



## 14 Mongolia Baganuur and Shivee-Ovoo Coal Mine Development Project (1) (2)

Contributing to a stable supply of electrical power and heat by improving the production capacity and quality of coal, Mongolia's main energy source

**Loan Amount / Disbursed Amount** 10.125 billion yen / 10.039 billion yen  
**Loan Agreement** February 1997/February 1998  
**Terms & Conditions** (1) 2.3% interest rate, 30 year repayment period (10 year grace period), General untied  
 (2) 2.3% interest rate, 30 year repayment period (10 year grace period), (Consulting services: 0.75% interest rate, 40 year repayment period (10 year grace period)), Partially untied  
 May 2002/March 2005  
**Final Disbursement Date**  
**Executing Agency** Baganuur Joint Stock Company / Shivee-Ovoo Joint Stock Company



### Project Objectives

The objective of this project was to increase coal production capacity to meet the coal demand in Mongolia and to improve the quality of coal to satisfy the needs of power plants by rehabilitating the Baganuur Coal Mine, the largest coal mine in the country, and by expanding the Shivee-Ovoo Coal Mine, and thereby contribute to economic development in the country.

### Effectiveness and Impact

Rating **b**

As planned, this project provided coal handling plants and mining equipment to each coal mine. While the actual annual coal production for both mines (2.811 million tons) did not reach the initially planned amount (4 million tons), it almost met the revised planned amount (3 million tons). The executing agency made this downward revision in 1998 during project implementation due to a limited customer base. The Baganuur Coal Mine achieved the planned water containing ratio, which is an indicator of the quality of coal. The Shivee-Ovoo Coal Mine, on the other hand, did not achieve the planned level, although it is said to be gradually attaining the targeted level. In terms of environmental impact, there appear to be no problems at the present time. Measures to control dust and wastewater were established under the guidance of the government. In addition, both coal mines have independently enhanced the monitoring structure, including establishment of environmental departments. Therefore, this project has brought certain effects, and its effectiveness is moderate.

### Relevance

Rating **a**

This project has been highly relevant with Mongolia's national policies both at the time of appraisal and at the time of ex-post evaluation.

Annual Coal Production (thousand tons)

Baganuur Coal Mine	1997	1998	1999	2000	2001	2002	2003	2004	2005
Plan	3500	3600	3800	4000	4000	4000	4000	4000	4000
Plan (revised)	—	3500	3500	3200	3300	3000	3000	3000	3000
Actual	2972	3242	2991	3069	2874	3093	3046	2711	2811

Shivee-Ovoo Coal Mine	1997	1998	1999	2000	2001	2002	2003	2004	2005
Plan	300	1000	1200	1500	1750	2000	2000	2000	2000
Plan (revised)	—	300	600	600	830	850	900	900	1200
Actual	222	295	482	603	857	932	941	1309	1200

Mongolia's energy sector has placed the highest priority on a stable power supply and heating to major cities such as Ulaanbaatar. Thus, this project is still highly important.

### Efficiency

Rating **b**

Although project costs were almost as planned, project period was much longer than planned (183% of planned period for Baganuur and 207% for Shivee-Ovoo); therefore the evaluation for efficiency is moderate. The project delays were primarily caused by prolonged transfer procedures within government institutions in accordance with the change of administration and the temporary project suspension as a result of an investigation by the foreign capital for the purchase of mines and power supply facilities in 1999.

### Sustainability

Rating **b**

Although there remain concerns about the financial condition in both mine companies, no major problems have been observed for skills and operation and maintenance. Therefore, sustainability of this project is moderate.

### Conclusion, Lessons Learned, Recommendation

In light of the above, this project is evaluated to be moderately satisfactory. It is advised that all stakeholders be involved from the project formation stage particularly to meet local needs by communicating and cooperating closely with each other. It is also advisable that project supervision be further enhanced (such as by establishing a closer consultation framework with the government of a borrowing country) in such projects that are easily affected by the government such as price revisions of public rates.

### Third-Party Opinion

This project was highly relevant as the demand of coal remains high. In order to further enhance effectiveness, consideration needs to be given to liberalization/privatization of the coal mine companies by introducing market principles in the future.

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