

SECTION D: ENVIRONMENTAL AND SOCIAL CONSTRUCTION MANAGEMENT PLANS

CHAPTER D16 – INFLUX MANAGEMENT PLAN

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16 INFLUX MANAGEMENT PLAN

16.1 INTRODUCTION

The Oyu Tolgoi *Influx Management Plan* is designed to avoid or minimise potential impacts associated with local and regional population influx to the South Gobi Region that may occur as a result of the Oyu Tolgoi Project. Sustainable local and regional economic development is important to Oyu Tolgoi, and the Company has therefore developed specific measures to:

- Minimise and manage influx;
- Ensure the sustainable growth and development of settlements within Khanbogd *soum* and the wider Project Area of Influence;
- Avoid, minimise or mitigate potential negative economic or social impacts which might result from Project-induced population influx; and
- Optimise opportunities for future economic development presented by the mine.

The Oyu Tolgoi Project will lead to population influx due to the arrival of not only a substantial work force but also a potentially large number of job-seekers and providers of goods and services. The Project's distance from Ulaanbaatar, its remote location, lack of road network and a lack of culture of camp followers in Mongolia is likely to dampen influx in comparison to more populous countries where immigration multipliers can be as high as 3 or 4 (for every worker, 3 to 4 other people migrate into the area). However, as the operational workforce is established within the South Gobi and economic benefits become evident in Khanbogd and surrounding *soums*, population influx is likely in at least Khanbogd and Dalanzadgad *soums*.

All Oyu Tolgoi Project components are located within Khanbogd *soum*, an administrative sub-division of Omnogovi *aimag*. Khanbogd *soum* centre (the *soum* capital) is the closest community to the Project, and is located 42-km to the north east of the mine site and connected to Oyu Tolgoi via an unsealed road.¹

During the construction phase (2009-2012), all Project components, including the mine, permanent airport, transport infrastructure corridor, power transmission line, Gunii Holooi borefield and water supply pipeline, are being built using a Mongolian and international workforce peaking at just under 18,000 (on 19 December 2011). Personnel are housed in a combination of purpose-built accommodation camps within the Oyu Tolgoi Mine Licence Area, in Khanbogd *Soum* Centre and on the Oyu Tolgoi to Gashuun Sukhait road and Gunii Holooi pipeline alignments. During operations the Project anticipates a steady workforce of approximately 3,500 people, and at least 90% will be Mongolian by year 5 of production.

The long-term accommodation strategy for the Project is under development, and one option would see, operational Project personnel increasingly being housed with their families in Khanbogd *soum*, at the end of the construction period, complemented by a range of Fly-In-fly-Out (FIFO) and Bus-In-Bus-Out (BIBO) commuting arrangements. The Project employee housing model is centred on Khanbogd *soum* which will develop as both an employment and service centre for the Project. The details of the strategy for employee housing and business park development are currently under development. The original Oyu Tolgoi housing model envisaged dispersed housing with a combination of camps and employee housing at locations across the South Gobi region. This approach was abandoned due to the predicted social issues and problems associated with the prolonged separation of workers from their families and large travel distances involved. Options which support the development of the *soum* centre and allow workers to live together with their families (a major factor in relation to retention and sustainability of the workforce) are now being considered. The *soum* centre is a small settlement with extremely limited infrastructure and a relatively small population in relation to the Oyu Tolgoi workforce demands. The centre had a population of 1,455 in 2010 and the overall *soum* population was 3,522 in 2010. The *soum* population including temporary residents (those present in the *soum* on census day and spending more than 183 days in the *soum* in 2010, and largely Oyu Tolgoi FIFO and BIBO employees) was 7,150².

¹ Oyu Tolgoi maintains and upgrades this road to facilitate movements between Khanbogd *soum* centre and the mine site.

² National Statistics Office. Population Census 2010.

Oyu Tolgoi commissioned an influx risk assessment in 2007 to estimate construction phase in-migration related to the Project³. The results from this assessment estimated between 500 - 1700 in-migrants⁴ would settle at least temporarily in the vicinity of the Oyu Tolgoi mine site. Construction is now well advanced on the Project, There is evidence of acceleration over the past year with 305 new residents having registered in Khanbogd in 2010 and 322 new residents registered in 2011 (in January to October). Taking into account those leaving Khanbogd, the net migration was 256 in 2010 and 237 in 2011 (to October)⁵. The *soum* government further estimates that only about half the new arrivals over that period have registered, suggesting a real influx of about 500. Additional influx is likely to be induced based upon the precise town and business park model adopted, and in the absence of proactive measures by Government and Oyu Tolgoi, the Khanbogd *soum* centre would have insufficient capacity in its water supply, sewerage, heating, electricity, solid waste management and other municipal and social services such as health and education services to meet any significantly expanded population within the *soum* centre. There is also potential for influx to other areas including Dalanzadgad, which is likely to become a service centre for mining operations in the province, along principal transport routes used by the Project, and at Gashuun Sukhait, the major border crossing point with the People's Republic of China serving Oyu Tolgoi and other mining projects.

Oyu Tolgoi recognises that it will be necessary to collaborate closely with both National Government and local and regional communities, and to support *soum* and *aimag* authorities to understand their responsibilities and the challenges associated with population influx. The Oyu Tolgoi Project will change the social, economic and environmental setting of what is currently a largely rural area. The Project is committed to define and develop measures to manage influx by:

- Actively supporting the activities of the Southern Gobi Regional Development Council as defined within this Influx Management Plan, formed to guide and coordinate regional development, and with specific responsibility for “influx management” in the region;
- Working closely with the Ministry of Roads, Transport, Construction and Urban Development (MRTCUD) and ADB-funded SE Gobi Urban and Border Town Project to prepare a sub-regional plan for Khanbogd *soum* (in accordance with Government resolution 257 of August 2011);
- Assisting with capacity-building for government organisations to develop and budget for appropriate town planning, infrastructure and service provisions in the South Gobi Region;
- Maximising local content in employment and procurement practices, and support regional economic development;
- Helping to monitor Project-related in-migration; and
- Investing in municipal infrastructure and service provision in partnership with government, non-government agencies and private sector partners.

This Influx Management Plan contains the methods that are to be used by Oyu Tolgoi to avoid and minimise, to the extent possible, in-migration of speculative job seekers, and to mitigate associated impacts. It will endeavour to ensure that influx occurs in an orderly and sustainable manner, prevents or minimises adverse effects including health, safety and security risks, and pressure on natural resources and local environments, and provides monitoring plans to assess potential effects during construction and operation. It also provides an outline of proposed mitigation measures and monitoring plans for determining the effectiveness of mitigation.

³ Oyu Tolgoi Influx Risk Assessment, Ivanhoe Mines Mongolia Inc and Rio Tinto, October 2007, Barclay & Associates.

⁴ In-migrants are defined as those individuals who move to Khanbogd from outside Khanbogd *soum* to settle there on a permanent or semi-permanent basis. This excludes workers who are living temporarily and intermittently in the *soum* for employment purposes only, but includes those (registered or unregistered) who move to the *soum* as workers (for the Oyu Tolgoi mine or other employers, or to take up a business), their families, and those moving to live the *soum* while they seek work opportunities.

⁵ Data is taken from the 2010 census, migration data from the Civic Registration Office and the additional data is from the Statistical Office of the *aimag* and *soum* administration.

16.2 GOALS, OBJECTIVES AND APPROACH

16.2.1 Goals

The goals of this *Influx Management Plan* are to design and implement a combination of approaches and programmes to:

- Prevent or minimise speculative job seekers and those seeking to take advantage of Project related economic opportunities;
- Provide capacity building for local government and communities to help them cope with Project induced in-migration; and
- Provide investments in local and regional planning, infrastructure and service development in impacted communities to provide quality of life benefits to the existing and incoming population - **to contribute to and facilitate government and community action – but not for Oyu Tolgoi to replace action by government and community.**

16.2.2 Objectives

The objectives of this *Influx Management Plan* are to:

- Minimise both the extent of, and the potential impacts associated with, influx on the host population and receiving environment;
- Define suitable mitigation measures for the direct and indirect impacts associated with population influx to the Oyu Tolgoi Project Area of Influence, by people seeking employment or moving to the area in expectation of other benefits;
- Identify potential sources of influx and its potential impact through the various stages of the Project;
- Define effective plans and procedures for managing potential influx impacts in the Oyu Tolgoi Project Area of Influence;
- Define Oyu Tolgoi requirements and procedures to guide the Project Management Team, Project contractors and subcontractors;
- Define roles and responsibilities (including those of government and other non-Project stakeholders); and
- Define monitoring and reporting procedures

16.2.3 Approach

This *Influx Management Plan* focuses on mitigating the direct, indirect and potential cumulative impacts of population influx identified for the Oyu Tolgoi Project Area of Influence. Most of the measures mitigating influx are also contained in a number of the other social and environmental management plans developed by Oyu Tolgoi, and are, when applicable, referred to in this plan. However, all the measures associated with influx are identified in this document. Additionally, in many instances, influx management measures also deal with potential risks that straddle a number of different management plans and the *Influx Management Plan* provides the tool to harmonize them effectively.

For management purposes, population influx that may be caused by the Oyu Tolgoi Project can be divided into two categories:

- **Managed influx** – resulting from Project direct hire and contractor personnel over which the Project can exercise a high degree of control through contractual provisions; and
- **Uncontrolled influx** – other people who arrive speculatively seeking employment, providing services or seeking to take advantage of Project related economic opportunities.

Oyu Tolgoi cannot control where people settle in the South Gobi or the development of public infrastructure and services to support a growing population; which is the role of government. However, Oyu Tolgoi recognises that it could influence workforce movements through its employment and procurement contracts, and in particular that it could exercise substantial control over matters such as:

- Where workers are recruited;
- Where workers are housed;
- How and from where workers are mobilised and demobilised;
- Worker conduct and level of interaction with *soum* and regional communities;
- Investment in training and work force development; and
- Local and national procurement activities and supplier development.

At the same time, Oyu Tolgoi also believes it has an obligation to support local and regional government to deal with uncontrolled influx, and could do this by assisting with institutional capacity building and urban planning.

Oyu Tolgoi Multi-Year Community Plan

Oyu Tolgoi is developing its Multi-Year Community Plan (in line with the Rio Tinto Communities Standard). Under this Plan, Oyu Tolgoi has identified the following over-arching objectives for this Plan:

- Earn and maintain Oyu Tolgoi's social license to operate;
- Maximise the beneficial impact of the Oyu Tolgoi Project on the socio-economic development of the region;
- Build and maintain enduring relationships with communities, government, non-government organisations and civil society based on trust, openness and the pursuit of mutual interests;
- Ensure alignment across the company to establish objectives and plans that support the social performance vision, and achieve performance-based, measurable results; and
- Ensure Oyu Tolgoi is recognized for its contribution in creating and sustaining a harmonious and mutually supportive relationship between the mine and residents of the Region.

The Multi-Year Community Plan is still under development and covers all areas of Oyu Tolgoi activities that impact on communities. The planning comprises a number of themes and programmes which are described in the following sections in relation to influx management. These themes and programmes comprise:

- **Community relations and stakeholder engagement**
 - Cooperation agreement;
 - Resettlement action plan;
 - Rapid information dissemination; and
 - Community complaint, grievance resolution and management.
- **Community health, education and cultural heritage**
 - Cultural heritage protection;
 - Community health, safety and security programme; and
 - Education support.
- **Local business and economic development**
 - SME development;
 - Animal husbandry business development;
 - Tourism development; and
 - Green business support (tree planting).
- **Pastureland and water resources management**
 - Participatory environmental management;
 - Improve dissemination on water use;

- Improve water resources; and
- Improve pastureland management.
- **Township planning, management and local employment**
 - Capacity building in township development and management;
 - Local employment and training; and
 - Local labour exchange.

16.2.4 Detailed Site Selection

Oyu Tolgoi is investigating the option of developing a town and business park to accommodate some of its operational workforce. Scoping studies are being undertaken to determine potential locations for both worker housing and the business park. Upon identification of appropriate sites, the exact locations would still have to be finalised by Oyu Tolgoi and agreed with the appropriate government authorities .

Whatever decision is made by Oyu Tolgoi, the Project is committed to:

- Minimising and managing, to the extent possible by its actions, uncontrolled and unplanned population influx to Khanbogd *soum*;
- Minimising environmental and social impacts;
- Supporting infrastructure development in Khanbogd;
- Providing targeted assistance to vulnerable groups;
- Consulting with local stakeholders and government;
- Undertaking all necessary assessments and studies needed for Mongolian approvals;
- Undertaking a supplemental ESIA to meet all Lender requirements;
- Ensuring that sustainable water resources are available to support the projected Khanbogd population and that these would not conflict with existing supplies for herders and wildlife;
- Ensuring that the residential estate and industrial estate would not adversely impact sensitive ecosystems;
- Ensuring that siting decisions would minimise adverse impacts and access to pastureland for herders;
- Oyu Tolgoi is committed to honouring its responsibilities to support regional development as set out under the Investment Agreement;
- Oyu Tolgoi is committed to a transition from infrastructure investment to capacity development investment (i.e. sustainable programs); and
- Oyu Tolgoi will seek to ensure links between the operations goals and the programs in which funds are invested (i.e. commence investments in areas of common interest between operations, government, community, and civil society stakeholders).

16.3 SCOPE

This plan describes the proposed measures to address potential influx impacts from Project-related activities. The plan applies to the Project Area of Influence (also referred to in this plan as the “Project Area”) which includes neighbouring *soums*, and considers potentially adverse as well as positive impacts related to Project-induced in-migration, including:

- Impact to local cultural values, traditional life style and governance;
- Inflationary impacts on the local and household economy;
- Conflicts over Project-related employment;
- Opportunities for suppliers;

- Increased risks to public health and safety (including increased crimes against people and property);
- Increased pressure on local social facilities, infrastructure and government services;
- Increased pressure on existing communal resources (such as water resources and pastureland);
- Potential migration from other local *soums* to *soums* such as Khanbogd with better perceived opportunities;
- Increased risk of conflicts between local people and migrants;
- An expanded world-view among Project-area residents – an influx of “outsiders” will provide diversity to what is now a quiet rural area and widen the perspective and horizons of local people; and
- Economic growth – workers and other newcomers, by satisfying their need for shelter, food and other necessities, will contribute to an induced economic development boom in the area.

This plan is a flexible document that will be reviewed on a periodic basis and amended where necessary based on changes identified through influx and impact monitoring, community consultation, and the grievance mechanism. The plan will be updated based upon decisions taken by Oyu Tolgoi and the Government of Mongolia over worker accommodation options and potential Town and Business Plan location and plans during 2012/13. The plan applies to all Oyu Tolgoi personnel and contractors. Oyu Tolgoi shall require that this plan is made available to, and understood by, its own staff and to contractors and their staff and that all procedures/actions included within the plan are recognised, adopted and applied during construction and operation of the Oyu Tolgoi mine.

Associated plans, which also incorporate influx management requirements include the *Resettlement Action Plan*, which deals with ensuring that the livelihoods of affected people are maintained or improved and the *Labour Management Plan*, which deals with providing preference for local and regional residents for employment and associated opportunities. In addition, *Chapter D13: Cultural Heritage Management Plan* indicates how both tangible and intangible heritage sites will be protected from construction-related impacts (including the influx of new workers to the area); *Chapter D18: Community Health Safety and Security Plan* provides the mitigation and management measures for the protection of community health and well-being from influx effects.

16.4 REGULATORY REQUIREMENTS

Set out below is an outline of applicable influx management standards.

16.4.1 Mongolian Requirements

The Constitution of Mongolia (1992) stipulates that Mongolian citizens have the freedom to live where they wish. Under the Constitution, there are a variety of laws, regulations and government orders that have bearing on internal migration. The most relevant include:

- Law on Civil Registration; and
- Law on Territorial Units and Management.

The registration laws and regulations are not designed to control migration. The purpose of registration is to record and monitor population movements. It also provides a basis for government administrative units to know the population residing within their boundaries so they can plan services and collect taxes accordingly. Local governments have a strong incentive to ensure that those moving to reside within a *soum* are registered. The amount of central government subvention passed to *aimag* and *soum* governments to support local social services are based on registered population.

The Law on Civil Registration (2003) requires that migrants register their move out of their previous place of residence and then register their move into a new place. Government Order 214 (2002) requires that

“...a citizen who had migrated to an area for 180 days or more, or permanently, is required to register with *soum*, *aimag*, district governor’s office within 10 days.....and have their citizen card updated.”⁶

There are two important legislative instruments which govern the allocation, use, transfer and registration of land:

- The Land Law 2002, revised 2008, which sets out the authority of different levels of Government in relation to land, responsibilities for land management and land registry, and provides regulations on possession and use of land; and
- The Law on the Allocation of Land to Mongolian Citizens 2003, revised 2008, which sets out the eligibility of citizens and principles of possession and ownership of land, size of plots to be allocated, and the authorities and responsibilities of central, capital city, *aimag* and *soum* governments and citizens in issuing land rights, land allocation and ownership.

The current legislation on land, particularly the land allocation law as revised in 2008, (which entitles all Mongolian nationals (of whatever age) to a *khashaa* (plot for a *ger*) of 700 sqm), has significant implications for urban planning and development. It is already evident that people are taking up their free land entitlements in places other than their current place of residence. Some are effectively speculating in land acquisition in towns expected to grow as a result of increased economic activity. The Land Officer in Khanbogd reports that many plots have been allocated to people from Dalanzadgad and Ulaanbaatar, and that at least one plot has been allocated to a child. It can be presumed that the owners of some of these plots have no intention of living on them, at least in the near future. Many will hold the land for future sale when demand is high. Others might build houses for rent, or provide *ger* accommodation.

While Oyu Tolgoi will not be able to exert direct management control over land speculation except in areas specifically designated for development by the company, development and speculation pressures on land, particularly close to existing and planned settlements, is likely to continue into the operational phase. Oyu Tolgoi is committed to work actively with local (*soum* and *aimag*) government to minimise negative impacts associated with uncontrolled land development and land speculation. For territory falling outside that covered under “resolution 140” this can be achieved through adherence to zoning agreements made by the local government. Zoning plans for all settled and to-be-settled areas in Khanbogd will be developed by MRTCUD through the development of a General Plan/Masterplan for Khanbogd included as part of the ADB-supported SE Gobi urban and Border Town Project. This work will be carried out with direct Oyu Tolgoi support and will result in a Government resolution which defines the land utilisation categories (specifying permitted type of land use and construction) and land prices for all zones around Khanbogd. This tool can both help control speculative pricing and influence the type of residential occupation (e.g. can eliminate the *ger* settlement). In areas covered under “resolution 140” the local government is not permitted to issue land-use permits.

In partnership with MRTCUD and ADB, Oyu Tolgoi has provided capacity building and assistance to the land office of Khanbogd *soum* in land use planning and approvals.

16.4.2 Oyu Tolgoi Policies and Standards

The Oyu Tolgoi Project is being developed by Oyu Tolgoi. Oyu Tolgoi was formerly called Ivanhoe Mines Mongolia Inc (IMMI). Ivanhoe Mines has been responsible for completion of the exploration programme and related feasibility study for the Project. Ivanhoe Mines has a number of policies and standards regarding social responsibility and the way the Company conducts business that have been adopted by Oyu Tolgoi. Ivanhoe Mines has a publicly-issued “*Statement of Values and Responsibilities*”, available on its website. In it, the company commits to the following (p.2):

- *We place a priority on establishing and maintaining responsible exploration, development and production operations that are guided and sustained by:*
 - *Compliance with established laws and regulations;*
 - *Respect for cultures and customs;*
 - *Identification and management of risks;*

⁶ Oyu Tolgoi Influx Risk Assessment, Ivanhoe Mines Mongolia Inc and Rio Tinto, October 2007, Barclay & Associates, pg. 14.

- *Responsive and effective management of social and environmental impacts; and*
- *Open and transparent communication and cooperation through trust-based relationships between the company and all of its stakeholders.*

This statement indicates the Company's commitment to managing social and environmental impacts through engagement that is open and transparent, and building good relationships with all its stakeholders.

