai province, while in 2014 the total sums allocated by mining companies to measures on environmental protection at the three pilot landscapes were as follows: Khotgor – US$29,323, Bayan Airag – US$ 19,600 and Khushuut – US$ 118,000. These figure exemplify the current inadequacy of the resources committed, when compared to the impacts.

117. For each pilot landscape, the project will therefore provide technical and enabling support to the related mining companies for application of mitigation hierarchy and implementation of offset, while the companies will co-finance the cost of their implementation activities. The project will support for the following activities: (i) filling important gaps in the assessment of mining impacts by completing the EIA baseline studies undertaken on land and water degradation, social and biodiversity surveys; (ii) application of the mitigation hierarchy to address mining impacts, including use of the CBA tool developed under the UNDP/GEF Environmental Governance project to quantify the damage; (iii) quantification of residual impacts, and use of offset criteria to identify /select and quantify potential offset sites based on the eco-regional assessment; (iv) identification of potential SLM activities and calculation of ecosystem services gains for selected offset sites; (v) enabling extensive dialogues between the mining companies, local communities, herder community associations and local conservation NGOs/CSOs (through the Local Coordination Committees), on the design and implementation of the offset programmes which will occur through activities to be undertaken in Output 2.3; (vi) facilitation of formal offset agreements between the mining companies and local Government, as well as collection and reinvestment of SLM offset/conservation funds (note that the Mining ministry has drafted an Agreement for this purpose, and this will be reviewed and tested); (vi) setting-up implementation plans, including governance mechanisms and a Monitoring and Evaluation system, including participation of local NGOs/CSOs.

118. The desired end result is to reduce the negative impacts of mining both through mitigation and offsetting to help maintain essential ecosystem services and functions, including livestock grazing and water regulation, generating multiple benefits for the communities and biodiversity. In addition to offset activities away from the mining site, rehabilitation of degraded mining lands will also be supported although not as a major focus of the project. Here, the project will facilitate mining companies' action for improved rehabilitation planning and progressive rehabilitation throughout the mine's lifetime, the project will also provide technical support for implementation of various rehabilitation methods for lands that have been directly degraded by mining. These will draw on international best practices and build on the important baseline activities developed under the BGR "Environmental Protection in Mining" project (ended 2014). They will also link with work of The Asia Foundation and the new KOICA funded project to establish a mine rehabilitation centre and build capacity in this regard. A variety of rehabilitation methods (relevant to local conditions and climate issues) will be combined including top soil treatment and rehabilitation, vegetation regeneration/ recolonisation, landform reconstruction, transplanting, habitat transfer etc. based on the careful rehabilitation plans to be developed during the first years of implementation.

119. The total area covered by the mitigation and offsetting measures is targeted to reach 100,000 ha of land in the pilot landscapes, including high-value ecosystems. During the

final year of the project, replication and upscaling mechanisms will be designed to extend the successful approaches both within the Western Provinces and nationally.

Output 2.3 Capacity of local stakeholders developed through demonstration and application of innovative SLM approaches.

120. Activities under this output will build the capacity of local herders/farmers, NGOs/CSOs and local Government officers to address the challenges of land degradation by demonstrating effective application of mitigation and offsetting through SLM. This will include opportunities to learn about the application of innovative SLM technologies for land, water and forest resources management, participatory landscape level land use planning and M&E techniques. The soums within which the pilot landscapes are located are very sparsely populated (1,281 herder families over 1,659,975 hectares = one family per 1,296 hectares). Within the pilot landscapes themselves, there are 539 herder families, and the project target is to engage 50% of these families in applying greener SLM practices. This is thought to be feasible because of the low numbers involved and the low-cost solutions that will be practiced (eg establishment of Pasture User Group and grazing rotation requires very little capital investment). Where capital investment beyond the contribution of the mining companies through off-setting is required, the project will help target the government's own investments in SLM (see details of costs and recent investments in "Baseline" section) and also cooperate closely with the SDC Green Gold project and the Adaptation Fund's Ecosystem-Based Approach project to maximise efficiency and delivery of SLM measures on the ground.

121. The project will maximize impact by transferring experiences and learning from groups that are already practicing successful and proven SLM techniques. These will include the Pasture User Groups (PUGs) which have already been established in some part of the Western Provinces under the Green Gold project of SDC, as well as existing local NGOs, and community-based organizations that are already implementing some SLM activities. Two local NGOs (Gulzat and Yamaat) are already working on environmental protection (protecting argali and black-tailed gazelle) in Uvs province. A first priority will be to improve the knowledge of these groups on the mitigation hierarchy and offsetting, so that they can see how this will benefit their SLM activities, and how they can contribute through this to better environmental management. This will require both formal training (eg of NGOs and CSOs), but also extensive learning by doing. A valuable mechanism for sharing knowledge will be through the organization of exchange visits between the pilot landscapes, and also to any other good examples nationally.

122. Specific SLM techniques to be implemented in the pilot landscapes by communities and local government as part of the offsetting programmes under the integrated management plans will include: Further development of Pasture User Groups to support herders to implement activities on sustainable pasture management within pastureland carrying capacities (eg. fencing areas, rotational grazing and resting, haymaking, pasture sharing through soum land management plans, and improved planning and diversification of income sources to reduce dependency on livestock). Protecting water resources (springs, wells), and where appropriate/feasible establishing small-scale rain and snow water harvesting structures and new wells to improve sustainability of grazing will be done. Where applicable, Saxaul forests will be taken under protection of local communities, managed and rehabilitated. Proven methods (i.e. tube seedling planting) will be applied, transferring the seedlings into the restoration sites in coordination with the mining

company. The project will also build on experiences of the Centre for Desertification under the Institute of Geo-ecology about seeding Saxaul by the local community, and will also link with the alternative energy measures to protect Saxaul forests (eg fuel effective stoves) which are developed by Millenium Challenge Account (MCA). To reduce the application of obsolete farming practices that exacerbate land degradation and to provide new livelihood options, small-hold farming communities will be supported to implement environmentally-friendly and innovative technologies to reduce soil erosion and improve soil fertility. These may include no tillage organic farming (or sub-soiling), soil conditioning, water saving irrigation techniques, application of cover crops, crop rotation systems, buffer strips etc..

123. By the end of the project, at least 50% of the herders and farmers in the pilot landscapes are expected to be applying greener and innovative technologies for herding and production, cropping, tillage and irrigation. Participatory environmental monitoring methods (citizen science) developed by the Asia Foundation and Green Gold project will be being applied by local communities, to measures the outcomes of such practices on land and water resources and biodiversity.

PROJECT INDICATORS

124. The project indicators contained in Section II / Part II (Strategic Results Framework) include only impact (or 'objective') indicators and outcome (or 'performance') indicators. They are all 'SMART'[3]. The project will additionally need to develop a certain number of process-oriented indicators to comprise the 'M&E framework' to assist project planning and management both at national level and for measuring the progress in the selected pilot landscapes (the indicators will be included as an integral part of the agreements with the mining companies). These process indicators will feed into the project's overall M&E framework.

125. The organisation of the logframe is based on the general assumption that: *if* (Outcome 1) the land degradation mitigation and offset framework is operationalised, through eco-regional land use planning and capacity development; *and if* (Outcome 2) the land degradation mitigation and offsets are applied through SLM within selected landscapes; *then* (Project Objective) the negative impacts of mining on rangelands in the western mountain and steppe region will be reduced by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management (refer to Section I, Part I). This logic is based on the barrier and root cause analysis carried out during the project preparation (refer to Section I, Part I, chapter "Long-term solution and barriers to achieving the solution").

126. In turn, the choice of indicators was based on two key criteria: (i) their pertinence to the above assumption; and (ii) the feasibility of obtaining / producing and updating the data necessary to monitor and evaluate the project through those indicators The following are therefore the project's key indicators:

Table 4. Elaboration on Project Indicators

[3] Specific, Measurable, Achievable, Relevant and Time-bound.

INDICATOR	EXPLANATORY NOTE
At objective level: To reduce negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management	
Area of pastoral production system and natural habitats in western Mongolia under integrated planning and management as shown by incorporation of eco-regional assessment into land use plans	▪ The end of project target is: 41.5 million ha. This is the total area that makes up the five aimags of the Western region of Mongolia. The eco-regional assessment should cover the entire area of all five aimags, and the target is that the results are incorporated into all aimag and soum management plans. Note that because aimag LUPs are only revised every 12-15 years, it may only be possible to obtain a commitment to "take into account the findings of the ERA, and incorporate at the next revision". The information sources for verifying this target will be Mid-term Review and Final Evaluation reports, Project progress reports, aimag and soum land use plans.
Area set aside from mining related development, for ecological sensitivity including pasture values (through local and national PA designations) derived from Eco-regional assessment)	▪ The end of project target is: a 10% increase on the baseline. Progress against this target will be measured by the summed total area of SPAs and LPAs designated within the 5 Western Provinces compared to the baseline. The information sources for verifying this target will be the reports and database of PAAD/MEGDT.
Level of institutional capacity for implementation of mitigation and offsetting framework as indicated by Capacity scorecard	▪ The end of project target is: Improved capacity indicated by an increase of at least 25% over baseline (ie. a score of 51.25 = 53.4%). The standard Tracking Tool questions (see Annex 1) were adapted during PPG to address the project objective. Scores for each question were summed and divided by the total possible score (some questions may not be applicable) in order to reach the total percentage score. The scorecard should be completed including explanatory notes at project midterm and completion in order to assess progress. Supporting information will be available in project progress reports and evaluation reports; training reports; and key informant interviews.
At outcome 1 level: Land degradation mitigation and offset framework operationalised, through eco-regional land use planning and capacity development	
Resolution of legal contradictions, and new guidelines / regulations / mechanisms adopted to strengthen the mitigation /offsetting framework	▪ The list of issues to be addressed to achieve this qualitative target is described under the activities for Output 1.1 which were raised at the PPG Log-frame workshop. Two priority achievements to be delivered will be amended laws to incorporate mitigation and offsetting in land use plans at national, aimag and soum levels; and a guideline for the implementation of offsetting and mitigation hierarchy through SLM, based on the experiences learned from the pilot landscapes under Outcome 2). The information sources for verifying this target will be the evaluation reports and project progress reports.
Area of priority conservation (potential offset) areas identified for protection	▪ The end of project target is: 30% of 41.5 million ha (= 12.45 million ha). The target is derived from the national 2015 target for PA designation (30%), and will be measured by the total area of the portfolio of priority conservation sites identified in the eco-regional assessment, as a percentage of the total area of the 5 Western aimags. The information sources for verifying this target will be the ERA
Public awareness of the role of mitigation and offsetting in addressing impacts of mining	▪ The end of project target is: 10% increase in Aimag centres and 30% increase in pastoral communities at pilot landscapes. The current baseline is thought to be extremely low. The indicator will be measured during the inception phase and at the end of the project only. The methodology will be to conduct a public awareness Questionnaire poll (perhaps conducted

INDICATOR	EXPLANATORY NOTE
	by an NGO) for a statistically meaningful sample of respondents both from the Aimag centres and the pastoral communities. The information sources for verifying this target will be the reports from the analysis of the awareness polls.
At outcome 2 level: Land degradation mitigation and offsets applied through SLM within selected landscapes	
Integrated landscape management and offset mechanisms demonstrated with prominent mining concessions and other competing land uses	▪ The end of project target is: at least 100,000 ha, with at least one offset agreement signed per pilot landscape. The indicator will be measured by the area of land covered by approved integrated land management plans that incorporate the results of the eco-regional assessments, and include at least one signed offset agreement. The information sources for verifying this target will be the approved management plans and offset agreements.
Increased investments in SLM actions in the landscape	▪ The end of project target is: a 50% increase in expenditure over the 2014 baseline. The indicator will be measured from the total budgets included from the mining companies in their annual Environmental Management Plans in each of the pilot landscapes. The information sources for verifying this target will be the EMPs approved by MEGDT
% pilot site herder/farmer families applying innovative technologies for SLM	▪ The end of project target is: 50% of the families in the pilot landscapes (there are 200 households in Khushuut Bagh of Darvi soum (Khovd), 190 households of khar altat Bagh of Bukhmurun soum, (Uvs) 149 households of Tsogt Bagh of Durvuljin soum, (Zavkhan)). This is thought to be feasible because there are only 1,281 herder families living in the 3 pilot landscape soums, and also due to the low-cost methods to be applied. The indicator will be measured from the total number of herder/farmer families in all the pilot landscapes that are applying at least one innovative technology for SLM (as defined under Output 2.3), as a percentage of the total number of herder/farmer families in the pilot landscapes. The information sources for verifying this target will be the project reports. The baseline is low and will be measured during the inception phase.
Area of grazing/forested land (ha) and # springs/wells in pilot landscapes subject to innovative SLM interventions	▪ The end of project target is: 30% of the total grazing/forested area or degraded springs/wells in the pilot landscapes by end of project. The indicator will be measured from the areas of pasture and forests and number of springs/wells in the pilot landscapes that are under SLM interventions. The information sources for verifying this target will be the project reports. The baseline is very low will be confirmed during the inception phase.

RISKS AND ASSUMPTIONS

127. The project strategy, described in detail within this project document, makes the following key assumptions in proposing the GEF intervention:

- An improved enabling framework and capacity for mitigation hierarchy/offsets and integrated land use planning will lead to a reduction of the impacts of mining in Mongolia.
- Full application of the mitigation hierarchy/offsets will become a priority for managing the impacts of mining if landscape-level pilots are successful

128. During the PPG phase, project risks were updated based on those presented at the PIF stage. They were further elaborated and classified according to the UNDP/GEF Risk Standard Categories, and assessed according to criteria of 'impact' and 'likelihood' (see **Box 1** and **Table 5** below). These risks and the mitigation measures will be continuously monitored and updated throughout the project, and

will be logged in ATLAS and reported in the PIRs. The UNDP Environmental and Social Screening Procedure (see **Annex 2** of the Project Document) has been applied during project preparation and did not identify any significant environmental or social risks associated with the proposed project. In general, the project will contribute positively towards reducing land degradation and maintenance of ecosystem quality, as well as towards an improved enabling framework for mitigation and offsetting through which local communities will have improved livelihood potentials and wellbeing.

Box 1. Risk Assessment Guiding Matrix

Likelihood \ Impact	Critical	High	Medium	Low	Negligible
Certain / Imminent	Critical	Critical	High	Medium	Low
Very Likely	Critical	High	High	Medium	Low
Likely	High	High	Medium	Low	Negligible
Moderately Likely	Medium	Medium	Low	Low	Negligible
Unlikely	Low	Low	Negligible	Negligible	Considered to pose no determinable risk

Table 5. Project Risk Assessment and Mitigation Measures

Identified Risks	Category	Impact	Likelihood	Risk Assessment	Mitigation Measures
Ineffective coordination of relevant initiatives among the key stakeholders affecting project successes	Operational	High	Moderately likely	Medium	The project will improve coordination mechanism for land management among the relevant bodies. Systematic support to adoption of a landscape or ecosystem-based planning approach would be a main contribution to this effort. In addition, the project will ensure coordination of relevant interventions supported by Government and development partners in the western region.
Offset mechanism is not well understood by stakeholders and a low level of Government capacity at the local level to ensure benefits of offsetting.	Operational	High	Moderately Likely	Medium	The project will identify capacity development needs of each stakeholder right from the onset and build capacities to make mitigation and offset a part of landscape level planning. Target groups will include central and local Government, local communities, institutes, EIA companies, NGOs/CSOs and mining companies.
Unwillingness of the pilot mining companies to commit for additional mitigation and offset measures	Strategic	High	Likely	High	The project will support and operationalise the land degradation mitigation and offset framework, strengthening mining concession planning, licensing system, and compliance monitoring system, providing greater incentives for the mining companies. In addition, the project will raise the profile of mitigation and offsetting bringing increased pressure to the mining companies to demonstrate rehabilitation and offset actions to reduce their social and environmental impacts. The project will also work closely with local governments and local self-governing bodies to ensure that the offset and rehabilitation measures are put forward as priorities. The increasing awareness for CSR further supports securing mining companies' commitments. The project will engage with

					target mining companies from their corporate social responsibility angle.
Mismatch of identified priority areas for offset by Government and local community	Operational	Medium	Low	Low	An eco-regional assessment will be completed by the project to identify high priority areas. This will involve a strong evidence base and high level of engagement of key stakeholders. The project will enable local level dialogues to build consensus on the selection of the offset sites.
Effect of elections in 2016 and subsequent re-structuring of government	Political	Medium	Very Likely	High	The project will fast-track work on the enabling framework for mitigation and offset activities so that the main measures are in place before the elections. Field implementation in the pilots is less likely to be impacted.
The period of the project may be too short to result in improvements in reducing land degradation	Strategic	Medium	Likely	Medium	The project should identify some quick-wins at the pilot landscapes and start field implementation early. The key success indicators will be that the SLM measures have been taken, although some outcomes from those measures may only become apparent after EOP

INCREMENTAL REASONING AND EXPECTED GLOBAL, NATIONAL AND LOCAL BENEFITS

129. This Project aims to develop the national Mitigation hierarchy and offset framework for addressing land degradation from mining, complete a comprehensive eco-regional assessment as a basis for improved land use planning in Western Mongolia, build national and local capacities and demonstrate application of mitigation and offsetting through SLM on the ground. By doing so, it will assist the Government of Mongolia to implement its international obligations and national policies, and contribute towards the protection and sustainable management of the country's outstanding landscapes and biodiversity, and the rural livelihoods that they support. The project's alternative from the baseline and the expected global benefits are described below. Global environmental benefits are further quantified in the GEF LD Tracking Tool (see Annex 3).

130. **The incremental approach of the proposed project is summarized as follows**: The Government of Mongolia has identified the development of a national mitigation hierarchy and offsetting framework as a priority for addressing the impacts of mining on land degradation. It is investing in efforts to roll out the application of this framework to the mining sector nationally. However, there remain gaps and inconsistencies in the current legal and regulatory framework, and there is a severe lack of capacity to ensure that the mitigation hierarchy and offset framework is operationalised effectively. Furthermore, there are no fully implemented examples of the offset mechanism being successfully applied to reduce land degradation from mining through sustainable land management in Mongolia. Despite this, further expansion of mining is a high priority for the country, with large potential impacts on land management, landscapes, biodiversity and communities – particularly in the Western provinces.

131. **Without GEF investment in the proposed project**, Mongolia would still work towards the implementation of its mitigation and offsetting framework, but the process would take considerably longer, and it would be more difficult to achieve the international technical standards for best practice required. Mining will continue to expand and accelerate land degradation, putting increased pressure on pasture and water resources, compromising local livelihoods and ecosystem health. These effects will be compounded by other natural and anthropogenic stressors on pasture and water resources, including overgrazing and climate change.

132. Despite the improved environmental legislative framework with mandatory EIAs, SEAs and incorporation of offset principles for mining, implementation and enforcement of the framework will meet significant challenges due legislative gaps and inconsistencies and particularly because of insufficient institutional capacity, experience and know-how on mitigation hierarchy application and offsets. There will be a lack of technical expertise in the aimag and soum administrations to ensure that mitigation and offsetting is being correctly applied, and a lack of skills in the mining companies and EIA consulting firms to design and implement appropriate offset schemes. Inter-agency coordination for minimising the impacts of mining will remain weak, resulting in potential conflicts and confusion which may adversely affect decision-making. Levels of awareness among decision makers, sectoral agencies, local authorities, the private sector amongst others concerning the potential benefits of an effective mitigation and offsetting regime will continue to remain low. Furthermore, completion of the eco-regional assessment for the five western *aimags* will be delayed, leaving the land use planning process vulnerable as a mechanism for safeguarding some of the most important landscapes and ecosystem services in Mongolia.

133. In the absence of a clear legal framework, national capacity for effective governance of the sector, and successful demonstration of implementation of offsets and investment in SLM by mining companies would be less likely. Overall, the constituency and financial resources for SLM from mining impacts will not advance much beyond baseline levels and application of offsets through SLM will be politically and financially difficult. This will lead to continued land degradation, desertification and increased pressure on landscapes (including protected areas) from mining and overgrazing. Actions for addressing land degradation will continue to be focused on grazing management without effectively addressing mining impacts, leaving communities and biodiversity across the country at risk even though their land and livelihoods may be impacted.

134. **In the Alternative scenario enabled by the GEF,** the project develops and implements the national mitigation hierarchy and offsetting framework to address direct and indirect mining threats to pasture and water resources, ecosystems and local livelihoods, incorporates the principles into land use planning across 41.5 million ha of mountain and steppe landscapes in the Western aimags, builds national and local capacities to facilitate the reduction of impacts from mining, and demonstrates application on the ground, through integrated sustainable land management and offset agreements with a replication mechanism to be developed at the end of the project.

135. Gaps and inconsistencies in the regulatory framework are addressed and user-friendly handbooks produced, so that all stakeholders (particularly governmental and private sector) are clear about their responsibilities for implementing the mitigation hierarchy and offsetting framework. SLM principles are incorporated into the mining concession planning and licensing systems, including EIA, effectively changing management practices within the mining sector. Additional funding is generated for addressing land degradation and desertification from the offset mechanism. Following completion of the Eco-regional Assessment, landscape level integrated land use planning is introduced and effectively implemented across 41.5 million ha of mountain and steppe landscape in the western aimags. Mining threats to ecosystem functions and integrity is reduced with critically sensitive areas containing prime pastureland and ecologically important areas set aside and protected from mining operations and associated infrastructure development that could degrade their values and ecosystem services. Institutional capacity of the national and local government agencies and the mining sector is developed for implementation of the new environmental legislative framework, with tools provided for offset implementation with clear mitigation hierarchy and detailed procedures and guidelines for application of SLM. Intensive awareness raising and capacity building efforts will ensure that all concerned stakeholders understand the principles behind the approach, the requirements for its implementation,

and the potential benefits that can be realized to different parties, and so that communities and the public can participate more effectively in dialogues on reducing the impacts of mining.

136. Through the pilot landscapes, full and effective implementation of the mitigation hierarchy and offsetting agreements through the application of SLM is demonstrated. Integrated land management plans are prepared in a participatory way to address the impacts of mining using the full mechanisms of the mitigation hierarchy and offsetting. The project facilitates the reinvestment of enhanced benefits from offsetting agreements back into sustainable land management and supporting local communities through official mechanisms. The results and lessons learned from the project are disseminated widely and contribute to national and international best practices, as well as to the development of a replication / up-scaling mechanism.

137. **National and local benefits** will include a strengthened regulatory and land use planning framework and increased capacity to address land degradation particularly from the impacts of mining, increased knowledge and user-friendly documentation of the regulatory framework covering the mitigation hierarchy and offsetting. Overall, the project will clarify responsibilities for each stakeholder and reduce any inconsistencies in the legislation and guidelines. It will also increase Mongolia's attractiveness for international mining investment through the certainty, transparency and clarity of its mitigation hierarchy and offsetting regime, facilitate the protection of its landscapes, traditional livelihoods, biodiversity and cultural heritage, and catalyze more effective financing and motivation for SLM. Those stakeholders whose capacity has been developed are expected to carry out the activities beyond the life of the project. Thus, by developing and piloting the national mitigation hierarchy and offsetting framework, the project will facilitate sustainable land management and ensure that the benefits will accrue to the nation and local communities, who maintain the natural environment. Thus, the project will play a critical role in safeguarding the country's biological resources and landscapes.

138. In terms of benefits for local communities, demonstrations in the pilot landscapes will help to build their capacity for, and facilitate their engagement in, resolving issues around land degradation from mining. This will be achieved both by raising their awareness and knowledge, but also by engaging communities directly in integrated land management planning dialogues involving offset agreements, and in implementing SLM. The long-term objective is to conserve the resources on which they depend for their livelihoods, to reduce poverty and improve their health and wellbeing.

