



Grant Assistance Report

Project Number: 41659
July 2008

Proposed Grant Assistance Mongolia: Poverty Reduction through Community-Based Natural Resource Management (Financed by the Japan Fund for Poverty Reduction)

CURRENCY EQUIVALENTS

(as of 30 June 2008)

Currency Unit	–	togrog (MNT)
MNT1.00	=	\$0.0008635
\$1.00	=	MNT1,158.12

ABBREVIATIONS

ADB	–	Asian Development Bank
BZC	–	buffer zone council
BZF	–	buffer zone fund
CBO	–	community-based organization
FY	–	fiscal year
GTZ	–	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German Agency for Technical Cooperation)
JFPR	–	Japan Fund for Poverty Reduction
JICA	–	Japan International Cooperation Agency
MNE	–	Ministry of Nature and Environment
NGO	–	nongovernment organization
NRM	–	natural resource management
ONBP	–	Onon Basin National Park
ORBC	–	Onon River Basin Council
PIU	–	project implementation unit
PMES	–	participatory monitoring and evaluation system
PMU	–	project management unit
RPRP	–	Rural Poverty Reduction Program
WWF	–	World Wide Fund for Nature

GLOSSARY

aimag	–	province
bag	–	subdistrict
khural	–	local government legislature
nukhurlul	–	forest users group
soum	–	district
zuud	–	severe winter

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2008 ends on 31 December 2008.
- (ii) In this report, "\$" refers to US dollars.

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JAPAN FUND FOR POVERTY REDUCTION (JFPR)
JFPR Grant Proposal

I. Basic Data

Name of Proposed Activity	Poverty Reduction through Community-Based Natural Resource Management
Country	Mongolia
Grant Amount Requested	\$2 million
Project Duration	4 years
Regional Grant	<input type="radio"/> Yes / <input checked="" type="radio"/> No
Grant Type	<input type="radio"/> Project / <input checked="" type="radio"/> Capacity building

II. Grant Development Objective(s) and Expected Key Performance Indicators

Grant Development Objectives: The Poverty Reduction through Community-Based Natural Resource Management Project (the Project) aims to promote sustainable natural resource management (NRM) and contribute to poverty reduction in rural Mongolia. These goals will be achieved through policy strengthening and implementation in support of sustainable NRM in the Onon River Basin at the basin, *soum* (district), and *bag* (subdistrict) levels, and by creating an enabling environment for community-driven poverty reduction. Specifically, the Project will (i) provide capacity building and resources to foster the development of effective environmentally-focused community-based organizations (CBOs) that will increase local stakeholders' input in NRM decisions, (ii) strengthen local government capacity and resources to effectively implement NRM policies, (iii) develop new or enhanced sources of livelihoods for poor households in protected areas and buffer zones through revolving funds and business development assistance for unsustainable extraction of flora and fauna from protected areas, and (iv) enhance environmental conservation planning and management in the Onon River watershed through investments in technical research and strategy development.

Expected Key Performance Indicators: (i) Poverty among households taking part in CBOs supported by the Project is reduced by 50%, extreme poverty among these households is decreased by 80%, and poverty among households headed by women is decreased by 30%; (ii) at least three Onon River Basin natural resource-based products are developed, and the domestic markets for these products are expanded to contribute to income generation of participating rural households; (iii) at least five CBOs in each of the seven target *soums* are developed and made operational (i.e., each CBO has an action plan, a monitoring and evaluation system, and well-managed and operating community revolving funds), and these CBOs are engaged in NRM and activities to add value to local natural resource-based and livestock products; (iv) a buffer zone council (BZC) and buffer zone fund (BZF) are established in all seven target *soums*; and (v) at least one CBO is developed as a model in implementing an NRM and conservation plan, and is effectively developing and promoting local natural resource-based products.

III. Grant Categories of Expenditure, Amounts, and Percentage of Expenditures

Category	Amount of Grant Allocated (\$)	Percentage of Expenditures
1. Equipment and Supplies	548,000	27.40
2. Training, Workshops, and Consultations	585,840	29.29
3. Staff and Consulting Services	499,600	24.98
4. Community Revolving Fund	186,000	9.30
5. Contingencies	180,560	9.03
TOTAL	2,000,000	100.00

JAPAN FUND FOR POVERTY REDUCTION (JFPR)

**JFPR Grant Proposal
Background Information**

A. Other Data

Date of Submission of Application	31 October 2007
Project Officer	C. Edmonds, Rural Development Economist
Project Officer's Division, E-Mail, Telephone	Agriculture, Environment, and Natural Resources Division, East Asia Department (EARD) cedmonds@adb.org Tel: +63 2 632 5737
Other Staff Who Will Need Access to the Report	M. Araki, Office of Cofinancing Operations; F. Mathew, Controller's Department; S. Ferguson, EARD; T. Goto, EARD; T. Ohmura, Regional and Sustainable Development Department
Sector	Agriculture and natural resources
Subsector	Environment and biodiversity
Themes	Environmental sustainability, inclusive social development, sustainable economic growth
Subthemes	Natural resources conservation, indigenous peoples, developing rural areas
Targeting Classification	Targeted intervention
Name of Associated Asian Development Bank (ADB)-Financed Operation(s)	TA 4359-MON: <i>Agriculture Sector Strategy Study</i> , for \$350,000, approved on 12 July 2004 (Document No. R122-04) Proposed Technical Assistance for Mongolia: Integrated Irrigated Agriculture and Water Management Project (formerly titled Environmentally Sustainable Rural Development), for Japan Special Fund financing of \$1,000,000, to be submitted for approval on September 2008
Executing Agency	Ministry of Nature and Environment
Grant Implementing Agency	Project Management Unit Ministry of Nature and Environment Mr. A. Namkhai General Director of Special Protected Area Administration Department Government Building 3 Baga toiruu-44 210526 Ulaanbaatar, Mongolia Tel: +976 11 267675 Fax: +976 11 321401