16.4.3 Rio Tinto Standards and Policies

Rio Tinto is a strategic shareholder in Ivanhoe and is the manager of the Oyu Tolgoi Project. Rio Tinto is a global company and all business units throughout the world operate to the same high standards in terms of business practice, health & safety, environmental & communities and quality of product. Oyu Tolgoi is committed to meet Rio Tinto's Communities policy and standards.

The Way We Work

Rio Tinto maintains high standards of social responsibility, and Rio Tinto's statement of its approach to the full range of business practices is set out in the document "***The Way We Work***". This is available, in Mongolian and English, as well as many other languages, at the following web site: http://www.riotinto.com/resources/3608_policies.asp.

Communities Policy and Standards

Rio Tinto has a "*Community Relations Policy*" and a framework of mandatory requirements that set out how the Company will manage social and economic impacts that could result from its projects. The Rio Tinto "*Communities Standard*" outlines the way in which Rio Tinto exploration and mining projects must engage with communities, gather information, and formulate plans and programmes to manage social impacts, many of which are applicable to managing influx-related impacts that may arise at Oyu Tolgoi, including:

- Multi-year Communities Plan (which integrates all community related activities across Oyu Tolgoi operations);
- Baseline communities assessment;
- Mutually accepted and understood consultation procedures;
- Community assistance;
- Cultural heritage;
- Resettlement of communities;
- Legally binding agreements with communities;
- Compensation payments proposed; and
- Trusts, funds and foundations.

Further information about the Rio Tinto Communities Standard can also be obtained from the Rio Tinto website⁷.

16.4.4 International Standards

IFC Performance Standards

International Finance Corporation (IFC) Policy and Performance Standards for Social and Environmental Sustainability (2006).

set out a range of recommendations with regard to managing social and environmental impacts, including those associated with influx. The key Performance Standards that are applicable to this plan include:

- Performance Standard 1: Social and Environmental Assessment and Management System;

⁷ www.riotinto.com/documents/Communities_standard.pdf

- Performance Standard 4: Community Health, Safety and Security; and
- Performance Standard 5: Land Acquisition and Involuntary Resettlement.

Oyu Tolgoi is committed to comply with requirements of the IFC Performance Standards 1, 2 and 4 for the Oyu Tolgoi Project. The guidance document that is most applicable to influx management is *"Projects and People: A Handbook for Addressing Project Induced In-Migration, September 2009"*. This Management Plan is structured with consideration for the recommendations set out in that Handbook.

EBRD Performance Requirements

The European Bank for Reconstruction and Development (EBRD) Environmental and Social Policy (2008) includes specific performance requirements for managing social and environmental impacts for projects in which it invests. These include

- Performance Requirement 1: Environmental and Social Appraisal and Management;
- Performance Requirement 4: Community Health- Safety and Security; and
- Performance Requirement 5: Land Acquisition, Involuntary Resettlement and Economic Displacement.

Oyu Tolgoi is committed to comply with the EBRD policies and Performance Requirements 1, 4 and 5 for the Oyu Tolgoi Project.

16.5 SOCIAL AND ECONOMIC CONTEXT

16.5.1 Geographic and Socio-Economic Overview of the Project Area of Influence

A substantial proportion of the local community (e.g. 40% of the population of Khanbogd *soum*) are rural and/or seasonal pastoralists that move herds of camels, horses, goats, sheep and other livestock between summer and winter grazing areas. The pastoralists, while they appear widely dispersed, are also adversely affected by population increases. They are affected directly through the physical encroachment of infrastructure on their pasture, by increased traffic and dust, and by the growing human pressure on the arid lands ecosystems that support their livelihood. Despite their itinerant life style, most herder families send their children to stay with relatives in the *soum* centres during term-time so that they can attend school.

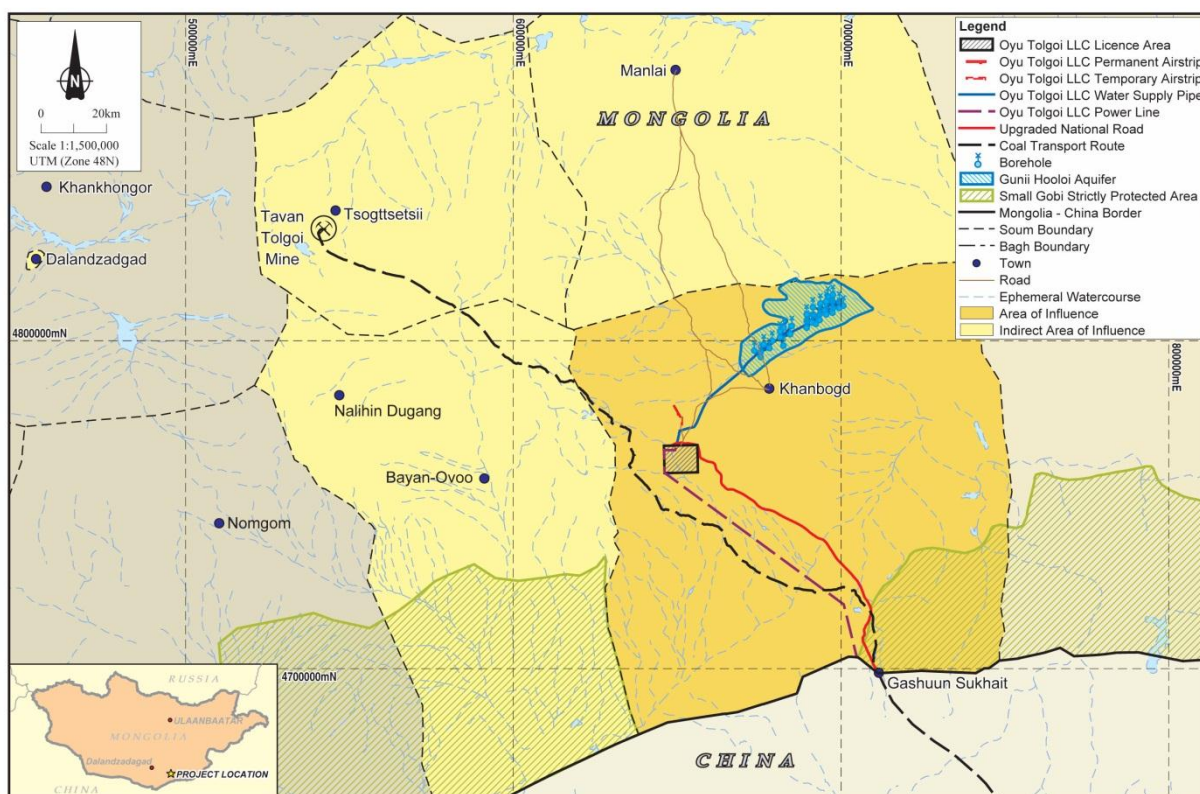
The itinerant lifestyle of these people also means that special attention has to be paid to consulting, disseminating information, monitoring and providing opportunities for local people to benefit from employment and other measures extended by the Project to local communities.

Khanbogd *soum* is relatively affluent by rural *soum* standards. Only about 8% of households are below the poverty level compared to a 29% national average. In July 2007, the Khanbogd Labour and Social Welfare Services Office had 110 people registered as looking for work which represents about 7% of people of working age. This number has since reduced and there is now virtually full employment in Khanbogd *soum*.

Despite this relative affluence, the availability of urban infrastructure and services is poor. In the urban centre of Khanbogd, the poor reliability of electricity supply, the absence of reticulated water supply, sewerage and district heating systems, overcrowding of the local kindergarten and school, and the inadequacy of local medical facilities are perceived by local people as the key infrastructure issues. Such facilities are absent from other settlements in Khanbogd *soum* – including at the Gashuun Sukhait border crossing.

While Khanbogd has a relatively remote location, the population is exposed to external influences. Many Khanbogd people conduct border trading at Gashuun Sukhait or travel across the border into China to purchase construction materials or goods to sell on their return to Mongolia. Within the Project Area, attitudes to immigration are reported to be positive – immigration is seen as a source of wealth, income diversification and improved health and welfare facilities.

Figure 16.1 Oyu Tolgoi Project Area of Influence



Access and Transportation

Access to the Project Area from Ulaanbaatar is by air (1 hour 10 minutes) to the Dalanzadgad airport or to airports operated by Oyu Tolgoi or Tavan Tolgoi mines. Road access is by largely unpaved roads which either passes through Mandalgovi (the capital of Dundgovi *Aimag*), or through Choir (Gobi Sumner) and Manlai. In either case, it is an estimated at least a 10- to 12-hour drive. There are currently no paved roads in the South Gobi province (nor the majority of Mongolia outside Ulaanbaatar) with the exception of a few km of urban roads in Dalanzadgad, and between Dalanzadgad town and the airport.

There is currently no railway access to the Project Areas. Energy Resources which operates the UHG mine at Tavan Tolgoi has for some time been planning to develop a rail link to the border point at Gashuun Sukhait to enable it to access coal markets in China. This rail link would cross Khanbogd *soum* and run within 10 Km of the Oyu Tolgoi mine. Currently, Government policy is not to build this railway, but to build another line running east-west to provide access to the Trans-Siberian railway. Either way, in the mid-term, once the rail link is in place, Oyu Tolgoi is likely to become reliant on rail transport for its export of concentrate to buyers in China and beyond.

Improved roads and customs facilities, the possible future rail link, cross-border procurement and labour hire, and involvement of Chinese enterprises in infrastructure construction will result in greatly increased economic engagement between South Gobi and China. With further mining sector development in South Gobi, and the relatively small Mongolian labour pool, it is inevitable that mine operators will increasingly have to turn other parts of the country and possibly to other countries – and predominantly the People's Republic of China - to meet their labour needs.

While the risk of uncontrolled influx across the China border is assessed as low, an increasing Chinese economic and labour presence will over time challenge traditional Mongolian attitudes towards its neighbour. The challenge may become acute, particularly if the local population perceives it is being marginalized or not sufficiently benefiting from the ensuing economic activity and employment opportunities. This is not expected to occur in the short-term, particularly since the Chinese workers currently involved in Oyu Tolgoi construction will leave once the construction stage is substantially complete.

Infrastructure, Services and Utilities

Regional and local infrastructure in the South Gobi remains poorly developed. There are currently no sealed inter-urban roads in South Gobi and there is only a very limited electricity grid served from the 6 MW power stations at Dalanzadgad. The power station, which is less than ten years old, frequently suffers from breakdown. Transport routes from Oyu Tolgoi and South Gobi coal (UHG) projects to the Chinese border are currently being upgraded and sealed using funding from the investors. In the case of the Oyu Tolgoi to Gashuun Sukhait road, this is being carried out on a BOT⁸ basis, with the road being handed over to Government to form an integral part of the national road network once the construction period is complete.

There has been little investment in maintenance or improvement of educational and health infrastructure since the communist period and existing facilities are inadequate and ill-equipped to deal with a population influx. Current *soum* administrations have very limited experience and virtually no capacity for undertaking or maintaining substantial infrastructure projects, or urban service networks. Project-induced population influx has the potential to increase demands on already inadequate and over-stretched *soum* infrastructure and services.

Facilities at Dalanzadgad include a regional hospital, tertiary technical colleges, a domestic airport, and the 6MW coal-fired power station which provides both power and heating to the local community, and power to a small number of *soum* centres and tourist camps outside the town. None of the mine-impacted *soum* centres have reliable electricity or centralised heating supplies, networked potable water supply or sanitation, or terrestrial telecommunications networks. Energy supply is widely variable and comes from a number of sources; these include solar and wind turbines for remote households, and diesel generators in the mine-impacted *soum* centres (for which Oyu Tolgoi provides donations of diesel).

Water is generally supplied through shallow wells which access the shallow aquifer system; there are no perennial surface water resources in the region. Water quality from the shallow aquifers is reported to be good. However, water sampling by Oyu Tolgoi on the source identified for its industrial water has indicated a high saline content in wells which tap into the deep confined aquifer. Sanitation facilities are generally very basic with only a small proportion of households having an indoor toilet, and only the central area of Dalanzadgad is served by a sewerage network.

Terrestrial telecommunications are used in some *soums* but are not widely available. Communication infrastructure is limited but Gashuun Sukhait coverage is rapidly expanding. The government is committed to providing a fibre-optics network connection to every *soum* centre and most of the *soums* in the mine-impacted area are now covered by this network.

Demography

In 2010, the population of Mongolia was estimated to be 2.9 million people⁹ giving an overall population density of 1.7 persons per km² (making it the least densely populated country in the world). Many more Mongolians are considered to live outside of the country than in Mongolia, including a large population in inner Mongolia in the PRC. A large proportion of the Mongolians that live in the country are now urban dwellers and there has been considerable migration to Ulaanbaatar which now contains over 50% of the entire population, although this rate of migration has recently slowed somewhat.

In 2010, Omnogovi *aimag* had an estimated population of 48,517, the third lowest of all Mongolian *aimags*, and making up less than 2% of the national population.¹⁰ One third of the population is classified as urban, whereas two thirds are rural. Population density in Omnogovi *aimag* is 0.28/km², making it the lowest in the country. As shown in *Table 16.1* Khanbogd *soum* is the most populated of its neighbouring *soums* (Bayan-Ovoo and Manlai). Dalanzadgad, the *aimag* capital, has the greatest number of population of 18,746.

⁸ Build, operate, transfer.

⁹ United Nations Population Division: Mongolia Demographic Profile

¹⁰ It will be noted that *Aimag* and *Soum* government's population estimates are based on citizen registration.

Table 16.1: Soum and Aimag Population

Year	Khanbogd (Key Urban Service Centre for Oyu Tolgoi 45 km)	Bayan-Ovoo (Satellite Urban Centre, Oyu Tolgoi 80km)	Manlai (Satellite Urban Centre – Oyu Tolgoi 120 km)	Dalanzadgad (Regional Mining Centre)	Total Aimag
2007 Total Population	2,974	1,539	2,510	15,176	47,299
2010 Total Population	3,522	1,600	2,441	18,746	48,517
Population Growth Rate 2006-7	2.5	1.3	1.6	3.1	2.1
% Rural	59.7	74.5	79.6	3.1%	
% Female HH Head	18.3	17.4	21.9	22.1	20.0
Density km ²	0.2	0.15	0.2	31.9	0.28

Source: 2007, 2010: Omnogovi Aimag Statistical Office, 2010 from Khanbogd Government Office. HH: household, as cited in KTKK Health Impact Assessment, 2010; National Statistics Office, 2010 Census Data.

There were 48,517 people living in Omnogovi Aimag in 2010, one-third of whom lived in the *aimag* centre of Dalanzadgad (DZ). The three other Project Area *soums* had small populations of between 1,500 and 3,000 people in total. These *soums* have a high rural population, although Khanbogd *soum*, the most populated of the Project Area *soums*, has a higher proportion of its population living in the *soum* centre than either Bayan-Ovoo and Manlai. Tsogttsetsii *soum* has recently seen a dramatic increase in population as a result of influx associated with the UHG coal mine, with population doubling in about 18 months. The populations of Dalanzadgad and Khanbogd *soums* are now also showing signs of an acceleration in population increase. Dalanzadgad grew at the rate of 12.4% in 2009 and the Khanbogd population grew by about 9 % during the same period. The net in-migration rate for Dalanzadgad was -17% in 2008 and +9% in 2009. The equivalent figures for Khanbogd were 4.6% and 17% respectively, and for Tsogttsetsii (adjacent to UHG mine) were +24% and +75% respectively.¹¹

The average size of households in the Project Area is 3-4 persons. Until recently, the majority (over 90%) of households have lived continuously in their present *soums* for at least the last 3 years. This is starting to change now as in-migration driven by major resources projects becomes more established, as is indicated by the above in-migration figures. The population of Omnogovi Aimag has a life expectancy of 67 years, which is just higher than the national average of 66.5 years. Also, compared to the national population, the population of Omnogovi Aimag has a higher proportion of young people.

In Omnogovi Aimag a large proportion of households (about 78%) live in *gers*, and the remainder (about 22%) live in houses (mainly brick or concrete and some wood) or apartment blocks (Dalanzadgad only). A large proportion (about 94%) of dwellings are owned by their occupants.

Health

There is a state owned hospital in each *soum* within the Project Area. These hospitals provide basic health care to local residents at no charge. In 2007, all hospitals in the Project Area were classified as 3rd category *soum* hospitals (*soum* hospitals with 1 physician that delivers health care services to a population of up to 3,000 people). Oyu Tolgoi has for the past five years had a programme for providing financial assistance to doctors to encourage doctor retention in the mine-impacted *soums*.

The causes of outpatient morbidity in the *soums* in the Project Area are similar to nationwide causes: respiratory system diseases; digestive system diseases; genital-urinary system diseases; circulatory system diseases; and skin and subcutaneous tissue disease.

Education

Education levels within the *aimag* are low with some variation between the Project Area *soums*. In general, women are more highly educated than men with a higher proportion attaining secondary education. Some groups within the *soums* have received no formal education of any kind. About 23% have received primary education. Literacy levels are generally high, particularly in Cyrillic and less so in Latin.

¹¹ Omnogovi *aimag* statistical office figures

There are four schools in the Project Area *soums*. In addition, informal education is used to complete formal education for those attending schools, and also to contribute to the education of those not attending schools. There are 15 additional educational centres in Omnogovi *aimag*. School facilities are reported to be poor, including a lack of school materials, lack of internet access and shortage of teachers educated to a professional level. In recent months the pressure on education facilities in Khanbogd has increased, leading to pre-school children being turned away from the kindergarten and significant overcrowding in the school (over 700 student in a school designed for 360).

Local and Regional Industrial and Commercial Development

Oyu Tolgoi is situated in an area with extensive mineralization and world-scale coal deposits. The nearby Tavan Tolgoi deposit (in Tsogttsetsii *soum*), is estimated to hold 6 billion metric tonnes of coal. The Ulaanbaatar-based Energy Resources Co. is currently exploiting a part of this deposit at the UHG mine. The Government of Mongolia is also currently pursuing investment agreements with companies wishing to exploit the major part of the Tavan Tolgoi deposit. Once the currently proposed larger Tavan Tolgoi concessions are signed, project recruitment and infrastructure development are expected to commence: shortly after Oyu Tolgoi. These additional investments are also likely to catalyse significant further population influx to *soums* to the west of Oyu Tolgoi, and particularly Tsogttsetsii which is already suffering from significant influx.

Tavan Tolgoi (TT), once fully developed and operational, is likely to have a comparable workforce and lead to potentially greater population influx than Oyu Tolgoi. The potential cumulative influx effect of Tavan Tolgoi development needs to be incorporated into mid- and longer-term influx management plans for Oyu Tolgoi, although the impact of influx due to TT on Khanbogd is likely to be minimal in view of its distance from the mine.

The economy in Dalanzadgad has a higher proportion of industrial processes than the *soum* centres. Dalanzadgad hosts a number of small and medium-sized enterprises, some of which are providing products to Oyu Tolgoi mine. Dalanzadgad's role as a service centre for the mining industry in the region is likely to be significantly enhanced with the development of Oyu Tolgoi and proposed "big TT" mines. In contrast to Dalanzadgad, the key economic activity in Khanbogd, Bayan-Ovoo and Manlai *soums* is livestock production. The bulk of agricultural products generated in the Project Area are sold at local markets. These include cashmere, camel wool, sheep wool, and animal hides/skin. A large proportion of consumer goods (e.g. rice, sugar, construction materials, etc) are imported from China. Some are transported to the area from Ulaanbaatar (e.g. flour, cooking oil, milk, etc).

16.5.2 Areas of Potential Influx

This *Influx Management Plan* is limited to the area of influence of, and influence on, the Oyu Tolgoi Project and addresses only the social, health, & safety and environmental issues associated with Project-induced potential population influx. This plan does not endeavour to address influx issues for the whole of the South Gobi province, but it will align itself with South Gobi development plans where these are in place.

The main potential influx risk areas (analysed in detail in *C8: Influx Impact Assessment*) comprise the closest town, Khanbogd *soum* centre, and Dalanzadgad town (the centre of Omnogovi *aimag*), where Oyu Tolgoi operates a Project office and is establishing a number of regional initiatives to support the Project and related businesses, including a supplier development centre and vocational training facilities due to its better infrastructure and services in comparison to local *soums*.