139. PPG interviews with pastoral communities around the pilot landscapes in the western provinces revealed how seriously they are impacted by land degradation. Mining activities are one of the most serious causes, through loss and degradation of pastures, increased erosion, dust storms and desertification. This adds to the challenges caused by overgrazing and exacerbates conflicts between herder families, as well as between mining and herding. However, in some cases, pastoral communities also receive some benefits from mining, in the form of opportunities for employment and better education and healthcare through facilities provided by the mining companies. These impacts may affect women and men in different ways – for examples jobs in the mines are mainly available to men, leaving women greater responsibilities for the impacted herding households. Therefore, it is important that SLM approaches through offsetting agreements take into account information and insights both from men and women. Keeping this in mind, the project will pay particular attention to the participation of women through employing inclusive approaches and processes in the implementation of the planned project activities. Community activities for implementing the offsetting pilots will be gender-disaggregated using participatory approaches to ensure that women are proportionately benefitted.

140. **Global environmental benefits**: The project will achieve global environmental benefits through integrated management of 41.5 million ha of largely pastoral production systems and natural habitats in

western Mongolia and more generic benefits across the whole of Mongolia through enhancing the regulatory framework for mitigating and offsetting the impacts of mining. The global benefits in Western Mongolia will be: (1) identification of 30% of the total territory (12.45 million ha) representing the most valuable ecosystems for protection through integration into the land use planning and mining concession planning process; (2) improved ecosystem functioning and resilience, through adopting integrated sustainable land management plans and practices across the 1.66 million hectares of the three pilot soums, with related improvements to the livelihood of local communities; (3) restoration of degraded dryland ecosystems to enhance ecosystem functioning and resilience, reduce soil erosion and improve carbon sequestration, targeted at 30% of the area of each pilot landscape through improved pasture management practices in areas used for livestock production, as well as improved forest management and re-aforestation; (4) improved surface and groundwater resources through restoration and repair of springs and wells; (5) conservation of globally significant biodiversity through protection and restoration of priority habitats; and (6) supporting the achievement of Mongolia's obligations under UNCCD, CBD and UNFCC through cross-sectoral interventions and integrated management of land and water resources.

141. The project will contribute significantly towards the conservation and sustainable management of Mongolia's outstanding biodiversity and landscapes, by reducing the impacts of mining particularly in the Western aimags.This will result in an enhanced national contribution towards the achievement of the CBD's main goal on the conservation of biodiversity and to all five strategic goals of its Strategic Plan 2011-20. Western Mongolia's relatively intact and ecologically diverse landscapes provide habitat for seasonal migrations, predator-prey interactions, and natural river flow to occur that are all but lost in many regions of the world. The Altai-Sayan montane forests Global 200 Ecoregion is at least partially located within the Western region of Mongolia. Several priority species such as the globally endangered snow leopard (*Unica unica*) and its main prey species the Siberian ibex (*Capra sibirica*), and the argali (*Ovis ammon ammon)* inhabit the Western provinces.

COST-EFFECTIVENESS

142. The lack of a fully operational offsetting and mitigation framework, and particularly the lack of adequate capacity for its effective implementation, are significant barriers impeding the effective reduction of impacts from mining on Mongolia's landscapes, traditional livelihoods and biological resources. These barriers also negatively affect SLM and landscape conservation efforts, as the full value of Mongolia's diverse grasslands, deserts, forests, wetlands and mountain ecosystems cannot be realized and sectoral land uses such as mining and associated infrastructure development compete for priority over the maintenance of ecosystem services, foregoing future opportunities for sustainable livelihoods among local communities. By taking an inter-sectoral approach, whereby relevant government institutions work together to achieve SLM may initially require some additional efforts and investments, but in the longer term it is expected to yield more cost effectiveness by avoiding duplication of efforts and contradictory actions in the same landscape. Furthermore, the project strategy builds on the existing administrative set-up and infrastructure of the government agencies both at the national, provincial and soum levels, without creating new institutions.

143. The operationalisation of the national mitigation and offsetting framework and demonstration of best practice will also provide a more secure and transparent environment for both national and international mining companies, increasing Mongolia's reputation for green and inclusive economic development in keeping with the country's Green Development Policy.

144. Furthermore, the strengthening of mechanisms for the management and reinvestment of offsetting proceeds into SLM supported by this project will provide a new source of income in the long term that

will contribute towards the conservation of Mongolia's globally significant landscapes and biodiversity, as well as increasing benefits to local communities. This approach, demonstrated for selected communities in Component 2, is likely to incentivize similar practices by other mining companies and communities, and enhance the uptake of offsetting approaches for SLM in Mongolia. The project's approach of public:private partnership delivered through community-based natural resource management is considered to be more cost effective than approaches built solely on government or business sector investment and actions. This is because community participation will bring the communities direct social and economic benefits from the ecosystem services they maintain and enhance.

145. Finally, the project's pilot activities will allow cross-learning from each as well as replication and up-scaling to accelerate the dissemination of best practice approaches that work for communities, the mining companies and the environment, leading to more cost-effectiveness. The upscaling potential of the project is significant with the 11.8 million ha of the country's land area that is allocated for licenses.

PROJECT CONSISTENCY WITH NATIONAL PRIORITIES/PLANS:

146. The proposed project is fully consistent with Mongolia's national development policies, programmes and plans, as laid out in the following documents:

- Article 6.1 of the National Constitution of Mongolia (1992) which lays down the vision of effective management of the country's natural resources
- Mongolian Action Programme for the 21st century (MAP-21).
- the 2013 Green Development Policy, in particular its strategic objective to "Sustain ecosystem's carrying capacity by enhancing environmental protection and restoration activities, and reducing environmental pollution and degradation".
- the Government Action Plan 2012-2016, including commitments to: "Pursue the principle not to issue permits to mines which are identified economically non-viable by feasibility studies, and entail greater environmental damages"; and "Provide support to efforts to introduce environment friendly, and leading techniques and technology in mining operations, estimate degraded areas due to mining, involve the responsible subjects in rehabilitation processes, and allot the rehabilitation expenses in the state budget account".
- Mongolian MDG, Goal 7: "Ensure Environmental Sustainability" ensuring the proper use of land, mineral, and water resources.
- MDG-based National Development Strategy, 2005: Section 3.5 Priority area - "Create a sustainable environment for development by promoting capacities and measures on adaptation to climate change, halting imbalances in the country's ecosystems and protecting them".
- NAP for Combating Desertification for compliance with the UNCCD, updated and approved in 2010.
- NAP on Climate Change, updated in 2011.
- National Biodiversity Action Plan.
- National Environmental Action Plan.
- Law on Environmental Impact Assessment amended in May 2012, in particular the clause on offset mechanism.

COUNTRY OWNERSHIP: COUNTRY ELIGIBILITY AND COUNTRY DRIVENNESS

147. Mongolia ratified the UNCCD on 3 September1996 and became a party on 26 December 1996, and is therefore eligible for GEF grants. It has implemented its national obligations through a variety of national policy and legislative instruments, actively participating in GEF-supported

projects and programmes at national, regional and global levels. The NAP was initially approved by the Mongolian Government decision 169 of July, 1996. Since then the Program was revised in 2003 and ratified, and updated and approved in 2010. The project contributes to the NAP objectives by enhancing the participation of citizens, mining companies and other stakeholders for combatting desertification, through capacity development and public awareness, and by implementing SLM activities to mitigate and offset land degradation by mining in the affected localities.

148. This project is in line with the national policies and priorities identified above. The Government of Mongolia is making serious efforts to establish an appropriate regulatory and institutional framework to address the impacts of mining. The PPG phase was undertaken with strong inputs from the relevant Government agencies (national, and from the five western aimags) through bilateral meetings, the log-frame workshop and the provision of information. The outcomes, outputs and proposed activities reflect the involvement of government ministries and organizations, private sector, academic institutions, local communities and active international organisations and donors. In addition, community level consultations with herder households were organized around mining locations in all five western aimags. In order to ensure strong ownership, the project has been designed to strengthen existing coordinating structures and mechanisms and to involve as many different stakeholder groups as possible (including NGOs). The Government's strong commitment to this project is reflected in the endorsement of the project concept by the GEF Operational Focal Point in his letter of 30 August 2013, as well as by the commitment of co-finance for this project.

COORDINATION WITH OTHER RELEVANT GEF-FINANCED AND OTHER INITIATIVES

149. Implementation of the proposed project will be fully coordinated with a number of on-going relevant initiatives, in order to avoid duplication and increase effectiveness. The project will also build on the achievements, best-practices and lessons-learned of a number of on-going and completed initiatives of UNDP Mongolia and other development partners, as follows (see further details in the baseline analysis):

- UNDP's "Ecosystem-based adaptation approaches to maintaining water security in critical water catchments of Mongolia" project through its work at aimag and soum levels to implement landscape-scale strategies for land and water management to increase resilience and reduce the vulnerability of the local communities and their livelihoods.
- UNDP/GEF "Sustainable Land Management for Combating Desertification" project
- UNDP/GEF "Community-based Conservation of Biological Diversity in the Mountain Landscapes of Mongolia's Altai Sayan Eco-region" project
- SDC's "Green Gold - Mongolian Pasture Ecosystem Management Programme" and "Coping with Desertification" projects - which are developing interventions at a community level to address overgrazing of rangelands
- World Bank's "Sustainable Livelihood Programme" which aims to improve governance and community participation for the planning and delivery of priority investments in rural areas of Mongolia.
- Bundesanstalt für Geowissenschaften und Rohstoffe (BGR) – German Federal Institute for Geosciences and Natural Resources "Environmental Protection in Mining" project (ended 2014)
- two UNDP/GEF projects on protected areas (SPAN and MRPA (see below)), to explore how offsetting can provide innovative financing for special protected areas and locally protected areas.
- a USD $5M project funded by KOICA signed in 2014 to establish a mine rehabilitation center and develop capacity of all relevant stakeholders (mining companies, civil society) in this field.

The project will also cooperate closely with international NGOs such as WWF and TNC through their work on eco-regional assessments, biodiversity conservation and the first biodiversity offset programme (Oyu Tolgoi) in the southern region of the country.

Table 6. Coordination and collaboration with related GEF financed initiatives

Project title	GEF Financed Initiatives / Interventions	How collaboration with the project will be ensured
Ecosystem Based Adaptation Approach to Maintaining Water Security in Critical Water Catchments in Mongolia, funded by Adaptation fund and UNDP (2012-2017) 5,500,000 USD	UNDP's "Ecosystem-based adaptation approaches to maintaining water security in critical water catchments of Mongolia" project by implementing landscape-scale strategies for land and water management to increase resilience and reduce the vulnerability of the local communities and their livelihoods.	Landscape-scale strategies for land use (and water) management will be coordinated with this project, and many lessons can be learnt from the EBA project. Several implementing sites of the EBA project are also located in Western provinces, and the strategy for management of these areas will be a key source for developing landscape level LUPs. Important source of lessons learned on SLM.
Strengthening the protected area network in Mongolia project (SPAN), funded by GEF, UNDP (2010-2015) 2,063,630 USD	Strengthening protected area network in Mongolia (SPAN) builds examples of protected area management in Mongolia and integrates their lessons learned into management of the Protected Area Network. The project reviews and supports improvement of relevant laws and policies, but also supports budgeting and strengthening the human resource capacity of Mongolia's protected areas.	Initiatives of the SPAN project will provide a useful collaboration opportunity with the proposed project by testing innovative financing through offsetting in SPAs and through extending SPAs, rehabilitating the land in SPAs and their buffer zones and restoring the biodiversity through SLM beyond the mining sites. The two projects will also work on together to improve relevant legislation and regulations, maintain coordination mechanisms between relevant institutions and staff.
Mongolia's network of managed resource protected areas project (MRPA), funded by GEF and UNDP (2013-2018) 1,500,000 USD	Project aims to catalyse the strategic expansion of Mongolia's protected area (PA) system through establishment of a network of community conservation areas covering under-represented terrestrial ecosystems.	Under the project implementation, the project aims to improve land management, community based sustainable grazing practice and sustainable forestry management. It also intends to increase of at least 10% argali sheep population and improves vegetation cover of at least 10,000 ha of pasture land in its target areas. Collaboration with the MRPA project will provide a useful opportunity to test innovative financing through offsetting in LPAs and through extending LPAs, rehabilitating the land in LPAs and their buffer zones and restoring the biodiversity through SLM beyond the mining sites. The project's second pilot is the Gulzat local protected area in Uvs province (125,000ha) (Canadian mining companies in area)
Community-based Conservation of Biological Diversity in the Mountain Landscapes of Mongolia's Altai Sayan Eco-region project, funded by GEF, UNDP, Netherlands (2004-2011) 4,867,460 USD	"Community-based Conservation of Biological Diversity in the Mountain Landscapes of Mongolia's Altai Sayan Eco-region" project aimed to ensure the long-term conservation of the biodiversity of Mongolia's Altai-Sayan region by mitigating threats and encouraging sustainable resource use practices by local communities.	Under its implementation, the project built the capacity of the park management authority, improving participation of local communities in the management of the special protected area (SPA) and supporting research and environmental monitoring activities. The proposed project will link its on the ground activities on development of the SPAs based on local communities in order to implement the mitigation hierarchy and offsetting from negative impacts from the mining operations in pilot landscapes. It will also draw from the lessons learned on this now terminated project.

SUSTAINABILITY AND REPLICABILITY

150. Environmental sustainability: Since the overall objective of the project is to reduce the negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management, the overall environmental impact is expected to be overwhelmingly positive and an important contribution to sustainable development. A principle to be applied through the proposed project is to offset unavoidable land degradation from mineral exploration and mining activities, through protection and rehabilitation of at least an equal amount of already degraded land in the same landscape by mining

companies. Although the 2012 reform of the environmental legislation made biodiversity offsets obligatory, the principles of applying the mitigation hierarchy and offsets through SLM have not yet been formalised and the system is not yet operationalised on the ground. By working at the national level to institutionalize the offset rules and applications in the mining concession planning and licensing system, the project will assure the sustainability and future up-scaling of the offset mechanism. Given that the existing mining exploration and operational licences cover 11.8 million ha of land, or 7.5% of the total territory of Mongolia, there is a significant need and demand for applying the piloted offset mechanisms nationwide. The ever increasing pressure from mining on the country's natural resources and ecosystems signals the urgent nature of this intervention.

151. Social sustainability of project activities will be in compliance with the Environmental and Social Screening Procedure conducted during project preparation (see **Annex 2** for the ESSP summary). Overall, the project is expected to result in major long-term positive impacts for SLM in Mongolia, reducing the negative social impacts of mining, and improving local community livelihoods and wellbeing, particularly for the poor herder families. The SESP identified no expected issues that would result in negative social impacts. A key aspect of the project is on strengthening and empowering local stakeholders' involvement in land use planning and management – including through Citizen's representative Khurals, Pasture User Groups, NGOs and CSOs. Their involvement at pilot landscapes and subsequent replication of approaches nationally is expected to strengthen social sustainability of Mongolia's land management. Inclusive approaches will be considered with regards to land use planning, integrated land management plans and offset agreements to reduce the impacts from mining. The project will give strong emphasis on promoting gender equity in all its actions, thereby further aiding social sustainability. Offsetting is an emerging field and the project will enable the Government, private sector and local communities to make better conservation of Mongolia's rich landscapes and biological resources in line with the national vision and policy of inclusive green socio-economic development. Also, many mining leases have yet to fully comply with the requirements to safeguard local communities and other stakeholders, so the proposed best practice pilot projects will be pioneers for future agreements, as well as providing the first steps towards more collaborative governance of natural resources.

152. Financial sustainability: The project is financially sustainable since it will work with regulatory mechanisms to mobilise the funding that mining companies are obliged make available to mitigate and offset the impacts of their activities. Strengthening and demonstration of these financial mechanisms, will provide a source of income for re-investment into SLM which will deliver benefits to local communities, ecosystem integrity and biodiversity in the long-term.

153. Institutional sustainability: By further developing and testing a comprehensive national framework for the mitigation hierarchy and offsetting, including the national laws, implementing regulations, institutional set-up, financial arrangements, supporting information management and capacity building for the competent authorities and related agencies, the project will secure stronger institutional sustainability under the leadership of the MEGDT. The MEGDT has the primary mandate for implementing the mitigation hierarchy and offsetting programme. The pilots will provide opportunities to test and ensure the robustness of the enabling environment and capacity supported by the project. Institutional sustainability is also underpinned by the fact that PPG activities have already included extensive consultation with stakeholders at all levels, including local communities in key areas as well as related sectors, and that the project will support a continued inclusive and consultative approach supported by awareness raising.

154. The mitigation hierarchy and offsetting agreements piloted in the project will be scaled up both in the Western Provinces and under the national programme. The outcomes of the project will be made

available nationally and internationally for replication through the dissemination of project results, lessons learned and experiences including demonstration of best practices. This will be achieved through making project information available in a timely manner through MEGDT's website as well as through Government participation in international fora including CBD events. The SLM benefits realised by local communities through effective application of the mitigation hierarchy including offset agreements is likely to incentivise calls for upscaling and replication by other communities, and enhance the development of community-level conservation projects in Mongolia.

155. Finally, in order to maximise the sustainability of the project, an exit plan will be developed by the end of year 2, for implementation and tracking during each of the two remaining years. This will identify a key owner and sustainability mechanism for each of the project's results.

THE GEF AGENCY'S COMPARATIVE ADVANTAGE FOR IMPLEMENTING THIS PROJECT

156. The proposed project is in line with the UN Development Assistance Framework (UNDAF), UNDP Country Programme Action Plan (CPAP) and the UNDP Country Programme Document (CPD) for the period of 2012-2016. The proposed project directly contributes to UNDAF Outcome 7 "Increased sector capacity for sustainable resources management, with the participation of primary resource users", as well as Output 7.2 "A holistic (landscape-based) principle applied for planning, management and conservation of pasture/land, water and forest resources and biodiversity". Within the current programme cycle, UNDP Mongolia defines "introduction of a holistic approach to the planning, management and conservation of land, water and forest resources and biodiversity" as a key area of intervention to enhance resilience of ecosystems and vulnerable populations to the changing climate. The project interventions will contribute to achievement of Output targets: "Capacities of Government officers strengthened for sustainable management of natural resources, particularly at the soum level" and "Landscape–level land use planning demonstrated". In recent years UNDP has collaborated with the Government on a number of relevant initiatives, including protected areas, sustainable land management, ecosystem-based adaptation and formulation of the national policy on green development. Through implementation of several land management projects starting from 2002, UNDP Mongolia has gained a significant experience and expertise in the area. It has also supported the environmental governance programme, strengthening the country's systemic capacity for environmental management. The programme included cost-benefit analysis of the mining sector in Mongolia, which will be followed up in this project. Acknowledging the above described comparative advantages, the Government of Mongolia requested UNDP to formulate and implement the proposed project.

PART III: Management Arrangements

Implementation Arrangements

Project Execution and Oversight

157. During the four year implementation period, the project's implementation and execution arrangements will focus on delivery of the project's multi-year work plan to achieve quality outcomes, maintaining strong collaboration and cooperation, resolving disparities and avoiding duplication of effort among mitigation, offsetting and SLM related initiatives in Mongolia. The MEGDT is the government institution responsible for the daily execution and coordination of the project and will serve as the government Implementing *Partner* (IP). UNDP is the sole *GEF Implementing Agency* (IA) for the project.

158. The project will be executed in accordance with the National Implementation Modality (NIM) agreed between the UNDP and Government of Mongolia. National Implementation is the modality whereby a national institution (in this case MEGDT) acts as "Implementing Partner" and has the technical and administrative capacity to assume the responsibility for mobilizing and applying effectively the required inputs in order to reach the expected outputs. Thus MEGDT assumes overall management responsibility and accountability for project implementation, following all policies and procedures established for its own operations. However, the national authority remains accountable to UNDP for production of the outputs, achievement of objectives, use of resources provided by UNDP, and financial reporting. UNDP Mongolia in turn remains accountable for the use of resources to the UNDP Executive Board and the project donors.

159. Oversight of project activities will be the responsibility of the Project Board. Day-to-day operational oversight will be ensured by UNDP, through the UNDP Country Office in Ulaanbaatar, and strategic oversight by the UNDP/GEF Regional Technical Advisor (RTA) responsible for the project. This oversight will include ensuring that the project practices due diligence with regard to UNDP's Environmental and Social Screening Procedure (see **Annex 2**). The structure of project management and oversight arrangements is shown in the organogram in Section IV Part II below.

Project Board

160. The project will be implemented over a period of four years beginning in the second quarter of 2015. At the policy and upstream management level, a **Project Board** will be established to provide high-level guidance and oversight to the project. The Project Board will be chaired by the Vice Minister of the Ministry of Environment, Green Development and Tourism, and co-chaired by UNDP-CO. Members will consist of senior representatives from the Ministry of Mining, Ministry of Food and Agriculture, ALAGaC (MCUD), Ministry of Finance, representatives of the 5 western aimag governors offices, Mongolian Environmental Civil Council and Mongolian National Mining Association. MEGDT will serve as the secretary to the Board. The Board will be responsible for high-level management decisions and guidance required for implementation of the project, including recommendations and approval of annual work plans and revisions. The Project Board decisions are to be made in accordance to standards that ensure efficiency, cost-effectiveness, transparency, effective institutional coordination, and harmony with overall development policies and priorities of the Government of Mongolia, UNDP and their development partners.

161. The Project Board will meet twice each year. Specific functions will include:
<u>At the initiation of the project:</u>

- Review and endorse the Terms of Reference of the Project Management Unit
- Appraise the overall project multi-year work plan;
- Review and approve the Annual Work Plan and budget for the first project year;
- Delegate any project assurance function as appropriate.

After the initiation of the project:

- Provide overall guidance and direction to the project, ensuring it remains consistent with national policies, and the planned activities are in line with the project objectives and timeframe;
- Address project issues raised by the PMU for the Project Board's attention and guidance;
- Appraise Annual Project Review Reports and offer recommendations for the subsequent Annual Work Plan;
- Review and approve Annual Work Plans and budgets;
- Commission Mid-term Review of the project, appraise the MTR Report and provide direction to the project to address the recommendations emanating from the MTE Report;
- Review project progress reports submitted by the PMU and notify, or provide guidance to, the PMU for corrective actions should they find any issue with the project progress.

At the close of the project:

- Assure that all project deliverables have been produced satisfactorily;
- Commission the Terminal Evaluation of the project, and appraise and endorse the TE Report;
- Provide recommendations for follow-up actions;
- Notify operational completion of the project.

Project Technical Committee

162. At the operational and programmatic level, the project will be supported by a **Project Technical Committee** (PTC), chaired by the National Project Director. The PTC will primarily consist of the technical specialists in issues relating to eco-regional land use planning, mitigation, offsets and sustainable land management. They include experts from the MEGDT, MoM, MoIA, GASI, ALAGAC, TNC, WWF, relevant research institutes, National University of Mongolia, University of Agriculture and UNDP-CO. Such a multi-disciplinary group is deemed necessary especially given that mitigation and offsetting through sustainable land management is a new subject and scientific, social and legal intricacies are expected to arise during implementation.

163. The PTC will meet at least twice each year, prior to the meetings of the Project Board and will have the responsibility for the following specific functions:

- Ensure that the planned activities are technically sound and in line with the project objectives and time-frame;
- Promote inter-institutional coordination, where such coordination is necessary and where opportunities for synergy exist;
- Provide guidance, and/or clarifications, where technical and inter-institutional issues are confronted;
- Ensure that the project activities are carried out in accordance with the desired standards and norms;
- Review and endorse proposals for mitigation and offsetting schemes/ agreements. This process will exclude members should they belong to a proponent agency, to prevent conflict of interest;
- Review and endorse ToRs for consulting tasks, assist selection of project consultants (as requested), review consulting reports/ deliverables and provide feedback on them.
- Submit recommendations on any matter to the Project Board.

Project Management Unit

164. MEGDT will be the host of the Project Management Unit (PMU), although office space will not necessarily be within the Ministry building. The PMU will be made up of the following positions (see Part III – Terms of Reference for Key Project Staff):

- **National Project Director** responsible for operational direction, supervision and management of the project. This position will be held by the Director, Environment and Natural Resources of the MEGDT ;
- **National Project Manager** responsible for coordination, monitoring and reporting of project activities. This position will be externally recruited on GEF funds. The post is funded 8 months per year from the project management line of the GEF budget, and for 4 months per year as the Technical Coordinator for the Pilot Landscapes as a consultant under the budget for Outcome 2.
- **Technical Advisor** responsible for day-to-day technical support to the PMU as well as for the coordination of training and awareness-raising activities planned under the project. An individual with environmental management background and strong communications skills, will be recruited for this position on a consultancy basis for the full duration of the project (GEF financed);
- **Administration/Finance Officer** responsible for management of project funds and expenditures, M&E and maintaining project records. This post is 100% funded from the GEF project management budget line.

