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Southern Mongolia Infrastructure Strategy Key Messages

The mines around Tavan Tolgoi, Nariin Sukhait, Oyu Tolgoi, and Tsagaan Suvarga, could generate sales of around \$5 billion of coal and copper per year.

To make this a reality, around \$5 billion of investments is needed in railways, electricity, towns, and water resources.

Railways and Roads (\$1,150 million)

The value of the coal mines depends on the cost of the railway services they use. The cost of railways depends on the distance transported:

Route	Cost of rail freight	Annual Profit from 20 million tonnes
Tavan Tolgoi – Gashuun Sukhait – Baotou	\$15/tonne	\$1,464 million
Tavan Tolgoi – Sainshand – Zamiin Uud – Qinhuangdao	\$41/tonne	\$937 million
Tavan Tolgoi – Sainshand – Choibalsan – Vladivostok	\$75/tonne	\$246 million

Reform of the railways regulations will be needed to attract private finance into railways.

Electricity (\$2,711 million)

The cheapest option for supplying power to Oyu Tolgoi would be to permit imports from China.

Without new generating capacity Mongolia will face electricity shortages from around 2011.

In addition to the power plants at Power Plant #5 and Shivee Ovoo, which the Government is already seeking to develop, at least one new power plant is required in Southern Mongolia.

Water Resources (\$260 million)

A high estimate of demand for water resources in Southern Mongolia is 350,000 m³/day.

A low estimate of the underground water potential is 500,000 m³/day. Further studies are needed concerning the underground water potential.

Developing underground water will cost around \$260 million, compared with more than \$500 million to develop a water pipeline from the Orhon or Kherlen River.

Towns (\$1,450 million)

The mines will employ about 8,000 workers, and this may lead to a total population increase of around 80,000 people.

A consultative process involving mining companies, aimag and soum governments, local communities, and NGOs is needed to develop detailed town strategies for accommodation, and town services such as

Social Issues

Investment in education and training institutions is required to increase the skills of the local population so that they can receive higher wages in the mining sector.

In addition to infrastructure, investments will be needed in health, and law and order services.

The treatment of migrant workers will require government leadership to ensure law and order, and to explain the benefits of immigrant workers to the local community.

Environment

Railway development will lessen the impact of current road traffic. Crossing points for khulan and gazelles are needed for railway and road development.

An institution should monitor the impact of extraction of underground water.

Institutions

A single institution could be established to coordinate infrastructure planning and development in Southern Mongolia.

A consultative council, including Government, mining companies, and local communities should be established to improve the quality of decision-making.