In addition, other potential destinations for influx are the key Project facilities where the main activities will occur (e.g. road/mine site). These potential influx risk areas are:

- Outside the fenceline of the Oyu Tolgoi Mine Licence Area;
- The road accessing the mine site from Khanbogd (particularly when it is paved in later years);

- Tsagaan Khad community, which is crossed by the “coal road” between the Tavan Tolgoi coal mines and the Chinese border at Gashuun Sukhait, and where an “influx community” is already established¹²;
- Three temporary worker camps in locations along the Oyu Tolgoi – Gashuun Sukhait road, the water pipeline from the Gunii Hooloi well-field to the Mine Licence Area, and in the well-field itself; and
- The Gashuun Sukhait border crossing point between Mongolia and China, which has the potential to develop as a “border town” of its own, if the border crossing is opened 24 hours per day and as trans-boundary traffic and trade flows significantly increase.

There may be some influx to other nearby *soums* including Bayan Ovoo and Manlai, but this is not considered to be significant at present, since neither of these locations are within daily commuting distance of Oyu Tolgoi, and the levels of service and infrastructure in these *soums* centres is poor or poorer than those in Khanbogd. The potential risk to these communities is more likely to be of population loss if residents migrate to Khanbogd in search of opportunity.

In Dalanzadgad and Khanbogd, migrants, attracted by improved infrastructure and employment opportunities (formal and informal), will likely occupy vacant space within the existing rural and town landscapes. This potential infill settlement may be accompanied by residential sprawl extending beyond existing town areas and moving along the transportation routes which traditionally serve as conduits for urbanisation, if not properly controlled. The land Law of Mongolia which entitles every Mongolian citizen to a *khashaa* (plot) of 700 sqm is also already presenting challenges to achieving efficient urban development in the Project-impacted area. *Khashaa* plots are being issued at an accelerating rate, creating challenges for urban planners in ensuring that areas are left for more efficient centralized developments which can be provided with adequate levels of services.

If a decision is taken by Oyu Tolgoi to develop a new town and business park, this will create new potential destinations for influx. Influx associated with these developments will be assessed in the supplemental ESIA.

16.6 IDENTIFICATION OF STAKEHOLDERS

Stakeholders will include local residents and authorities affected by in-migrants, as well as government organisations and other groups involved in the management of Project induced in-migration. The stakeholders also include International Funding Institutions (IFIs) which are either active, or planning to be active in the region, notably the ADB.

16.6.1 Stakeholders Affected by Influx

The population of Khanbogd *soum* is likely to be the most affected by Project-induced in-migration and are therefore the primary stakeholders. Other potentially affected stakeholders include the populations of Dalanzadgad, the regional capital of South Gobi *Aimag*, and Bayan Ovoo and Manlai *soums*.

The following table describes the different local and regional stakeholder groups and why they might be affected by Oyu Tolgoi-related influx.

Table 16.2: Influx Stakeholders

Location/Stakeholder Group	Distance and Population		Why Stakeholder/Potential for Influx
Khanbogd <i>soum</i> centre	42km	3,500 (total <i>soum</i> population) 2,000 (<i>soum</i> centre)	<ul style="list-style-type: none"> ■ Host community; project components are in Khanbogd <i>soum</i>. ■ <i>Soum</i> centre is nearest settlement to Oyu Tolgoi site and other project facilities, and is the only existing community within daily commuting distance.

¹² Tsagaan Khad is located at the junction of the Oyu Tolgoi to Gashuun Sukhait road and the coal transportation route from Tavan Tolgoi to Gashuun Sukhait. The current design of the Oyu Tolgoi to Gashuun Sukhait road bypasses this locality.

Location/Stakeholder Group	Distance and Population		Why Stakeholder/Potential for Influx
		population)	<ul style="list-style-type: none"> Khanbogd <i>soum</i> will be the location for the potential workforce residential hub. Most Project-related influx to date has occurred in Khanbogd <i>soum</i> centre (approximately 240 people in 2010)¹³.
Dalanzadgad <i>aimag</i> centre	220km	17,000 (urban population)	<ul style="list-style-type: none"> Dalanzadgad is a point of hire for Oyu Tolgoi and Company has a regional office there; regional offices are also present in Manlai, Khanbogd and Bayan Ovoo. Dalanzadgad has superior infrastructure and services than neighbouring <i>soums</i>. Training and supplier development facilities will be built in Dalanzadgad by Oyu Tolgoi. Dalanzadgad likely to emerge as service centre for at least two mines (Oyu Tolgoi and Tavan Tolgoi), and as such is likely to continue to see moderate population growth and increasing levels of investment. Some mining-related influx to date has been observed in Dalanzadgad with a reported 15% growth in the past 12 months.
Bayan Ovoo (BO) <i>soum</i> centre	65km	1,500 (total <i>soum</i> population)	<ul style="list-style-type: none"> Any future road improvements will make commuting distance from BO to Oyu Tolgoi more likely. Planned regional development initiatives by Oyu Tolgoi in BO will make it more attractive to in-migrants. BO residents may themselves be in-migrants to Khanbogd or Dalanzadgad if they perceive better access to Project-related employment, training and business development opportunities.
Manlai <i>soum</i> centre	130km	2,000 (total <i>soum</i> population)	<ul style="list-style-type: none"> Manlai residents may themselves be in-migrants to Khanbogd or Dalanzadgad if they perceive better access to Project-related employment, training and business development opportunities. Road improvements to Choir-Manlai-Oyu Tolgoi road – ML is on the main road route from UB to Oyu Tolgoi.

A priority activity for Oyu Tolgoi is community preparation and awareness raising. Community preparation is particularly important for dealing with the potential influx risks. Once well informed, communities may become proactive in managing potential influx. To develop community ownership of the influx management process, the capacity of local communities to resolve conflicts, build consensus on planning issues and plan and implement resource management programmes, will be strengthened.

Oyu Tolgoi has formed Local Advisory Groups within Khanbogd, Dalanzadgad, Bayan Ovoo and Manlai *soums* to participate with the Company on local and regional community development planning and implementation. These groups will be the vehicle used to mobilise the community to help deal with influx-related impacts. Full stakeholder involvement at all stages of the cycle is a critical element of execution of the strategies and programmes presented in this *Influx Management Plan*.

16.6.2 Stakeholders Involved in Managing Project-Induced In-Migration

The South Gobi *Aimag* and local *soum* authorities are responsible for managing population growth and movement, settlement activities and associated town planning and infrastructure requirements for the Oyu Tolgoi Project Area of Influence. Nevertheless, Oyu Tolgoi recognises that it has a role to play in supporting the *aimag* and *soum* Governments in managing Project-related influx. Specifically, Oyu Tolgoi participates in the Southern Gobi Regional Development Council under the Investment Agreement, and this Council has been tasked to support Government to coordinate influx management and other regional

¹³ Khanbogd *soum* authorities report of new registrations based on *soum* administrative reports.

development issues. Furthermore, Oyu Tolgoi has supported a “Future Search” visioning exercise in each mine-impacted *soum* which brings together the community and all other major stakeholders to agree a common vision for the future and means to achieve it. This exercise has now been carried out in all four mine-impacted *soums* and areas of “common ground” and priority actions have been identified and responsibilities for action agreed. These outputs are intended to form the basis for cooperation agreements for action between Oyu Tolgoi, the communities and local governments.

The following table describes the key stakeholders that will be involved in managing Project-induced immigration and their potential roles and responsibilities.

Table 16.3: Stakeholders involved in influx management and potential roles

Organisation/Entity	Description/Sub-Group	Potential Roles and Responsibilities
South Gobi <i>Aimag</i> Government	<ul style="list-style-type: none"> <i>Aimag</i> Governor <i>Aimag</i> Architect Citizens Khural Head of Development Policy of <i>Aimag</i> Govt 	<ul style="list-style-type: none"> Executes policy and programmes of national government at provincial level. Planning at <i>aimag</i> level to accommodate influx.
Khanbogd, Dalanzadgad, Bayan Ovoo and Manlai <i>Soum</i> Governments	<ul style="list-style-type: none"> <i>Soum</i> Governors <i>Soum</i> Land Office Citizens Khural Local Advisory Groups 	<ul style="list-style-type: none"> Urban Planning for <i>soum</i> centres. Manages influx. Registration of new residents. Community support to new residents. Provision of urban services and infra. Coordinates with stakeholders on community support initiatives.
Oyu Tolgoi	<ul style="list-style-type: none"> Project Mgmt Team Community Relations Department Local and Regional Planning & Infrastructure Unit Human Resources and Training unit Procurement Department Employees 	<ul style="list-style-type: none"> Plans employment and employee location. Manages workforce accommodation so as to minimise potential for influx. Employs from locations so as to minimise influx. Plans and executes employee housing strategy. Supports provision of infrastructure and services. Executes Influx Management Plan. Maximises economic opportunities for local suppliers. Provides advice and assistance to incoming households.
Southern Gobi Regional Development Council	<ul style="list-style-type: none"> Council Members Council Board Council Secretariat Council Advisory Group 	<ul style="list-style-type: none"> Aligns national, regional and local development planning efforts. Attracts and coordinates investments into the region. Coordinates planning, development of townships, population and related infrastructure. Coordinates on influx matters to maintain quality of life of residents. Demonstrates sustainable regional development and South Gobi as a model of regional economic development.
Civil Society	<ul style="list-style-type: none"> National NGOs Local NGOs 	<ul style="list-style-type: none"> Monitor Oyu Tolgoi performance on influx management. Provide community support to new arrivals. Develop community-based action plans to prevent or mitigate.

Oyu Tolgoi

The Oyu Tolgoi **Project Management Team (PMT)** is responsible for managing the construction of the Project, and is supported by the Manager - Community Relations & Social Performance and the Manager – Regional Development on anticipating and mitigating potential influx-related impacts over which the Project has control or influence, and the Project Director (Town and Business Park) to coordinate town planning to minimise influx.. The PMT is responsible for managing employees and employee accommodation in such a way as to minimise pressures or opportunities for associated influx (e.g. through maintaining all employees within secure construction camps during construction). This responsibility will be taken over by the Operations Group in collaboration with the Human Resources department once the Project becomes operational

The CSP will be responsible for managing Oyu Tolgoi's contribution to mitigating the potential negative impacts of influx. Under the overall guidance of the Vice President, Regional Development and Social Performance, the Manager – Regional Development will take lead responsibility for the coordination of influx management and mitigation across all Project activities. This will involve close coordination between the key departments of PMT, Human Resources and Training, Procurement and the Operations Group. Oyu Tolgoi has established a **Local and Regional Planning and Infrastructure (LRPI) Unit** to coordinate with the Southern Gobi Regional Development Council (SGRDC) that has been established by the Government to facilitate sustainable development of the Southern Gobi sub-region. A key objective of the activities of LRPI is to ensure balanced and sustainable regional planning and investment in associated public infrastructure, services and facilities within the Project Area.

The LRPI Unit will be the key vehicle within Oyu Tolgoi to develop specific interventions and capacity building initiatives to mitigate potential influx related impacts. This Unit includes specialised staff that have the appropriate knowledge, skills and experience to understand the content of the *Influx Management Plan* and incorporate the required mitigation and management actions into the LRPI programme. This group is responsible for implementing the multi-year LRPI programme which will make a major contribution towards the management of Project induced in-migration.

Oyu Tolgoi is committed to establish an internal cross-functional working group if required to coordinate with the LRPI Unit on influx management measures across the organisation, and deal with potential risks that straddle a number of different environmental, economic and social areas. The working group will include members of the PMT, Operations Group (represented by the Chief Operating Officer) and departments responsible for Environment, Community Relations, Regional Development, Communications, Procurement, Human Resources and Health & Safety. The group will meet regularly to: (i) review current and forward construction and operations work programmes with respect to possible external community and influx impacts; (ii) review community status reports on "outside the fence" and community developments; and (iii) agree on specific influx prevention or mitigation actions required.

Oyu Tolgoi employees will also be an important resource in managing influx at job sites and in local communities, as many local people in Khanbogd *soum* centre and other neighbouring *soums* are already employed by Oyu Tolgoi. Oyu Tolgoi is committed to conduct influx awareness training for personnel working on job sites, and for staff whose work may have significant adverse impacts upon the environment or social conditions.

Southern Gobi Regional Development Council

The "Southern Gobi Regional Development Council" (SGRDC) has been established under the Investment Agreement and is chaired by the one of the MPs who represents South Gobi in the People's Great Khural (the other MP being the vice-chairman). The SGRDC will be the coordinating body for managing regional influx-related issues and impacts associated with the Oyu Tolgoi Project (Investment Agreement Clause 4.4.2). The Council is a multi-stakeholder entity that will elaborate the development strategy and plans of the South Gobi region (see overleaf). Annex B summarizes the vision and mandate for the Council and the role of the SGRDC, particularly as it relates to influx management and associated regional development issues. The mandate and operating rules are still being developed by the Government and Council members.

The Council is governed by a board, which includes representatives of the Government, local governance organisations, private sector entities, civil society organisations and donor and international financial institutions with activities directed towards the Southern Gobi region. The Council includes senior civil servants of the relevant departments of key Ministries, representatives of Oyu Tolgoi and other mining companies, as well as civil society. The Company will implement social and economic programmes in

accordance with the regional development strategy which the Southern Gobi Regional Development Council will lead and coordinate. Annex B provides the organisation structure of the council.

Through the working group on influx and in-migration, the SGRDC will be responsible for preparing a Division of Responsibilities for the different stakeholder groups involved in coordinating strategies and plans to manage Project induced in-migration. Oyu Tolgoi will maintain records of its involvement in the Council. The Council has become less active with the approach of the 2012 election. However, Oyu Tolgoi continues to liaise closely with Government at the national, *aimag* and *soum* level to ensure that its development and proposed influx management activities are coordinated with Government and with other major stakeholders in the region. The key Government agencies driving the regional development agenda and with which Oyu Tolgoi is collaborating are Erdenes OT, MRTCD and NDIC.

The Southern Gobi Regional Development Council (SGRDC)

The SGRDC is specified in the Oyu Tolgoi investment agreement as a responsibility of Government, and was established in May 2010 under Government Resolution №124. The council comprises: Chairman (MP Badamsuren), deputy chairman (MP Biarsaikhan), secretary and 42 named members from national and local government and NGOs (including Oyu Tolgoi), and is supervised by a board of 15 members including GoM, mining companies (including Oyu Tolgoi), South Gobi local government, international financing institutions and mining association. The first council meeting was held in December 2010 and first Board Meeting in March 2011.

Vision: To make Southern Gobi region a model of sustainable development and the economic driver of the Region and the Nation

Objectives: To maximise the value of large investments in the Southern Gobi region through effective coordination of participating council members including communities in South Gobi. Leading consultations with communities impacted by “beyond the fence” investments: road, airport etc.

Mission: Specifically, the SGRDC will implement the following objectives: (i) Aligning national, regional and local development planning efforts; (ii) Attracting and coordinating investments into the region; (iii) Coordinating planning, development of townships, population and related infrastructure; (iv) Increasing shareholder value to investors and quality of life of residents; and (v) Identifying tangible results that demonstrate sustainable regional development and South Gobi as a model of regional economic development.

To date the council has met on three occasions, and has formed five sector working groups, (Migration and townships: Human resources; Regional social & business development, Environmental protection and Infrastructure development) each of which has met and shared information between key stakeholders on development programs and projects in the region. This has resulted in: (i) a consolidated database of development plans in the region in each sector, and (ii) a regional development framework within which Government and other stakeholders can coordinate development activities in the region.

Aimag and Soum Governments

The South Gobi *aimag* and Khanbogd, Bayan Ovoo, and Manlai *Soum* Governments will be responsible for adopting the SGRDC recommendations for influx management and preparing and implementing land use plans and other applicable measures. The key government stakeholders for influx management will be:

- *Aimag*, *Soum* and *Bagh* Governors;
- Land Offices at *aimag* and *soum* levels;
- Town Planning Working Group for South Gobi Region (If formed, working in collaboration with the Infrastructure working group of SGRDC);
- Police at *aimag* and *soum* levels; and
- Labour and Social Welfare Offices.

The **Khanbogd *soum*** administration has 24 staff (including support staff and contractors) organised into Offices for the Governor, Labour & Social Welfare, Land Administration, Environment, Social Issues,

Registration, Agricultural and Livestock & Accounting¹⁴. This organisation is uniform for rural *soums* across Mongolia, although there is some variation in the levels of staffing. The Police are also housed in the *soum* administration building. The Khanbogd *soum* government's annual budget in 2008 was 150.0 million Tugrugs (about US\$100,000), and in 2010 will be about 300 million Tugrugs (about US\$250,000). According to the Governor's Office, the majority of the budget goes on *soum* administrative and technical staff salaries, and on fuel for the *soum* centre's diesel generator, and fuel for the coal-fired heat-only boilers used to heat public buildings in winter.

The electricity supply system, heating system and water kiosks are run by the company "Khanbogd diesel" which is an operating company that is wholly owned by the *soum* Government. The company serves eight clients, six government enterprises: Governor's Office, Hospital, Cultural centre, School and dormitory, telecommunication and Kindergarten; and two private enterprises: a bank and hotel. The volume which is heated is 16,540 m³, and the applicable tariff is 900 Tugrugs per m³. Water distribution is from manual bore wells and is sold at 2,000 Tugrugs per m³. There is no sewerage system and a single vehicle collects solid waste and disposes waste to a dump site about 5 km from the *soum* centre.

The *soum* does collect a tariff from households using electricity based on a government standard schedule of rates, but this does not raise sufficient funds to cover the cost of operation of the generator. In fact cost recovery is only of the order of 25% of operating costs for electricity provision. For the past two years, Oyu Tolgoi has been providing a donation of diesel to Khanbogd, Manlai and Bayan Ovoo *soums* to help them to provide electricity for at least 12 hours per day. Despite this support, if winter is prolonged and the *soum* is required to run heating longer than planned, the *soum* can go into budget deficit. The Governor's Office indicated that the *soum* has not had budget to undertake any new public works for more than 10 years, although in 2010, private donations have allowed it to commence an extension of the existing school building. The *soum* has limited capacity to raise revenues on its own and is largely reliant on the *aimag* and central government for its annual operating budget.

Under the ADB-supported Southeast Gobi Urban and Border Town Development Project, assistance will be provided to Khanbogd *soum* (and Dalanzadgad *soum*) for governance and capacity building, town planning and for some infrastructure and service provision. In addition Oyu Tolgoi is assisting the Khanbogd *soum* government in monumenting plots which have already been allocated and with the development of a revised land use plan for the *soum* centre. This information will be used to assist in the development of a revised masterplan which will be prepared under the Asian Development Bank-supported project. However, the resources allocated under the Asian Development Bank project will not be sufficient to carry out all works required to accommodate both the existing population and expected influx and there is no budgetary provision either in the *soum* or in the *aimag* government for the realization of any development plan. The master plan will provide a guideline for development, but the resources required to deliver it are not available. As with most rural *soums* in Mongolia, Khanbogd has limited financial resources and the technical capabilities to maintain or repair the infrastructure within the *soum*. Oyu Tolgoi is committed to working with Government institutions to manage influx at the *soum* and *aimag* level, in particular to address capacity gaps in public services.

Civil Society, Development NGOs, and Private Sector

Oyu Tolgoi is committed to working with the Government of Mongolia to manage the impacts associated with population growth in Khanbogd *soum* and especially to address capacity gaps in public services. Oyu Tolgoi will also seek to work with civil society, development NGOs and the private sector as appropriate.