Project Management for Pilot landscapes

165. MEGDT will be directly responsible for all implementation activities pertaining in the pilot landscapes under project Outcome 2, and will receive advice both from the relevant soum offices and from the local coordination committee. Specific responsibilities and commitments of the mining companies in each pilot landscape will be agreed in an MOU to be signed with MEGDT during the inception phase.

166. Work in the pilot landscapes will be coordinated by the Technical Coordinator for the Pilot Landscapes and facilitated through a Local Technical Adviser for each pilot landscape. These positions will all be financed by the GEF budget under Outcome 2.

167. The management arrangements for project implementation in the pilot landscapes will be entirely consistent and integrated with those for the overall project, including the project M&E Plan, reporting requirements and budget disbursement. The local management arrangements for each pilot landscape will be described in the related agreements between the partners, and are expected to include representation of principal stakeholders such as relevant government authorities, local communities and other partners in their implementation. There will be equitable participation of women on local level committees and groups related to agreement negotiations, community implementation of SLM, and training and awareness activities. See PART IV: Stakeholder Involvement Plan for further details.

PART IV: Monitoring and Evaluation Plan and Budget

MONITORING AND EVALUATION

168. Project monitoring and evaluation will be conducted in accordance with established UNDP and GEF procedures and will be provided by the project team and the UNDP Country Office (UNDP-CO) with support from the UNDP/GEF Regional Coordination Unit in Bangkok. The Strategic Results Framework in **Section II Part I** provides performance and impact indicators for project implementation along with their corresponding means of verification. The M&E plan includes:

inception report, project implementation reviews, quarterly and annual review reports, and mid-term review and terminal evaluation. The following sections outline the principal components of the M&E Plan and indicative cost estimates related to M&E activities (see **Table 7** below). The project's M&E Plan will be presented and finalized in the Project's Inception Report following a collective fine-tuning of indicators, means of verification, and the full definition of project staff M&E responsibilities.

Project Inception and Implementation

169. A Project Inception Workshop will be conducted within two months of the commencement of the project. This workshop will involve the full project team, implementation partners, co-financing partners, the UNDP-CO and representation from the UNDP Regional Technical Advisor, as well as UNDP HQ as appropriate.

170. A fundamental objective of this Inception Workshop will be to assist the project team to understand and take ownership of the project's goals and objectives, as well as finalize preparation of the project's first Annual Work Plan (AWP) on the basis of the project's strategic results framework (SRF). This will include reviewing the SRF (indicators, means of verification, assumptions), imparting additional detail as needed, and on the basis of this exercise finalize the AWP with precise and measurable performance indicators, and in a manner consistent with the expected outcomes for the project.

171. Additionally, the Project Inception Workshop will: (i) introduce project staff with the UNDP-GEF team which will support the project during its implementation, namely the CO and responsible UNDP/GEF Regional Technical Advisor; (ii) detail the roles, support services and complementary responsibilities of UNDP-CO and RCU staff vis à vis the project team; (iii) provide a detailed overview of UNDP-GEF reporting and monitoring and evaluation (M&E) requirements, with particular emphasis on the Annual Project Implementation Reviews (PIRs) and related documentation, the Annual Project Report (APR), Tripartite Review Meetings, as well as mid-term review and terminal evaluations. Equally, the Inception Workshop will provide an opportunity to inform the project team on UNDP project-related budgetary planning, budget reviews, and mandatory budget rephasings.

172. The Workshop will also provide an opportunity for all parties to understand their roles, functions, and responsibilities within the project's decision-making structures, including reporting and communication lines, and conflict resolution mechanisms. The Terms of Reference for project staff and decision-making structures will be discussed again, as needed, in order to clarify for all, each party's responsibilities during the project's implementation phase.

Monitoring responsibilities and events

173. A detailed schedule of project review meetings will be developed by the project management, in consultation with project implementation partners and stakeholder representatives and incorporated in the Project Inception Report. Such a schedule will include: (i) tentative time frames for Project Board Meetings and (ii) project related Monitoring and Evaluation activities. Day-to-day monitoring of implementation progress will be the responsibility of the Project Manager based on the project's Annual Work Plan and its indicators. The Project Manager will inform the UNDP-CO of any delays or difficulties faced during implementation so that the appropriate support or corrective measures can be adopted in a timely and remedial fashion. The Project Manager will fine-tune the progress and performance/impact indicators of the project in consultation with the full project team at the Inception Workshop with support from UNDP-CO and assisted by the UNDP-GEF Regional Coordinating Unit. Specific targets for the first year implementation progress indicators together with their means of

verification will be developed at this Workshop. These will be used to assess whether implementation is proceeding at the intended pace and in the right direction and will form part of the Annual Work Plan. Targets and indicators for subsequent years would be defined annually as part of the internal evaluation and planning processes undertaken by the project team.

174. Measurement of impact indicators related to global benefits will occur according to the schedules defined in the Inception Workshop. The measurement of these will be undertaken through subcontracts or retainers with relevant institutions if necessary. Periodic monitoring of implementation progress will be undertaken by the UNDP-CO through quarterly meetings with the Implementing Partner, or more frequently as deemed necessary. This will allow parties to take stock and to troubleshoot any problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities.

175. Annual Monitoring will occur through the Project Board meetings. This is the highest policy-level meeting of the parties directly involved in the implementation of a project. The project will be subject to Project Board meetings two times each year. The first such meeting will be held within six months of the start of full implementation.

176. The Project Manager in consultation with UNDP-CO and UNDP-GEF RCU will prepare a UNDP/GEF PIR/ARR and submit it to Project Board members at least two weeks prior to the Project Board meeting for review and comments. The PIR/APR will be used as one of the basic documents for discussions in the Project Board meeting. The Project Manager will present the PIR/APR to the Project Board, highlighting policy issues and recommendations for the decision of the Board members. The Project Manager also informs the members of any agreement reached by stakeholders during the PIR/APR preparation on how to resolve operational issues. Separate reviews of each project component may also be conducted if necessary. The Project Board has the authority to suspend disbursement if project performance benchmarks are not met. Benchmarks will be developed at the Inception Workshop, based on delivery rates, and qualitative assessments of achievements of outputs.

177. The terminal Project Board meeting is held in the last month of project operations. The Project Manager is responsible for preparing the Terminal Report and submitting it to UNDP-CO and UNDP-GEF RCU. It shall be prepared in draft at least two months in advance of the terminal Board meeting in order to allow review, and will serve as the basis for discussions in the terminal Board meeting. The terminal meeting considers the implementation of the project as a whole, paying particular attention to whether the project has achieved its stated objectives and contributed to the broader environmental objective. It decides whether any actions are still necessary, particularly in relation to sustainability of project results, and acts as a vehicle through which lessons learnt can be captured to feed into other projects under implementation of formulation.

178. UNDP Country Office and UNDP-GEF RCU as appropriate, will conduct yearly visits to project sites based on an agreed schedule to be detailed in the project's Inception Report/Annual Work Plan to assess first hand project progress. Any other member of the Project Board can also accompany. A Field Visit/Back to Office Report will be prepared by the CO and UNDP-GEF RCU and circulated no less than one month after the visit to the project team, all Project Board members, and UNDP-GEF.

Monitoring & Reporting

179. The Project Management Unit in conjunction with the UNDP-GEF team will be responsible for the preparation and submission of the following reports that form part of the monitoring process. The first six reports are mandatory and strictly related to monitoring, while the last two have a broader function and the frequency and nature is project-specific to be defined throughout implementation.

180. A Project Inception Report: will be prepared immediately following the Inception Workshop. It will include a detailed Annual Work Plan for the first year divided in quarterly time-frames detailing the activities and progress indicators that will guide implementation during the first year of the project. This Work Plan would include the dates of specific field visits, support missions from the UNDP-CO, the UNDP/GEF Regional Technical Advisor or consultants, as well as time-frames for meetings of the project's decision making structures. The Report will also include the detailed project budget for the first full year of implementation, prepared on the basis of the Annual Work Plan, and including any monitoring and evaluation requirements to effectively measure project performance during the targeted 12 months time-frame.

181. The Inception Report will include a more detailed narrative on the institutional roles, responsibilities, coordinating actions and feedback mechanisms of project-related partners. In addition, a section will be included on progress to date on project establishment and start-up activities and an update of any changed external conditions that may affect project implementation. When finalized, the report will be circulated to project counterparts who will be given a period of one calendar month in which to respond with comments or queries. Prior to this circulation of the Inception Report, the UNDP Country Office and UNDP/GEF Regional Technical Advisor will review the document.

182. The Annual Project Report (APR): is a UNDP requirement and part of UNDP's Country Office central oversight, monitoring, and project management. It is a self-assessment report by project management to the CO and provides input to the country office reporting process and the ROAR, as well as forming a key input to the Tripartite Project Review. An APR will be prepared on an annual basis prior to the Tripartite Project Review, to reflect progress achieved in meeting the project's Annual Work Plan and assess performance of the project in contributing to intended outcomes through outputs and partnership work. The format of the APR fits within the Monitoring strategy of the Country Office, but should include the following:

- An analysis of project performance over the reporting period, including outputs produced and, where possible, information on the status of the outcome;
- The constraints experienced in the progress towards results and the reasons for these;
- The three (at most) major constraints to achievement of results;
- AWP, CAE and other expenditure reports (ERP generated);
- Lessons learned;
- Clear recommendations for future orientation in addressing key problems in lack of progress

183. The Project Implementation Review (PIR): is an annual monitoring process mandated by the GEF. It has become an essential management and monitoring tool for project managers and offers the main vehicle for extracting lessons from ongoing projects. Once the project has been under implementation for a year, a Project Implementation Report must be completed by the CO together with the project. The PIR can be prepared any time during the year (July-June) and ideally prior to the TPR. The PIR should then be discussed in the TPR so that the result would be a PIR that has been agreed upon by the project, the executing agency, UNDP CO and the concerned RC.

184. The individual PIRs are collected, reviewed and analysed by the RCs prior to sending them to the focal area clusters at the UNDP-GEF headquarters. The focal area clusters supported by the UNDP-GEF M&E Unit analyse the PIRs by focal area, theme and region for common issues/results and lessons. The TAs and PTAs play a key role in this consolidating analysis.

185. The focal area PIRs are then discussed in the GEF Interagency Focal Area Task Forces in or around November each year and consolidated reports by focal area are collated by the GEF Independent M&E Unit based on the Task Force findings.

186. The GEF M&E Unit provides the scope and content of the PIR. In light of the similarities of both APR and PIR, UNDP-GEF has prepared a harmonized format for reference.

187. UNDP ATLAS Monitoring Reports: A Combined Delivery Report (CDR) summarizing all project expenditures, is mandatory and should be issued quarterly. The Project Manager should send it to the Project Board for review and the Implementing Partner should certify it. The following logs should be prepared: (i) The Issues Log is used to capture and track the status of all project issues throughout the implementation of the project. It will be the responsibility of the Project Manager to track, capture and assign issues, and to ensure that all project issues are appropriately addressed; (ii) the Risk Log is maintained throughout the project to capture potential risks to the project and associated measures to manage risks. It will be the responsibility of the Project Manager to maintain and update the Risk Log, using Atlas; and (iii) the Lessons Learned Log is maintained throughout the project to capture insights and lessons based on good and bad experiences and behaviours. It is the responsibility of the Project Manager to maintain and update the Lessons Learned Log.

188. Quarterly Progress Reports: Short reports outlining main updates in project progress will be provided quarterly to the local UNDP Country Office and the UNDP-GEF regional office by the project team.

189. Project Terminal Report: During the last three months of the project the project team will prepare the Project Terminal Report. This comprehensive report will summarize all activities, achievements and outputs of the Project, lessons learnt, objectives met or not achieved, structures and systems implemented, etc. and will be the definitive statement of the Project's activities during its lifetime. It will also lay out recommendations for any further steps that may need to be taken to ensure sustainability and replicability of the Project's activities.

190. Periodic Thematic Reports: As and when called for by UNDP, UNDP-GEF or the Implementing Partner, the project team will prepare specific Thematic Reports, focusing on specific issues or areas of activity. The request for a Thematic Report will be provided to the project team in written form by UNDP and will clearly state the issue or activities that need to be reported on. These reports can be used as a form of lessons learnt exercise, specific oversight in key areas, or as troubleshooting exercises to evaluate and overcome obstacles and difficulties encountered. UNDP is requested to minimize its requests for Thematic Reports, and when such are necessary will allow reasonable timeframes for their preparation by the project team.

191. Technical Reports: are detailed documents covering specific areas of analysis or scientific specializations within the overall project. As part of the Inception Report, the project team will prepare a draft Reports List, detailing the technical reports that are expected to be prepared on key areas of activity during the course of the Project, and tentative due dates. Where necessary this Reports List will be revised and updated, and included in subsequent APRs. Technical Reports may also be prepared by external consultants and should be comprehensive, specialized analyses of clearly defined areas of research within the framework of the project and its sites. These technical reports will represent, as appropriate, the project's substantive contribution to specific areas, and will be used in efforts to disseminate relevant information and best practices at local, national and international levels.

192. Project Publications: will form a key method of crystallizing and disseminating the results and achievements of the Project. These publications may be scientific or informational texts on the activities and achievements of the Project, in the form of journal articles, multimedia publications, etc. These publications can be based on Technical Reports, depending upon the relevance, scientific worth, etc. of these Reports, or may be summaries or compilations of a series of Technical Reports and other research. The project team will determine if any of the Technical Reports merit formal publication, and will also (in consultation with UNDP, the government and other relevant stakeholder groups) plan and produce these Publications in a consistent and recognizable format. Project resources will need to be defined and allocated for these activities as appropriate and in a manner commensurate with the project's budget.

INDEPENDENT EVALUATIONS

193. Mid-Term Review: An independent Mid-Term Review of the project will be conducted at the mid-point of the project. The Mid-Term Review will determine progress being made toward the achievement of outcomes and will identify course-correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; and will present initial lessons learned about project design, implementation and management. Findings of this review will be incorporated as recommendations for enhanced implementation during the final half of the project's term. The organization, terms of reference and timing of the mid-term review will be decided after consultation between the parties to the project document. The Terms of Reference for this Mid-Term Review will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-EEG. The management response and the review will be uploaded to UNDP corporate systems, in particular the UNDP Evaluation Office Evaluation Resource Center (ERC). The relevant GEF Focal Area Tracking Tools will also be completed during the mid-term evaluation cycle.

194. Terminal Evaluation: Three months prior to the final Project Board meeting, an independent Terminal Evaluation will take place in accordance with UNDP and GEF guidance. The Terminal Evaluation will focus on the delivery of the project's results as initially planned (and as corrected after the Mid-Term Evaluation, if any such correction took place). It will look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental benefits/goals. The Terms of Reference for this evaluation will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-EEG.

195. The Terminal Evaluation should also provide recommendations for follow-up activities and requires a management response which should be uploaded to PIMS and to the UNDP Evaluation Office Evaluation Resource Center.

196. The relevant GEF Focal Area Tracking Tools will also be completed during the final evaluation.

LEARNING AND KNOWLEDGE SHARING

197. Results from the project will be disseminated within and beyond the project intervention zone through a number of existing information sharing networks and forums. In addition, the project will participate, as relevant and appropriate, in UNDP/GEF sponsored networks, organized for senior personnel working on projects that share common characteristics. UNDP/GEF Regional Unit has established an electronic platform for sharing lessons between the project coordinators. The project will identify and participate, as relevant and appropriate, in scientific, policy-based and/or any other networks, which may be of benefit to project implementation though lessons learned. The project will

identify, analyze, and share lessons learned that might be beneficial in the design and implementation of similar future projects. Identify and analyzing lessons learned is an on- going process, and the need to communicate such lessons as one of the project's central contributions is a requirement to be delivered not less frequently than once every 12 months. UNDP/GEF shall provide a format and assist the project team in categorizing, documenting and reporting on lessons learned.

COMMUNICATIONS AND VISIBILITY REQUIREMENTS:

198. Full compliance is required with UNDP's Branding Guidelines and guidance on the use of the UNDP logo. These can be accessed at http://web.undp.org/comtoolkit/reaching-the-outside-world/outside-world-core-concepts-visual.shtml. Full compliance is also required with the GEF Branding Guidelines and guidance on the use of the GEF logo. These can be accessed at http://www.thegef.org/gef/GEF_logo. The UNDP and GEF logos should be the same size. When both logos appear on a publication, the UNDP logo should be on the left top corner and the GEF logo on the right top corner. Further details are available from the UNDP-GEF team based in the region. Where other agencies and project partners have provided support through co-financing, their branding policies and requirements should be similarly applied.

AUDIT CLAUSE

199. The Government will provide the Resident Representative with certified periodic financial statements, and with an annual audit of the financial statements relating to the status of UNDP (including GEF) funds according to the established procedures set out in the Programming and Finance manuals. The Audit will be conducted according to UNDP financial regulations, rules and audit policies by the legally-recognized auditor of the Government, or by a commercial auditor engaged by the Government.

200. The project will be audited at least once in its lifetime. The Audit Authority (AA) will be responsible for carrying out audit(s) of the project. The AA will use its own auditors to carry out the project audit(s). However, in instances if such arrangement is not feasible, project audit may be carried out by an external auditor engaged by the AA. The Government will be responsible for covering the cost of project audit. However, UNDP may exceptionally approve the use of project funds if the audit is carried out by an external auditor. In such case, the project must include adequate financial provision for the audit in its budget. The AA, however, will remain the responsible agency for the project audit.

201. The Ministry of Finance (MoF) and UNDP will be responsible for initiating, facilitating and coordinating the audit process. MEGDT, as IP will be engaged in audit process as the budget is registered under the IP within the State Treasury. The MoF and MEGDT, in consultation with UNDP, will schedule the project for audit and include it in the list of the projects to be audited in a given year when an audit of the project is due or deemed necessary. The MoF and UNDP will convey, well in advance, the schedule of the project audit to the PMU and other national project implementing authorities and to the AA for necessary action. The AA will conduct the project audit in the manner prescribed in the Government's general Auditing Rules and Regulations and in conformity with UNDP Guidelines and internationally accepted common auditing standards[4]

Table 7. M&E Activities, Responsibilities, Indicative Budget and Time Frame

[4] International Standards on Auditing published by the International Federation of Accountants.

Type of M&E activity	Responsible Parties	Budget US$ (excluding project team staff time)	Time frame
Inception Workshop (IW)	PMU UNDP CO UNDP HQ	4,000	Within first two months of project start up
Inception Report	PMU UNDP CO	Included in the workshop budget	Immediately following IW
Measurement of Means of Verification for Project Outcome Indicators	PMU will oversee the hiring of specific studies and institutions, and delegate responsibilities to relevant team members. Includes subcontracted awareness assessments at start and end of project	Indicative cost 21,000	Start, mid and end of project
Measurement of Means of Verification for Project Progress and Performance (measured on an annual basis)	Oversight by UNDP CO/GEF Regional Technical Advisor and Project Director. Measurements by national implementing agencies at central and local levels	Indicative cost 8,000	Annually prior to APR/PIR and to the definition of annual work plans ($2,000 / year)
APR and PIR	PMU UNDP-CO UNDP-GEF	None	Annually
CDRs	PMU	None	Quarterly
Project Board meetings	PMU UNDP CO	8,000	Following Project IW and subsequently at least once a year
Project Technical Committee Meetings	PMU UNDP CO	8,000	At least twice a year during project duration
Periodic status reports	PMU	3,000	To be determined by the PMU and UNDP CO
Technical reports	PMU Hired consultants as needed	Tbd	To be determined by the PMU and UNDP-CO
Mid-Term Review	PMU UNDP- CO UNDP-GEF Regional Technical Advisor External Reviewers (i.e. international/ national consultants)	30,000	Two years after project implementation (project mid-point).
Terminal Evaluation	PMU UNDP- CO UNDP-GEF Regional Technical Advisor External Evaluators (i.e. international/ national consultants)	25,000	At the end of project implementation
Terminal Report	PMU UNDP-CO	None	At least one month before the end of the project
Lessons learned / Knowledge Management	PMU UNDP-GEF Regional Technical Advisor (suggested formats for documenting best practices, etc)	15,000	Annually: – Y1 $1000; Y2 $4000; Y3 $5000; Y4 $5,000
Audit	UNDP-CO Project team	5,000	Annual financial audit by independent Audit Company and through UNDP CO
Visits to field sites	UNDP Country Office		As and when

	UNDP-GEF Regional Technical Advisor (as appropriate) PMU, National Implementing Agencies		necessary. Co-financed by UNDP CO
TOTAL INDICATIVE COST Excluding project team staff time and UNDP staff and travel expenses		**$127,000**	

PART V: Legal Context

202. This document together with the CPAP signed by the Government and UNDP which is incorporated by reference constitute together a Project Document as referred to in Standard Basic Assistance Agreement (SBAA) and all Country Programme Action Plan (CPAP) provisions apply to this document.

203. The UNDP Resident Representative in Mongolia is authorized to effect in writing the following types of revision to this Project Document, provided that he/she has verified the agreement thereto by the UNDP-EEG Unit and is assured that the other signatories to the Project Document have no objection to the proposed changes:

- Revision of, or addition to, any of the annexes to the Project Document;
- Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the re-arrangement of the inputs already agreed to or by cost increases due to inflation;
- Mandatory annual revisions which re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility; and
- Inclusion of additional annexes and attachments only as set out here in this Project Document.

204. Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner. The implementing partner shall: a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried; b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

205. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

206. The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

SECTION II: STRATEGIC RESULTS FRAMEWORK (SRF) AND GEF INCREMENT

PART I: Strategic Results Framework, SRF (formerly GEF Logical Framework) Analysis

Project Title: Land Degradation Offset and Mitigation in Western Mongolia

Project's Development Goal: Conservation of ecosystem integrity and resilience, biodiversity and livelihoods in Western Mongolia's productive landscapes

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
Objective: To reduce negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management	Area of pastoral production system and natural habitats in western Mongolia under integrated planning and management as shown by incorporation of eco-regional assessment into land use plans	0	41.5 million ha	▪ Mid-term Review and Final Evaluation reports ▪ Project progress reports ▪ Provincial land use plans	Risks: Political instability and 2016 elections delay project progress Further economic downturn hinders cooperation with mining companies through investment in SLM Lack of consensus among stakeholders on detailed rules and regulations for offsets Assumptions: The Government of Mongolia is fully committed to the conservation and sustainable use of the country's ecosystems and the operationalisation of a national framework for mitigation and offsetting of
	Area set aside from mining related development, for ecological sensitivity including pasture values (through local and national PA designations) derived from Eco-regional assessment)	11.35M ha national PAs and 2.08 M ha Local PAs Total = 13.43 M ha	10% increase	▪ Project progress reports ▪ MEGDT website (PAAD)	
	Level of institutional capacity for implementation of mitigation and offsetting framework as indicated by Capacity scorecard	41 out of a possible 96 = 42.7%	Improved capacity indicated by an increase of at least 25% over baseline (ie. a score of 51.25 = 53.4%)	▪ Project progress reports ▪ Capacity Scorecard assessments in Mid-term Review and Final Evaluation reports ▪ Training reports	

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
					mining impacts. Co-financing is mobilised from Government allocations and other donors
Outcome 1: Land degradation mitigation and offset framework operationalised, through eco-regional land use planning and capacity development	**Outputs:** ▪ Output 1.1: Land degradation mitigation and offset procedures and guidelines developed, integrated in the mining concession planning and licensing system and operationalized. ▪ Output 1.2: Participatory and science-based eco-regional assessment conducted in western Mongolia and applied to provincial (landscape-level) land use planning. ▪ Output 1.3: Capacity of key stakeholders developed to apply mitigation and offsetting at the national, aimag and soum levels, and public awareness raised.				
	Resolution of legal contradictions and adoption of new guidelines / regulations / mechanisms to strengthen the mitigation /offsetting framework	-	• amended law to incorporate offsetting in land use plans at national. aimag and soum levels; • guideline for the implementation of offsetting and mitigation hierarchy through SLM	▪ Minutes of meetings of inter-ministerial committee	Risks: Economic downturn takes government focus off achieving the 30% PA target, in favour of a more relaxed approach to mining licences Assumptions: Cooperation is forthcoming from the aimag authorities and production sectors such as Livestock and Agriculture, for introducing mitigation and offsetting through SLM practices. Stakeholder institutions are willing to share information that is required for reducing land degradation through SLM Institutions are willing to commit the expected number
	Area of priority conservation (potential offset) areas identified for protection and integrated in mining concession planning process	13.43 million hectares	30% of 41.5 million ha (= 12.45 million ha)	▪ Eco-regional assessment ▪ Mining concession plans	
	Public awareness of the role of mitigation and offsetting in addressing impacts of mining	Extremely low: baseline survey with an agreed methodology will be conducted during inception phase	10% increase in Aimag centres and 30% increase in pastoral communities at pilot landscapes	▪ Results of questionnaire surveys conducted at beginning and end of project	

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
					of personnel for training and capacity building
Outcome 2. Land degradation mitigation and offsets applied through SLM within selected landscapes	**Outputs:** Output 2.1: Integrated land management plans operationalised in selected landscapes with full participation of key stakeholders. Output 2.2: Land degradation mitigation and offsets piloted in selected landscapes. Output 2.3: Capacity of local stakeholders developed through demonstration and application of innovative SLM approaches.				
	Integrated landscape management and offset mechanisms demonstrated with prominent mining concessions and other competing land uses	0ha	at least 100,000 ha, with at least one offset agreement signed per pilot landscape	▪ Pilot landscape reports ▪ Project Progress reports	Risks: Local communities are unwilling to engage constructively with mining companies due to lack of trust Mining companies unwilling to commit additional finds for offsets Assumptions: Aimag and Soum authorities are collaborating and receptive for introducing SLM initiatives for mitigation and offsetting Opportunities through offsetting would stimulate the poor natural resource dependent pastoral communities to organize and perform better.
	Increased investments in SLM actions in the landscape	Khotgor mines $29,323 Bayan Airag mine $19,600 Khushuut mine $118,000	A 50% increase on the 2014 EMP budgets of partner mining companies in the pilot landscapes	▪ Project reports ▪ Mid-term and terminal evaluation reports	
	% pilot site herder/farmer families applying innovative SLM technologies (as defined in Output 2.3)	Low - To be confirmed during Inception phase	50% by end of project of 200 households in Khushuut Bagh of Darvi soum (Khovd), 190 households of khar altat Bagh of Bukhmurun soum, (Uvs), 149 households of Tsogt Bagh of Durvuljin soum, (Zavkhan)	▪ Project reports ▪ Mid-term and terminal evaluation reports	
	Area of grazing/forested land (ha) and # springs/wells in pilot landscapes subject to innovative SLM interventions	Grazing rotation: to be determined during the inception phase. 4.5 ha forest	30% of the total grazing/forested area or degraded springs/wells in the pilot landscapes by	▪ Project reports ▪ Mid-term and terminal evaluation reports	

Objective/ Outcome	Indicator	Baseline	End of Project target	Source of Information	Risks and assumptions
		restoration (Zavkhan) 2 wells established/protected (Khovd) To be confirmed during inception phase	end of project		

Part II: Incremental Cost Analysis

207. This project aims to develop the national mitigation and offsetting framework for reducing the impacts of mining, incorporate it into land use planning, build national and local capacities, and then demonstrate and test its application through integrated land management and SLM by local communities and mining companies in a number of pilot landscapes. By doing so, it will assist the Government of Mongolia to implement its obligations under CBD, UNFCC and UNCCD, contributing towards the conservation and sustainable use of the country's outstanding natural resources, landscapes and biodiversity and supporting the livelihoods of local herding communities.

208. **Baseline trends**: The Government of Mongolia has identified the need to address the environmental and social impacts of the mining sector, and is investing in efforts to develop and implement a national mitigation hierarchy and offsetting framework as a priority. There have already been serious impacts from mining on Mongolia's exceptional landscapes, natural resources and biodiversity, with associated impacts on the health, wellbeing and livelihoods of local communities, particularly the nomadic herders who depend directly on these natural resources. Mining is crucial to the Mongolian economy, and current efforts to expand the mining sector have the potential to exacerbate and compound the existing problems significantly. The main consequences will fall on poor rural communities.

209. Although some mining activities are consistent with the requirements of existing legislation, there remain weaknesses in the current legal and regulatory framework that mean that environmental impacts are not always fully, or appropriately, addressed. In particular, compensating for the residual impacts after all others have been avoided, minimised or mitigated, has only recently been made obligatory as a result of the inclusion of mandatory offsetting in the 2012 amendment of the Law on Environmental Impact Assessement. There are no examples as yet, where investments involving local or international mining companies have effectively demonstrated full application of the mitigation hierarchy, including offsetting – thereby leading to no net loss, or net gain in biodiversity and ecosystem services. Efforts to date have been inadequate to remove the existing barriers to the introduction of an effective national mitigation and offsetting regime that will contribute towards SLM, reduce mining impacts to zero or net-positive levels. Therefore the consequences of (and further threats to) ecosystem degradation and land conversion resulting from mining remain, foregoing the opportunities from sustainable natural resources management.

210. **Without GEF investment in the proposed project**, the further development, emplacement, demonstration and up-scaling of the national mitigation and offsetting policy framework would take considerably longer, and it would be more difficult to achieve the international standards for best practice. It would be more difficult to convince upstream decision-makers that the implementation of the mitigation and offsetting policy and regulations are required, and to put in place appropriate institutional and financial mechanisms. The lack of technical support for the development of implementing regulations will affect their completion and quality, and supporting information sharing mechanisms and guidance materials will not be available. Inter-agency coordination for implementing the mitigation hierarchy and offsetting development through land use and land management planning will remain weak, resulting in potential conflicts and confusion which may adversely affect reduction of the impacts from mining. In particular, the lack of eco-regional assessments for biodiversity and ecosystem services for some parts of the country (notably the Western region) will hinder effective land use planning.

211. Lack of capacity has been identified as a key constraint for the introduction of an effective national mitigation hierarchy and offsetting regime across a wide range of stakeholders and at all levels – national, local / community and sectoral. Resources will not be adequate to support the level of capacity building needed to bring the MEGDT, auditing authorities and other stakeholders to implementation readiness in the short term, and local experience and information-sharing on the development of the mitigation hierarchy and offsetting will remain inadequate. Mining impacts will continue to be weakly regulated, therefore local communities across the country would continue to be at risk of losing out from mining impacts and there will be little incentive for improving SLM at local level.

212. Levels of awareness among decision makers, sectoral agencies, the commercial sector and local communities amongst others concerning the objectives, procedures, opportunities for engagement and potential benefits of an effective mitigation hierarchy and offsetting regime will continue to remain low. At the national level, there is little understanding of these issues among sectors other than those directly involved in the conservation and sustainable use of natural resources, and even then there is a need to ensure consistency in the vision and rationale behind mitigation and offsetting.

213. Existing agreements for mitigation and offsetting have been weakly regulated/enforced, not necessarily meeting the objectives of avoid/minimise/restore and offset to ensure net positive outcomes, nor taking adequate account of the rights and needs of local communities and other stakeholders. There is therefore a strong need for the introduction of best practice models of the consultative/participatory processes involved in development of quality mitigation and offsetting agreements. Further, it is important that all players are able to understand the provisions and implications of such agreements, the sometimes complex issues involved, and their roles in implementation.

214. Investment in mitigation and offsetting by international and national mining companies would be less likely in the absence of a clear legal framework and national capacity for effective governance of the sector. In addition, local communities in particular may not gain from such investments, although their lands, livelihoods and traditional practices may be impacted. Overall, the constituency and financial resources for SLM will not advance beyond baseline levels.

215. **Global environmental benefits**: The increment of the project in terms of global environmental benefits is represented by: (i) increasing the area of pastoral production system and natural habitats in western Mongolia under integrated planning and management by 41.5 million hectares, as shown by incorporation of eco-regional assessment into land use plans; (ii) increasing by 10% the area of the Western provinces that is set aside from mining related development, for ecological sensitivity including pasture values (through local and national PA designations) derived from eco-regional assessment; (iii) improving the overall institutional and individual capacity to implement the mitigation and offsetting framework from a baseline of 42.7%, to a final value of 53.4% (a 25% increase) as measured by the adapted Capacity Assessment Scorecard.

216. In addition, the project will generate global benefits directly through implementation of international best practice in applying the mitigation hierarchy and offsetting in pilot landscapes totalling at least 100,000 hectares particularly through: (iv) Increasing the financial investments of mining companies in SLM actions in the landscape from mitigation and offsetting by 50% above the 2014 baseline; and (v) increasing the area of land (ha) in pilot landscapes subject to different SLM interventions by 30%.

217. **In the Alternative scenario enabled by the GEF,** the Government of Mongolia aims to ensure that all parties, including the national and local governments and local communities stand to benefit through the effective emplacement and demonstration of mitigation and offsetting to address the impacts of mining. The framework for applying mitigation and offsetting through SLM will be strengthened and fully operationalised through additional guidelines and regulations and the removal of discrepancies with other laws and policies. Effective mechanisms for inter-sectoral coordination will be established. The mitigation hierarchy will be embedded into the land use planning processes at national, provincial and local levels through the use of eco-regional assessments to avoid mining impacts in sensitive areas, and to identify potential offset areas. Individual and institutional capacity to implement the mitigation hierarchy and offsetting will be greatly strengthened, with a particular focus on public sector staff at aimag and local level as well as the mining companies and EIA consulting firms. Public awareness of the requirements, benefits and processes of effective implementation of mitigation and offsetting will be greatly raised, to enable local communities to engage more actively in the process.

218. Additionally, the project will demonstrate introduction of the LD mitigation and offset mechanism through integrated SLM practices for competing land use types (*i.e.* mining, infrastructure development, livestock grazing, farming, areas under special (state) and local protection, and tourism initiatives in protected area buffer zones) in the western region of the country. Local farmers and herders, as primary resource users and local Government will play an essential role in implementation of landscape-level land use plans and in addressing land degradation challenges. Integrated landscape management and offset mechanisms will be demonstrated covering at least 100,000 ha, with prominent mining concessions and other competing land uses; increasing rehabilitated lands, and reducing the projected rate of land degradation and biodiversity loss. Increased investments in SLM actions in the landscape will generate at least a 50% increase in the investments from the mining companies. Best practices and lessons learned, will be drawn from the project experiences and disseminated nationally and internationally through the internet, publications and a national seminar, providing useful guidance to the ongoing regional and global processes related to mitigation and offsetting.

219. **System Boundary:** This project aims to develop and implement the national mitigation hierarchy and offsetting framework, build national capacities and thereby strengthening the efforts across the country for SLM particularly with reference to compensating for the impacts of the extractive industries. Geographically the project is relevant to the entire territory of Mongolia, but will focus implementation on the five Western aimags. The demonstration pilot landscapes in Component 2 are more localized, focusing on mining companies and communities identified in the pilot landscape report (see Annex 6). The specific pilots will be finalised, detailed and agreed in MOUs during the Inception Phase, based on further field investigations and the elaboration of specific and detailed work plans for each pilot landscape.

220. **Summary of Costs:** The Baseline associated with this project is estimated at US$33.897 million. The GEF Alternative has been costed at US$ 39.840 million. The total Incremental Cost to implement the full project is US$ 5.943 million. Of this amount, $1,289,863 is requested from GEF. GEF funds have leveraged US$ 5,250,000 million in co-financing for the Alternative strategy. Most co-financing will be contributed by the national government through baseline investments for environmental management within mining concessions and mine site management, as well as environmental impact assessment operation. Incremental costs have been estimated for four years, the duration of the planned project Alternative. These costs are summarized below in the incremental costs matrix.

Table 8. Incremental Cost Matrix

Cost/Benefit	Baseline (B)	Alternative (A)	Increment (A-B)
BENEFITS			
Global benefits	Weaknesses exist in the existing legal framework and procedures for implementing the mitigation hierarchy and offsetting the impacts of the mining sector. Overall, the constituency and financial resources to address the impacts of mining will not advance beyond current baseline levels. The land use planning framework does not address the needs to avoid and offset the negative impacts of mining There is inadequate institutional capacity and awareness to implement mitigation hierarchy and offsetting regime.	The project will further develop and test the implementing regulations on mitigation and offsetting, remove inconsistencies and strengthen inter-sectoral coordination. The results of eco-regional assessment for the western region are integrated into land use planning at aimag and soum levels, to safeguard ecologically important areas and identify offset opportunities Strategic capacity building and awareness raising conducted for target groups including public and private sector and local communities	An effective national mitigation hierarchy and offsetting regime to reduce the negative impacts of mining on Mongolia's globally significant landscapes and biodiversity 41.5 million hectares of pastoral production system and natural habitats in western Mongolia under integrated planning and management Increasing by 10% the area set aside from mining related development, for ecological sensitivity including pasture values (through local and national PA designations) Contributions towards the maintenance of globally significant biodiversity and ecosystem services Improving the overall institutional and individual capacity to implement the mitigation and offsetting framework from a baseline of 42.7%, to a final value >57% as measured by the adapted Capacity Assessment Scorecard. Increased awareness of the requirements, benefits and procedures for applying the mitigation hierarchy and offsetting
National and local benefits	Application of the mitigation hierarchy and offsetting regime will continue to be weakly implemented, and poorly integrated into land use plans. Local communities will remain at risk of being seriously disadvantaged by the impacts of mining	The project will demonstrate practical application of the national mitigation/offsetting framework at a number of pilot landscapes, incorporating the results into integrated land management plans to reduce and offset the impacts of mining	Integrated landscape management and offset mechanisms demonstrated with prominent mining concessions and other competing land uses over more than 100,000ha in the western region of the country.

Cost/Benefit	Baseline (B)	Alternative (A)	Increment (A-B)
	Inadequate implementation of EIA regulations by mining companies may not fully address environmental impacts or take account of the rights and needs of local communities or include any requirement for the offsetting of residual impacts. The lands, livelihoods and traditional practices of local communities continue to be impacted by the impacts of mining, and there are no SLM compensations for the residual impacts through offsetting	Demonstrated and participatory development of mitigation hierarchy and offsetting agreements for SLM by mining companies with full involvement of local communities in a number of pilot landscapes. Local communities benefit from SLM opportunities via mitigation and offsetting, and their capacity to implement innovation SLM practices is raised	Effective mitigation and offsetting agreements result in a 50% increase in the financing allocated by mining companies in the pilot landscapes for SLM Area of land (ha) in pilot landscapes subject to innovative SLM interventions increases by 30% % of pilot site herder/farmer families applying greener and innovative technologies for SLM increases by 50% through the provision of SLM incentives from mining offsets.
COSTS			
Outcome 1: Land degradation mitigation and offset framework operationalised, through eco-regional land use planning and capacity development	**Baseline:** $16,177,000	**Alternative:** $18,997,000	GEF: $573,000 COF: $2,820,000 **TOTAL $3,393,000**
Outcome 2: Land degradation mitigation and offsets applied through SLM within selected landscapes	**Baseline:** $17,720,000	**Alternative:** $20,320,000	GEF $600,000 COF: $2,000,000 **TOTAL $2,600,000**
Project Management			GEF $116,863 COF: $480,000 **TOTAL $596,863** **Agency Fees $122,537**
TOTAL COSTS	**Baseline: $33,897,000**	**Alternative: $39,317,000**	**Incremental Cost $5,420,000**

SECTION III: Total Budget and Work plan

Short Title:	LD Offset in Western Mongolia
Award ID:	00087440
Project ID:	00094432
Business Unit:	MNG10
Project Title:	Land Degradation Offset and Mitigation in Western Mongolia
PIMS #:	5287
Implement. Partner:	Ministry of Environment, Green Development and Tourism

GEF Outcome/ Atlas Activity	Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Acct Code	Atlas Budget Description	Amount Year 1 (USD)	Amount Year 2 (USD)	Amount Year 3 (USD)	Amount Year 4 (USD)	Total (USD)	Budget Note
OUTCOME 1: Land degradation mitigation and offset framework operationalised, through eco-regional land use planning and capacity development	MEGDT	62000	GEF	71200	International Consultants	9,750	26,000	3,250	19,500	**58,500**	1
				71300	Local Consultants	26,100	29,100	19,100	18,600	**92,900**	2
				71600	Travel	9,200	8,000	7,000	5,000	**29,200**	3
				72100	Contractual Services - Company	200,000	115,000	-	-	**315,000**	4
				75700	Training/Workshop	15,000	15,000	12,400	10,000	**52,400**	5
				74200	Audio-visual and printing production costs	4,000	7,000	5,000	1,000	**17,000**	6
				74500	Miscellaneous	2,000	2,000	2,000	2,000	**8,000**	7
					Total	**266,050**	**202,100**	**48,750**	**56,100**	**573,000**	
OUTCOME 2: Land degradation mitigation and offsets applied through SLM within selected landscapes	MEGDT	62000	GEF	71200	International Consultants	19,500	19,500	9,750	9,750	**58,500**	8
				71300	Local Consultants	43,300	43,300	43,300	43,300	**173,200**	9
				71600	Travel	20,000	25,000	25,000	25,000	**95,000**	10
				72100	Contractual Services - Company	40,000	50,000	40,000	30,000	**160,000**	11
				75700	Training/Workshop	10,000	20,000	20,000	20,000	**70,000**	12
				74200	Audio-visual and printing production costs	10,000	9,000	8,000	8,000	**35,000**	13

				74500	Miscellaneous	2,000	2,100	2,100	2,100	**8,300**	14
					Total	**144,800**	**168,900**	**148,150**	**138,150**	**600,000**	
Project Management				71300	Local Consultants	23,200	23,200	23,200	23,200	**92,800**	15
				74500	Miscellaneous	14,000	1,500	1,500	1,063	**18,063**	16
				74500	Cost recovery charge	2,000	1,500	1,500	1,000	**6,000**	17
					Total	**39,200**	**26,200**	**26,200**	**25,263**	**116,863**	
TOTAL PROJECT						**450,050**	**397,200**	**223,100**	**219,513**	**1,289,863**	

BUDGET NOTES	
1	Domestic expertise in offsetting, and integrating the mitigation hierarchy into land use planning is still very limited and international expertise to provide best practice support and quality control for all deliverables for Outputs 1.1-1.3 would be critical for ensuring transformational change. International consultant on mitigation hierarchy/offsetting: (US$3,250 X 6 mw = 19,500); Mid-term and Terminal evaluations by International Project Evaluator (US$ 3,250 X 12mw = 39,000) Total = 58,500. See further detail on tasks in Table 8.
2	Overall technical support to PMU in delivering all project activities under Outputs 1.1, 1.2 and 1.3 (Legal expert (US$500 X 18 mw = 9000); Environmental mitigation and offsetting expert (US$500 X 10 mw = 5000); Land use planning and management expert (US$500 X 21 mw = 10,500); PMU Technical Advisor (Capacity development and awareness expert) (US$300 X 208 mw = 62400); Mid-Term Review and Terminal evaluations (National Evaluation Consultant(US$500 X 12 mw = 6000)) Total = 92,900. See further detail on tasks in Table 8.
3	Pro rata travel for international and national consultants and project staff, including international and domestic flight costs, terminal expenses and DSAs. Note that all vehicle needs for local transport will be provided under co-financing.
4	Service contract to deliver the Eco-regional Assessment for the Western Provinces and support integration of the results into eco-regional planning at national, aimag and soum levels (Output 2.2)
5	Key planning, consultation and training meetings for, inter alia: production of the inception report; meetings of the inter-sectoral working group, training courses and programmes at national level. Venues and facilities will generally be provided under national co-financing. Includes cost of a national seminar in Year 4 to assess lessons learned and prepare a replication / up-scaling plan
6	Editing, design and printing of reports and awareness materials (user-friendly handbooks, policy maker's toolkits etc). Budget is very low since most materials will be distributed electronically.
7	Contingency to cover exchange rate fluctuations, audit costs and miscellaneous costs associated with organizing specialized meetings eg M&E
8	Domestic expertise in properly applying offsetting within the mitigation hierarchy through SLM is still very limited and international expertise to provide best practice support and quality control for all deliverables for Outputs 2.1-2.3 would be critical for ensuring transformational change. International consultant on mitigation hierarchy/offsetting: (US$3,250 X 18 mw = 58500). Total = $58,500. See further detail on tasks in Table 8.
9	Overall technical support to PMU in delivering all project activities under Outputs 2.1, 2.2, 2.3: Environmental mitigation and offsetting expert (US$500 X 26 mw = 13,000); Land use planning and management expert (US$500 X 26 mw = 13,000); Technical Coordinator for pilot landscapes (US$350 X 64mw = 22,400); Local Technical Advisor for Pilot Landscape 1 (US$200 X 208 mw = 41,600); Local Technical Advisor for Pilot Landscape 2 (US$200 X 208 mw = 41,600); Local Technical Advisor for Pilot Landscape 3 (US$200 X 208 mw = 41,600). Total = 173,200. See further detail on tasks in Table 8.

10	Pro rata travel for international and national consultants and project staff, including international and domestic flight costs, DSAs and accommodation and ground transport. Note that all vehicle needs for local transport will be provided under co-financing.
11	Service contract/s to support: a) technical support for filling gaps in EIAs, developing enhanced EMPs and Offset agreements (Output 2.2); b) extension support to roll-out innovative SLM techniques to local herding and farming communities (Output 2.3); c) community-led Rehabilitation works for degraded mining lands (output 2.3)
12	Key technical and consultation sessions including meetings of LCCs, workshops to develop integrated land management plans, local hands on training events, demonstration events. Government travel costs including DSA to be covered by co-financing. A workshop to be held in YR4 to review lessons learned and develop am up-scaling / replication plan
13	Editing, design and printing of reports and Mongolian language learning materials, brochures etc
14	Contingency to cover exchange rate fluctuations, audit costs and miscellaneous costs associated with organizing specialized meetings eg M&E
15	Project management and coordination (Project Manager (US$ 1400 X 32 months = 44,800) ; Admin and Finance Officer (US$ 1000 X 48 months = 48000. Total = $92,800)
16	$2000 Contingency each year to cover exchange rate fluctuations, audit costs and miscellaneous costs associated with organizing specialized meetings eg M&E. Year 1 costs also include 3 desk top computers ($3000), printer copier ($3000), projector ($1000), desks, chairs, shelves ($5000) and miscellaneous office equipment.
17	UNDP Direct Project Service/Cost recovery charges for executing services requested by the MEP to UNDP as indicated in the LOA between UNDP Mongolia and the government. The amounts here are estimations based on the services indicated, however as part of annual project operational planning the DPS to be requested during the calendar year would be defined and the amount included in the yearly project management budgets and would be charged based on actual services provided by UNDP to the government.

Summary of Funds (US$)

Source	Year 1	Year 2	Year 3	Year 4	Total
GEF (excl. PPG & Agency fee)	450,050	397,200	223,100	219,513	**1,289,863**
Government (grant)	750,000	1,000,000	1,200,000	1,200,000	**4,150,000**
UNDP (grant)	250,000	200,000	200,000	200,000	**850,000**
TNC	37,500	37,500	37,500	37,500	**150,000**
WWF	20,000	20,000	20,000	20,000	**80,000**
Mongolian Mining Association	12,000	12,000	13,000	13,000	**50,000**
Total	1,519,550	1,666,700	1,693,600	1,690,013	**6,569,863**

SECTION IV: ADDITIONAL INFORMATION

PART I: Other agreements

CO-FINANCING LETTERS

MINISTRY OF ENVIRONMENT,
GREEN DEVELOPMENT AND TOURISM
OF MONGOLIA

15160 Government building 2, United Nation's street 5/2,
Chingeltei district, Ulaanbaatar, MONGOLIA
Tel: (976-51) 26 33 41, 26 61 71, Fax: (976-11) 32 14 01,
E-mail. contact@mne.gov.mn, http://www.mne.mn

Date 2015.02.27
Ref. 9a/983

EXECUTIVE SECRETARY
SECRETARIAT OF THE GLOBAL
ENVIRONMENT FACILITY /GEF/

Subject: Co-funding commitment for proposed "Land degradation offset in western Mongolia" project

As the GEF Operational Focal Point for Mongolia, I am pleased to confirm that the Ministry of Environment, Green Development and Tourism of Mongolia, as implementing partner on "Land degradation offset in western Mongolia" project, will provide co-financing worth Three million nine hundred thousand US dollars (3.9 million) to ensure successful implementation of the project. The Government financial participation will contribute towards achievement of the Project components and its management.