Oyu Tolgoi has already engaged a number of partners and awarded several major contracts for developing and implementing key social programmes, including the *Community Health, Safety and Security Programme*, and a *Cultural Heritage Programme* within local *soums* and the wider South Gobi area. These social programmes are being developed by Mongolian and international consortiums with extensive experience in Mongolia and the South Gobi in these fields. Oyu Tolgoi is committed to maintain regular dialogue with existing and potential partners from civil society and development NGOs on potential influx issues through the South Gobi Regional Development Council and the Local Advisory Groups for each *soum* established by the Project. Suitably qualified and experienced private sector

¹⁴ Oyu Tolgoi Influx Risk Assessment, Ivanhoe Mines Mongolia Inc and Rio Tinto, October 2007, Barclay & Associates, pg. 38; and South east Gobi Urban and Border Town development Project, ADB February 2010 Supplementary Appendix F.

enterprises will also be involved with Oyu Tolgoi to design and deliver regional development programmes, infrastructure and improved service delivery arrangements.

Oyu Tolgoi is in occasional informal dialogue with Energy Resources and other mining operators active in the region on community-related issues. Oyu Tolgoi is committed to conduct formal dialogue with the existing and new operators of Tavan Tolgoi, to learn about their planned construction period and workforce requirements, and to seek coordinated approaches to managing recruitment, transportation and influx.

Community Dialogue and Disclosure to new Residents

Oyu Tolgoi has an active programme of community dialogue and disclosure and may employ NGOs with competencies in group dynamics, community conflict management and resource management to design and implement appropriate capacity building programmes for local communities in these areas.

Oyu Tolgoi's support is intended to also extend to new arrivals, the objective being to maximise the opportunity for new arrivals to fully integrate into the existing community. Activities under this programme will include:

- Support to provide dedicated resources within Khanbogd *soum* to:
 - Ensure early and frequent communication with new arrivals to help them in settling into Khanbogd and encouraging development of a shared feeling of community between existing and new residents;
 - Ensure consistent messages are provided to existing residents and new arrivals and that a consultative environment is established and maintained; and
 - Promote Oyu Tolgoi's role in supporting sustainable urban development in partnership with the *soum* Government.
- Promotion of a one-stop-community-shop: e.g. directing new arrivals to services and opportunities (e.g. training centres, work opportunities) and promote civic participation (e.g. issues-based interest groups: community water monitoring, cultural heritage, small business incubator).

The purpose of this initiative would be to:

- Connect with recent arrivals to determine skills and interest in settling in Khanbogd;
- Develop options for alternative models of urban and community development to maximise community cohesion;
- Test communal Khashaa living option for new *ger* areas prior to fencing of multi-*ger* (perhaps 0.5 ha) Khashaas; and
- Test how a community driven development model can be applied in establishing community groups for small scale infrastructure development/urban improvement.

At the planning stage of the initiative, the Oyu Tolgoi Communities and Regional Development teams will:

- Consult within Oyu Tolgoi to ensure consistency with planning framework;
- Consult with key Khanbogd *soum* officials to confirm agreement on targeting new arrivals; and
- Develop a plan to achieve outcomes, indicate resources required, and determine monitoring mechanisms.

16.7 INFLUX RISK ASSESSMENT AND IMPACTS

As described in *Chapter C8: Population and Influx Impact Assessment*, potential adverse impacts of population influx related to the Oyu Tolgoi Project are likely to include:

- Risk of spontaneous settlement with attendant health, safety, law and order, land use conflict and environmental risks;
- Cost of living increases due to the increased demands created by in-migrants for land, rental accommodation, food & other necessities;

- Increased competition for natural resources such as land, water, pasture, firewood and so on;
- Increased demand for infrastructure such as access to electricity, heating, water, transportation, medical services and education;
- Spread of social ills/health risks - alcoholism, drug abuse, prostitution, gambling, introduction of communicable diseases (including sexually transmitted infections (STIs) and HIV/AIDS); Breakdown of law and order – increased crime and illicit activities;
- Governance risks arising from increased local government revenue flows with weak controls, or from pressures for local government officials to accept informal payments to facilitate registration of newcomers, allocate land or provide preferential access to project employment;
- Increased risk of social conflict - tension between local communities & in-migrants, or tension within communities where differential economic impacts result in welfare imbalances with some groups benefiting while others are left marginalised or more vulnerable; and
- Social disarticulation - breakdown of traditional values, networks and social safety nets that can contribute to increased alcoholism, domestic violence, marriage or relationship breakdowns and pregnancies outside of established domestic partnerships.

16.8 INFLUX TO DATE AND PROJECTED INFLUX

16.8.1 Regional Influx

The Oyu Tolgoi Project is being developed in a relatively isolated and sparsely populated location in the south Gobi desert region of Mongolia. The Project is located in the Khanbogd *soum* (district), which is one of 15 *soums* in the Omnogovi (South Gobi) *aimag* (province). Khanbogd *soum* borders the People's Republic of China (PRC).

The Project Area is likely to witness rapid change in the next five years due to mining development. The province (*aimag*) of South Gobi is poised to experience a boom in economic activity as a result of the mine development at Oyu Tolgoi and at other locations in the southern Gobi – notably Tavan Tolgoi coal deposit 150 Km Northwest of Oyu Tolgoi in Tsogttsetsii *soum*.

The influx associated with Oyu Tolgoi and other mining activity in the *aimag* (and in particular Tavan Tolgoi) is projected to more than double *aimag* urban population in the next ten years. Although accurate population projections are difficult, for some *soum* centres, notably Khanbogd, its population is expected to increase by an order of magnitude by year 2020 (from about 2,000 in 2010 to 14,000 in 2020)¹⁵ as Oyu Tolgoi workers and other incomers settle within the *soum*.

Such rapid growth will stimulate an economic "boom" in the Project Area of Influence and bring unprecedented positive benefits to the province, however it will also place local residents, governments and municipal services and facilities under significant pressure.

While the majority of Oyu Tolgoi and Tavan Tolgoi construction materials and equipment will be procured from China, Dalanzadgad – the capital of Omnogovi *aimag*, will likely emerge as the Mongolian service centre for the two mines as well as other mining projects that are currently in various stages of exploration and feasibility investigation, e.g. to the west of Dalanzadgad around Gurvan Tes.¹⁶

The attractiveness of Dalanzadgad from the perspective of in-migration consists in its superior infrastructure and housing stock as compared with the other *soums*, as well as better quality business and living environments.

The 2007 *Influx Risk Assessment* predicted an increase in the range of 10% of the population of Dalanzadgad, resulting from in-migration engendered by employment opportunities related to

¹⁵ Southeast Gobi Urban and Border Town Development Project; PPTA Project Report; Supplementary Appendix A; ADB November 2009.

¹⁶ Gurvan Tes is one of the *soums* of Ömnögovi *aimag*. Nariin Sukhait Coal Mine is located 25 km south-east from the *soum* centre.

construction.¹⁷ This influx is likely to be further increased by gravitating to the location of Oyu Tolgoi training facilities in Dalanzadgad, following the establishment of the proposed Vocational Training School (see *Chapter C9: Employment* for further details on Oyu Tolgoi vocational training). However, recent data, which are under preparation by *aimag* authorities, indicate that the population of Dalanzadgad has reached nearly 19,000 in 2010¹⁸, compared to 17,000 in 2007. It can be inferred that the population rise has resulted not solely from the natural increase of the population, but also through in-migration which has emerged as a major contributing factor. The population of Dalanzadgad grew at the rate of 12.4% in 2009.

Additional functions that will be catered for in Dalanzadgad and may represent points of attraction for migration also include:

- A logistical hub for concentration of mines-related goods and services sourced from elsewhere in Mongolia;
- Mines workforce housing base (for some workers who wish to continue to commute to Oyu Tolgoi and other mines in the region based on BIBO schemes);and
- An education and training centre.

Such activities are likely to contribute to a steady ongoing growth of the population.

While Dalanzadgad is likely to be a focus for regional influx, it is considerably better equipped and developed to absorb such influx than any of the rural *soums* in the Project Area of Influence. This greater degree of resilience is understood to result from the following:

- Construction-related influx into Dalanzadgad in relation to the size of the host population is likely to be less significant than for the other *soums* where the population is much smaller. Overall, it is anticipated that proportion of the influx will not exceed 10% of the host population;
- Dalanzadgad has a larger and more skilled resident workforce, many of whom may be well positioned to gain employment with Oyu Tolgoi and other mining projects both during construction and operations. This will lead to increased incomes contributing to the strengthening of Dalanzadgad economy;
- As the *aimag* (province's) capital, Dalanzadgad has significantly greater government capacity, budgetary resources, and higher capability to leverage additional resources from the central government if required;
- As compared with the other *soums* in the Project Area of Influence, Dalanzadgad has relatively better established infrastructure, both in terms of utilities and social services;
- There is a larger supply of and better quality housing stock in Dalanzadgad, together with the availability of private construction contractors capable of responding to increased housing demand; and
- Well-established commercial enterprises that can also cater for a range of needs of the growing population.

Buoyant economy, higher standard of living and more favourable business environment in Dalanzadgad may potentially accelerate an intra-regional shift of population from other *soums* in the Project Area of Influence to Dalanzadgad. On the other hand, this trend may be balanced through the growth of Khanbogd and Tsogtsetsii *soums* as a result of the mines' operations (Oyu Tolgoi and Tavan Tolgoi, respectively) and improved economic performance due to mining related income and investment, which may in turn lead to these centres of mining emerging as new commercial hubs of South Gobi region.

A potential area of concern related to the population inflow in Dalanzadgad is the probable concentration of influx formations in mobile *ger*¹⁹ enclaves on the outskirts and on the periphery of the town, coupled with inadequate sanitation, the lack of other basic services and safety/security provisions, as well as

¹⁷ Barclay and Associates 2007. Oyu Tolgoi: Influx Risk Assessment. Background report prepared for Ivanhoe Mines Mongolia, Inc., and Rio Tinto.

¹⁸ Census data 2010, National Statistics Office of Mongolia.

¹⁹ *Ger* is a portable felt-type assembled dwelling that is traditional in Mongolia.

propagation of various adverse social phenomena (such as poverty, alcohol and substance abuse, illicit trade and commercial sex activities). These aspects will need to be closely monitored and promptly addressed if arisen, in close collaboration with government's applicable regulatory bodies.

16.8.2 Local Influx

In the other two neighbouring *soums* in the Project Area of Influence – Bayan-Ovoo and Manlai – which are adjacent to Khanbogd, a two-directional movement of population has been observed, namely out-migration to Khanbogd and Tsogttsetsii for mine-related jobs and other associated economic opportunities, and in-migration from more distant and less well-off locations in search of employment.

A recent common trend in Khanbogd *soum* and its neighbouring *soums* – Dalanzadgad, Bayan-Ovoo and Manlai – has been the consolidation of the population predominantly in the *soum* centres, as herder families increasingly move in the urban areas from pasturelands. Factors contributing to this trend are considered to be as follows:

- Loss or degradation of grazing land, also as a result of industrial interventions;
- The *dzud*²⁰ and modification of herder livelihoods related to mining developments, climatic and other issues; and
- The slow recovery of markets for animal products after the global financial crisis and repeated poor growing seasons and natural adverse phenomena.

These factors have intensified attempts by herders whose livelihoods are natural resource-dependent to seek alternative employment, including with Oyu Tolgoi and other industrial projects such as the coking coal factory in Bayan-Ovoo and the coal projects in Tsogttsetsii. Tsogttsetsii *soum* has recently witnessed a dramatic increase in population as a result of influx associated with the Ukhua Khudag coal mine operated by Energy Resources LLC and Tavan Tolgoi coking coal deposit. Given the 120-km distance from Oyu Tolgoi to Tsogttsetsii, it is not expected that influx settlements occurring there will have a direct impact on the Oyu Tolgoi Project Area of Influence and Khanbogd *soum*.

The influx associated with Oyu Tolgoi and other mining activities in the *aimag* (in particular Tavan Tolgoi²¹) is expected to double the *aimag* urban population in the next ten years on the basis of the current resident population and calculated employment needs.

16.8.3 Population Numbers

The total population of Khanbogd *soum* was estimated to be 3,522 people in 2010, up from 2,974 in 2007 and 3,154 in 2009.²² Table 16.4 illustrates key demographic data for the *soum* over the period of 2007-2010.

Table 16.4: Population, Khanbogd *soum*, 2007-2010

Key Indicators	2007	2008	2009	2010
Population size (<i>soum</i>)	2,974	3,041	3,154	3,522
Population growth rate	Not available	2.3%	3.8%	11.6%
Males	1,441	1,474	1,562	1,753
Females	1,533	1,567	1,594	1,769

²⁰ 'Dzud' - Mongolian word for 'white death' denotes extremely harsh winter with very low temperatures exacerbated by heavy winter snow and strong arctic winds. Such winters are typically preceded by a summer drought and are followed by a dangerous spring thaw, which makes *dzud* a multiple and complex natural hazard. As a result of the 2009-2010 *dzud* and by the end of April 2010, reportedly more than 7.8 million head of livestock (some 17% of all Mongolia's livestock) had perished nation-wide. See also: *Humanitarian Appeal, Mongolia 2010 - Dzud Appeal*, United Nations Office for the Coordination of Humanitarian Affairs.

<http://ochaonline.un.org/humanitarianappeal/webpage.asp?Page=1856>

²¹ The biggest coal deposit in Mongolia, and is one of the 10 biggest deposits in the world. Tavan Tolgoi JSC exported 1 million tons of coal in 2007. Source: <http://tavantolgoi.mn/>

²² Data validated by the 2011 census.

Key Indicators	2007	2008	2009	2010
Households	839	918	985	1,112
Rural herders	Not available	Not available	1,793	2,067
Soum centre residents	Not available	Not available	1,363	1,455
Average household size	3.54	3.31	3.26	3.17

Source: Khanbogd soum population database 2011, CSP (soum statistics office).

The Oyu Tolgoi Regional Development team has produced population projection estimates at *soum* level, as shown in *Table 16.5*. These calculations used the same methodology as adopted by the Asian Development Bank (ADB) in its population projections for the South East Gobi²³ but draw on slightly different assumptions based on the more recent data. The latter included the higher rates of influx observed for Dalanzadgad (exceeding ADB's initial estimates and as described in the preceding section); and the expectation of spin-off development trends in Khanbogd *soum* that are expected to be triggered by the Oyu Tolgoi Project, such as new property development, supply sector and service-based businesses. The figures presented in the table below highlight the predicted substantial increase in the size of Khanbogd *soum* population.

Table 16.5: Soum Level Population Projections, Years 2010 to 2020

Soum Centre	Likely Future Function (and distance from Oyu Tolgoi)	Official Population, Census 2010 ²⁴	Population Projections		
			2010	2015	2020
Dalanzadgad	Regional Mining Centre (250 km)	18,746	17,000	22,600	30,000
Khanbogd	Key Urban Service Centre for Oyu Tolgoi (45 km)	3,522	3,500	14,000	20,000
Manlai	Satellite Urban Centre (120 km)	2,441	2,000	2,400	3,000
Bayan Ovoo	Satellite Urban Centre (80 km)	1,600	1,500	1,800	2,200

Source: Oyu Tolgoi Regional Development Team 2010, and Khanbogd Government Office 2010.

Khanbogd *soum* has already demonstrated the highest growth rate as compared with the neighbouring *soums*.²⁵ Between 2000 and 2009, Khanbogd experienced a population growth rate of about 4.2% per year which was higher than the national average and was to an extent attributable to the Oyu Tolgoi's earlier construction activities. In 2010, the annual rate of population growth exceeded 11% which testifies to the fact that Khanbogd *soum* progressively becomes a locus of increasing migration, primarily as a result of the burgeoning mining industry (see *Chapter B8: Population and Demographics* for more data on the demography of Khanbogd *soum*).

According to the ADB projections, population of Khanbogd *soum* is expected to increase significantly by year 2020 (from 3,522 in 2010, 14,000 in 2015 to 20,000 in 2020)²⁶.

²³ Asian Development Bank. *Southeast Gobi Urban and Border Town Development Project*. Source URL: <http://www.adb.org/projects/project.asp?id=42184>

²⁴ These figures exclude those temporarily resident in the *soum* (including those living on in temporary construction and contractor camps) on census day 2010

²⁵ Oyu Tolgoi Project Social, Economic and Environmental Subset, Centre for Policy Research, Population Training and Research Centre, 2009.

²⁶ Southeast Gobi Urban and Border Town Development Project; PPTA Project Report; Supplementary Appendix A; Asian Development Bank, November 2009.

Since the influx assessment for Oyu Tolgoi was completed in 2007²⁷, the Project construction workforce figures have been revised due to changes in the Project configuration. The following table updates the influx projections previously prepared based on the same methodology.

Table 16.6: Oyu Tolgoi Construction Workforce and Revised Influx Estimates

Year	Number of Oyu Tolgoi Workers and Contractors			Estimated Influx (Number of in-migrants)	
	Mongolian	Foreign	Total	High (1.0 multiplier)	Low (0.3 multiplier)
2009	1,009	170	1,179	1,009	303
2010	4,331	1,634	5,964	4,331	1,299
2011 ²⁸	7,426	5,477	12,903	7,426	2,228
2012	6,184	3,844	10,028	6,184	1,855
2013	3,533	561	4,094	3,533	1,060
2014	2,903	477	3,378	2,903	871

Source: Oyu Tolgoi Workforce Database

Numbers are shown for foreign workers for completeness, although the presence of Chinese construction workforce is not anticipated to be a driver of in-migration. Chinese construction workers live, and will continue to live, within a dedicated autonomous full-service camp for 4,704 beds located at Oyu Tolgoi main site and at the satellite 'North' and 'South' construction camps each of 1,000 to 1,500 beds. The Chinese workers will be mobilised and de-mobilised in China. Their local spending and ability to interact with local communities will effectively be almost zero, with the exception of being able to shop at the supermarket within the Oyu Tolgoi camp.

Estimates of population influx attributable to the Oyu Tolgoi construction phase activities are summarised in the two right-hand columns in *Table 16.6* above. Estimates of influx are derived by applying a simple multiplier to the total number of Mongolian workers on the Oyu Tolgoi site in any given year. High estimates are based on a multiplier of 1.0 and low estimates on the 0.3 multiplier.

Within the Mongolian context, these multipliers are to an extent conjectural given the unprecedentedly large scale of Oyu Tolgoi Project and therefore the absence of extensive accumulated data based on a previous experience. As of December 2006, the sum of registered in-migrant arrivals (less departures) for the previous 3 years (assumed to be Oyu Tolgoi-related) in Khanbogd *soum* was 300. The corresponding workforce at Oyu Tolgoi was about 1,200 in total. On this limited observation, in-migration was equivalent to about 0.25 x the Oyu Tolgoi workforce. However, in other parts of the world, e.g. in Africa or Indonesia, much higher multipliers are commonly used in practice to estimate a construction phase influx, such as multipliers of 3 or 4. These nations are far more populous and have much higher population densities than Mongolia. Those countries also have a legacy of large mining projects with numerous workforces and associated mobile groups of people experienced in providing a range of labour and other services to meet construction camp needs (also known as '*camp followers*' who may form organised itinerant groups that migrate from project to project). Construction camps are often established with the reliance on catering, laundry and other services provided by those experienced "camp followers".

Mongolia's small and dispersed domestic population²⁹, the absence of an established practice of camp followers, and the fact that Oyu Tolgoi is being constructed with a relatively limited domestic workforce

²⁷ Barclay and Associates 2007. Oyu Tolgoi: Influx Risk Assessment. Background report prepared for Ivanhoe Mines Mongolia, Inc., and Rio Tinto.

²⁸ This is the average 2011 figure. As of 19 December 2011, Oyu Tolgoi Project's total manpower totalled 17,904, 65.5% or 11,722 of the current work force were Mongolian nationals. This represents the effective peak construction workforce with Oyu Tolgoi and contractor workers based at the Oyu Tolgoi site, at off-site construction camps and in Ulaanbaatar.

²⁹ In 2009, the country's population was 2.7 million with an overall population density of 1.7 persons per km², making it the least-densely populated country in the world. See *Chapter B8: Population and Demographics* for more details on the national context.

points to a probability of less dramatic influx than is typically experienced in these more populous countries. Although smaller construction phase multipliers may be appropriate within the Mongolian context given the abovementioned reasons, the actual influx will nevertheless be subject to regular monitoring accompanied by a review of appropriate response measures.

Key assumptions used for the Oyu Tolgoi construction phase influx estimates are as follows:

- All construction workers hired from locations other than Khanbogd will be housed within the Oyu Tolgoi Mine Licence Area (except for the 200 CIS³⁰ workers already housed in a camp in Khanbogd) for 1,536 beds in total;
- Majority of construction phase influx will consist of single people, not migrant families - based on the observations of influx patterns that have occurred to date;
- Construction phase in-migration numbers are expected to be in a direct correlation with the size of the Oyu Tolgoi construction workforce – the larger the workforce, the more sizeable the potential inflow of migrants;
- Fluctuation of the construction phase migration may be sensitive to mobilisation and demobilisation of workers on the Oyu Tolgoi site, i.e. in-migrant arrivals will increase during periods of recruitment and hiring, likely followed by out-migration during periods of downstaffing and demobilisation;
- A certain percentage of in-migrants arriving during the construction phase will settle in the area and will become permanent residents;
- It is assumed that South Gobi roads will undergo some incremental improvement during the 2011-2012 period, but development of national trunk highway linkages in the Project vicinity is not expected, e.g. there will not be a national highway linking Oyu Tolgoi to Ulaanbaatar³¹; and
- The multipliers used to estimate the in-migrant population are assumed to capture all employees that may move into the Oyu Tolgoi Direct Project Area of Influence as part of off-site contractor and service groups, e.g. the Toyota servicing group, housing contractors and other similar entities within the 2011-2012 period.

On the basis of premises outlined above and applying the suggested 0.3 and 1.0 multipliers, an expected influx at the peak of construction (2011) may be within the range of as broad as between 1,300 to 7,500 people given the total peak workforce of over 12,900, out of which circa 7,400 personnel will be Mongolian Nationals.³²

Recent data prepared by Oyu Tolgoi and based on official data provides an accurate picture of actual net migration (in and out of the *soum*) to Khanbogd *soum*.

Table 16.7: Net Migration to Khanbogd Soum (Excluding Oyu Tolgoi Staff and Contractors)

Year	Soum Population	In-migration	Out-migration	Net migration	Percentage increase due to migration
2006	2901	183	33	150	5.2%
2007	2974	126	72	54	1.8%
2008	3022	71	68	3	0.1%
2009	3154	96	50	46	1.5%

³⁰ CIS is the Project's catering and cleaning contractor.

³¹ This assumption is consistent with observations contained in the World Bank's Foundation for Sustainable Development: Rethinking the Delivery of Infrastructure Services in Mongolia (June 2007) which observes that the Government of Mongolia's budget for operations and maintenance is completely inadequate to preserve the quality of existing roads, yet alone to develop new ones. The report is critical of overly ambitious plans to develop an extensive network of new roads that are not supported by demand forecasts. It particularly singles out for criticism the Millennium Roads Project which proposes five north-south highways extending across Mongolia from the Russian border to the border with PRC.

³² See Chapter C9: Employment for more details on the Project workforce estimates.

Year	Soum Population	In-migration	Out-migration	Net migration	Percentage increase due to migration
2010	3522	305	49	256	7.3%
2011 (to October)	Approx. 3900	323	86	237	7.3% (annualised)

Source: Oyu Tolgoi from Khanbogd Soum Statistical Office.

From the above table, it can be seen that net in-migration during the construction phase has been significantly less than anticipated but is still significant in terms of its impacts on public infrastructure and resources.

During the **Operations Phase**, it is anticipated that the rate of influx into the Project Area of Influence and particularly to Khanbogd will gradually shift into a downward trend, primarily due to a substantial and rapid reduction in the numbers of workforce upon completion of construction (the overall workforce reduction will be by circa 70% over a 1-2 year period). The number of Mongolian personnel will be maintained at 3,500 on average throughout the mine operation. Despite the significant decrease in the manpower demand, it is still likely that the population inflow will continue to take place as a result of favourable business environment in the Project Area of Influence, opportunities for training and skills development associated with Oyu Tolgoi vocational programmes, improved infrastructure and Oyu Tolgoi's housing in Khanbogd. (see *Chapter C7: Economic Impacts* and *Chapter C9: Employment* for further details on economic development, job generation and business development opportunities). Based on the Mongolian workforce numbers of 3,000-3,500, the total average influx during the construction period and first two years of operation is anticipated to be within the range of 900-3,500.

16.9 INFLUX MANAGEMENT STRATEGY

The strategy and programmes for influx management are based directly on recommendations made in the 2007 Influx Risk Assessment, conducted by Barclay & Associates, as well as on the worker housing location strategy and decentralised housing model prepared in 2007 by Taktics4. Additional information used to develop the influx management strategy includes an updated Project description, results from ongoing consultation with local communities and government, requirements set out in the Oyu Tolgoi Investment Agreement, and recent work on Oyu Tolgoi's strategy for the long-term accommodation options, including the option of development of a residential hub for employees and a business park, both in Khanbogd *soum*.

In particular, the Oyu Tolgoi Investment Agreement ("the Agreement") sets out the means by which Oyu Tolgoi is required to assist Government in managing influx and mitigating any negative impacts of the investment and associated influx on the region. Section Four of the Investment Agreement specifies that the Government will establish the "Southern Gobi Regional Development Council" (the "Council") and shall lead its activities. It further proposes that the Council will be governed by a board, which shall include representatives of the Government, local governance organisations, private sector entities, civil society organisations and donor and international financial institutions with activities directed towards the Southern Gobi region. It prescribes that the Investor (Oyu Tolgoi) will be a member of the Council's governing board, and shall support the Council and its activities, and that the Council will assist the Government in the following areas in terms of preparation, financing, organising and implementation of the Southern Gobi local and regional development strategy, plans and budgets:

- Support to local and regional development and encouraging transparent and responsible governance;
- Coordination of in-migration influx;
- Resolving matters of urban planning and development, including power, roads, water supply, heating and sewerage;
- Organisation of formal and non-formal education, including English language and vocational training;
- Focus on human health care, construction of diagnostic centres, cultural facilities, sport facilities, improvement of veterinary services; and
- Support to capacity building for local governments and civil society.

In addition to the above, the Agreement states that the Investor will support socio-economic development policies and activities undertaken by Southern Gobi local administrations and will develop partnerships to ensure that sustainable benefits from the Oyu Tolgoi Project reach Mongolian people, including people in Omnogovi Aimag. It also stipulates that The Investor shall conduct all of its local and regional socio-economic development programmes and activities based on the principles of transparency, accountability and public participation.

16.9.1 Key Influx Management Strategies

The key strategies that are to be adopted by Oyu Tolgoi to reduce the potential risk of large scale influx include, but are not limited to, the following measures:

- **Local recruitment and workforce management:** hiring locally/regionally and developing local labour resources to avoid the need to import large numbers of outside workers. This is balanced by local recruitment only from designated recruitment offices with no site-gate hiring and a policy to minimise additional hiring from within Khanbogd *soum* to deter speculative migration. The Company is committed to investing in long-term training, scholarship and apprenticeship programmes to ensure local workers have the knowledge and skills that the mine requires for its operations. Training will focus on areas such as construction trades, mechanical trades, occupational health and safety, nursing, mill operation, secretarial skills and the like. All recruitment and employment is undertaken in accordance with the terms of the Investment Agreement and applicable Mongolian employment law. All Mongolian workers require approval from the Mongolian authorities to change their *soum* of residence.
- **Local and regional planning and infrastructure programme:** several key programmes including the Local and Regional Planning and Infrastructure (LRPI) Programme, the Cultural Heritage Programme (CHP) and the Community Health, Safety & Security Programme (CHSSP) are central to managing influx and providing quality of life benefits and equitable economic growth in the region. The focus of these programmes is on providing training and resources to *soum* and *aimag* government agencies to help them better manage land use, protect natural resources, and provide basic public infrastructure, services and facilities to their communities. Capacity building will extend to strengthening revenue management and fiscal accountability of local government so that revenues streams are more effectively used to provide infrastructure and services where they are needed. Investments in regional and municipal infrastructure and service provision will form part of these programmes, where possible offset against government revenues from the mine.
- **Promotion of regional diversified growth strategies:** to develop alternative economic opportunities away from the mine so as to avoid the mine becoming the sole focus of economic development and attraction for influx. Oyu Tolgoi is committed to implement a Local Business and Economic Development (LBED) Programme to encourage non-mining economic opportunities in the Project Area of Influence and in the South Gobi *aimag*.
- **Provision of water supply to Khanbogd *soum* centre:** At Khanbogd *soum* centre, the community water supply is envisaged to move from individual and community wells towards a system which provides network services in central areas and water kiosks in less densely populated areas of *gers* and individual houses. Water demand will increase as the population of the community grows and economic activity increases.
- **Oyu Tolgoi procurement policies:** Oyu Tolgoi has developed its National Supplier Development Policy and its South Gobi Supplier Development Policy as part of its overall Procurement Policies and Principles.
- **Local economic support and development:** optimising local content by identifying and developing local companies and making them competitive in a new business environment. This is a corporate programme that aims to ensure that Mongolian registered businesses are given priority for procurement opportunities. A key objective will be to develop the local supplier community within the South Gobi region and within Mongolia generally, thus facilitating these suppliers' ability to participate effectively in competitive sourcing processes.
- **Access control programme:** this is the set of measures adopted by Oyu Tolgoi to control its activities and facilities and how they interact with the local population. These measures do not

seek to prevent influx but to maintain a secure and safe site, and reduce the likelihood of fenceline communities in and around Project work sites.

- **Community health safety and security:** Oyu Tolgoi has developed a *Community Health, Safety & Security Programme* (CHSSP) that aims to address both the potential community health and safety impacts from the Project, as well as improve the overall health and development of local communities.
- **Community education and mobilisation:** communities can be made aware of the benefits and potential adverse impacts of population influx and assisted to make decisions about the level of influx they are willing to accept. Communities and the individuals within them can frequently choose to make available or withhold land from in-migrants thus influencing the extent of settlement that occurs in a given location. Managing community and government expectations - Managing community expectations is a key part of the Oyu Tolgoi Project community relations process. Oyu Tolgoi recognises the need to implement a carefully conceived communications strategy, so that the Company can manage community expectations.

Coordination with National and International Programmes and Development Agencies

Oyu Tolgoi coordinates its activities with a range of local and national stakeholders as identified in *Table 16.3* and discussed in *Section 16.6.2*. In addition, Oyu Tolgoi is working with a range of governmental and international development agencies including:

- Ministry of Roads, Transport, Construction and Urban Development (MRTCUD); and
- Asian Development Bank – principally via the SE Gobi Urban and Border Town Project.

Oyu Tolgoi is also in preliminary discussions with a number of other international development agencies.

Each of the component programmes being developed and implemented by Oyu Tolgoi to achieve these strategies is described in further detail in the following sections.

These programmes and their relationship to influx management are discussed in the following sections and demonstrate how Oyu Tolgoi is seeking to go beyond simply mitigating identified impacts to provide a more holistic and regional approach to economic and community development within Khanbogd *soum* and Omnogovi *aimag*.

16.9.2 Local Recruitment and Workforce Management

Oyu Tolgoi is implementing a range of human resources policies and procedures to ensure that local content is maximised and that the Investment Agreement requirements are met. Oyu Tolgoi has developed a *Hiring Policy and Procedure*, *Labour Management Plan* and *Camp Policy and Code of Behaviour* for implementing the labour and recruitment programme. The broad goals of the Oyu Tolgoi labour and recruitment programme so far as they relate to influx are to:

- Maximise local and regional employment;
- Manage employment related influx through a decentralised hiring programme;
- Manage the interaction of camp workers with communities; and
- Ensure equitable representation of local and regional communities in Oyu Tolgoi Project-related recruitment.

The Project plans to utilise mostly sophisticated construction techniques, which will require relatively advanced skill sets. Such skills are presently in short supply in the Project Area of Influence. While an influx of workers is thus inevitable, the manner in which recruitment and workers are managed can reduce the in-migration of speculative job seekers and mitigate anticipated impacts considerably.

Priority Recruitment and Hiring Measures

Oyu Tolgoi is committed to implement the following measures to maximise local employment and spread hiring points to try to minimise speculative job seekers at Khanbogd and work sites:

- **Decentralised hiring:** Oyu Tolgoi has a policy to not hire at work sites. Offices that handle job registrations are in place - at offices in Dalanzadgad, Khanbogd, Bayan Ovoo and Manlai.

Recruitment is also managed from the head office in Ulaanbaatar. Contractors and subcontractors are also required to follow this policy.

- **Priority local employment:** Oyu Tolgoi intends to prioritise training, recruiting and employment of residents of local communities in Omnogovi *aimag* and the South Gobi region. Oyu Tolgoi has prepared and maintains a local skills database (a skills survey has been completed and is regularly updated). This list is distributed to all involved construction contractors and operations departments within Oyu Tolgoi. Oyu Tolgoi intends to monitor and assist with hiring of local and regional residents.
- **Identification of locals:** The Project is endeavouring to limit speculative in-migration by expressly excluding people moving into the Project Area without employment offers from being employed on the Project. Oyu Tolgoi agreed with local *soum* governments to establish a "cut off date" when the Investment Agreement was signed, to recognise all residents at that point as local people. Local people who were interested in employment were asked to register. Oyu Tolgoi is committed to work with government to identify any additional local residents from migrants who have come from other towns if the need arises.
- **Disclose local hiring policy:** Oyu Tolgoi has implemented a communications strategy to inform widely on the rules and procedures for recruitment and employment with the Project, including the "cut off date" for preferential employment. These awareness campaigns will continue throughout Project construction and operations to repeatedly inform the public of Project recruitment procedures before speculative job-seekers decide to move to the area. Information will be disseminated using a wide variety of media, including but not limited to newspapers, radio broadcasts (news and theatrical programmes) and local Project offices.
- **Transparency in hiring:** Employment opportunities are advertised within the local communities and recruitment procedures are fair and transparent. The *soum* authorities as well as Labour and Social Welfare Office in each Project Area *soum* is involved in the local hiring process.
- **Local training:** Oyu Tolgoi is committed to facilitate local people in applying for positions, including providing "Job Readiness" training for herders and other local people to better understand and cope with wage-based employment. Oyu Tolgoi intends to designate a proportion of training opportunities directly for Project affected people in Khanbogd *soum*, as well as residents from Bayan Ovoo, Manlai and Dalanzadgad *soums*. The Company intends to facilitate local people in securing training opportunities to equip them to win employment with Oyu Tolgoi and contractors.
- **Training regional and national skilled workers:** Oyu Tolgoi has recently signed a Memorandum of Understanding with the Ministry of Education to undertake the following:
 - Provide 150 to 230 university scholarships over a 5 year period;
 - To refurbish 5 existing technical and vocational (TVET) colleges and establish 2 new TVET colleges in Dalanzadgad and nationally. An Oyu Tolgoi technical training centre will be established in Khanbogd³³; and
 - Establish a New Employee Scheme to train 3,300 Mongolian workers per year.
- **Spread and balance employment opportunities:** Where possible, Oyu Tolgoi will balance selected employment across *soums* in order to spread and balance the positive impacts on local economies and to give people incentive to remain in their original *soum* and avoid making Khanbogd a magnet that 'depopulates' the surrounding areas. Oyu Tolgoi monitors employment from each of the local area *soums* and from the South Gobi *Aimag*.

Priority Workforce Management Measures

The Project has involved the hiring of over 10,000 non-local workers at the peak of construction. The construction workforce peaked at approximately 14,800 in December 2011, making the Project the largest employer in Mongolian at that time. Almost 10,000 workers, equalling 67% of the total workforce were

³³ The cost for this is estimated at US\$50 million, Oyu Tolgoi has pledged US\$5million and will seek to collaborate with other mining companies and industries on this initiative.

Mongolian citizens.³⁴ Worker camps have been constructed to accommodate this workforce. Construction phase workers have been housed in the following arrangements:

- One general camp and a separate contractor worker camp on site together with a number of smaller off-site contractor camps. All of these facilities are within the fence of the Oyu Tolgoi Project and therefore access is fully controlled;
- A small camp (approximately 200 people) has been constructed adjacent to Khanbogd *soum* centre to house Mongolian workers employed by the Project catering contractor. These are mostly female staff working in cooking, cleaning and administration; and
- Four temporary construction camps (approximately 3000 personnel in total for a period of up to 18 months) will be required for construction of the road to the Chinese border, construction of the power transmission line and construction of the raw water transmission line. These will be fenced and then decommissioned and the land rehabilitated after use.

Oyu Tolgoi is committed to implementing the following measures to minimise the potential negative impacts of worker camps and workers on local communities:

- **Minimise camp size:** The Company will minimise the size of the camps required as much as possible through proactive employment of local employees. Oyu Tolgoi provides daily transportation from Khanbogd to the mine site and other work areas;
- **Complaints and incident reporting:** A formal Community Complaints Procedure will be implemented to ensure timely and transparent response to complaints from local communities;
- **Community engagement:** Oyu Tolgoi has appointed Community Relations Officers (CROs) for the mine site and for each of the neighbouring *soums* and Dalanzadgad to work with local communities on influx and other issues that arise. Community engagement plans are being implemented and a regular programme of engagement occurs with all Project Area *soums*;
- **Worker education:** The workforce will be sensitized to local social and cultural practices through provision of an induction course for all employees that stipulates expected behaviour;
- **Worker behaviour in camp:** A *Camp Policy and Code of Behaviour* governing appropriate behaviour in the camps is in place at Oyu Tolgoi and will be strictly enforced. These requirements will be provided to all Project employees prior to commencement of work;
- **Worker code of conduct in the community:** The Company will define the “rules of engagement” between camp dwellers and community - a *Code of Conduct in the Community* will be developed and implemented by Oyu Tolgoi for all workers. Disciplinary action will be taken where these rules are not met (or referred to police in criminal matters);
- **Working conditions:** Contract duration, shifts and regular leave allowances are in place for Oyu Tolgoi staff to minimise the likelihood that workers engage in inappropriate behaviour. Contractors are expected to have equivalent arrangements in place and Oyu Tolgoi will audit contractors; and
- **Transport of workers:** Oyu Tolgoi and contractors provide adequate transport from the camp for personnel going on leave or finishing a contract with the Project.

Notwithstanding the above, day to day interaction between camp dwellers and the local communities will be extensive in the medium- to long-term and will require policing by the appropriate authorities. Oyu Tolgoi is committed to co-operate with local Police to achieve alignment on security and policing philosophy and on practice and procedure. While there will always be some camp accommodation for workers at the mine site during production, long-term workforce management will be addressed through the long term accommodation options study which is being undertaken.

16.9.3 Local and Regional Planning and Infrastructure Programme

Oyu Tolgoi has developed the Local and Regional Planning and Infrastructure (LRPI) programme to assist the host communities with planning, infrastructure and service improvements, aimed at ensuring that the host communities: (i) benefit from development associated with the mine; and (ii) do not suffer a

³⁴ Oyu Tolgoi management: manpower database.

decline in the availability and quality of local infrastructure and services as a result of any population influx associated with mine development. The Regional Development Unit of Oyu Tolgoi CSP Department will implement this programme the key elements of which are set out below:

- **Goal:** the goal of the LRPI programme is to design and implement a programme of investments in local and regional planning, infrastructure and service development which will: (i) provide quality of life benefits to the existing and incoming population; (ii) contribute to good local governance, planning and management; (iii) contribute to the equitable economic growth of the region; and (iv) help build attractive and sustainable communities – communities in which people want to live, work and invest; and
- **Reasoning and approach:** As part of Oyu Tolgoi's social licence to operate principle, it is recognised that local stakeholders living in the direct impact zone of the Oyu Tolgoi site will benefit from the mining activities. Furthermore, the Investment Agreement calls for Oyu Tolgoi to promote the development of the Southern Gobi region by supporting good governance, participatory planning and investment in infrastructure and services. Good local development practice places local (beneficiary) communities and local government at the centre of the local development process.