We look forward to successful implementation of this important project.

Sincerely,

YERUULT Bayart
DIRECTOR OF THE INTERNATIONAL COOPERATION DIVISION
GEF OPEARTIONAL FOCAL POINT FOR MONGOLIA

CC: UNDP MONGOLIA

MONGOLIA
MINISTRY OF MINING

15160 A corpus, Government building-2, United Nation's street 5/1,
Chingeltei district, Ulaanbaatar, MONGOLIA
Tel: (976-11) 26-12-32, Fax: (976-11) 31-81-69

Date 05/03/2015
Ref. 4/527

TO: UNDP Mongolia
REF: Letter of co-financing

Ministry of Mining of Mongolia hereby asserts that the ministry will contribute an amount o USD250,000.00 to the project entitled "Land degradation offset and mitigation in Wester Mongolia", to be implemented for a period of 4 years, from 2015 to 2019.

This amount represents the expenditure foreseen in the framework of activities, programs identified and planned within our ministry, which will contribute to the achievement of th results of the above mentioned project and support the mining sector development an rapid economic growth along with introduction of environmentally friendly technology and t ensure an adequate living environment for the people of Mongolia.

TUMENBAYAR CHOIJILJAV
Acting Director General,
State Adiminstration Department

WWF Mongolia Programme Office
Inter Office Bldg.
District Sukhbaatar
Amar Street 4
Ulaanbaatar 14192
Mongolia
Tel:+976 11 311 659
Fax:+976 11 310 237
E-mail: info@wwf.mn

WWF for a living planet®

To: Dr Bunchingiv
UN House
United Nations Street -14
Sukhbaatar District
Ulaanbaatar - 14201, Mongolia
Tel: 976-11-327585

Ulaanbaatar, 10 March 2015

To UNDP Mongolia
Subject: Co-financing commitment to the UNDP/GEF/Government of Mongolia project entitled Land Degradation Offset and Mitigation in Western Mongolia

Dear Dr Bunchingiv

WWF Mongolia Programme Office has renewed next 3 years work plan of Altai Sayan Eco-region (July, 2015-July, 2018) with five goals and eight strategies that integrate WWF's global and national priorities. Five goal of our Altai Sayan Eco-region Strategy are overlapped with the goal of /UNDP/GEF/ Government of Mongolia project Land Degradation Offset and Mitigation in Western Mongolia. The first two goal are to maintain the integrity of key ecosystems such as forest steppe, mountain tundra and alpine meadow, semi-desert and desert, steppe, taiga forest and inland water ecosystems. Remaining three goals are to conserve Altai Argali, Saiga antelope and Snow leopard. These goals are reached through strategies including vision map, law enforcement, climate adaptation, protected area network, Integrated River Basin Management, and Community Based Natural Resource Management, Sustainable Forest Management and Responsible Extractive Industry and Liniar Infrastructure. WWF Mongolia Programme Office's secured funding of next three years in Altai Sayan Eco-region is 750,000 Euro.

In this regard, we are pleased to inform you that a co-financing contribution of 75,000 Euro can be made to the UNDP/GEF/Government of Mongolia project entitled Land Degradation Offset and Mitigation in Western Mongolia to support output 1.1, output 1.2 and 2.1.

Yours Sincerely,

J. Jargal,
Conservation Director

MONGOLIAN NATIONAL MINING ASSOCIATION

5th floor, "Geosan" Company Building, Ikh Surguuli Street-8,Baga Toiruu, Sukhbaatar District,Ulaanbaatar, Mongolia
Postal address: Ulaanbaatar 210646,POB-910
Tel: +976-11-314877, 331770, Fax: +976-11-330032, E-mail: info@miningmongolia.mn
Homepage: www.miningmongolia.mn

Date: 2015.02.27. № 31. Ulaanbaatar

TO THE UNITED NATIONS DEVELOPMENT PROGRAMME MONGOLIA

Letter of co-financing

Subject: **Co-financing to the UNDP/GEF project "Land degradation offset and mitigation in Western Mongolia" project**

The Mongolian National Mining Association is one of the major nonprofit and non-governmental NGOs of mineral sector of Mongolia, was established in 1994 and comprises individuals, business entities and organizations that engage in production, research, mapping, projection, service and training in the mining sector. Since establishment in 1994, our organization became highly reputable and recognizable in Mongolia as well as internationally.

Our organization actively supports and advocates for responsible mining development, nurturing public and private partnerships in the mineral sector, strengthening the legal framework for mineral sector by participating in discussions on formulation of amendments and revisions, provision of the up to date information to target groups, advocacy, public perception and training.

In this regard, we pleased to inform on behalf of our member organizations of the mining sector that co- financing contribution of 50.000 dollars can be made to the UNDP/GEF project "Land degradation offset and mitigation in Western Mongolia" project through interventions of the National Mongolian Mining Association for 2015-2019 to contribute to reduction of negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management through capacity building at the national, provincial (*aimag)*and county (*soum)* levels, developed with knowledge and skills to apply procedures and guidelines for mitigation hierarchy and offset to our member and other relevant stakeholders.

Sincerely yours,

Enkhbold.D

Executive Director

The Nature Conservancy
Protecting nature. Preserving life.™

Sukhbaatar district, Amar Street
Internom bldg, 2nd floor
14201 Ulaanbaatar, Mongolia

Tel: 976 7011 8526
Fax: 976 7011 8525
www.nature.org

10 January 2014

Ms. Bunchingiv Bazartseren
Environment Team Leader
United Nations Development Program
UN House
United Nations Street -12
Sukhbaatar District
Ulaanbaatar - 14201
Mongolia

Subject: The Nature Conservancy co-financing commitment to the GEF project entitled *"SLM Offset in Western Mongolia"*

Dear Ms. Bazartseren,

The Nature Conservancy (TNC) is a world leader in applying rigorous, science-based and systematic landscape level planning approaches to balance development needs, such as mining and infrastructure, with those of the nature conservation.

TNC's expertise and experience in Mongolia is well-aligned with the proposed GEF project, which intends to reduce negative impacts of mining on rangelands in the Western mountain and steppe region by incorporating the mitigation hierarchy framework and offsets for biodiversity and land degradation into landscape level planning and management. TNC looks forward to participating in the implementation of various project activities, including the establishment and piloting of the mitigation hierarchy framework and capacity.

This letter serves to confirm that TNC anticipates spending 150,000 U.S dollars in both cash and in kind, on activities that will directly support and leverage the proposed GEF project's goals and objectives between 2014 and 2018.

This collaboration will provide mutual benefits for TNC and the GEF project and we are eager to work together.

Yours sincerely,

Oidov Enkhtuya

United Nations Development Programme

Empowered lives.
Resilient nations.

No: 99 Ref: PRO/ENV

Date: 09 March 2015

Dear Ms. Dinu,

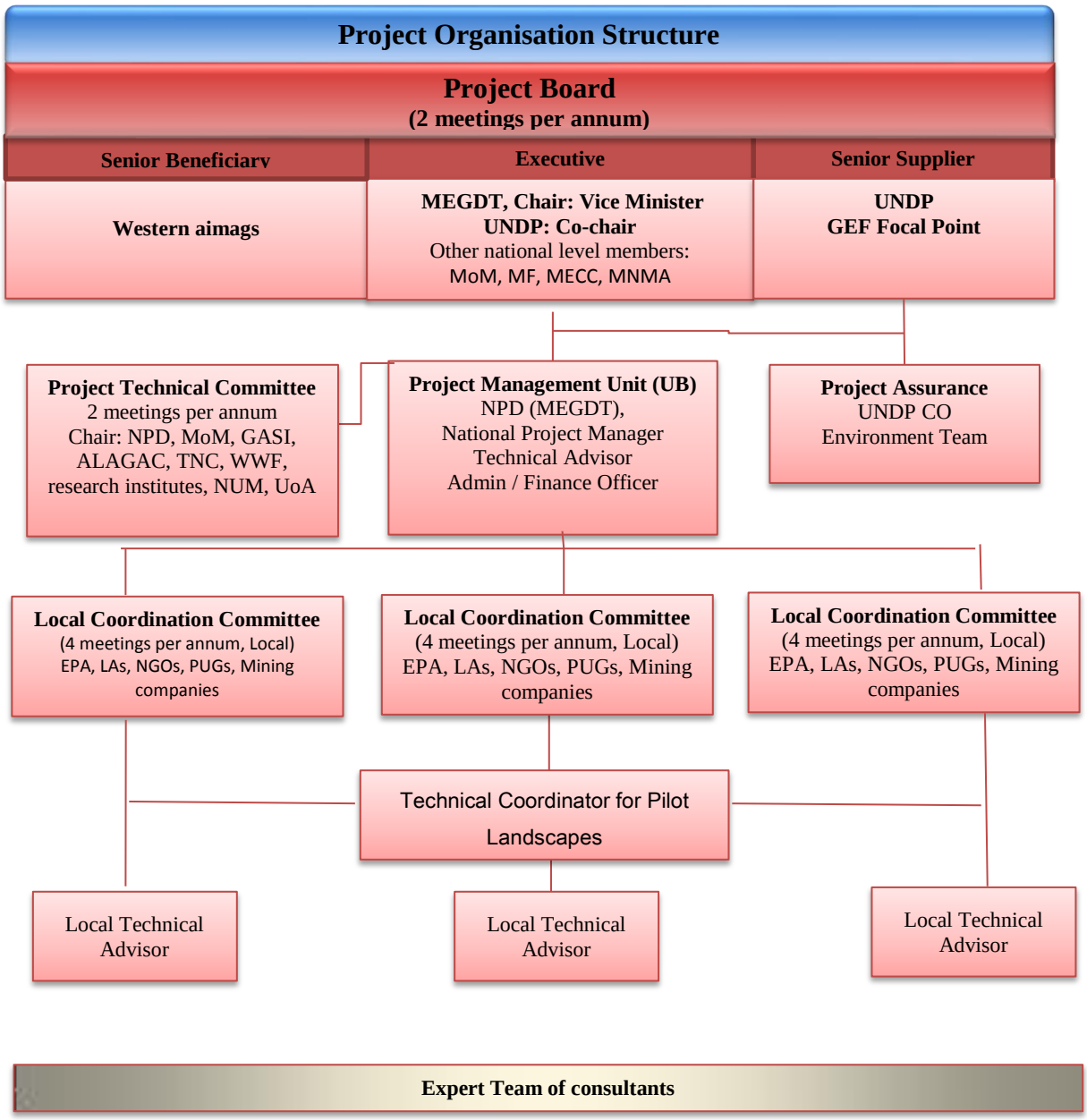
Subject: **UNDP Mongolia commitment letter to co-finance the Land Degradation offset in Western Mongolia project**

This is to confirm co-financing contribution by UNDP Mongolia to the MEGDT/UNDP "Land Degradation offset in Western Mongolia" project that focuses on reducing negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management. We confirm hereby that UNDP Mongolia will contribute USD850,000 through its programmes.

Yours Sincerely,

Mr. Thomas Eriksson
Deputy Resident Representative

PART II: Organogram for Project Management Organization



PART III: Terms of Reference for key project staff

National Project Director

The Director, Department of Environment and Natural Resources of MEGDT will assume the role of the National Project Director. This will be a co-financed position. The NPD will have the responsibility for operational direction, supervision and management of the project. Specific responsibilities will include:

- Supervise and guide the national project manager and other project staff;
- Chair the Project Technical Committee and provide guidance to the group;
- Ensure that Government inputs to the project are forthcoming in a timely and effective manner;
- Endorse annual work plans and budgets for review and approval by the Project Board;
- Oversee timely submission of technical and financial progress reports in accordance with the requirements specified in the Project Document;
- Recruit and supervise project consultants, ensure the quality of consulting inputs is of the desired quality and in accordance with the approved ToR;
- Represent the project as the national focal point.

National Project Manager

The GEF-financed National Project Manager will be recruited through an open, competitive process. Under the overall supervision and guidance of the NPD, the NPM has the responsibility for the day-to-day management of the project. Specific responsibilities will include:

- Manage and coordinate the implementation of the project activities in accordance with the Project Document, Annual Work Plans and budgets;
- Prepare Annual Work Plans and budgets, and make revisions if and when necessary, in close coordination with other implementing partners;
- Monitor project progress and oversee the preparation of technical and financial progress reports in accordance with the requirements of the Project Document;
- Organize Project Board and Project Technical Committee meetings, including the preparation and notification of agenda and circulation of documents necessary for these meetings at least a week in advance;
- Prepare and circulate the minutes of Project Board and PTC meetings within a week after such meetings are held;
- Manage staff and consultants assigned to the project;
- Liaise with UNDP on day-to-day project management matters.

The NPM will be recruited nationally based on the following qualifications:

- A Master's degree, preferably in the field of development studies or natural resources management, with at least five years of work experience in a project management setting involving multi-lateral funding agency;
- Very good language skills in English (writing, speaking and reading)
- Very good management, representational and inter-personal skills
- Proficiency in the use of computer software applications such as MS Word, MS Excel, and MS Powerpoint

Technical Advisor

A full-time GEF-financed Technical Advisor will be recruited on national expert/consultancy funds under Outcome 1 to support the PMU with day-to-day technical advice on the implementation of the project. The adviser will be considered as a member of the PMU. In addition to general technical support, the Adviser will have the responsibility for planning and coordinating the implementation of the capacity development and awareness-raising activities (project Output 1.3), thus optimizing the use of the position on a full-time basis. Under the guidance and supervision of the NPM, the Technical Advisor will carry out the following tasks:

- Advise and support the NPM in day-to-day technical support for implementation of project activities;
- Coordinate expert consultant inputs as required, through regular meetings and ensuring engagement with project stakeholders;
- Plan and coordinate the implementation of training and awareness-building activities (project Output 1.3). This will include overseeing and coordinating the development of training, communication and awareness-raising materials, and coordinating with the media in the dissemination of audio-visuals and other communication products developed for awareness-building (see detailed tasks in Table 9, below)
- Ensure technical consistency and quality in all technical project documents, including consulting reports and knowledge resource products emanating from, or relevant to, the project.

The Technical Advisor will be recruited nationally based on the following qualifications:

- A Master's degree, preferably in the field of environmental or natural resources management, with at least three years of work experience preferably in a project management setting involving multi-lateral funding agency;
- Very good language skills in English (writing, speaking and reading)
- Demonstrated ability in capacity development, communications and awareness-raising work; prior work experience in this area will be an asset;
- Very good inter-personal skills;
- Proficiency in the use of computer software applications such as MS Word, MS Excel, and MS Publisher.

Administration / Finance Officer

The GEF-financed Administration and Finance Officer will have the following specific responsibilities:

- Consolidate and prepare technical and financial progress reports in accordance with standard reporting policies and procedures set by UNDP and GEF;
- Coordinate with UNDP and the Ministry of Finance on timely release of funds required for planned project activities, and ensure timely expenditure reporting to trigger fund releases;
- Keep records of project funds and expenditures;
- Ensure project funds are used in compliance with the Project Document and Government financial rules and procedures;
- Validate and certify FACE forms before submission to UNDP;
- Provide necessary financial information as and when required for project management decisions;
- Provide necessary financial information in the event of Project Audit by the Audit Authority.

The Administration/Finance Officer will be recruited nationally based on the following qualifications:

- A Bachelor's degree, preferably in the field of business management, with at least three years of work experience preferably in a project management setting involving multi-lateral funding agency;
- Demonstrated experience in financial accounting and financial reporting
- Good language skills in English (writing, speaking and reading)
- A good team-player
- Proficiency in the use of computer software applications such as MS Word, MS Excel, and accounting software.

OVERVIEW OF INPUTS FROM TECHNICAL ASSISTANCE CONSULTANTS

Table 9. Overview of Inputs from Technical Assistance Consultants

Consultant and Weekly Rate (USD)	Person-weeks	Tasks and Inputs
For Technical Assistance		
Outcome 1		
Local / National contracting		
Legal expert US$500 /week	18 weeks input over 24 months	Under the overall guidance and supervision of the NPM, the national expert will be hired to carry out the following tasks for Outcome 1: • Provide technical support to inter-ministerial working group on regulations etc. • Review inconsistencies in laws, policies and guidelines – working with Environmental expert • Propose adjustments to regulations and guidelines • Establish criteria for foreign investors in to order to select those with appropriate policies and technologies • Propose revisions to responsibilities of provincial governors to incorporate community views and opinions in their decision-making on concessions, EMPs and offsets • Propose institutional restructuring for land affairs in government, to bring it under the Office of the Prime Minister rather than under a sectoral Ministry • Develop and test formal agreement mechanisms for offsets, including incorporation of financial contribution • Provide training on the above • Develop user friendly handbooks on regulations for different audiences, working with communications expert (project officer)
Environmental (mitigation and offsetting) expert US$500 /week	10 weeks over 36 months (see also Outcome 2)	Under the overall guidance and supervision of the NPM, the national expert will be hired to carry out the following tasks for Outcome 1: • Review inconsistencies in laws, policies and guidelines – working with Legal expert • Propose adjustments to regulations and guidelines • Raise capacity in offsetting and mitigation hierarchy in all relevant stakeholders at the national, aimag and soum levels based on the capacity development plan • Prepare guideline and approaches to undertake offsetting and mitigation

Consultant and Weekly Rate (USD)	Person-weeks	Tasks and Inputs
		hierarchy in different landscapes • Improve the capacity of the Environmental Officers in environmental monitoring through appropriate training
Land use planning and management expert ($500 per week)	21 weeks over 36 months (see also component 2)	Under the overall guidance and supervision of the NPM, the national expert will be hired to carry out the following tasks for Outcome 1: • Reduce overlap of mining concessions with areas of special needs (special protected areas etc.) (Baseline = 68 licenses, Target = reduce by half) • Strengthen participatory approach in the development of land use plans, particularly at the soum level with the cooperation of Soum land officers • Propose institutional restructuring for land affairs in government, to bring it under the Office of the Prime Minister rather than under a sectoral Ministry • Establish mechanisms to encourage sharing of information and replication of best practices on land use planning and offsetting, for example through preparation of a handbook, web resources, workshops • Support development and implementation of the capacity development plan on land use planning and management • Provide training on GIS and the above • Raise capacity of Land Officers and other relevant stakeholders at aimag and soum • Support development of integrated land use plans at Soum level
PMU Technical Advisor / Capacity development and awareness expert ($300 per week)	208 weeks over 48 months	Under the overall guidance and supervision of the NPM, the Capacity development and awareness expert will be hired to carry out the following tasks for Outcome 1: • Advise and support the NPM in day-to-day technical aspects of implementation of project activities; • Coordinate expert consultant inputs as required, through regular meetings and ensuring engagement with project stakeholders; • Develop a comprehensive capacity needs assessment for all main stakeholders related to mitigation and offsetting • Formulate a prioritised, budgeted and scheduled Capacity Development Plan in conjunction with relevant stakeholders • Oversee implementation of the Capacity Development Plan by coordinating inputs of relevant stakeholders • Oversee production and dissemination of training materials, handbooks etc.. • Review progress against Capacity Development scorecard and ensure that project target is achieved. • Develop a project communications plan to raise awareness of key stakeholders • Ensure implementation of the communications plan through the following media: websites, MEGDT database, publications, social media, TV, radio, newspapers • Establish mechanisms to encourage sharing of information and replication of best practices on land use planning and offsetting, for example through preparation of publications, web resources, workshops • Organise concluding project seminar to discuss these and to formulate a replication strategy

Consultant and Weekly Rate (USD)	Person-weeks	Tasks and Inputs
National Consultant for Mid-term review ($500 per week)	6 weeks	• Conducting mid-term review of progress and implementation; • Evaluation of results and outputs • Support to preparation of MTR Report including recommendations for adaptive management
National Consultant for Terminal evaluation ($500 per week)	6 weeks	• Conducting terminal evaluation of results • Support to preparation of TE Report including recommendations
International contracting		
International consultant on mitigation hierarchy / offsetting ($3250 per week)	6 weeks over 36 months (see also Outcome 2)	Under the overall guidance and supervision of the NPD and in close communication with the NPM, the international expert will be hired to carry out the following tasks for Outcome 1: • Provide expert inputs to the formulation of the national regulations, mechanisms and guidelines on mitigation and offsetting and review the drafts of the regulations • Advise on preparation of the user friendly handbooks • Provide technical advice on the integration of offsetting mechanisms into aimag and soum land use and management plans • Review the capacity development plan and provide guidance, inputs and training on international best practices in mitigating and offsetting the impacts of mining • Provide NPD and UNDP with strategic advice on the technical implementation / direction of the project
International Consultant for Mid-term review ($3250 per week)	6 weeks	• Conducting mid-term review of progress and implementation; • Evaluation of results and outputs • Preparation of MTR Report including recommendations for adaptive management
International Consultant for Terminal evaluation ($3250 per week)	6 weeks	• Conducting terminal evaluation of results • Preparation of TE Report including recommendations
For Technical Assistance		
Outcome 2		
National contracting		
Environmental (mitigation and offsetting) expert US$500 /week	26 weeks over 48 months (see also Outcome 1)	Under the overall guidance and supervision of the NPM, and working closely with the international expert, the national expert will be hired to carry out the following tasks for Outcome 2: • Provide technical assistance to field coordinators for overseeing application of mitigation hierarchy and offsetting in pilot landscapes • determine offset criteria based on the eco-regional assessment; • determine regional and local offset opportunities and potential activities • review and harmonise the in-depth local land degradation/biodiversity/ecosystem service surveys carried out by

Consultant and Weekly Rate (USD)	Person-weeks	Tasks and Inputs
		consulting firms • review and harmonise the application of mitigation hierarchy through EMPs • support identification of potential offset sites and activities, based on quantification of residual impacts and calculation of SLM and biodiversity gain for preferred offset sites; • development of offset agreements and implementation plan including implementation structure and M&E mechanism; Provide technical support for offset implementation, including review of lessons learned and development of replication plan
Land use planning and management expert ($500 per week)	26 weeks over 48 months (see also Component 1)	Under the overall guidance and supervision of the NPM, the national expert will be hired to carry out the following tasks for Outcome 2: • Raise capacity of Land Officers and other relevant stakeholders at aimag and soum in integrated land use / management planning through hands-on support, including provision of training on GIS) • Provide technical support for the development of integrated land use plans at Soum level
Technical Coordinator for the pilot landscapes (350 per week)	64 weeks over 48 months	The Technical Coordinator for the Pilot Landscapes will be hired to carry out the following tasks for Outcome 2: • Provide technical coordination, oversight and support to the Local Technical Advisors appointed for each pilot landscape. • Facilitate technical implementation of all outputs under Outcome 2 of the project, including lead • Monitor and evaluate progress with implementation in each pilot landscape and propose adaptive solutions to ensure the project meets its targets • Lead workshops and key stakeholder meetings and workshops between (and if necessary for) the pilot landscapes • Ensure cross-fertilisation and learning of successful practices between the pilot landscapes.
Local Technical Advisor (Pilot Landscape 1) ($200 per week)	208 weeks over 48 months	Under the overall guidance and supervision of the NPM / Technical Coordinator for the pilot landscapes, and working closely with PMU staff and consultants, the Local Technical Advisor will be hired to carry out the following tasks for Outcome 2: • Oversight of project implementation for pilot • Ensure community participation and engagement of different local stakeholders • Resolution of conflicts between mining companies and local communities and avoidance/compensation of environmental impacts through appropriate consultations, EMPs and offsetting • Support effective operation of LCC • Support SLM implementation • Support community based monitoring • Local awareness raising • Capacity development of local NGOs on environmental protection • Community-based implementation of SLM measures in support of

Consultant and Weekly Rate (USD)	Person-weeks	Tasks and Inputs
		mitigation and offsetting, particularly with regard to pasture management • Support alternative energy measures to protect Saxaul forests (eg fuel effective stoves which are developed by Millenium Challenge Account (MCA)), and also build on experiences of the Centre for Desertification under Institute of Geo-ecology about seeding Saxaul by local community
Local Technical Advisor (Pilot Landscape 2) ($200 per week)	208 weeks over 48 months	Under the overall guidance and supervision of the NPM / Technical Coordinator for the pilot landscapes, and working closely with PMU staff and consultants, the Local Technical Advisor will be hired to carry out the following tasks for Outcome 2: • Oversight of project implementation for pilot • Ensure community participation and engagement of different local stakeholders • Resolution of conflicts between mining companies and local communities and avoidance/compensation of environmental impacts through appropriate consultations, EMPs and offsetting • Support effective operation of LCC • Support SLM implementation • Support community based monitoring • Local awareness raising • Capacity development of local NGOs on environmental protection • Community-based implementation of SLM measures in support of mitigation and offsetting, particularly with regard to pasture management • Support alternative energy measures to protect Saxaul forests (eg fuel effective stoves which are developed by Millenium Challenge Account (MCA)), and also build on experiences of the Centre for Desertification under Institute of Geo-ecology about seeding Saxaul by local community
Local Technical Advisor (Pilot Landscape 3) ($200 per week)	Full time over 48 months	Under the overall guidance and supervision of the NPM / Technical Coordinator for the pilot landscapes, and working closely with PMU staff and consultants, the Local Technical Advisor will be hired to carry out the following tasks for Outcome 2: • Oversight of project implementation for pilot • Ensure community participation and engagement of different local stakeholders • Resolution of conflicts between mining companies and local communities and avoidance/compensation of environmental impacts through appropriate consultations, EMPs and offsetting • Support effective operation of LCC • Support SLM implementation • Support community based monitoring • Local awareness raising • Capacity development of local NGOs on environmental protection • Community-based implementation of SLM measures in support of mitigation and offsetting, particularly with regard to pasture management • Support alternative energy measures to protect Saxaul forests (eg fuel effective stoves which are developed by Millenium Challenge Account (MCA)), and also build on experiences of the Centre for Desertification under Institute of Geo-ecology about seeding Saxaul by local community
International contracting		

Consultant and Weekly Rate (USD)	Person-weeks	Tasks and Inputs
International consultant on mitigation hierarchy / offsetting ($3250 per week)	18 weeks over 48 months (see also Outcome 1)	Under the overall guidance and supervision of the NPD and in close communication with the NPM, the international expert will be hired to provide technical advice to implementation of the demonstration of effective application of the mitigation hierarchy and offsetting in each pilot landscape (jointly with the PMU, national experts and consulting firms), including: • determination of offset criteria based on the eco-regional assessment; • determination of regional and local offset opportunities and potential activities • in-depth local land degradation/biodiversity/ecosystem service surveys • application of mitigation hierarchy through EMPs • quantification of residual impacts • identification of comparison of potential offset sites; • calculation of SLM and biodiversity gain for preferred offset sites; • development of offset agreements and implementation plan including implementation structure and M&E mechanism; • technical support for offset implementation, including review of lessons learned and development of replication plan • support to capacity development activities at local level In addition, the consultant will provide NPD and UNDP with strategic advice on the technical implementation / direction of the project

Note: The above ToRs are provisional and will need to be reviewed and finalised in more detail during the project inception phase.

PART IV: Stakeholder Involvement Plan

221. Stakeholder consultations were initiated with project design discussions with a wide range of stakeholders during the PPG missions from August - November 2014, and at the PPG Log-frame Workshop held on 5 November, 2014. A total of 47 participants, representing national and provincial government agencies, Mongolian private sector, international companies, NGOs, civil society and UNDP took part in the workshop. The key output was conclusion on the structure of the logframe, agreement on the outcomes and outputs and a description of the indicative activities to be undertaken. Bilateral meetings were also held with the executing partners and key stakeholders at national and local levels. The first draft project document was circulated to the key stakeholders for review in January 2015. The revised draft project document was then presented to the main project stakeholders in February 2015. Consultations with local communities in the pilot landscapes took place in November 2014 and are described in **Annex 5**. Generally, project design was a participatory process, in line with UNDP and GEF requirements. The project builds on earlier work led by MEGDT involving the consultation process to develop the draft national mitigation and offsetting policy, which involved a very wide range of stakeholders at all levels. Gender issues were specifically considered, both during national and particularly local consultations, and during the design of the pilot project outputs.

222. The key stakeholders include central government agencies concerned with the governance of the mitigation hierarchy and offsetting for addressing the impacts of mining (MEGDT, MoM, MoIA); the aimag and soum administrations and elected bodies, private sector (including the mining companies themselves as well as EIA consulting firms), national level NGOs, community representatives and social and local environmental NGOs/ CSOs involved in community development and sustainable land

management; research institutions involved in SLM and related research (e.g. universities), as well as the primary stakeholders – the local communities in the areas targeted by the project.

223. During project preparation, a preliminary stakeholder analysis was undertaken in order to identify key stakeholders, assess their interests in the project and define their roles and responsibilities in project implementation. **Table 3** in the Stakeholder Analysis section lists the key stakeholders associated with establishing and implementing the mitigation hierarchy and offsetting framework in Mongolia. The involvement of stakeholders in project implementation, broken down by Outcome and Output, is given in **Table 10** below. The full Stakeholder Involvement Plan will be completed upon project inception and this is already an identified activity.

Table 10. Involvement of stakeholders in project implementation

Outcome/ Output	Stakeholder	Role in Project
Outcome 1: Land degradation mitigation and offset framework operationalised, through eco-regional land use planning and capacity development		
Output 1.1: Land degradation mitigation and offset procedures and guidelines developed, integrated in the mining concession planning and licensing system and operationalized	MEGDT	Review, further development and endorsement of amendments to the regulations and guidelines for the mitigation hierarchy and offsetting framework, for onward review and final approval by parliament where necessary
	Inter-ministerial coordination committee, comprising all relevant ministries and agencies with interests in mitigating and offsetting the impacts of mining	Ensure that Government policies and guidelines for applying the mitigation hierarchy and offsetting are comprehensive and consistent and that there is good coordination between sectors (including existing laws policies and guidelines, procedures and standards, offsetting agreements and institutional requirements for compliance monitoring and fund management, collection and reinvestment of offset/conservation funds, etc)
	Great State Khural	Passing legislation proposed by the Inter-ministerial coordinating committee
	National NGOs (MECC, MNMA, TNC, WWF)	Providing technical inputs and support, and ensuring transparency of the process.
Output 1.2: Participatory and science-based eco-regional assessment conducted in western Mongolia and applied to provincial (landscape-level) land use planning	TNC	Completion of the participatory eco-regional assessment of biodiversity and ecosystem services for the Western region.
	MEGDT, MoM, MoIA,	Co-financing for completion of the eco-regional assessment; incorporation of the results into sectoral policies and plans
	Government Agency of Land Affairs, Geodesy and Cartography (ALAGaC)	Incorporation of eco-regional assessment into land use planning at national and regional levels and application of the plans; Providing technical guidance concerning land ownership, possession, utilization, rehabilitation, protection and land management; Resolving land conflicts.
	Aimag administrations	Incorporation of the results of the eco-regional assessment into aimag level land use plans
	Soum administrations	Incorporation of the results of the eco-regional assessment into soum level land management plans
	Aimag and Soum Citizen's Representative Khurals	Ensuring effective consultation and consideration of the eco-regional assessments and their incorporation into land use and land management plans, and approval of those plans

Outcome/ Output	Stakeholder	Role in Project
	River Basin Authorities	Incorporate results of eco-regional assessment into the river basin management plans
Output 1.3: Capacity of key stakeholders developed to apply mitigation and offsetting at the national, aimag and soum levels, and public awareness raised	MEGDT and all relevant ministries with interests in mitigating and offsetting the impacts of mining	Identification of Capacity Development needs and participation in Capacity Development programme
	Aimag and Soum administrations	Identification of Capacity Development needs and participation in Capacity Development programme
	Private sector (mining companies and EIA consulting firms)	Identification of Capacity Development needs and participation in Capacity Development programme
	TNC, WWF, Institutes and universities	Technical contributions to Capacity Development programme (eg TNC on eco-regional assessments, WWF on integrated land use planning)
	Media	Contribution to awareness raising programme
Outcome 2: Land degradation mitigation and offsets applied through SLM within selected landscapes		
Output 2.1: Integrated land management plans operationalised in selected landscapes with full participation of key stakeholders.	Aimag administrations	Represented in the Local Coordination Committees; support for the development, implementation and monitoring of the plans; alignment of the plans with aimag level plans
	Soum administrations	Represented in the Local Coordination Committees; support for the development, implementation and monitoring of the plans
	Aimag and Soum Citizen's Representative Khurals	Consultation of the plans to ensure transparency and participatory approach; approval of the plans
	ALAGaC	Approval of the plans
	Mining companies	Finance for the implementation of mitigation and offset measures through the plans; represented in the Local Coordination Committees;
	Local NGOs, CSOs and PUGs	Full consultation in the design of the plans; represented in the Local Coordination Committees; key role in community-based participatory implementation and monitoring of the plans
Output 2.2: Land degradation mitigation and offsets piloted in selected landscapes.	Mining companies in each pilot landscape	Responsible partner for developing, implementing and financing the mitigation and offsetting plans to compensate for their environmental and social impacts
	EIA consulting companies	Hired by the mining companies to assess impacts and prepare environmental management plans (EMPs), including mitigation and offsetting
	Aimag and soum administrations	Oversight of EMP implementation and monitoring
	MEGDT	Approval of the EMPs
Output 2.3: Capacity of local stakeholders developed through demonstration and application of innovative SLM approaches	Local NGOs, CSOs and PUGs in each pilot landscape	Participation in design of offset agreements and integrated land management plans; support to communities for implementation of SLM measures for offsets; coordination of community based monitoring.
	Soum administrations	Technical support and co-financing for implementation and monitoring of SLM measures
	Aimag administrations	Technical support and co-financing for implementation of SLM measures
	SDC, Asia Foundation, World	Technical support for knowledge transfer of

Outcome/ Output	Stakeholder	Role in Project
	Bank and other international agencies	successful SLM methodologies.
Project Management and Co-financing		
MEGDT		The PMU will be housed in the MEGDT for overall project management and coordination, including monitoring of project progress and reporting of project implementation. Responsible for delivery of national co-financing
UNDP CO and A/P Regional Office		Oversight and monitoring as the GEF international implementing agency, backstopping in monitoring and evaluation matters, coordination of delivery of UNDP/GEF funds, and co-financing
TNC		Co-financing via related projects such as the Eco-regional assessments and support to further regulatory improvements.
WWF		Co-financing via related projects linked to their work on river basin management plans, EIA guidelines and Biodiversity in Western Provinces and free access to data

224. Component 1 of the project will involve an extensive process of stakeholder engagement in the further development of the national mitigation hierarchy and offsetting framework and implementing regulations and supporting measures. In addition it will require extensive stakeholder involvement for integrating the national framework into regional and local land use planning, and for capacity development and awareness raising.

225. Component 2 primarily aims at the effective demonstration of application of the mitigation hierarchy and offsetting agreements, within integrated land management plans through SLM for the selected pilot landscapes. This will involve the aimag and soum administrations as well as the mining companies, with oversight by the Citizen's Representative Khurals. The land management plans and offset agreements will be undertaken through SLM measures implemented by local communities, working through local NGOs, CSOs and PUGs, who will also be involved in the monitoring. MEGDT will provide overall supervision and guidance for the work in the pilot landscapes, as well as being responsible for the replication strategy to be developed at the end of the project.

226. The project proposes a mechanism to achieve broad-based stakeholder involvement in the project preparation and implementation processes. Stakeholder participation will include the following three components (see **Table 11**), with membership of each to be finalized during the project inception phase: Project Board, Project Technical Committee (PTC) and Local Coordination Committees (LCC).

227. The local management arrangements for each pilot landscape will be described in the related collaboration agreements between the pilot's executing partners, and are expected to specify representation of principal stakeholders including relevant government authorities, local communities, commercial organizations and other partners in their implementation. There will be equitable participation of women and minorities on local level committees and groups related to offsetting negotiations, community co-management, training and awareness activities.

Table 11. Proposed members of the Project Board, PTC and PMU

Project Board	Project Technical Committee (PTC)	Local Coordination Committees (LCC)
Chair: Vice Minister, MEGDT Co-chair: UNDP Secretariat: MEGDT Members will consist of senior representatives from: MEGDT, MoM,	Chair: National Project Director. The PTC will include experts from: MEGDT, MoM, MoIA, GASI, ALAGaC, TNC, WWF, Inst. Botany, Inst. Biology, Inst.	EPA Local authorities NGOs PUGs Mining companies

Project Board	Project Technical Committee (PTC)	Local Coordination Committees (LCC)
MoIA, MF, MECC, MNMA	Geog, NUM, UoA Other relevant stakeholders and technical experts to be determined by the Project Board.	

Long-term stakeholder participation

228. The project will provide the following opportunities for long-term participation of all stakeholders, with a special emphasis on the active participation of women and local communities, and enhancement of inter-sectoral coordination for implementation of the proposed national mitigation and offsetting regime.

229. Decision-making – through the establishment of the Project Board. The establishment of the structure will follow a participatory and transparent process involving the confirmation of all key project stakeholders; conducting one-to-one consultations with all stakeholders; development of Terms of Reference and ground-rules; inception meeting to agree on the constitution of the Project Board.

230. Capacity building – at systemic, institutional and individual levels – is one of the key strategic interventions of the project and will target all stakeholders that have the potential to be involved in implementation of the national mitigation and offsetting regime in Mongolia, including demonstration activities at the community level. The capacity development plan will be based on a detailed needs assessment. Women and minority groups will be proactively considered for capacity building activities.

231. Communication - will include the participatory development of a communication plan, based on the following key principles: providing information to all stakeholders; promoting dialogue between stakeholders; promoting access to information.

232. The project's design incorporates several features to ensure on-going and effective stakeholder participation in the project's implementation. The mechanisms to facilitate involvement and active participation of different stakeholders in project implementation will comprise a number of different components:

i) Project inception workshop

The project will be launched by a multi-stakeholder inception workshop. This workshop will provide an opportunity to provide all stakeholders with the most updated information on the project, refine and confirm the multi-year work plan, and will establish a basis for further consultation as the project's implementation commences.

ii) Constitution of the Project Board

The Project Board will be constituted to ensure broad representation of all key interests throughout the project's implementation. The representation, and broad terms of reference, of the Project Board are described in the Management Arrangements in Part III of the Project Document.

iii) Establishment of the Project Management Unit

The Project Management Unit will take direct operational responsibility for facilitating stakeholder involvement and ensuring increased local ownership of the project and its results. The PMU will be located in Ulaanbaatar to ensure coordination among key stakeholder organizations at the national level during the project period. A Local Project Coordinator will be appointed for each pilot landscape.

iv) Establishment of Local Coordination Committees

A Local Coordination Committee (LCC) will be established for each pilot landscape, to facilitate the active participation of local authorities, organisations and communities in the implementation of the project activities. The LCCs may establish working groups, if necessary. All efforts will be made to ensure equitable representation of women and minorities.

v) Project communications

The project will develop, implement and annually update a communications strategy to ensure that all stakeholders are informed on an on-going basis about the project's objectives, activities, overall progress, and the opportunities for stakeholders' involvement in various aspects of the project's implementation.

vi) Implementation arrangements

Demonstration activities in Outcome 2 have specifically been designed to directly involve local stakeholders during implementation, and to ensure that they benefit from the capacity building, awareness raising and final outcomes of these activities (eg mitigation hierarchy/Offsetting agreements delivered through SLM). Women and minority groups will be proactively considered for participation in these demonstration activities.

vii) Formalizing cooperative governance structures

The project will actively seek to formalize cooperative governance structures for development and implementation of the project's objectives and activities at local, provincial and national levels, to ensure on-going participation of stakeholders in the implementation of the mitigation hierarchy and offsetting regime through SLM.

Gender Strategy of the Project

233. Unlike their counterparts in many other Asian countries, women in Mongolia (both in rural and urban areas) have high social status, freedom and participate actively in decision making at political, institutional and household levels. Mongolian women have almost universal participation in all levels of the educational system and in the paid work force. A recent assessment of achievements in Mongolia using indicators like the Millennium Development Goals (MDGs) and the Human Development Index suggests that women and men benefit in an equitable manner from development especially when compared to other countries in Asia. The Gender and Development Index in 2010 was 0.679, the same as the Human development Index, which is a highly favourable result and compares to that of countries such as South Africa, Tajikistan, Kyrgyzstan, and Vietnam[5].

234. The Convention on Biological Diversity, in its preamble, recognizes "the vital role that women play in the conservation and sustainable use of biological diversity" and affirms "the need for the full participation of women at all levels of policymaking and implementation for biological diversity conservation".

235. Despite the high level of gender equality in Mongolia, there has been a customary gender division of labour in the nomadic pastoral society, which continues today. Men typically handle external affairs including military, administrative, and trade matters. Men are primarily responsible for herding animals, hunting, slaughtering animals, maintaining animal shelters, repairing carts, tools, and weapons. Women are mainly responsible for housework, milking animals, making dairy products, cooking, washing, sewing, and nurturing children. Most of the opportunities for employment in the mining industry are for men, leaving women increasingly responsible for household and animal-related tasks. Therefore, it is

[5] UNDP, Human Development report,

important that in addressing the impacts of mining, and developing offsetting mechanisms through SLM, the project should take into account information and insights both from men and women.

236. The project will thus employ inclusive approaches and processes in the implementation of its planned activities. The proposed project activities have been derived from a broad-based consultative process, including women at all levels – and particularly in the community consultations that informed the Environmental and Social Screening Assessment. The onward development and implementation process will involve further consultations, which will provide opportunities to ensure that gender issues relating to the impacts of mining and the mitigation hierarchy and offsetting framework through SLM are adequately addressed. This may involve focused group discussions or other appropriate methods to capture gender issues during consultation meetings. Sensitization workshops and awareness-raising programs will be designed to ensure that at least 50% of the target participants are women. Activities geared towards mobilizing local communities into organized groups for the pilot landscapes will encourage women to participate and will aim to have at least one women functionary in each local coordination committee established for each pilot. Community activities at the local level will be gender-disaggregated using participatory approaches and mechanisms will be designed to ensure that women are proportionately benefitted.

237. M&E studies will examine, and describe, the benefits and challenges of the project results on men and women. The project will also carry out a survey of gender-based awareness of, and attitudes towards, mining impacts and the mitigation hierarchy / offsetting framework both at the start at end of the project.

PROJECT ANNEXES

Annex 1. Capacity Assessment Scorecard – Mongolia Baseline

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
1. Capacity to conceptualize and formulate policies, legislations, strategies and programmes relating to LD offset/mitigation	1. The LD offset/mitigation agenda is being effectively championed / driven forward	There is essentially no LD offset/mitigation agenda;	0	**1**	The MEGDT Department of Environment and Natural resources is responsible for organization of implementation of policies on environmental protection and sustainable use of natural resources, restoration and rehabilitation of soil, prevention of desertification and reduction of environmental pollution. The offset agenda is largely driven by this Department. Wider buy-in is needed.
		There are some persons or institutions actively pursuing LD offset/mitigation agenda but they have little effect or influence;	1		
		There are a number of LD offset/mitigation champions that drive the offset/mitigation agenda, but more is needed;	2		
		There are an adequate number of able "champions" and "leaders" effectively driving forwards a LD offset/mitigation agenda	3		
	2. There is a strong and clear legal mandate for the establishment and management of LD offset/mitigation	There is no legal framework for LD offset/mitigation;	0	**1**	There is a new Law on Protection of soil from degradation and prevention of desertification (2012) includes clauses on rehabilitation of soil due to mining activities by carrying out biological rehabilitation. The Law on EIA, incorporates a concept of biodiversity offset. Guidelines on conducting detailed EIA Have been produced. The Law on Land also stipulates for protection of land, restoration and rehabilitation. Synergy between these laws and other related regulations and guidelines is needed.
		There is a partial legal framework for LD offset/mitigation but it has many inadequacies;	1		
		There is a reasonable legal framework for LD offset/mitigation but it has a few weaknesses and gaps;	2		
		There is a strong and clear legal mandate for the establishment and management of LD offset/mitigation	3		
	3. There is an institution or institutions responsible for LD	Designated institutions have no plans or strategies to include LD offset/mitigation;	0	**2**	MEGDT is responsible for determination of state and degree of

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
	offset/mitigation able to formulate strategies and planning.	Designated institutions do have strategies and plans to include LD offset/mitigation, but these are old and no longer up to date or were prepared in a totally top-down fashion;	1		land degradation, type of desertification, soil protection and restoration and formulates strategies and plans related to soil protection, restoration. Agency for Land Affairs, Geodesy and cartography is responsible for monitoring over activities on determination of state of land and land quality
		Designated institutions have some sort of mechanism to update their strategies and plans to include LD offset/mitigation, but this is irregular or is done in a largely top-down fashion without proper consultation;	2		
		Designated institutions have relevant, participatory prepared, regularly updated strategies and plans to include LD offset/mitigation	3		
2.Capacity to implement policies, legislation, strategies and programmes relating to LD offset/mitigation	4.There are legally designated LD offset/mitigation institutions and mechanisms/instruments with the authority to carry out their mandate	There is no lead institution or agency with a clear mandate or responsibility for LD offset/mitigation;	0		There are two organizations in charge for issues related to land and soil protection. MEGDT is responsible for determination of state and degree of land degradation, type of desertification, soil protection and restoration and formulates strategies and plans related to soil protection, restoration. General Agency for Specialised Inspections is responsible for enforcement. Agency for Land Affairs, Geodesy and cartography is responsible for monitoring activities and determination of state of land and land quality
		There are one or more institutions or agencies dealing with LD offset/mitigation but roles and responsibilities are unclear and there are gaps and overlaps in the arrangements;	1	**2**	
		There are one or more institutions or agencies dealing with LD offset/mitigation, the responsibilities of each are fairly clearly defined, but there are still some gaps and overlaps;	2		
		LD offset/mitigation institutions and mechanisms/instruments have clear legal and institutional mandates and the necessary authority to carry this out	3		
	5. LD offset/mitigation mechanisms and implementing institutions are able to adequately mobilize sufficient quantity of funding, human and material resources to effectively implement their mandate	LD offset/mitigation mechanisms and implementing institutions typically are severely underfunded and have no capacity to mobilize sufficient resources;	0	**1**	MEGDT allocated some funding and human resources but not sufficient to effectively implement its mandate.
		LD offset/mitigation mechanisms and implementing institutions have some funding and are able to mobilize some human and material resources but not enough to effectively implement their mandate;	1		

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
		LD offset/mitigation mechanisms and implementing institutions have reasonable capacity to mobilize funding or other resources but not always in sufficient quantities for fully effective implementation of their mandate;	2		
		LD offset/mitigation mechanisms and implementing institutions are able to adequately mobilize sufficient quantity of funding, human and material resources to effectively implement their mandate	3		
	6. LD offset/mitigation mechanisms and implementing institutions are effectively managed, efficiently deploying their human, financial and other resources to the best effect	While the LD offset/mitigation mechanisms and implementing institutions exists it has no management;	0	**2**	MEGDT reasonably manages mechanisms and resources but improvements needed in deploying in the most efficient way (for example through better inter-sectoral coordination)
		Institutional and process management are largely ineffective and do not deploy efficiently the resources at its disposal;	1		
		The institution(s) and mechanisms for implementing LD offset/mitigation are reasonably managed, but not always in a fully effective manner and at times does not deploy its resources in the most efficient way;	2		
		The LD offset/mitigation mechanisms and implementing institutions are effectively managed, efficiently deploying its human, financial and other resources to the best effect	3		
	7. LD offset/mitigation mechanisms and implementing institutions are effectively led	LD offset/mitigation mechanisms and implementing institutions have a total lack of leadership;	0	**1**	Leadership exists but needs further improvement, particularly in mainstreaming the LD offset/mitigation measures through SLM into other ministries.
		LD offset/mitigation mechanisms and implementing institutions exist but leadership is weak and provides little guidance;	1		
		LD offset/mitigation mechanisms and implementing institutions have reasonably strong leadership but there is still need for improvement;	2		
		LD offset/mitigation mechanisms and implementing institutions are effectively led	3		
	8. There is a fully transparent oversight authority (there are fully	There is no oversight at all of LD offset/mitigation institutions;	0	**1**	The Department of Environment and