This approach will support development of an inclusive and sustainable sub-regional development plan and associated investments to enable the timely, efficient and equitable delivery of a local and regional planning and infrastructure investment programme (during both construction and operational phases) and supporting activities, to bring about the delivery of development benefits to the wider community in South Gobi. In order to achieve this, the LRPI includes the following key strategic elements:

- **Planning and Decision Making Framework and Community Agreements:** Develop and agree the approach to local and regional planning and infrastructure investment in the Region, and support the development of legally binding Community Agreements with the mine-impacted communities;
- **Tactical Actions:** The consultative process, together with diagnostic work by the team, has identified and is developing a funded programme of projects for delivery in the 12 to 24 months following the signing of the investment agreement. This process has led to identification of a set of fully supported actions that can address immediate needs and commence immediately without being hostage to long, strung-out community planning processes. The tactical programme addresses immediate community needs; and
- **Strategic Plan and Programme:** The same participatory and decision-making framework will lead to the development of a strategy and costed programme for longer-term support to planning and infrastructure development. This will cover a timeframe of 5–7 years, developing a strategic framework which will be both community-driven and link to the mine development plan. This plan and programme is enshrined in the community agreements which will be developed during the construction period.

As part of the LRPI Programme, a regional development plan and programme will be formulated through stakeholder discussion and through the support and involvement of SGRDC. This will progressively develop and put in place a regional land-use development (master) plan, and an investment framework for infrastructure and service provision. The investment framework will identify costs and likely sources of funding, identifying those which Oyu Tolgoi is best-placed to support, and those which will be supported by other stakeholders, including other investors in the region. The development plan will be designed to provide the roadmap for settlement development, a land management system, and infrastructure and service investment and their management. Fundamentally, the approach is participatory and inclusive, and must consider the long-term sustainability of interventions through all development and operational phases, with Government and beneficiary communities committing to long-term operational and maintenance costs of the systems created. The LRPI programme will be underpinned by support to build the governance, management and operational capacity of local Governments in the South Gobi.

Design and implementation

The LRPI programme will be implemented under the Regional Development Plan. Subprojects under the programme will be developed, designed and executed in partnership with the beneficiary communities and local governments who will be the eventual owners and operators of the assets so created. Oyu Tolgoi, through the CSP department will be the owner of the assets during their construction but will hand

these over to the public authorities once completed and commissioned. The eventual owners of the assets will be required to: (i) be involved during the design and construction of the assets so as to ensure that a feeling of ownership is engendered; and (ii) be responsible for the development of a detailed operation and maintenance plan (with Oyu Tolgoi assistance) for the assistance prior to handover. Oyu Tolgoi will assist government in developing suitable service management arrangements to maximise the efficiency and ensure long-term system sustainability. This is likely to involve various types of PPP arrangement – probably management contracts, leases and perhaps concessions.

Further details of the LRPI programme including its goal, reasoning and approach, priority activities, expected outcomes and implementation mechanism are contained in the strategy paper at Annex C. The budget for the LRPI programme is US \$9.5 million for 2011, and priority interventions are shown below.

Priority Planning and Infrastructure Measures

Oyu Tolgoi is committed to implement the following priority measures to support *soum* and *aimag* authorities with town planning and in the identification and delivery of infrastructure and service improvements:

- **Support to the South Gobi Regional Development Council** (Govt) and Local Advisory Groups (Oyu Tolgoi): Key points for Oyu Tolgoi stakeholder engagement;
- **Direct planning support** to Dalanzadgad and Khanbogd *soums* in relation to: (i) on-the-job training; (ii) new structure plans. [Completed];
- **Geophysical Surveys** for Dalanzadgad and Khanbogd Water Supply to identify optimal location for production wells. [Completed];
- **Khanbogd Potable Water Supply:** Bulk supplies, distribution and development of service institution (direct funding jointly with Asian Development Bank, Possibly EBRD and Government). [Ongoing];
- **Khanbogd Power Supply:** Construction of a 35 KV transmission line from Oyu Tolgoi site to Khanbogd *soum* centre to provide a long-term permanent source of power [Ongoing];
- **Manlai Road Improvement:** Single route & improved access to Oyu Tolgoi (by PMT-Completed);
- **Bayan Ovoo Sports Hall:** Support to reconstruct condemned facility [Ongoing];
- **Support to Medium-term Power Solutions:** transition from existing diesel donation to sustainable power supply for Khanbogd, BO & ML. [Completed];
- **Support for Visioning** and Development of Long-term (Strategic) Development Plans and Programmes: “Future Search” and focus on long-term sustainability [Completed];
- **Investments in Regional and Municipal Infrastructure and Service Provision:** From outcome of local and regional visioning exercise (will also inform LBED, CHSSP, CHP etc.);
- **Building Regional and Local Government Capacity** for development planning and management, and infrastructure and service provision. Use concession and PPP law – with IFIs; and
- **Dalanzadgad Sports and Cultural Complex** Fifty percent contribution to the construction of a sports and cultural facility in Dalanzadgad [Ongoing].

16.9.4 Provision of Water Supply to Khanbogd Soum Centre

Oyu Tolgoi is working with the Water Authority and Governor of Khanbogd and other organisations to identify and develop a long-term sustainable water supply for Khanbogd *soum* centre³⁵. At Khanbogd *soum* centre, the community water supply is envisaged to move from individual and community wells towards a system which provides network services in central areas and water kiosks in less densely populated areas of *gers* and individual houses. It is anticipated that water will be drawn from local shallow and intermediate aquifers (not the surface aquifer) largely fed from the Khanbogd Granite Massif which lies to the south of Khanbogd *soum* centre. Water demand will increase as the population of the community grows and economic activity increases. This will result in an increasing demand on the groundwater resources of the area

Current and Planned Activities

The optimum location of the supply wells is currently the subject of on-going studies by Oyu Tolgoi, as part of this programme three wells have been drilled approximately 6 km to the northeast of Khanbogd and have proven a significant groundwater resource (see *Chapter B6: Water Resources Section B6.10*). This basin containing this water resource is inferred to be recharged annually by rainfall and bedrock flows from the Khanbogd Massif to the south and Durulj Mountain to the north. Oyu Tolgoi is currently defining this resource and agreeing the resource estimate with the Water Authority. Oyu Tolgoi is also assisting develop plans for the water reticulation system in conjunction with the Water Authority and Governor to Khanbogd, Asian Development Bank and Ministry of Roads, Transport, Construction and Urban Development (MRTCUD). The first phase of the development of the *soum* water supply is designed to deliver up to 30 l/s, and will have the capacity to increase this in the future as Khanbogd demand grows through development and influx. Tied into the water supply will be a wastewater treatment plant which will seek to recycle/reuse water once treated; work on this area is still under development.

This monitoring will be directed and undertaken by Oyu Tolgoi's Environment Department in conjunction with the Communities and Social Performance Department (CSP) who will provide any anecdotal information on water well quality and water levels from the herders to the Environmental Department.

The Khanbogd aquifer is significantly deeper than the surficial aquifers exploited by the herders, with water generally found at a depth of 80 m, and the wells penetrating to a depth of 188 m. Nonetheless, the design of the boreholes and their layout will aim to avoid impacts on local herder wells (the nearest herder well (Durulj, which has been monitored since 2004) is approximately 5 km to the northeast. The baseline monitoring data on the herder wells in this area which form part of the baseline monitoring for the Gunii Hooloi basin, will continue to be collected by Oyu Tolgoi and the information provided to the Khanbogd Governor to enable them to use the data to assess any impact caused by the *soum* centre's abstraction of the groundwater from this basin for the reticulated water supply.

Plans for the development of community water supplies in Khanbogd are still under development, but development will be conditional on the identification and development of a sufficient and sustainable water supply for Khanbogd.

Key Strategies and Objectives

Oyu Tolgoi has developed the following key strategies and objectives to define its role regarding the provision of an increased water supply to Khanbogd *soum* centre:

- Oyu Tolgoi will undertake exploration activities to identify, delineate and permit sufficient groundwater and construct the bulk water supply and any initial treatment facilities required, to enable the water demand of Khanbogd *soum* centre to be met as the population grows due to influx. MRTCUD, with ADB assistance, will develop the local distribution network;
- As part of the identification of groundwater resources, Oyu Tolgoi will ensure that adequate water resources are identified to enable the water demand for any Oyu Tolgoi worker housing to be met without having a material impact on water availability for Khanbogd *soum* centre;

³⁵ This reflects the commitment to support the Government in the establishment of safe drinking water for the local *soum* centre directly impacted by the Oyu Tolgoi Project – Clause 6.15 of the Investment Agreement (2009)

- Oyu Tolgoi will play a facilitative role in developing water resources and then working with the relevant Government authorities and international development agencies to provide the water supply network for Khanbogd *soum* centre; and
- Oyu Tolgoi will undertake ongoing monitoring of local herder wells, surficial aquifer water levels, and any downstream springs to identify any potential negative impacts to downstream herder wells and biodiversity (both wildlife and flora), and to use an adaptive management approach to ensure that any impacts are identified, minimised and mitigated as soon as possible.

The development of a water supply for Khanbogd is still at an early stage of development and will be subject to further detailed assessment as part of a Supplemental ESIA for the development of Oyu Tolgoi worker accommodation facilities, the business park to service Oyu Tolgoi and the development of Khanbogd *soum* centre to deal with anticipated influx related to the Oyu Tolgoi Project.

16.9.5 Housing Model

The long-term accommodation strategy for the Project is under development, and one option would see an “integrated community model” in which most mine operational employees would be housed in Khanbogd *soum* and close to the existing community, and close to the mine. This approach would be executed in combination with the existing fly-in fly-out (FIFO) model with a progressive decrease in FIFO and increase in local housing. Under this approach, mine workers would be housed in a residential hub in Khanbogd *soum*, enabling daily commuting to the mine. The “South Gobi” approach which was previously adopted inferred that employees would also be housed in Bayan Ovoo, Manlai, Dalanzadgad and other South Gobi *soum* centres. However, while employees from these *soums* employed by Oyu Tolgoi will continue to be bussed in and out to the mine according to a roster system, these *soums* will not be developed as dormitory communities for the Oyu Tolgoi mine.

The “integrated community model” approach promotes:

- Greater employment opportunity for residents in Khanbogd, and neighbouring South Gobi Towns;
- Oyu Tolgoi employees moving to Khanbogd progressively over a planned transition period, avoiding the negative socio-economic impacts associated with rapid influx, and over time creating a vibrant and sustainable urban community;
- Oyu Tolgoi operational employees with a Khanbogd base able to live with their families and commute daily, thus promoting social cohesion and stability, and providing quality-of-life benefits;
- Financial savings to Oyu Tolgoi by reducing the number of fly-in-fly-out employees and associated on-site accommodation and service requirements and costs; and
- Contribution to the quality and viability of Khanbogd as good place to live, work and to invest in.

Furthermore, the Health Impact Assessment (HIA) survey and report carried out under the Community Health, Safety and Security Program (CHSSP) design consultancy in December of 2010, identified a strong preference among Oyu Tolgoi mine workers for arrangements which enabled them to live with their families. Survey Respondents at the mine identified fly-in fly-out and bus-in bus-out arrangements as a major threat to community health and wellbeing, and the most important factor compromising their quality of life. Oyu Tolgoi is in the process of developing an inclusive and sustainable employee housing option and associated investment and development plan which maximises employee wellbeing whilst optimising costs. The plan is designed to enable the timely, efficient and cost-effective delivery of the Oyu Tolgoi mining operations and supporting activities (during both late-construction and operational phases) while at the same time accommodating its workers in acceptable accommodation and promoting long-term sustainability of the impacted communities.

Issues being considered within the development of the housing option include: i) potential locations for an Oyu Tolgoi employee residential hub, and business park; (ii) how they could be financed; and (iii) how they would be governed and managed. Oyu Tolgoi is considered to be the driver of the local economy and by far the most important source of employment, both locally and within its sub-region. The close proximity of employees to their place of work at Oyu Tolgoi is a key consideration, and the realities of mine shift-work dictate that for workers to: (i) be able to live with their families, and (ii) be able to commute

safely to the mine on a daily basis³⁶, Khanbogd *soum* is the most realistic location for consideration for a worker housing model.

Table 16.8 characterises typical approaches to mine employee housing and sets out the benefits and implications of each approach.

Table 16.8: Oyu Tolgoi Construction Workforce and Revised Influx Estimates

Impact of Four Development Models:		Company Town ³⁷	Fly-in fly-out ³⁸	Gated Community ³⁹	Integrated Community ⁴⁰
Influx	Level Growth Rate	High >10%	Low <0%	Moderate to High 2-3%	Low to High 1-26%
Financial	Cost Explanation	High High CAPEX and operational expenditure	Low to Moderate Low CAPEX but high cost of transport and operations	Moderate Moderate CAPEX and operational costs	Low to Moderate CAPEX depends on Infra. Available, low OPEX
Economic		Lower mining royalties because of higher upfront investment in infrastructure	Overall welfare gains if money saved by mining company transfers into royalty payments for government	Government royalties depend on how much infrastructure expenditures the mining company must make	Higher royalties if mining company saves money it would otherwise spend on infrastructure costs
Social		Improved quality because of family-centered housing, but more impact on surroundings	Residential living flexibility for workers, but increased risk of family dysfunction and parenting problems	Health benefits for workers and their families, but possible social tensions between mining population and existing population	Health benefits as workers live with families, but risk of social tension from cultural differences or income disparities between mine workers and existing populations
Sustainability		High dependence on mine leads to few alternative employment opportunities when mine closes	Limited local cultural, environmental and economic impact; No direct jobs or benefits from infrastructure and services for local community around the mine.	Limited cultural, environmental, and economic impact on local areas	Infrastructure and job benefits for local community Opportunity to develop sustainable local service delivery institutions and thus reduce CAPEX requirements

Proposed Strategy

The strategy under development assumes that Oyu Tolgoi will continue to support the Khanbogd *soum* government in preparing for the anticipated population growth and influx, comprising both: (i) “soft” support (technical assistance, studies and capacity building on a “grant” basis); and (ii) “hard” support (critical infrastructure and service investments, some on a grant basis, and some on an “interest free loan” basis – expenditure to be offset against future water abstraction and other fees payable to the Khanbogd *soum* government). Oyu Tolgoi is committed to:

- Assist mine-impacted *soums* with town planning, improved governance and service institution reform (grant); and

³⁶ For reasons of health and safety (due to excessive fatigue) the commute to work (at Oyu Tolgoi) will ideally be no more than 45 minutes each way.

³⁷ Closed or heavily restricted stand-alone company town – constructed, operated and managed by company

³⁸ Continuation of FIFO and BIBO arrangements being adopted during construction

³⁹ Gated company residential hub adjacent to and using some shared facilities with existing community

⁴⁰ Housing open and fully integrated into existing community and using many shared facilities

- Assist *soums* (and particularly Khanbogd) in provision of basic infrastructure and services (grant or interest-free loan) to support both town developments in accordance with the Investment Agreement.

Strategy Next Steps and Finalisation

The next steps are as follows:

- Finalise and implement an action plan for fast-tracking current commitments to Khanbogd under the LRPI program – particularly for power, water supply, schools extensions and road development, and identify additional urgent actions to help better equip Khanbogd *soum* centre to accommodate influx (this is ongoing as of mid-2012) ;
- Complete the scoping study for the town and business park project by Q3 2012.

16.9.6 Oyu Tolgoi Procurement Policies

Oyu Tolgoi has developed its National Supplier Development Policy and its South Gobi Supplier Development Policy as part of its overall Procurement Policies and Principles. These have been developed to achieve the terms of the Investment Agreement commitments as outlined below:

Clause 4.12 – “The Investor shall support special business development programmes to assist in starting and growing local businesses so they can supply the Oyu Tolgoi Project, as well as the expansion and diversification of Mongolian business partners so that they are not fully dependent on the Oyu Tolgoi Project.”

Clause 9.9 – “The Investor shall provide reasonable assistance to regional development, assistance to local regions and creation of new business and employment opportunities.”

Oyu Tolgoi has developed its Procurement Principles and Policies (2012) to set out how Oyu Tolgoi intends to work with regional, national and international suppliers. As part of this, Oyu Tolgoi has established its South Gobi Supplier Development Policy to facilitate Oyu Tolgoi’s commitment to working, wherever possible with South Gobi Suppliers. Oyu Tolgoi has developed its National Supplier Development Policy to facilitate Oyu Tolgoi’s commitment to working and development national suppliers.

South Gobi Supplier Development Measures

To facilitate the growth of South Gobi suppliers, Oyu Tolgoi provides and supports a number of processes for South Gobi suppliers. Outlined below are a number of development processes specifically for South Gobi Suppliers. These processes are in addition to the development programs under the National Supplier Development Policy, which are also available to South Gobi suppliers:

- **Dalanzadgad Supplier Development Centre:** ensures that South Gobi businesses have access to training, coaching and business development support that will facilitate the emergence of suppliers capable of meeting Oyu Tolgoi’s exacting supply standards and those of the wider Mongolian market.
- **Micro-credit program:** provides a micro credit program to South Gobi based suppliers to facilitate the emergence of new micro and small to medium sized enterprises and to foster the expansion of existing businesses scope and scale through supported capital acquisitions.
- **Price Premium:** provides a range of agreed pricing premiums (contingent on the category being sourced and the supplier development strategy being pursued) between 5% and 25%. These premiums will be authorised by Oyu Tolgoi management and decided by category on an annual basis and posted on the Oyu Tolgoi procurement website accordingly.
- **Category Targets:** Oyu Tolgoi will identify category targets for South Gobi expenditure. All targets will be advertised to the public annually and made available on the Oyu Tolgoi procurement website. In the spirit of maintaining the competitiveness there will never be a target greater than 80% for South Gobi suppliers.
- **Revised payment terms:** Oyu Tolgoi will provide revised payment terms for South Gobi suppliers (linked to progress payment schedule and achievement of agreed deliverables within nominated timeframes).

- **Preferred Supplier:** when two or more tenders are technically sufficient and all components of the tender are equal, apart from a small price differential, South Gobi suppliers will be chosen over national and international suppliers on a preferential basis and subject to satisfactory compliance with health, safety and environment requirements.
- **Right of Reply:** a South Gobi supplier will be given an opportunity to revise their bid price in the following circumstances:
 - if the bid is greater than \$100,000;
 - if the goods or services are technically sufficient; and
 - if the price difference between the national or international supplier and the South Gobi supplier is within 10%.

16.9.7 Local Economic Support and Development

Oyu Tolgoi has developed the Local Business and Economic Development (LBED) programme to support development of a robust and diverse small and medium-sized enterprise (SME) system in the mine impacted communities through capacity building, access to credit, and market linkages. The CSP Department of Oyu Tolgoi will implement this programme.

Goal: Oyu Tolgoi is committed to design and implement a programme to support small and medium sized businesses in the host communities to grow, develop and sustain in the years ahead despite the effects from mining. The aim of the LBED programme is targeted business development interventions in Dalanzadgad, Khanbogd, Bayan-Ovoo and Manlai *soums*, to encourage the establishment of new enterprises and expansion of the existing business operators by implementing specific training and technical assistance programmes and market access activities.

Reasoning and approach: The influx of job seekers - coupled with the influx of workers - by satisfying their need for shelter, food and other necessities, will stimulate an economic “boom” in the Project Area of Influence. This growth can be a significant, positive, and long-term benefit for Project Area communities. It will, however, also lead to local inflation in the prices for key goods and services, especially food and shelter. A rise in cost of living for locals contributes to jealousy, social tensions, competition and an increasingly hierarchical system that they may be experiencing for the first time.

A primary challenge is to ensure this economic stimulus catalyses community based economic activity in the Project Area of Influence that can endure beyond the boom years, and also limit the incentive for speculative in-migrants to come and stay in the area.

The main strategy of the programme will be promoting economic diversification and sustainable livelihoods to lay the foundation for the economic sustainability of the community beyond the mine life. The programme will evaluate and make strategic investments in programmes to build entrepreneurial capacity, strengthen existing business and livelihood capacity and create new opportunities for business development not tied to the mining industry. The LBED programme will have the following broad objectives:

- Economic development projects for resettled and economically impacted families;
- To assist herders in commercializing their activities and diversifying their income;
- To assist herders and herder groups in planning and effective use of pastureland;
- Initiate income generation programme for vulnerable groups and women in direct impact area;
- To develop and strengthen businesses in the target areas; and
- Promote community-initiated business development initiatives.