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
	transparent oversight authorities) for LD offset/mitigation mechanisms and responsible implementing institutions	There is some oversight, but only indirectly and in a non-transparent manner;	1		Natural Resources is responsible for oversight of mitigation activities but lack of sufficient human resources hampers the effectiveness. More transparency and dissemination of information about the LD mitigation and offset mechanism and how it is being implemented is needed.
		There is a reasonable oversight mechanism in place providing for regular review but lacks in transparency (e.g. is not independent, or is internalized) ;	2		
		There is a fully transparent oversight authority for LD offset/mitigation mechanisms and implementing institutions	3		
	9. There are adequate skills for LD offset/mitigation planning and management	There is a general lack of planning and management skills;	0	1	Some skills exist among MEGDT staff but there is a great need to build capacity at all levels order to ensure effective planning and management of LD offset and mitigation.
		Some skills exist but in largely insufficient quantities to guarantee effective planning and management of LD offset/mitigation;	1		
		Necessary skills for effective LD offset/mitigation management and planning do exist but are stretched and not easily available;	2		
		Adequate quantities of the full range of skills necessary for effective LD offset/mitigation planning and management are easily available	3		
	10. There are enough examples of implemented LD offset/mitigation	No or very few LD offset/mitigation exist and they cover only a small portion of the habitats and ecosystems;	0	**1**	LD mitigation is done to certain extent by companies in their respective locations. There are no examples as yet of fully and effectively implemented offsets. The first is still only on paper for Oyu Tolgoi.
		LD offset/mitigation are patchy both in number and geographical coverage and has many gaps in terms of representativeness;	1		
		LD offset/mitigation areas are covering a reasonably representative sample of the major habitats and ecosystems, but still presents some gaps and not all elements are of viable size;	2		
		LD offset/mitigation areas includes viable representative examples of all the major habitats and ecosystems of appropriate geographical scale	3		
	11. LD offset/mitigation have regularly updated, participatory	LD offset/mitigation have no management plans;	0	**1**	As per the Law on EIA, environmental

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
	prepared, comprehensive management plans	Some LD offset/mitigation have up-to-date management plans but they are typically not comprehensive and were not participatory prepared;	1		management plans should include provisions related to mitigation and restoration but quality of these plans needs to be improved. They are reviewed annually.
		Most LD offset/mitigation have management plans though some are old, not participatory prepared or are less than comprehensive;	2		
		Every LD offset/mitigation has a regularly updated, participatory prepared, comprehensive management plan	3		
	12. LD offset/mitigation are implemented in a timely manner effectively achieving their objectives	There is very little implementation of LD offset/mitigation;	0		Implementation of environmental management plans varies. They should be implemented annually but some objectives are often not met due to lack of human and financial resources.
		Management plans are poorly implemented and their objectives are rarely met;	1		
		LD offset/mitigation are usually implemented in a timely manner, though delays typically occur and some objectives are not met;	2	**2**	
		LD offset/mitigation are implemented in a timely manner effectively achieving their objectives	3		
	14. LD offset/mitigation mechanisms and implementing institutions are highly transparent, fully audited, and publicly accountable	LD offset/mitigation mechanisms and implementing institutions totally non transparent, not being held accountable and not audited;	0		MEGDT and Agency for Land affairs, Geodesy and Cartography are regularly audited but information is not disclosed.
		LD offset/mitigation mechanisms and implementing institutions are not transparent but are occasionally audited without being held publicly accountable;	1		
		LD offset/mitigation mechanisms and implementing institutions are regularly audited and there is a fair degree of public accountability but the system is not fully transparent;	2		
		The LD offset/mitigation mechanisms and implementing institutions are highly transparent, fully audited, and publicly accountable	3	**2**	
	9. Human resources for LD offset/mitigation are well qualified and motivated (in Authorities and governing institutions including NGOS)	Human resources are poorly qualified and unmotivated;	0		MEGDT is understaffed, few staff are well qualified. Local level staff needs
		Human resources qualification is spotty, with some well qualified, but many only poorly and in general unmotivated;	1	**1**	

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
		HR in general reasonably qualified, but many lack in motivation, or those that are motivated are not sufficiently qualified;	2		more qualifications and practical experience of mitigation and offsetting. Further capacity development needed throughout.
		Human resources are well qualified and motivated.	3		
	16. LD offset/mitigation are effectively implemented according to best practice principles and legal frameworks	No enforcement of regulations is taking place;	0	**1**	Enforcement of legislation on mitigation is carried out by GASI inspectors, but frequency and coverage is not adequate. It is greatly hindered by lack of technical capacity at local level.
		Some enforcement of regulations but largely ineffective and external threats remain active;	1		
		LD offset/mitigation regulations are regularly enforced but are not fully effective and external threats are reduced but not eliminated;	2		
		LD offset/mitigation regulations are highly effectively enforced and best practice principles are achieved	3		
	17. Individuals are able to advance and develop professionally for LD offset/mitigation	No career tracks are developed and no training opportunities are provided;	0	**1**	Some international and in country training opportunities are provided but career progression does not exist and there is frequent turnover of government staff due to government restructuring. These cause a loss of institutional capacity.
		Career tracks are weak and training possibilities are few and not managed transparently;	1		
		Clear career tracks developed and training available; HR management however has inadequate performance measurement system;	2		
		Individuals are able to advance and develop professionally	3		
	18. Individuals are appropriately skilled for their jobs in LD offset/mitigation	Skills of individuals do not match job requirements;	0	**2**	Some government staff have appropriate skills. However, turnover of government staff is very high due to restructuring causing a loss of institutional capacity and hampering further improvement. There is a serious lack of capacity among aimag and soum officers. EIA companies and mining companies need more training in offsets.
		Individuals have some or poor skills for their jobs;	1		
		Individuals are reasonably skilled but could further improve for optimum match with job requirement;	2		
		Individuals are appropriately skilled for their jobs	3		
	19. Individuals are highly motivated for LD offset/mitigation	No motivation at all;	0	**2**	There are few motivated individuals
		Motivation uneven, some are but most are not;	1		

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
		Many individuals are motivated but not all;	2		about mitigation and offsets, mainly within international NGOs and MEGDT
		Individuals are highly motivated	3		
	20. There are appropriate systems of training, mentoring, and learning in place to maintain a continuous flow of new staff for LD offset/mitigation	No mechanisms exist;	0	**1**	The ministry staff are provided with some opportunity to enrol to international training programs but local staff faces language and funding barriers so opportunities to develop their own skills are very limited. Training in offsets has so far been rudimentary.
		Some mechanisms exist but unable to develop enough and unable to provide the full range of skills needed;	1		
		Mechanisms generally exist to develop skilled professionals, but either not enough of them or unable to cover the full range of skills required;	2		
		There are mechanisms for developing adequate numbers of the full range of highly skilled LD offset/mitigation professionals	3		
3. Capacity to engage and build consensus among all stakeholders	21. LD offset/mitigation have the political commitment they require	There is no political will at all, or worse, the prevailing political will runs counter to the interests of LD offset/mitigation;	0	**1**	Some political will exists and certain documents outline the issue of land degradation and mitigation such as : Millennium Development Goal based National Comprehensive Development Strategy, 2008 - Mongolian action program for XXI century MAP-21(1999) - Biodiversity action program (1996) - National action program to combat desertification (1996 and 2003) - National program on forestry (2001) - National plan on Water (1999) - National plan on climate change (2000) - National program- Green Belt (2005) - Animal Fodder Program, 2007 However, competing development interests and economic challenges within Mongolia take political attention from the issue of land degradation.
		Some political will exists, but is not strong enough to make a difference;	1		
		Reasonable political will exists, but is not always strong enough to fully support LD offset/mitigation;	2		
		There are very high levels of political will to support LD offset/mitigation	3		
	22. LD offset/mitigation have the public support they require	The public has little interest in LD offset/mitigation and there is no significant lobby for land degradation offset/mitigation;	0	**1**	There is little support from rural communities since animal husbandry (60 mln heads of livestock) and mining

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
		There is limited support for LD offset/mitigation;	1		cause a lot of damage to land and mitigation activities have not been carried out to fully restore the degraded land.
		There is general public support for protected areas and there are various lobby groups such as environmental NGO's strongly pushing them;	2		
		There is tremendous public support in the country for LD offset/mitigation	3		
	24. LD offset/mitigation implementing and enforcing institutions can establish the partnerships needed to achieve their objectives	LD offset/mitigation implementing and enforcing institutions operate in isolation;	0	**1**	Inter-sectoral coordination is needed although the National Committee for Soil protection and combating desertification is functional and comprises representatives of all ministries, NGO representatives, UNCCD national focal point, Mongolian Academy of Sciences. International support is strong. SDC, UNDP, Government of Netherlands, and Government of Republic of Korea financed the projects on Land Degradation, Combating against Desertification and Reforestation/Afforestation. TNC is carrying out eco-regional assessments.
		Some partnerships in place but significant gaps and existing partnerships achieve little;	1		
		Many partnerships in place with a wide range of agencies, NGOs etc, but there are some gaps, partnerships are not always effective and do not always enable efficient achievement of objectives;	2		
		LD offset/mitigation implementing and enforcing institutions establish effective partnerships with other agencies and institutions, including provincial and local governments, NGO's and the private sector to enable achievement of objectives in an efficient and effective manner	3		
	25. Individuals carry appropriate values, integrity and attitudes about LD offset/mitigation	Individuals carry negative attitude;	0	**1.5**	Some individuals do have appropriate values, attitudes about LD offset and mitigation but more people are needed to conduct proper activities in this regard. Some NGOs have a negative attitude about offsets, believing it is a "license to trash"
		Some individuals have notion of appropriate attitudes and display integrity, but most don't;	1		
		Many individuals carry appropriate values and integrity, but not all;	2		
		Individuals carry appropriate values, integrity and attitudes	3		
4. Capacity to mobilize information and knowledge about LD offset/mitigation	26. LD offset/mitigation implementing and enforcing institutions have the information they need to develop and monitor strategies and action plans for the management of LD offset/mitigation	Information is virtually lacking;	0	**1**	Some information exists, but application of this information at different levels differ. Atlas on desertification, State of Land affairs annual bulletin are published. There is a need for user-friendly handbooks on the mitigation hierarchy and offsetting.
		Some information exists, but is of poor quality, is of limited usefulness, or is very difficult to access;	1		
		Much information is easily available and mostly of good quality, but there remain some gaps in quality, coverage and availability;	2		

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
		LD offset/mitigation implementing and enforcing institutions have the information they need to develop and monitor strategies and action plans for the management of LD offset/mitigation	3		The MEGDT website should also be further developed.
	27. LD offset/mitigation implementing and enforcing institutions have the information needed to implement strategies and actions plans	Information is virtually lacking;	0	**1**	Some information exists but limited in quality, coverage and availability. There is a need for user-friendly handbooks on the mitigation hierarchy and offsetting. The MEGDT website should also be further developed.
		Some information exists, but is of poor quality and of limited usefulness and difficult to access;	1		
		Much information is readily available, mostly of good quality, but there remain some gaps both in quality and quantity;	2		
		Adequate quantities of high quality up to date information for LD offset/mitigation planning, management and monitoring is widely and easily available	3		
	28. Individuals working with LD offset/mitigation work effectively together as a team	Individuals work in isolation and don't interact;	0	**1.5**	Work differs from place to place, depending on resources, management and organizational issues. In general much better inter-sectoral and participatory working is needed.
		Individuals interact in limited way and sometimes in teams but this is rarely effective and functional;	1		
		Individuals interact regularly and form teams, but this is not always fully effective or functional;	2		
		Individuals interact effectively and form functional teams	3		
5. Capacity to monitor, evaluate, report and learn LD offset/mitigation	29. Policy is continually reviewed and updated	There is no policy or it is old and not reviewed regularly;	0	**2**	Policy is being revised based on priorities of the government
		Policy is only reviewed at irregular intervals;	1		
		Policy is reviewed regularly but not annually;	2		
		National offsets policy is reviewed annually	3		
	30. Society monitors the state of LD offset/mitigation	There is no dialogue at all;	0	**1**	There is some dialogue going on especially with help of international organizations such as UNDP, FAO and SDC. However, because awareness and understanding of offsetting is very limited, the dialogue is often confused.
		There is some dialogue going on, but not in the wider public and restricted to specialized circles;	1		
		There is a reasonably open public dialogue going on but certain issues remain taboo;	2		
		There is an open and transparent public dialogue about the state of the LD offset/mitigation	3		
	31. LD offset/mitigation institutions are highly adaptive, responding	Institutions resist change;	0	**1.5**	Institutions tend to adapt to changes
		Institutions do change but only very slowly;	1		

Strategic Area of Support	Issue	Outcome Indicators	Score:		Evaluative Comments
	effectively and immediately to change	Institutions tend to adapt in response to change but not always very effectively or with some delay;	2		but adaptive capacity needs to be improved and supported by relevant materials
		Institutions are highly adaptive, responding effectively and immediately to change	3		
	32. LD offset/mitigation institutions have effective internal mechanisms for monitoring, evaluation, reporting and learning	There are no mechanisms for monitoring, evaluation, reporting or learning;	0	**1**	There are some mechanisms for monitoring, evaluation, reporting and learning but they are limited. Evaluation and monitoring results should be analysed in order to improve the policy formulation and implementation.
		There are some mechanisms for monitoring, evaluation, reporting and learning but they are limited and weak;	1		
		Reasonable mechanisms for monitoring, evaluation, reporting and learning are in place but are not as strong or comprehensive as they could be;	2		
		Institutions have effective internal mechanisms for monitoring, evaluation, reporting and learning	3		
	32. Individuals responsible for LD offset/mitigation are adaptive and continue to learn	There is no measurement of performance or adaptive feedback;	0	**1.5**	Performance is regularly measured (on annual basis) but in many cases is very impractical and incomplete. It needs to be more thorough and comprehensive to allow individuals to continue to learn; high turnover of staff hampers all efforts devoted for capacity building
		Performance is irregularly and poorly measured and there is little use of feedback;	1		
		There is significant measurement of performance and some feedback but this is not as thorough or comprehensive as it might be;	2		
		Performance is effectively measured and adaptive feedback utilized	3		
TOTAL SCORE				**41**	

Annex 2. Social and Environmental Screening Report

Project Information

Project Information	
1. Project Title	Land Degradation Offset and Mitigation in Western Mongolia
2. Project Number	5287
3. Location (Global/Region/Country)	Mongolia

Part A. Integrating Overarching Principles to Strengthen Social and Environmental Sustainability

QUESTION 1: How Does the Project Integrate the Overarching Principles in order to Strengthen Social and Environmental Sustainability?
Briefly describe in the space below how the Project mainstreams the human-rights based approach
A human rights based approach is about empowering people to know and claim their rights and increasing the ability and accountability of individuals and institutions who are responsible for respecting, protecting and fulfilling rights, The project will achieve integration of human-rights based approaches through its main objective: *"To reduce negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management".* The project's two components will mainstream human-rights based approaches by the following mechanisms: Component 1 addresses the need for a strengthened national regulatory and institutional framework on mitigation and offsetting of the impacts of mining. The operationalisation of this framework will be supported by development of institutional and personnel capacity as well as enhancing the participation and awareness of stakeholders including particularly the affected local communities, but also local governments, academia, parliamentarians, law-enforcement agencies and the private sector (mining companies and consulting firms). Component 2 will involve demonstration of pilot mitigation and offsetting agreements through sustainable land management activities by local communities. This will particularly focus on ensuring local community participation in designing the offset mechanisms to ensure that impacts on their livelihoods are fully addressed. The pilots will provide experience and lessons to inform refinement of the framework and implementation processes.

Briefly describe in the space below how the Project is likely to improve gender equality and women's empowerment
The baseline for gender equality and women's empowerment is already relatively high in Mongolia. Thus, the project will build on this strong baseline by employing mechanisms for inclusive approaches and processes on gender equality and women's empowerment in the implementation of all its planned activities. The proposed project activities have been derived from a broad-based consultative process, including women at all levels. The onward development and implementation process provides many opportunities to ensure that gender issues relating to the impacts of mining and the mitigation hierarchy and offsetting framework through SLM are adequately addressed. For example, this already involved focus-group discussions to capture gender issues during SESP consultation meetings. Further, sensitization workshops and awareness-raising programs will be designed to ensure that at least 50% of the target participants are women. Activities geared towards mobilizing local communities into organized groups for the pilot landscapes will encourage women to participate and will aim to have at least one women functionary in each local coordination committee established for each pilot. Community activities at the local level will be gender-disaggregated using participatory approaches, and mechanisms will be designed to ensure that women are proportionately benefitted. In this regard, the key document to consult during the project implementation is a new Gender Mainstreaming Strategy of Mongolia's Environment Sector, in which three strategic priorities are identified. Ministry of Environment and Green Development and Tourism developed and approved the first-ever sectoral Gender Mainstreaming Strategy document in 2014, as an obligation stipulated under the Law on Gender Equality. In the strategy document, UNDP Mongolia is included as one of the key partners for strategy implementation, in particular the second strategic priority "To achieve a gender-sensitive environmental management".
Briefly describe in the space below how the Project mainstreams environmental sustainability
Current mining practices have a large negative impact on the Mongolian environment in terms of biodiversity, ecosystem quality and resilience, and ecosystem services provided to communities. The overall objective of the project is to reduce the negative impacts of mining on rangelands in the western mountain and steppe region by incorporating mitigation hierarchy and offset for land degradation into the landscape level planning and management. The project is therefore expected to be overwhelmingly positive both in terms of environmental outcomes and sustainable development. It will mainstream environmental sustainability into mining concession planning and larger land use planning to protect the most sensitive areas from mining, as well as compensating impacts in other areas through the application of the mitigation hierarchy and offsetting. This will be achieved both by strengthening the enabling environment (policy, legislation, evidence base and capacity building), as well as demonstrating application on the ground. The project will promote "net positive approaches" with the mining sector. However, many existing mines are already causing significant environmental impacts and it is unrealistic to consider that the project will be able to mitigate or offset these in full.

Part B. Identifying and Managing Social and Environmental Risks

QUESTION 2: What are the Potential Social and Environmental Risks? *Note: Describe briefly potential social and environmental risks identified in Attachment 1 – Risk Screening Checklist (based on any "Yes" responses).*	**QUESTION 3: What is the level of significance of the potential social and environmental risks?** *Note: Respond to Questions 4 and 5 below before proceeding to Question 6*			**QUESTION 6: What social and environmental assessment and management measures have been conducted and/or are required to address potential risks (for Risks with Moderate and High Significance)?**
Risk Description	***Impact and Probability (1-5)***	***Significance (Low, Moderate, High)***	***Comments***	***Description of assessment and management measures as reflected in the Project design. If ESIA or SESA is required note that the assessment should consider all potential impacts and risks.***
Risk 1: Principles 1: Human Rights 5. Are there measures or mechanisms in place to respond to local community grievances?	I=2 P=1	Low	Formal mechanisms already exist to deal with community grievances through Aimag, Soum, Bagh and Khoroo Citizen Representatives Khurals. Additionally, the project will address grievances at an early stage through the Local Coordination Committees established to oversee the development of the integrated land management plans and offset mechanisms in each pilot landscape.	All risks are considered to be low. See Question 5 for how the project will strive to avoid any environmental and social impacts. EIA, SEA and Environmental Audit are all obligatory for the mining industry.
Risk 2: Principles 1: Human Rights 6. Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?	I = 2 P =1	Low	Provision has been made to build the capacity of all institutions and individuals (on mitigation and offsetting) with respect to requirements necessary to implement this project and sustain outcomes in perpetuity.	See above
Risk 3: Principles 1: Human Rights 7. Is there a risk that rights-holders do not have the capacity to claim their rights?	I = 2 P =1	Low	Any risk that rights-holders do not have the capacity to claim their rights (eg of access to grazing, health etc)	See above

			will be avoided through capacity building of the rights holders, and ensuring that those individuals and communities are fully involved in the development of integrated land management plans and the design of the offset mechanisms	
Risk 4: Principle 3: Environmental sustainability Standard 1.2: Negative environmental impacts on critical habitats and/or environmentally sensitive areas, including legally protected areas.	I = 1 P =1	Low	The project will support offsetting mining impacts through SLM to conserve environmentally sensitive areas. This will include restoration of pasturelands and forests both inside and (mainly) outside protected areas. Any risks of inappropriate measures will be avoided by engaging biodiversity specialists in their design to ensure international standards (eg avoidance of the use of AIS). The nearest existing protected area to any of the mines in the pilot landscapes is 30km distant (Gulzat PA).	See above
Risk 5: Would the proposed Project possibly affect land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?				
	QUESTION 4: What is the overall Project risk categorization?			
	Select one (see SESP for guidance)			Comments
	Low Risk	☐X		The project will contribute positively towards reducing land degradation and maintenance of ecosystem quality, as well

			as towards an improved enabling framework for mitigation and offsetting through which local communities will have improved livelihood potentials and wellbeing. Identified risks are all considered to be "Low", but could potentially have adverse impact on human rights and environmental sustainability. These have been addressed through the project design, and will be further addressed during implementation, as follows: • Addressing grievances at an early stage through the Local Coordination Committees and management planning. • Capacity building to ensure that institutions and individuals are able to deliver on the planned project outcomes • Capacity building to ensure that communities are able to defend their rights, and by ensuring full their participation in design of offset agreements • Mitigation measures and offset agreements must be developed to international standards for ecological restoration and biodiversity conservation The Mid-term and Terminal Evaluations will be tasked to assess whether these mitigation measures have been met. This will be explicitly stated in the Terms of Reference of the two consultancies.
	Moderate Risk	☐	
	High Risk	☐	
	QUESTION 5: Based on the identified risks and risk categorization, what requirements of the SES are relevant?		
	Check all that apply		**Comments**
	Principle 1: Human Rights	☐	
	Principle 2: Gender Equality and Women's Empowerment	☐	
	1. Biodiversity Conservation and Natural Resource Management	☐	
	2. Climate Change Mitigation and Adaptation	☐	

	3. Community Health, Safety and Working Conditions	☐	
	4. Cultural Heritage	☐	
	5. Displacement and Resettlement	☐	
	6. Indigenous Peoples	☐	
	7. Pollution Prevention and Resource Efficiency	☐	

Final Sign Off

Signature	*Date*	*Description*
QA Assessor		Bunchingiv Bazartseren, Head of the Environmental Cluster UNDP Mongolia Country Office
QA Approver		UNDP senior manager, typically the UNDP Deputy Country Director (DCD), Country Director (CD), Deputy Resident Representative (DRR), or Resident Representative (RR). The QA Approver cannot also be the QA Assessor. Final signature confirms they have "cleared" the SESP prior to submittal to the PAC.
PAC Chair		UNDP chair of the PAC. In some cases PAC Chair may also be the QA Approver. Final signature confirms that the SESP was considered as part of the project appraisal and considered in recommendations of the PAC.