The SME sector will require carefully designed technical intervention given the complexity and hardship of the current environment. It will be critical for Oyu Tolgoi economic and business support initiatives to direct efforts to skills improvement, product development, market linkages, access to finance and technology, enhancement of competitiveness, and capacity building of managers and employees of the companies, producers and herding enterprises. Whilst the focus of this programme will be on diversified economic growth, it will be strongly linked to the comprehensive Supplier Development Programme also being implemented by the Company.

Design and implementation: Design of the LBED programme is being conducted by Oyu Tolgoi. Details of the LBED programme including its goal, reasoning and approach, priority activities, expected outcomes and implementation mechanism were finalised in mid-2011. The component parts of the LBED programme will be contracted to Mongolian organisations (and international if required) in accordance with Oyu Tolgoi procedures for procurement practice. The 2011 budget estimate for the LBED programme is US\$270,000, the bulk of which has been used for business loans. The budget for 2012 is a further US\$300,000 of which the majority will be used to provide direct business support and loans to local businesses.

Recognising that full design and implementation of the LBED programme will take some time, Oyu Tolgoi has developed an initial Regional Development Plan to identify mitigation measures that require priority implementation. The Resettlement Action Plan is also in place and will be implemented to ensure that economically displaced herders are provided with livelihood restoration/continuation and other support measures on a priority basis.

Priority Local Economic Measures

Oyu Tolgoi is committed to implement the following measures to support local people to cope with any rise in the cost of living, and to minimise social tensions that may result from a changing and increasingly hierarchical economic environment:

- **Livelihood improvement for physically/economically displaced herders:** Oyu Tolgoi is committed to implement the *Resettlement Action Plan* for developing livelihood skills for local herders affected by land acquisition and related impacts. Though developed primarily for those being physically and/or economically displaced by the Project, these will also be made available to other herders through the regional community development programme in the longer term. These measures will include employment with the Project, training, and upgrading and diversifying local economic activities with the objective of enabling local people to capture a greater share of the value in the “product chain”.
- **Local labour and skills training:** Oyu Tolgoi has actively recruited available labour from Khanbogd, Bayan Ovoo and Manlai *soums* (over 800 local people are employed with the Project as at October 2010). Oyu Tolgoi will provide continued skills training to allow workers to advance in their job responsibilities. Oyu Tolgoi is committed to consider enhancing workers’ education beyond trade skills – from basic education to managerial expertise (e.g. an MBA). The Company will make sure the skills that workers acquire are transferable trade skills that can be applied to new opportunities when the Project is completed.
- **Establishment of banks at camp to reduce inflationary impacts:** Interaction between camp residents and local communities is extremely minimal during construction as camps are fully controlled, however this interaction will increase over time as the long-term operational-phase housing model is implemented. Oyu Tolgoi provides meal provisions for all people at work sites. The mine site also has a programme to prevent unduly high cash injection into local economy which would disrupt the local economy and induce local inflation. Oyu Tolgoi has facilitated the establishment of two Mongolian banks at the mine site (Khaan Bank and Golomt Bank). All employee salaries are paid directly into bank accounts and are not paid directly in cash. The development of permanent off-site accommodation in Khanbogd during the operations phase will require further measures to be developed, based on experience gained, to minimise local inflationary impacts.
- **Contractor performance:** Oyu Tolgoi will require its contractors to adhere to applicable Oyu Tolgoi policies and standards.
- **Local agricultural activities:** Oyu Tolgoi supports local agriculture through initiatives such as local procurement plans, training programmes in more effective agricultural practices, direct investments in local agribusiness, micro-finance schemes, and setting up contracts with suppliers that are for a time period that is long enough to give the suppliers confidence to make investments that will increase production. Ongoing consultation with the agricultural producers will help to prioritise potential areas of support, and early disclosure of local procurement plans will give agricultural producers more confidence to invest in expanding their production. However, major increases in production are only likely in the long-term. Oyu Tolgoi is committed to help herder households to form groups, cooperatives and formal businesses to commercialise

their traditional activities and diversify their income sources in order to operate under changing economic and environmental conditions.

- **Savings schemes for workers:** Oyu Tolgoi has set up savings schemes for workers to encourage good fiscal practice and discourage payday spending on alcohol, drugs or prostitutes. This will build a more financially sound and healthier workforce. In the case of workers away from their hometowns, it will also ensure the proper transfer of remittances. Responsible savings practices are especially important for temporary workers where earnings will have to sustain a family after the job is finished.
- **Rules regarding worker families:** Oyu Tolgoi does not allow workers to bring families to the camp. This will limit the cash injection into local economy. The Khanbogd housing model will include provision for families but will be coupled with infrastructure, service and economic developments to improve the local economy and enable residents to cope with price increases and other economic impacts.
- **Regional growth strategy:** Oyu Tolgoi is committed to encourage the spending of taxes and other public revenues from the Project on non-project related industry development around the wider region. This will be promoted through the LBED programme, and engagement with the Southern Gobi Regional Development Council. Emphasis will be placed on industrial diversification and expansion. Combined with government capacity building, promotion of realistic job availability expectations and the spread of support facilities around the region, this effort will dilute the influx to the Project, while generating long-lasting economic growth throughout the region.
- **Monitor housing prices:** Oyu Tolgoi is committed to track housing prices in the Project Area of Influence, and will work with other stakeholders through the SGRDC as necessary to address the emergence of housing-related vulnerabilities (e.g. homelessness). Oyu Tolgoi is committed to take actions accordingly to support vulnerable families, such as through community development and educational programmes.
- **Communal resources:** With regard to increased pressure on existing communal resources, Oyu Tolgoi is committed to support efforts to increase community integration (for example by the provision of a piped water supply and permanent power supply to all Khanbogd residents) and enhance, at the community level, capacities to plan and implement resource management programmes (for example through pastureland management initiatives as described in *Chapter C10: Land Use and Displacement*). The Project's workforce Code of Conduct in the Community will, moreover, proscribe encroachment on communal lands and resources.

16.9.8 Access Control Programme

As Access routes from Ulaanbaatar to Oyu Tolgoi are limited, Oyu Tolgoi uses air transport for employees and some of the Project needs. Access to the site from China is also currently limited to an unpaved road but this is being upgraded and surfaced by Oyu Tolgoi. The Oyu Tolgoi to Gashuun Sukhait paved road will be entirely within Khanbogd *soum* all the way to the border with China. It therefore does not open up the local area to other *soums* or provinces. In the short-term, influx from Chinese nationals into Mongolia is not expected.

Oyu Tolgoi has direct control over its own facilities which include the Project mine site and everything in the Mine Licence Area, e.g. all mine/mill areas, staff quarters, and worker camps, as well as the airport and any other temporary work sites that may be required. Access control measures are as follows:

- The majority of camps are located within the Mine Licence Area, and other satellite camps which will be used temporarily are outside the boundaries of the *soum* and *bagh* centers, and away from settlements, and culturally or ecologically sensitive sites. Four temporary construction camps will be used for construction of the Oyu Tolgoi/Gashuun Sukhait road, transmission line and water supply pipeline. On completion of construction, these camps will be removed and the camp area rehabilitated;
- The Mine Licence Area will be fully fenced by the start of operations and all of these facilities have controlled access. There are two access gates into the mine site and these are controlled by security personnel and an entry management system;

- The Permanent Airport site in Khanbogd *soum* is fenced and managed by Oyu Tolgoi until such time that it will be handed over to the Omnogovi *aimag* authorities after the construction phase has been completed⁴¹. At this time the local authorities will have a vested interest in controlling any land in and around the airport site for safety and security reasons. Oyu Tolgoi will provide appropriate capacity-building support and additional staff to ensure that the local authorities have the capacity to manage this at the appropriate time;
- One worker camp is located in Khanbogd *soum* centre. This is operated by the Oyu Tolgoi camp management contractor, CIS⁴², and the camp houses up to 200 catering and cleaning staff, who are all Mongolian nationals and mostly female. The camp is gated with a 24 hour security guard, and adopts procedures and security measures which are equivalent to, and in accordance with, those applied in Oyu Tolgoi camps. Issues relating to the CIS camp (conflict, harassment, security concerns) are described in *Section 12.3.6 of Chapter C12: Community Health, Safety and Security*. Issues/grievances in relation to the CIS camp are described in detail in this section; and
- Four temporary construction camps (containing up to approximately 3,000 personnel in total, and in use for up to 18 months) will be required for upgrading the road, construction of the power transmission line and construction of the raw water transmission line. These will be fenced and then decommissioned and the land rehabilitated after use.

The various exclusion zones and no-go areas will be managed and controlled by the Oyu Tolgoi Security Department. A comprehensive *Security Plan* will be implemented by Oyu Tolgoi. Oyu Tolgoi will ensure that there are sufficient security forces for the Project. The security plan accepts that there is limited security presence over the entire area of influence of the mine, and that security measures are, and will continue to be, applied in accordance with the Voluntary Principles (see *Chapter D18: CHSS Management Plan*). As far as security related to Oyu Tolgoi assets and facilities is concerned, this is the responsibility of the Oyu Tolgoi Town Mayor (who is an Oyu Tolgoi employee) and not the *soum* governor, other local official or the local police force. Notwithstanding this arrangement, there is already close liaison between the Oyu Tolgoi security services and the *soum* government and local police force. There is an Oyu Tolgoi safety and security office permanently assigned to the Oyu Tolgoi Community office in Khanbogd *soum* centre who is in frequent discussions with the *soum* government and local police on security and safety matters. While the capacity of local government to manage security in the context of a growing population is currently limited, continued and intensified on-site capacity building and training of this nature will help build the capacity of local government and local security agencies.

While these measures will safeguard influx encroaching on the mine site, main construction camps and airport facilities, Oyu Tolgoi is less able to control the immediate environs in and around the Oyu Tolgoi to Gashuun Sukhait road, which will eventually (on handover) form part of the national road system.

Priority Access Control Measures

Oyu Tolgoi is committed to implement the following priority measures to control access at work sites and implement security requirements:

- **Camp/worker accommodation locations:** Oyu Tolgoi consulted with the Khanbogd *soum* authorities and Javkhlant *bagh* community about location of temporary camps along the Oyu Tolgoi to Gashuun Sukhait road for road construction and power transmission line works, and with Khanbogd *soum* and other communities as required, for the camps required for the water transmission main. Oyu Tolgoi will also discuss with Khanbogd *soum* and other authorities as appropriate the plans for long-term housing development for the operational workforce;
- **Site access:** All relevant facilities will be fenced and the fencing maintained regularly by the Project. Access to and from sites is strictly controlled by an identification system. Families are not permitted at any work sites;

⁴¹ An adjacent temporary airstrip is also fenced. Once the Permanent Airport has been completed, the temporary airstrip will be decommissioned, the site rehabilitated and returned to pastureland and the fence will be removed.

⁴² See *Chapter D18: Community Health, Safety and Security Plan* for management issues associated with the CIS camp.

- **Site security:** Oyu Tolgoi will ensure sufficient security forces for the Project. Site security is contracted to a security company and this organisation is audited by Oyu Tolgoi; and
- **Discourage settlement at work sites:** The Company will work closely with local government to discourage the establishment and growth of informal “service” centres and fence line communities near camps or at any other work sites. Oyu Tolgoi will report any evidence of informal settlement to the *soum* authorities, although a number already exist along the existing coal road.

16.9.9 Community Health, Safety and Security

Oyu Tolgoi has developed a Community Health, Safety & Security Programme (CHSSP) that aims to address both the potential community health and safety impacts from the Project, as well as improve the overall health and development of local communities. The CSP Department of Oyu Tolgoi is committed to implement this programme, with support from construction, health, safety and security teams.

Goal: Oyu Tolgoi will design and implement a CHSSP that aims to: (i) minimise and mitigate, to the greatest extent possible, health, safety, and security impacts directly and indirectly stimulated by Oyu Tolgoi operations; (ii) measurably improve health, safety and security service delivery, capacity, and indicators in the target area; and (iii) complement and build upon existing Oyu Tolgoi Health, Safety, Environment & Security policies, standards, knowledge and best practices pertaining to employees and contractors, and extend such standards to local stakeholders where appropriate and feasible.

Reasoning and approach: The CHSSP will be closely informed by the Oyu Tolgoi environmental and social impact assessments and other previously completed research that identifies key Project threats in the area of health, safety and security. Such threats include, but are not limited to, increases in communicable and non-communicable disease transmission, human trafficking, drug/alcohol abuse, domestic violence, personal injury, occupational safety, traffic safety, changes in living conditions and environmentally-linked threats, diet, access to health services, food safety issues, etc.

The CHSSP aims to promote public health, safety and security awareness through educational training and outreach, improve the capacity of health, safety and security organisations and professionals, upgrade health service quality and accessibility within the direct and indirect impact areas of the Oyu Tolgoi Project. The programme will put forth recommendations for Oyu Tolgoi policies and procedures that are internal, yet externally-oriented, and which aim to minimise and mitigate potential health, safety and security impacts in surrounding communities.

The CHSSP will be characterised by a health systems approach, and will closely consider the six building blocks of health systems as defined by the World Health Organisation (WHO), which include: service delivery; health workforce; information; medical products, vaccines and technologies; financing; and leadership/governance. Because the public sector plays a critical role in health systems, the CHSSP will be complimentary with existing and planned Government of Mongolia-led initiatives and policies, and to an appropriate degree with non-governmental and donor-funded projects including those of the World Bank, Asian Development Bank (ADB), Millennium Challenge Account (MCA), and United Nations Development Programme (UNDP), and major NGOs.

The CHSSP aims to have a strong emphasis on sustainability, and will closely involve relevant public-sector agencies and institutions, such as the Ministry of Health, *aimag* health department, *soum* hospitals, and the State Inspection Authority.

Design and implementation: Design of the CHSSP was awarded in early 2010. A Mongolian based consultancy is in the design and planning phase. The design of the CHSSP consists of two phases:

- Phase 1: Completion of a Health Impact Assessment (HIA), HSS baseline subset and threat/opportunity/gap analysis that shall inform the subsequent development of the CHSSP; and
- Phase 2: Development of a long-term Community Health, Safety & Security Programme (CHSSP) framework and implementation plan in collaboration with the CSP team.

After the CHSSP is designed, Oyu Tolgoi intends to implement the programme in partnership with government, civil society, and private sector institutions and actors, i.e. an “Implementing Consortium.” Further details of the CHSSP including its goal, reasoning and approach, priority activities, expected outcomes and implementation mechanism are contained in the strategy paper in Annex A. The budget for the CHSSP is \$400,000 US Dollars for 2011 (US\$700,000 in total for Phase 1 and Phase 2).

Recognising that full design and implementation of the CHSSP will take some time, Oyu Tolgoi has developed an initial Community Health, Safety & Security Plan to identify mitigation measures that require priority implementation. The priority measures that are included in this plan and will be implemented by Oyu Tolgoi to help manage Project induced in-migration are described in the following sections.

Priority Health Measures

Oyu Tolgoi is committed to implement the following measures to support improvements to existing health facilities and provisions so they can cope with Project induced in-migration, and conduct education and training for local communities to prepare them for existing and changing health and safety conditions:

- **Worker health programme and education:** The Project has a *Worker Health & Safety Plan* and rigorous HSE procedures for all Project activities. Oyu Tolgoi intends to implement a comprehensive worker health programme, including pre-arrival health checks and inoculations, regular check-ups, alcohol and drug testing, and distribution of condoms. All workers and contractors are part of this programme and it will be extended to subcontractors wherever required;
- **Community health programme and education:** Work with government to implement the community health programme including inoculations, regular check-ups, and distribution of condoms. Work with government and civil society to launch health education campaign targeted at key public health issues in Khanbogd, Bayan Ovoo, Manlai and Dalanzadgad *soums*. Use experienced health development specialists and appropriate government agencies to design and implement culturally appropriate, accessible public health education materials and presentations, including peer counselling, workshops, television, radio, theatre and other media;
- **Communities health facilities upgrade:** Oyu Tolgoi aims to continue to identify and implement opportunities to improve existing health infrastructure in the local area – including repairs to and expansions of existing facilities and procurement of new equipment (to improve monitoring capacity), and expand local clinic networks in *soums* as required;
- **Capacity building of health professionals:** Oyu Tolgoi aims to continue to build the capacity of staff at local health facilities (i.e., training doctors and nurses) and provide support/funding to attract health professionals to the area. Oyu Tolgoi has implemented a comprehensive 5-year Doctor Sponsorship programme and several other capacity building initiatives in the local area; and
- **Communicable diseases management:** Oyu Tolgoi intends to develop a clear *Communicable Disease Management Plan* to cover Oyu Tolgoi and contractor personnel, host communities, truck drivers/transportation workers, commercial sex workers and other high risk groups. Oyu Tolgoi will require monitoring of Company and contractor recruitment health screening practices to ensure that HIV/AIDS testing requirements are consistent with current Mongolian law and good international practice. Oyu Tolgoi intends to engage an experienced national NGO to develop a systematic induction and ongoing STI/HIV/AIDS awareness programme for all Oyu Tolgoi and contractor personnel, as well as families and local communities. The programme will be coordinated with government, include training of medical practitioners and other health care workers and monitor STIs and HIV/AIDS in the Project Area.

Priority Traffic Safety Measures

With the development of an improved road network relating to the Oyu Tolgoi Project there will be an increase in local/regional traffic which may increase the risk of accidents. To mitigate these potential risks Oyu Tolgoi is committed to implement under its *Transport Management Plan* the following measures:

- **Transport contractor monitoring:** Oyu Tolgoi will require the monitoring of contractor drivers' use of seatbelts and vehicles entering Project facilities for roadworthiness, and ensure compliance;
- **Traffic education programme:** Implement a comprehensive Road Safety awareness programme for the general population regarding road safety, and driving best practice. Undertake awareness programmes in schools regarding road safety using a broad range of innovative techniques, including competitions;
- **Traffic information campaign:** Provide timely information to local people on changes in traffic patterns and traffic safety either directly or through community committees/NGO; and

- **Traffic management provisions:** Oyu Tolgoi will provide support to local police particularly related to traffic along the Oyu Tolgoi to Gashuun Sukhait road. This will include provision of road safety signage and systems to help monitor and manage traffic along the Oyu Tolgoi to Gashuun Sukhait road (and potentially in other areas of Project activity if required).

Priority Security & Law and Order Measures

Population influx will pose challenges for the maintenance of law and order in the Project Area of Influence. Oyu Tolgoi recognizes that ultimate responsibility for maintenance of law and order rests with national and local authorities and that it can only support these agencies.

Oyu Tolgoi is committed to implement the following measures to abide with and support provisions for policing and general security in the Project Area:

- **Involve local authorities in security management:** Oyu Tolgoi intends to implement its *Security Plan* with input from local police and authorities. The *Security Plan* will define how security personnel are to interact with local residents as well as incomers; and
- **Use of force/security personnel interaction with citizens:** Oyu Tolgoi intends to develop and implement a procedure that defines requirements with respect to use of force for its security personnel. Oyu Tolgoi uses a contracted security firm to provide site security at the Oyu Tolgoi mine. The Company will conduct applicable assessments and apply applicable standards to any individual or company it sub-contracts for such activities to ensure they meet international requirements with respect to use of security forces.

Priority Measures to Manage Social Ills and Conflict

Oyu Tolgoi is committed to implement the following measures to minimise the increase of social ill and social conflict as a result of worker and opportunistic influx:

- **Human trafficking:** Oyu Tolgoi aims to conduct further investigation of the potential for the Project to impact on human trafficking in Mongolia and in particular in the South Gobi province. If potential impacts are identified, Oyu Tolgoi will undertake a human trafficking risk assessment to assess the risks of both internal and cross-border trafficking and identify measures to address these issues. Develop community awareness training/outreach programmes about the potential for human trafficking and implement within local communities and within Dalanzadgad;
- **Worker code of conduct:** The Camp Policy and Code of behaviour controls workers' behavior in and around the camp (alcohol and drug consumption, hiring of prostitutes) and sets clear rules in the camp regarding outside visitors (no visitors or families are allowed). There is a strictly controlled policy toward alcohol, with designated times, places and amounts for alcohol consumption set;
- **Worker education about alcohol/drugs:** Educate workers about the dangers of alcohol and drug addiction and the impact of sexually transmitted diseases;
- **Random worker alcohol/drug tests:** Conduct random testing among workers for alcohol/drug consumption. Zero tolerance will be enforced for alcohol abuse on the job;
- **Worker recreation:** Provide recreational/religious facilities and a moderate amount of alcohol at camp to discourage workers from seeking these in town;
- **Incident reporting:** The Community Complaints Procedures is in place and can be used to report incidents, impressions, comments and concerns within the local community; and
- **Community education:** Educate the community about the dangers of alcohol and drug addiction and the impact of sexually transmitted diseases.

16.9.10 Community Education and Mobilisation

Community education programmes and mobilisation are central to implementation of all of the programmes described in this Management Plan. To this end, Oyu Tolgoi is committed to implement the following:

- **Conduct community preparation and awareness training:** Oyu Tolgoi will conduct community education programmes with Khanbogd, Dalanzadgad, Bayan Ovoo and Manlai residents

(including communities along major transport routes, herders and pastoralists in the vicinity of major works areas and settlements). These programmes will cover the following:

- Information about the kinds of Project activities, impacts and mitigation;
 - Clear information about any job opportunities and how they will be awarded;
 - Road safety, including a specific road safety awareness programme targeting school children;
 - Communicable disease/HIV/AIDS awareness;
 - Need to secure homes & possessions against increased crime;
 - Social risks (alcoholism, drugs, domestic violence, risk of unwanted pregnancy, etc);
 - Human trafficking awareness;
 - Process for making a complaint and contacting the Project; and
 - Oyu Tolgoi sponsored community benefits programmes to be conducted during the construction phase.
- **Public and NGO partnerships:** Oyu Tolgoi is committed to partner with local and national authorities, NGOs and community members in designing any community structures or development. Programmes to ensure that these entities feel ownership of them and will sustain them in the long run; and
 - **Target emergent social problems:** Convene participatory forums to target emergent social problems and will identify issues by incorporating monitoring for problems related to abuse of drugs, alcohol, domestic violence and presence of sex workers into the Project social monitoring programme. The *soum*-level Local Advisory Groups will be used as an initial forum to discuss these issues.

16.9.11 Managing Community and Government Expectations

Managing community expectations is considered a key part of the Oyu Tolgoi Project community relations process. Many South Gobi people's understanding and expectations of large mine development are based on the Erdenet copper mine, a socialist era development started in the mid 1970s, that evolved into a large city (estimated pop. 83,000).

Oyu Tolgoi's assistance some years ago towards preparation of a master plan for Khanbogd *soum* centre has heightened the expectation in many local people's minds that the Company will develop a new town. This is in spite of the Project's best efforts to communicate that it will not be responsible for implementing the master plan. The Khanbogd population and *soum* leadership has high expectations that the master plan will be realised.

Oyu Tolgoi recognises the need to implement a carefully conceived communications strategy in order to manage the expectations of the community.

An action being undertaken in this regard is the development of an agreement with government on the roles and responsibilities for delivering local and regional development. Oyu Tolgoi seek to negotiate a multipartite agreement or Division of Responsibilities (DoR) between the Company, *soum*, *aimag* and central governments, to clearly define respective roles and responsibilities for providing infrastructure and services in host communities, and clearly defining the limits of Oyu Tolgoi's contribution.

Oyu Tolgoi is committed to develop and implement a clear communications strategy directed at reframing expectations of the public and government with respect to the level of infrastructure contributions that Oyu Tolgoi expects to make.

The Company is also committed to implement a civil society and NGO engagement programme to foster wider dialogue on respective roles of the non-government, private and government sectors with respect to development of the south Gobi. To that end, Oyu Tolgoi is conducting a "visioning" exercise in the Project Area to identify future development scenarios and to work with stakeholders to develop consensus views on how best to anticipate and respond to future developments.

16.10 GRIEVANCE MANAGEMENT

Effective and timely response to community complaints is essential for maintaining good community relations, and this includes potential issues related to influx and associated problems. The Oyu Tolgoi community complaints procedure will be used to alert the Project to any influx related issues within local communities.

Oyu Tolgoi will be involved in any resolutions related to Project induced in-migration and will seek involvement of the SGRDC where required. Oyu Tolgoi intends to report any evidence of informal settlement to the *soum* authorities.

Table 16.9: Schedule, Implementation Process and Key Performance Indicators for Influx Management Plan

ID	Topic/Aspect	Applicability/Activity	Objective/Key Performance Indicators	Responsible Parties	Timescale
R01	Unemployment	Residents of Khanbogd	<p>Objective: Unemployment of women and men residents of Khanbogd does not increase during the construction phase (that is, influx does not outstrip employment opportunities)</p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> % registered unemployed to working age population of Khanbogd <i>soum</i> (disaggregated by gender). 	Communities and Social Performance Team	Monitored monthly during construction phase 1 as local government statistics allow
R02	Electricity	Residents of Khanbogd	<p>Objective: Numbers of consumers of electricity / hours of power cuts per consumer per month does not increase (which would indicate the negative impact of increased demand for power). Applicable until power supply improved by project.</p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Total number of households connected to electricity supply. Total hours per month of power cuts / number of households connected to electricity supply does not increase. 	Communities and Social Performance Team	Monitored monthly as figures are available from Khan Diesel
R03	Education	Residents of Khanbogd	<p>Objective: Number of school children in classes does not increase beyond the Ministry of Education norms (which would indicate the negative impact of the influx on the local population)</p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Total number of school children registered. Average school class size as percentage of Ministry of Education norm for class size does not increase from baseline (or decreases from baseline if baseline is over 100%). 	Communities and Social Performance Team	Monitored every semester
R04	Community Health	Residents of Khanbogd	<p>Objective: Incidence of communicable diseases per 1000 inhabitants (residents only) does not increase in effected <i>soums</i></p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Number of communicable diseases per 1000 inhabitants does not increase. 	Communities and Social Performance Team Local medical facilities	Monitored quarterly throughout construction and operational phases
R05	Local employment	Labour force in effected <i>soums</i>	<p>Objectives: Proportion of women and men from effected <i>soums</i> employed as unskilled workers in Oyu Tolgoi remains the same as October 2010 or increases</p> <p>Number of women and men from effected <i>soums</i> employed as skilled workers in Oyu Tolgoi increases from October 2010</p>	Human Resources	Monitored quarterly

ID	Topic/Aspect	Applicability/Activity	Objective/Key Performance Indicators	Responsible Parties	Timescale
			<p>Number of women and men from effected <i>soums</i> employed as skilled workers in non-Oyu Tolgoi enterprises increases from June 2012</p> <p><i>Strategy 1 Local recruitment</i></p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Number of people from Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad <i>soums</i> employed as unskilled workers by Oyu Tolgoi (also disaggregated by gender) remains the same as October 2012 increases. Number of people from Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad <i>soums</i> employed as skilled workers by Oyu Tolgoi (also disaggregated by gender) remains the same as October 2012 increases. Number of people from Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad <i>soums</i> employed as skilled workers by Oyu Tolgoi suppliers under the South Gobi Supplier Development Policy (also disaggregated by gender) remains the same as October 2012 increases. 		
R06	Minimise negative impacts	Residents of Khanbogd	<p>Objective: No increase in serious crime⁴³ reports per 1000 inhabitants (residents + workers)</p> <p><i>Strategy 1 Local recruitment</i></p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Number of registered serious crimes in Khanbogd <i>soum</i> per 1000 inhabitants does not increase. 	Oyu Tolgoi Town Mayor Soum Governor Soum police department	Monitored quarterly
R07	Khanbogd <i>soum</i> centre bulk infrastructure and services	Residents of Khanbogd	<p>Objective: Establish and make operational bulk infrastructure in Khanbogd <i>soum</i> centre as per government approved designs:</p> <ul style="list-style-type: none"> Power Water Khanbogd – Oyu Tolgoi road <p><i>Strategy 2 LRPI</i></p> <p>Key Performance Indicators:</p>	Regional Development Department team Oyu Tolgoi Town Steering Committee	15 Nov 2012 15 Nov 2012 15 Nov 2013

⁴³ As defined under Mongolian law or practice

ID	Topic/Aspect	Applicability/Activity	Objective/Key Performance Indicators	Responsible Parties	Timescale
			<ul style="list-style-type: none"> Power supply to Khanbogd from Oyu Tolgoi installed and operational. Water supply for Khanbogd and reticulated supply system installed and operational. Oyu Tolgoi to Khanbogd road maintained by Oyu Tolgoi. 		
R08	Worker's housing developed near Khanbogd	Oyu Tolgoi employees and families Employees and families of sub-contractors, suppliers and other businesses and of local entrepreneurs	Objectives: Prefeasibility studies approved Feasibility Study approved Completion of supplementary ESIA Housing units completed as per feasibility study <i>Strategy 3 Housing</i> Key Performance Indicators: <ul style="list-style-type: none"> Prefeasibility studies approved by Q3 2012 	Regional Development Department team Oyu Tolgoi Town Steering Committee Government and community Oyu Tolgoi Town and Business Park Project Team	Q3 2012 Monitor quarterly from Q3 2012
R09	Industrial Zone	Local business developed Quality of employment opportunities for local residents improved	Objectives: Prefeasibility studies approved Feasibility Study approved Completion of supplementary ESIA Industrial zone built M2 occupied and producing increases to and sustains at a level of at least 80% of total developed area Employment of nationals in national/international collaborative ventures increase in line with annual plans from 2013 (desegregated by skilled/unskilled, and female/male) from a baseline set in 2012 <i>Strategy 4 Local Supplier Development</i>	Human Resources Communities and Social Performance Team Procurement: Local Supplier Development Team	Q3 2012 Monitor quarterly from Q3 2012
R10	Local supplier development	Local businesses	Objective: Value of goods as proportion of quarterly purchasing by Oyu Tolgoi which can be sourced locally increases (disaggregated by Ulaanbaatar, Southern Gobi and Khanbogd) Value of goods as proportion of quarterly purchasing by Oyu Tolgoi which are locally sourced increases (disaggregated by Ulaanbaatar, Southern Gobi and Khanbogd) These increases will be in line with annual targets set by Procurement and	Procurement: Local Supplier Development Team Regional Development Department team Aimag and National Chambers of	Monitor quarterly

ID	Topic/Aspect	Applicability/Activity	Objective/Key Performance Indicators	Responsible Parties	Timescale
			<p>Regional Development</p> <p><i>Strategy 4 Local Supplier Development</i></p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Value of Mongolian goods and services as proportion of quarterly purchasing by Oyu Tolgoi (disaggregated by Ulaanbaatar, Southern Gobi and Khanbogd) increases in line with annual targets set by Procurement and Regional Development. Value of Mongolian goods and services as proportion of quarterly purchasing by Oyu Tolgoi (disaggregated by Ulaanbaatar, Southern Gobi and Khanbogd) increases in line with annual targets set by Procurement and Regional Development. 	Commerce	
R11	Access Control Measures	Khanbogd residents and Oyu Tolgoi workers	<p>Objectives:</p> <p>Serious incidents⁴⁴ are reported to the proper authorities, dealt with appropriately and lessons learned incorporated into Oyu Tolgoi practice</p> <p>Number of fenceline structures does not increase from 2012 baseline</p> <p><i>Strategy 5 Access control</i></p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Number of serious incidents reported by Oyu Tolgoi 10% of serious incident reports completed by Oyu Tolgoi Number of external "fenceline" structures does not increase from 2012 baseline. 	<p>Oyu Tolgoi Town Mayor</p> <p>Oyu Tolgoi Security Department</p> <p><i>Soum</i> Authorities</p> <p>Regional Development Department team</p>	Assessment of quarterly reports from Oyu Tolgoi Security department
R12	Local Business and Economic Development	Local Khanbogd and Omnogovi businesses and employees	<p>Objectives:</p> <p>Number of SMEs established increase from 2012 (disaggregated by effected <i>soums</i> and Southern Gobi; using 2012 as a baseline also disaggregated by new and continuing to exist)</p> <p>Number of persons employed in SME's increase from 2012 (disaggregated by effected <i>soums</i> and Southern Gobi)</p> <p><i>Strategy 6 Local Business and Economic Development</i></p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Number of SMEs established and registered in Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad <i>soums</i> and Omnogovi <i>aimag</i> 	<p>Regional Development Department team</p> <p>Procurement: Local Supplier Development Team</p>	<p>Monitor quarterly</p> <p>Annual statistical survey</p>

⁴⁴ As defined by Rio Tinto standards

ID	Topic/Aspect	Applicability/Activity	Objective/Key Performance Indicators	Responsible Parties	Timescale
			<p>(disaggregated by new and existing businesses) increases from 2012 baseline.</p> <ul style="list-style-type: none"> Number of persons employed by SMEs established and registered in Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad <i>soums</i> and Omnogovi <i>aimag</i> (disaggregated by new and existing businesses) increases from 2012 baseline. 		
R13	Increase of population in effected <i>soums</i>	Residents of Khanbogd	<p>Objective: From the <i>soum</i> authorities and through direct monitoring by Oyu Tolgoi's Khanbogd-based communities team, Communities and Social Performance Team will collect data on the number of registered and unregistered incomers to the effected <i>soums</i>.</p> <p>Key Performance Indicators:</p> <ul style="list-style-type: none"> Number of registered and unregistered incomers to Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad <i>soums</i>. 	Communities and Social Performance Team <i>Soum</i> authorities	Monitor monthly

16.11 ROLES & RESPONSIBILITIES

Overall responsibility for the implementation of the Influx Management Plan shall rest with the **Oyu Tolgoi Chief Executive Officer**. Day-to-day responsibility for the implementation of this Management Plan shall be by the **Oyu Tolgoi Manager, Regional Development** who shall be responsible for ensuring that these policies, procedures and plans are integrated into the department's overall operations, plans and programmes. The influx management and mitigation actions set out in this Plan will be integrated into the development process for all Project facilities, including the new airport, water supply pipeline, Oyu Tolgoi to Gashuun Sukhait road and high-tension power line and also with other related initiatives, such as pastureland management and monitoring of influx across the Project Area.

Other stakeholders with specific responsibilities in managing the Plan include:

- **The Oyu Tolgoi Vice-President Commercial**, who shall support the Oyu Tolgoi Project Manager in ensuring that these procedures and requirements are implemented for all land acquisition processes;
- **The Aimag government and Influx Coordination Working Group of SGRDC** who are responsible for coordination of, and support to, influx management in the region; and
- **Contractors** who shall be responsible for ensuring that these procedures and requirements for land acquisition and labour management are implemented during the construction phase prior to land disturbance activities.

The **Oyu Tolgoi Manager Community Relations** is responsible for managing community relations and social performance commensurate with achieving the Project social performance objectives through the allocation of appropriate resources and training, and by personnel involvement in encouraging awareness and personal accountability. The Oyu Tolgoi General Manager Community Relations will be accountable for ensuring effective coordination with other departments in the execution of this plan, and in aligning functions within the Oyu Tolgoi Project to support successful implementation of this Plan.

The **Manager Regional Development** is responsible for the implementation of this Plan and will report on performance through the General Manager Community Relations. The Regional Development Superintendent will be responsible for coordinating activities under the other CSP programs and projects so as to support the Influx Management Plan objectives and implementation. In achieving this outcome, the Regional development Superintendent will be supported by:

- The Community Development Coordinator;
- The Local and Regional Planning and Infrastructure Programme Coordinator;
- The Community Health Safety and Security Programme Coordinator;
- The Local Business and Economic Development Programme Coordinator;
- The Oyu Tolgoi Town and Business Park Project Director;
- The Cultural Heritage Programme Coordinator; and
- CSP specialists and support staff as necessary.

Many of the outputs and outcomes to be achieved through the Influx Management Plan will be delivered through the core programmes of CSP as listed above. Resources required for plan implementation are defined in this Plan, and in the supporting core programs. However, the plan and supporting programmes will need to be both closely monitored (see below) and flexible, to be able to respond to changing conditions. Programme priorities, activities and budgets will need to be reviewed and revised on an annual basis to ensure effective implementation of this Plan, and thus achievement of plan objectives.

16.12 MONITORING AND EVALUATION

Monitoring Prediction of influx is an imprecise science and can be affected by many factors. Monitoring of influx numbers and of the impact of influx mitigation measures taken by Oyu Tolgoi and others will therefore be regularly carried out. Influx related monitoring procedures shall be as follows:

- The Oyu Tolgoi CSP Manager shall report on a monthly basis to the Oyu Tolgoi Managing Director on: (i) the occurrence of influx in the mine impacted communities; (ii) implementation

progress of this Influx Management Plan; and (iii) observed impacts of plan implementation. The outcome from the monitoring plan will be used to refine the plan itself as it rolls forward. Some of the parameters that will be incorporated into the monitoring programme include:

- Employment composition (local, provincial, national, expatriates);
 - Employment from each hire point;
 - New registrations in each *soum* in the review period;
 - Total number of in-migrants within each *soum* and locations of settlement;
 - *Soum* unemployment levels;
 - Orderliness of settlement (based on a controlled plan developed in accordance with the revised land-use and master plans);
 - Access to basic infrastructure (water, heating and electrical power);
 - Effective management of waste water and solid waste;
 - Fire safety etc;
 - Any observed instances of spontaneous or uncontrolled settlement;
 - Evidence of conflict or tensions with or within host communities;
 - Cost of living (perhaps through pricing of a standard basket of staple goods, rental prices, fuel prices, replicate surveys of household income & expenditure);
 - Cases of hardship amongst vulnerable households;
 - STIs, communicable disease reporting;
 - Evidence of social ills – problems with alcohol, drugs, gambling, prostitution;
 - Crimes, incidents, convictions and evictions recorded by the local police; and
 - Any grievances related to influx.
- Some of these indicators are already, or will be, captured by Oyu Tolgoi, while others will need to be obtained from statistics and records kept by the *soum* and *aimag* administrations;
 - Each programme implemented by Oyu Tolgoi shall have its own specific monitoring and evaluation procedures; and
 - Local and regional communities and authorities shall participate in monitoring progress of each of the mitigation measures implemented through this Plan.

The Oyu Tolgoi CSP Manager shall be responsible for record-keeping related to this Plan.

Regular reporting shall be undertaken via the monthly CSP Department Report that shall be prepared and submitted to the Oyu Tolgoi Managing Director. Reporting shall include:

- A summary of activities undertaken during the reporting period;
- Any material deviations or non-compliances to this Management Plan;
- Planned activities during the next reporting period; and
- Any other issues of concern.

The monitoring carried out by Oyu Tolgoi will be supplemented through periodic monitoring by: (i) the *Aimag* Government; and (ii) the Influx Working Group of the Southern Gobi Regional Development Council (SGRDC). Oyu Tolgoi will prepare summary influx monitoring reports for submission to both the *aimag* government and the SGRDC. The *aimag* government will carry out its own periodic review of influx status through the Office of Policy Development of the *aimag* government and the state inspection commission. The influx working group for SGRDC will assist in coordinating influx management and mitigation between Government, Oyu Tolgoi and other investors in the region (and particularly Energy resources and the concessionaires of the proposed Tavan Tolgoi concessions).

Further information on social monitoring and reporting requirements and procedures is set out in Chapter D14: Stakeholder Engagement Plan, Chapter D15: Resettlement Action Plan and Chapter D17: Labour Management Plan.

Evaluation and Assessment

Rio Tinto has corporate requirements that will require the Oyu Tolgoi Project to monitor its compliance to the Rio Tinto community standards: these include the “Community Diagnostic” tool, and a “Site Managed Assessment” (SMA) to be performed every 3 years by a consultant from the Rio Tinto group. The first Rio Tinto SMA was completed for Oyu Tolgoi Project in 2008 and again in 2010; reports are available from the CSP Department. A further assessment is planned for 2012.

Other external evaluation of influx management will likely occur during the life of the Project and this will be determined as the Project progresses.