SESP Attachment 1. Social and Environmental Risk Screening Checklist

Checklist Potential Social and Environmental Risks		
Principles 1: Human Rights		**Answer (Yes/No)**
1.	Could the Project lead to adverse impacts on enjoyment of the human rights (civil, political, economic, social or cultural) of the affected population and particularly of marginalized groups?	No
2.	Is there a likelihood that the Project would have inequitable or discriminatory adverse impacts on affected populations, particularly people living in poverty or marginalized or excluded individuals or groups? [6]	No
3.	Could the Project potentially restrict availability, quality of and access to resources or basic services, in particular to marginalized individuals or groups?	No
4.	Is there a likelihood that the Project would exclude any potentially affected stakeholders, in particular marginalized groups, from fully participating in decisions that may affect them?	No
5.	Are there measures or mechanisms in place to respond to local community grievances?	Yes
6.	Is there a risk that duty-bearers do not have the capacity to meet their obligations in the Project?	Yes
7.	Is there a risk that rights-holders do not have the capacity to claim their rights?	Yes
8.	Have local communities or individuals, given the opportunity, raised human rights concerns regarding the Project during the stakeholder engagement process?	No
9.	Is there a risk that the Project would exacerbate conflicts among and/or the risk of violence to project-affected communities and individuals?	No
Principle 2: Gender Equality and Women's Empowerment		
1.	Is there a likelihood that the proposed Project would have adverse impacts on gender equality and/or the situation of women and girls?	No
2.	Would the Project potentially reproduce discriminations against women based on gender, especially regarding participation in design and implementation or access to opportunities and benefits?	No
3.	Have women's groups/leaders raised gender equality concerns regarding the Project during the stakeholder engagement process and has this been included in the overall Project proposal and in the risk assessment?	No
3.	Would the Project potentially limit women's ability to use, develop and protect natural resources, taking into	No

[6] Prohibited grounds of discrimination include race, ethnicity, gender, age, language, disability, sexual orientation, religion, political or other opinion, national or social or geographical origin, property, birth or other status including as an indigenous person or as a member of a minority. References to "women and men" or similar is understood to include women and men, boys and girls, and other groups discriminated against based on their gender identities, such as transgender people and transsexuals.

	account different roles and positions of women and men in accessing environmental goods and services? For example, activities that could lead to natural resources degradation or depletion in communities who depend on these resources for their livelihoods and well being	
Principle 3: Environmental Sustainability: Screening questions regarding environmental risks are encompassed by the specific Standard-related questions below		
Standard 1: Biodiversity Conservation and Sustainable Natural Resource Management		
1.1	Would the Project potentially cause adverse impacts to habitats (e.g. modified, natural, and critical habitats) and/or ecosystems and ecosystem services? For example, through habitat loss, conversion or degradation, fragmentation, hydrological changes	No
1.2	Are any Project activities proposed within or adjacent to critical habitats and/or environmentally sensitive areas, including legally protected areas (e.g. nature reserve, national park), areas proposed for protection, or recognized as such by authoritative sources and/or indigenous peoples or local communities?	Yes
1.3	Does the Project involve changes to the use of lands and resources that may have adverse impacts on habitats, ecosystems, and/or livelihoods? (Note: if restrictions and/or limitations of access to lands would apply, refer to Standard 5)	No
1.4	Would Project activities pose risks to endangered species?	No
1.5	Would the Project pose a risk of introducing invasive alien species?	No
1.6	Does the Project involve harvesting of natural forests, plantation development, or reforestation?	No
1.7	Does the Project involve the production and/or harvesting of fish populations or other aquatic species?	No
1.8	Does the Project involve significant extraction, diversion or containment of surface or ground water? For example, construction of dams, reservoirs, river basin developments, groundwater extraction	No
1.9	Does the Project involve utilization of genetic resources? (e.g. collection and/or harvesting, commercial development)	No
1.10	Would the Project generate potential adverse transboundary or global environmental concerns?	No
1.11	Would the Project result in secondary or consequential development activities which could lead to adverse social and environmental effects, or would it generate cumulative impacts with other known existing or planned activities in the area? For example, a new road through forested lands will generate direct environmental and social impacts (e.g. felling of trees, earthworks, potential relocation of inhabitants). The new road may also facilitate encroachment on lands by illegal settlers or generate unplanned commercial development along the route, potentially in sensitive areas. These are indirect, secondary, or induced impacts that need to be considered. Also, if similar developments in the same forested area are planned, then cumulative impacts of multiple activities (even if not part of the same Project) need to be considered.	No
Standard 2: Climate Change Mitigation and Adaptation		
2.1	Will the proposed Project result in significant7 greenhouse gas emissions or may exacerbate climate change?	No
2.2	Would the potential outcomes of the Project be sensitive or vulnerable to potential impacts of climate change?	No
2.3	Is the proposed Project likely to directly or indirectly increase social and environmental vulnerability to climate change now or in the future (also known as maladaptive practices)? For example, changes to land use planning may encourage further development of floodplains, potentially increasing the population's vulnerability to climate change, specifically flooding	No
Standard 3: Community Health, Safety and Working Conditions		
3.1	Would elements of Project construction, operation, or decommissioning pose potential safety risks to local communities?	No
3.2	Would the Project pose potential risks to community health and safety due to the transport, storage, and use	No

[7] In regards to CO_2, 'significant emissions' corresponds generally to more than 25,000 tons per year (from both direct and indirect sources). [The Guidance Note on Climate Change Mitigation and Adaptation provides additional information on GHG emissions.]

	and/or disposal of hazardous or dangerous materials (e.g. explosives, fuel and other chemicals during construction and operation)?	
3.3	Does the Project involve large-scale infrastructure development (e.g. dams, roads, buildings)?	No
3.4	Would failure of structural elements of the Project pose risks to communities? (e.g. collapse of buildings or infrastructure)	No
3.5	Would the proposed Project be susceptible to or lead to increased vulnerability to earthquakes, subsidence, landslides, erosion, flooding or extreme climatic conditions?	No
3.6	Would the Project result in potential increased health risks (e.g. from water-borne or other vector-borne diseases or communicable infections such as HIV/AIDS)?	No
3.7	Does the Project pose potential risks and vulnerabilities related to occupational health and safety due to physical, chemical, biological, and radiological hazards during Project construction, operation, or decommissioning?	No
3.8	Does the Project involve support for employment or livelihoods that may fail to comply with national and international labor standards (i.e. principles and standards of ILO fundamental conventions)?	No
3.9	Does the Project engage security personnel that may pose a potential risk to health and safety of communities and/or individuals (e.g. due to a lack of adequate training or accountability)?	No
Standard 4: Cultural Heritage		
4.1	Will the proposed Project result in interventions that would potentially adversely impact sites, structures, or objects with historical, cultural, artistic, traditional or religious values or intangible forms of culture (e.g. knowledge, innovations, practices)? (Note: Projects intended to protect and conserve Cultural Heritage may also have inadvertent adverse impacts)	No
4.2	Does the Project propose utilizing tangible and/or intangible forms of cultural heritage for commercial or other purposes?	No
Standard 5: Displacement and Resettlement		
5.1	Would the Project potentially involve temporary or permanent and full or partial physical displacement?	No
5.2	Would the Project possibly result in economic displacement (e.g. loss of assets or access to resources due to land acquisition or access restrictions – even in the absence of physical relocation)?	No
5.3	Is there a risk that the Project would lead to forced evictions?[8]	No
5.4	Would the proposed Project possibly affect land tenure arrangements and/or community based property rights/customary rights to land, territories and/or resources?	No
Standard 6: Indigenous Peoples		
6.1	Are indigenous peoples present in the Project area (including Project area of influence)?	No
6.2	Is it likely that the Project or portions of the Project will be located on lands and territories claimed by indigenous peoples?	No
6.3	Would the proposed Project potentially affect the rights, lands and territories of indigenous peoples (regardless of whether Indigenous Peoples possess the legal titles to such areas)?	No
6.4	Has there been an absence of culturally appropriate consultations carried out with the objective of achieving FPIC on matters that may affect the rights and interests, lands, resources, territories and traditional livelihoods of the indigenous peoples concerned?	No
6.4	Does the proposed Project involve the utilization and/or commercial development of natural resources on lands and territories claimed by indigenous peoples?	No
6.5	Is there a potential for forced eviction or the whole or partial physical or economic displacement of indigenous peoples, including through access restrictions to lands, territories, and resources?	No
6.6	Would the Project adversely affect the development priorities of indigenous peoples as defined by them?	No
6.7	Would the Project potentially affect the traditional livelihoods, physical and cultural survival of indigenous peoples?	No

[8] Forced evictions include acts and/or omissions involving the coerced or involuntary displacement of individuals, groups, or communities from homes and/or lands and common property resources that were occupied or depended upon, thus eliminating the ability of an individual, group, or community to reside or work in a particular dwelling, residence, or location without the provision of, and access to, appropriate forms of legal or other protections.

6.8	Would the Project potentially affect the Cultural Heritage of indigenous peoples, including through the commercialization or use of their traditional knowledge and practices?	No
Standard 7: Pollution Prevention and Resource Efficiency		
7.1	Would the Project potentially result in the release of pollutants to the environment due to routine or non-routine circumstances with the potential for adverse local, regional, and/or transboundary impacts?	No
7.2	Would the proposed Project potentially result in the generation of waste (both hazardous and non-hazardous)?	No
7.3	Will the proposed Project potentially involve the manufacture, trade, release, and/or use of hazardous chemicals and/or materials? Does the Project propose use of chemicals or materials subject to international bans or phase-outs? For example, DDT, PCBs and other chemicals listed in international conventions such as the Stockholm Conventions on Persistent Organic Pollutants or the Montreal Protocol	No
7.4	Will the proposed Project involve the application of pesticides that may have a negative effect on the environment or human health?	No
7.5	Does the Project include activities that require significant consumption of raw materials, energy, and/or water?	No

Annex 3. Land Degradation Tracking Tool

Annex 4. Letter of Agreement for UNDP Direct Project Services

STANDARD LETTER OF AGREEMENT BETWEEN UNDP AND THE GOVERNMENT
FOR THE PROVISION OF SUPPORT SERVICES

Excellency,

1. Reference is made to consultations between officials of the Government of Mongolia (hereinafter referred to as "the Government") and officials UNDP with respect to the provision of support services by the UNDP country office for nationally executed programme or projects. UNDP and the Government hereby agree that the UNDP country office may provide such support services at the request of the Government through its Implementing Partners designated in the relevant programme or project documents, as described below.

2. The UNDP country office may provide support services for implementation activities, such as assistance with reporting requirements and direct payment. In providing such support services, the UNDP country office shall ensure that the capacity of the Implementing Partners is strengthened to enable it to carry out such activities directly. The costs incurred by UNDP country office in providing such support services shall be recovered from the administrative budget of the office.

3. In addition, the UNDP country office may provide, at the request of the Implementing Partners, the following support services for implementation activities:

(a) Identification and assistance with and /or recruitment of project and programme personnel;
(b) Identification and facilitation of training activities, including study tours;
(c) Procurement of goods and services; and
(d) Access to UNDP-managed global information systems, the network of UNDP country offices and specialized systems containing operations information, including rosters of consultants and providers of development services.

4. The procurement of goods and services and the recruitment of project and programme personnel by the UNDP country office shall be in accordance with the UNDP regulations, rules, policies and procedures. Support services described in paragraph 3 above shall be detailed in an annex to the programme or project document, in the form provided in Attachment hereto. If the requirements for support services by the country office change during the life of a programme or project, the annex to the programme or project document is revised with the mutual agreement of the UNDP Resident Representative and the Implementing Partner.

5. The relevant provisions of the Standard Basic Assistance Agreement of 28 September 1976 (the "SBAA"), including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Government shall retain overall responsibility for the nationally executed programme or project through its designated Implementing Partners. The responsibility of the UNDP country office for the provision of the support services described herein shall be limited to the provision of such support services detailed in the annex to the programme or project document.

6. Any claim or dispute arising under or in connection with the provision of support services by the UNDP country office in accordance with this letter shall be handled pursuant to the relevant provisions of the SBAA.

7. The manner and method of cost recovery by the UNDP country office in providing the support services described in the paragraph 3 above shall be specified in the annex to the programme or project document.

8. The UNDP country office shall submit progress reports on the support services provided and shall report on the costs reimbursed in providing such services, as may be required.

9. Any modification of the present arrangements shall be effected by mutual written agreement of the parties hereto.

10. If you are in agreement with the provisions set forth above, please sign and return to this Office two signed copies of this letter. Upon your signature, this letter shall constitute an agreement between your Government and UNDP on the terms and conditions for the provision of support services by the UNDP country office for nationally executed programme and projects.

Yours sincerely,

Signed on behalf of UNDP

Ms. Sezin Sinanoglu
Resident Representative,
UNDP Mongolia

For the Government of Mongolia

Signature:

Mr. Zandanshatar Gombojav

Minister of Foreign Affairs and Trade

Attachment

STANDARD ANNEX TO THE PROGRAMME OR PROJECT DOCUMENT
ON UNDP COUNTRY OFFICE SUPPORT

ANNEX ON UNDP COUNTRY OFFICE SUPPORT

1. Reference is made to consultations between officials of the Government of Mongolia (hereinafter referred to as "the Government") and officials of UNDP with respect to the provision of support services by the UNDP country office for nationally executed programme or projects.

2. In accordance with the provisions of the letter of agreement and the Country Programme Action Plan (CPAP) signed in January 2012, the UNDP country office shall provide support services for the project, as described below.

3. Support services to be provided:

Support services	Schedule for the provision of the support services	Cost to UNDP of providing such support services	Method of reimbursement of UNDP
1. Identification and assistance with and/or recruitment of project and programme personnel.	During the CPAP period: 2012-2016	Based on the Universal Price List (UPL) of UNDP	Implementation Support Services (ISS) billing module in Atlas system
2. Identification and facilitation of training activities, including study tours.			
3. Procurement of goods and services in accordance with UNDP regulations and policies.			
4. Access to UNDP-managed global information systems, the network of UNDP country offices and specialized information systems including rosters of consultants and providers of development services.			

DESCRIPTION OF UNDP COUNTRY OFFICE SUPPORT SERVICES

1. Reference is made to consultations between the ***Ministry of Environment, Green Development and Tourism***, the institution designated by the Government of ***Mongolia*** and officials of UNDP with respect to the provision of support services by the UNDP country office for the nationally managed project ***"Land Degradation Offset and Mitigation in Western Mongolia".***

2. In accordance with the provisions of the letter of agreement signed by Ministry of Foreign Affairs and UNDP for the provision of support services, attached to Country Programme Action Plan (CPAP) 2012 – 16 between the Government of Mongolia and United Nations Development Programme and the project document ***Land Degradation Offset and Mitigation in Western Mongolia,*** the UNDP country office shall provide support services for the above Project as described below.

3. Support services to be provided:

	Support services (insert description)	**Schedule for the provision of the support services**	**Cost to UNDP of providing such support services (where appropriate)**	**Amount and method of reimbursement of UNDP (where appropriate)**
1	Identification and assistance with and/or recruitment of project personnel and international consultants	As reflected in the AWP	Local Price List UN/UNDP	Atlas billing module and AWP/ QWP
2	Identification and facilitation of training activities, including international travel			
3	Procurement of goods and services in accordance with UNDP regulations and policies			
4	Access to UNDP-managed global information systems, the network of UNDP CO and specialized information systems including rosters of consultants and providers of development services. This service also covers access to management of ATLAS external and LMS profiles.			
5	Country office advisory service			
6	Communications and Advocacy service			
7	Security service			

4. Description of functions and responsibilities of the parties involved:
Please refer to the Project document and Project Annual and Quarterly Work Plans.

5. UNDP and the ***Ministry of Environment, Green Development and Tourism*** agree upon specific management arrangements and procedures for project implementation which will complement government's policies and procedures. Such agreement shall be materialized through a special annex - Implementation Set-up Table to the project document. The Implementation Set-up Table can be updated reflecting mid-term project progress and capacity assessment if required.

Signed by: .....

D. Oyunkhorol
Minister of Environment,
Green Development and Tourism
Date: 2015.06.12.

Signed by: .....

Sezin Sinanoglu
Resident Representative
United Nations Development Programme
Date: 12 June 2015

Annex 5. Consultations with Local Community Stakeholders

Consolidated notes for the community surveys conducted in soums of Western provinces (December 2014)

Bayan-Ulgii province

A total of 6 herder households (at the center of Bayan-Ulgii province) were participated in the survey and all surveys taken from the households in Bayan-Ulgii were consolidated as the following:

Q1: *What negative impacts have you already experienced from mining impacts?*

Involved herders referred as they were experiencing negative impacts on their health and environment from the mining development.

Q2: *What positive impacts do you gain from mine development?*

Most of the participated herders (80%) answered that there were no positive impacts from the mining activities. Minority groups (20%) of the participants referred that they were experiencing positive impacts from the mining such as livelihood improvements and others.

Q3: *Are the positive impacts bigger than negative impacts you've experienced in your region?*

Half of the participants considered the positive impacts were not bigger than negative impacts they had experienced. 20% of the participants considered the positive impacts such as health and other issues were bigger than the negative one.

Q4: *Are men, women, children or minority groups impacted differently by these impacts?*

For the question, all the participants answered that there were not much difference between men, women, children and minority groups.

Q5: *What other sorts of Land Degradation impact on your lives, and how?*

The participants referred that the biggest issue in the province is draught and desertification. Construction and mining development are becoming main causes for land degradation as well, the participants expressed.

Q6: *What sustainable land management measures have you already undertaken to address land degradation?*

The participants have no information on measures undertaking to address land degradation, the answered. Only minority of the group (20%) have known about measures of pasture resting and rotation on SLM. Rest of the (10%) said there were no measures undertaking to address these issues in the province.

Q7: *Do SLM measures have different implications for men, women, and children?*

All participants answered "No" for this question.

Q8: *What additional measures are needed to be undertaken by the mining companies to address their impacts?*

Most participants (90%) referred that rehabilitating land affected by mining development and land degradation is essential measures should be taken urgently. Then forestation and extending green environment are core measures for the companies to address their impacts.

Uvs province (households near Khotgor mines)

Due to the availability of households, there were 3 households near the mining site (Khotgor coal mine) attended in the survey.

Q1: *What negative impacts have you already experienced from mining impacts?*

All participants answered that they had been experienced negative impacts on environment from the mining impacts.

Q2: *What positive impacts do you gain from mine development?*

Their condition of livelihood is improving from the mine development, they answered.

Q3: *Are the positive impacts bigger than negative impacts you've experienced in your region?*

Most participants referred that negative impacts bigger, especially they're experiencing some health problem due to mine development. Only 20 percent of the participants considered that positive impacts are bigger than negative through livelihood

Q4: *Are men, women, children or minority groups impacted differently by these impacts?*

For this question, the participants answered "No".

Q5: *What other sorts of Land Degradation impact on your lives, and how?*

All herders responded that there are many small roads for coal transportations of Khotgor coal mines, and these roads are main causes for land degradation near coal mine areas. Due to these many small roads and degraded land, herders near the mines have not enough pasture areas and these affect negatively in their livelihood.

Q6: *What sustainable land management measures have you already undertaken to address land degradation?*

All the participants concerned that they were no measures taken to address these issues.

Q7: *Do SLM measures have different implications for men, women, and children?*

The participants didn't answer the question.

Q8: *What additional measures are needed to be undertaken by the mining companies to address their impacts?*

All herders concerned that they desperately need one central road for the coal transportation. They considered that the coal mines in coordination with soum and aimag authorities should concern to build asphalt road for their coal transportation to improve pasture management near the mines and to reduce degraded land due to the transportation.

Zavkhan province (herder households near Bayan-Airag gold mine)

There were 5 households near the mine, participated in the survey.

Q1: *What negative impacts have you already experienced from mining impacts?*

All participants answered they had been experienced negative impacts on environment from the mining impacts.

Q2: *What positive impacts do you gain from mine development?*

All herders referred that they experienced positive impacts from the mining on livelihood and others.

Q3: *Are the positive impacts bigger than negative impacts you've experienced in your region?*

Most participants (75%) considered that the positive impacts from the mine are bigger than negative one, especially positive impacts on livelihood and other conditions.

Q4: *Are men, women, children or minority groups impacted differently by these impacts?*

The participated herders answered that they didn't know about this issue well.

Q5: *What other sorts of Land Degradation impact on your lives, and how?*

The participated herders have different perspectives on impacts of land degradation. Some of them concerned that there are several sort of LD impacts such as mining development, climate change and human- induced activities. The other herders concern about more on sand movement, accelerated desertification, and pasture degradation and extreme pasture capacity in their areas for impacts on LD.

Q6: *What sustainable land management measures have you already undertaken to address land degradation?*

30% of participated herders responded that there were some measures undertaken on addressing LD such as forestation, technical rehabilitation from mining companies on some part of mining area. The rest of the participants responded there were not enough measures undertaken on addressing LD in their areas.

Q7: *Do SLM measures have different implications for men, women, and children?*

The participated herders didn't answer for the question.

Q8: *What additional measures are needed to be undertaken by the mining companies to address their impacts?*

The participants had different perspectives on this question. Some of the participants concerned about mining companies EIA need be implemented on the ground and the companies should invest some funds annually for offsetting according to their EIA to reduce their negative impacts of mining.
They also concerned that biological rehabilitation need to be undertaken on their mining sites rather than only technical rehabilitation.
The rest of the participants stated that Government should take some measures of regulating ban on doing exploration and mining activities on areas of herders' summer and winter camps and there is some legal environment needed to regulate this issues.

Khovd province (Darvi soumj)

There were 5 households participated in the survey.

Q1: *What negative impacts have you already experienced from mining impacts?*

All participants answered they had been experienced negative impacts on environment from the mining impacts.

Q2: *What positive impacts do you gain from mine development?*

All herders referred that they experienced positive impacts from the mining on livelihood and others.

Q3: *Are the positive impacts bigger than negative impacts you've experienced in your region?*

Most participants referred that negative impacts bigger, especially they're experiencing negative impacts on environment. They are experiencing more windy and dusty storm days in year, and ecological over balance is occurring in environment, they responded.

Q4: *Are men, women, children or minority groups impacted differently by these impacts?*

The participated herders answered that they didn't know about this issue well.
There are some difference observed, for example, men usually are hired in the mining jobs with low salaries in this area.

Q5: *What other sorts of Land Degradation impact on your lives, and how?*

The participants responded that the process desertification is accelerating in this area and the others responded they didn't know about it well.

Q6*:* *What sustainable land management measures have you already undertaken to address land degradation?*

The herders considered that there were not enough measures undertaken for addressing LD and desertification. They stated that the number of windy and dusty storm days have been increasing since the last few years.

Q7: *Do SLM measures have different implications for men, women, and children?*

The herders stated that we have been disputes and competes all the time among herder families due to lack of pastureland and pasture capacity.

Q8: *What additional measures are needed to be undertaken by the mining companies to address their impacts?*

Most (75%) of the participated herders responded that the area near mining need biological restoration desperately and the company should do and invest for it.
The rest of the participants didn't know what measures need to be taken to address the issues.

Khovd, (Khushuut coal mine)

Q1: *What negative impacts have you already experienced from mining impacts?*

All participants answered they had been experienced negative impacts on environment from the mining impacts.

Q2: *What positive impacts do you gain from mine development?*

The 50% of the involved participants concerned that the living condition is improving with this mining development in their soum. The rest of the participants considered there were no positive impacts in their life from the mine.

Q3: *Are the positive impacts bigger than negative impacts you've experienced in your region?*

All involved participants responded the negative impacts they had experienced were bigger than the positive one, especially negative impacts on environment.

Q4: *Are men, women, children or minority groups impacted differently by these impacts?*

The participated herders answered that impacts are not differentiated for different groups.

Q5: *What other sorts of Land Degradation impact on your lives, and how?*

Impacts from artisanal mining affect negatively to increase LD and this mining activity is polluting surface water. Negative impacts from the mining activities such as drilling, sampling and exploring affect to increase dust and wind storms in our living area, the herders responded.

Q6: *What sustainable land management measures have you already undertaken to address land degradation?*

The herders considered that there were no measures undertaken for addressing LD and desertification from the mining company.

Q7: *Do SLM measures have different implications for men, women, and children?*

The involved participants answered that they did not know about it well.

Q8: *What additional measures are needed to be undertaken by the mining companies to address their impacts?*

Regular monitoring and evaluations on mining companies are needed to address this issues.
Protecting river and spring are essential to reduce land degradation and increase water supply in rural areas.
Mining companies should undertake some measures on improving living conditions of local communities to increase their social responsibility.
Technical and biological restorations are key measures to reduce negative impacts from the mining development, so the companies should be responsible for this.

Annex 6. List of PPG baseline reports available

Report 1. PPG Pilot landscapes selection report. D Khandarmaa and S. Enkhbileg
Report 2. PPG Baseline report of national mining sector specialist. D Khandarmaa.
Report 3. PPG Baseline report of national SLM specialist. S Enkhbileg.
Report 4. PPG report on international best practices in mining offsetting and mitigation hierarchy applicable to Mongolia. P. Howard.
Report 5. Mine closure and Offsets: Applying the Mitigation Hierarchy in practical terms. P. Howard.
Report 6. Examples of offsets in Mongolia. P. Howard.

These reports are available upon request.