B. Details of the Proposed Grant

1. Description of the Components, Monitorable Deliverables and/or Outcomes, and Implementation Timetable

Component A	
Component Name	Building Local Institutions for Integrated Natural Resource Management and Poverty Reduction
Cost (\$)	\$561,426
Component Description	This component involves activities in four main areas: (i) establishment and strengthening of CBOs, (ii) establishment and support of BZCs and BZFs, (iii) development and capacity enhancement of the Onon River Basin Council

Component A	
	<p>(ORBC), and (iv) implementation of new policies on community-based and integrated NRM in the project area.</p> <p>A strong framework of local institutions will be developed to ensure the sustainability of community-based NRM and poverty reduction, as well as to facilitate effective collaboration in integrated NRM applied to river basin management, protected area management, and buffer zone management. New environmental legislation, including an April 2006 amendment to a law on environment protection and an April 2004 water law, provide the basis for new local institutions, such as <i>nukhurlul</i> (forest users groups) for community-based NRM and river basin councils for integrated watershed management. With project assistance, community-based NRM will be supported in building and maintaining social, physical, natural, and financial assets in order to develop sustainable livelihoods.</p> <p>The various institutions supported under the Project will be complementary by addressing community-based NRM at different levels (i.e., township level, <i>aimag</i> level, and at the river basin that extends over <i>aimags</i> and into neighboring countries). The ORBC will coordinate policy at the river basin level that spans several <i>aimags</i>. It will highlight issues of environmental planning, the need for coordinated policies among <i>aimags</i>, and the impacts created by the various initiatives. The BZCs, empowered with BZFs, will act to gather and communicate the concerns expressed by CBOs and will have modest resources to finance activities at the community level. The BZCs will also be the key contact between project and local government officials, who are expected to participate in and help direct the activities of the BZCs through the <i>soum khural</i> (legislative body). The CBOs participating in the Project will be the focus of capacity building and grassroots activities to involve herding families—particularly poor families—in local decision-making regarding environmental planning and resource use, as well as to provide the institutional mechanism through which small business and local community-development support will be channeled.</p> <p>To support various community-based NRM organizations, existing organizations and communities will be identified by local oversight committees led by <i>soum khural</i> representatives. Criteria for selection include potential to involve poor households in group activities, an organizational focus on natural resource and conservation goals, and potential for product development and marketing. Support in establishing and strengthening community organizations will be provided by a nongovernment organization (NGO) experienced in social mobilization through participatory appraisal and planning approaches, and existing in-country experiences in community organization. Community leaders and organizers with several years of experience in community organization for conservation and poverty reduction will be trained in experience-sharing and to act as local trainers and facilitators. <i>Aimag</i>-level NGOs will provide training to CBOs on legal processes, public participation, and civil and community rights and responsibilities.</p> <p>Inclusion of poor households in CBOs will be ensured, and collective action among poor households will be encouraged. Appropriate targeting will be ensured through social mapping involving local households—including target beneficiaries, <i>bag</i> governors, and <i>soum</i> social officers—and through reliance on lists of poor households maintained by <i>bag</i> and <i>soum</i> officials.</p>

Component A	
	<p>Buffer Zone Councils. In the <i>soums</i> surrounding the Onon Basin National Park (ONBP), the establishment of BZCs, which will be responsible for BZF administration, will be facilitated by the World Wide Fund for Nature (WWF), an international nongovernment organization that will be engaged to assist in implementation in close cooperation with ORBC, the Protected Area Division of the Ministry for Nature and Environment (MNE), and local governments. Experience-sharing activities between BZC members and protected area administration staff members will be organized as an important element of capacity building.</p> <p>Buffer Zone Fund Establishment. Revolving funds will be established under the BZF in all project <i>soums</i>. Batshireet and Omnodelger <i>Soums</i> are located in the buffer zone of Khan Hentiy Strictly Protected Area, while the remaining <i>soums</i> are in the ONBP buffer zone. The Project will contribute to these <i>soums</i> a total equivalent to about \$12,000 once the BZC has been established and the <i>soum khural</i> has committed cofinancing as required under the buffer zone law regulations. CBOs organized under this component will be the primary recipients of the support, but other stakeholders in project communities (e.g., small agro-enterprises) will also be considered for activities deemed particularly beneficial in terms of enhancing income opportunities for poor households, while reducing livelihood dependence on unsustainable resource extraction activities. BZFs will also include women's support revolving funds as a special allocation in support of women's economic empowerment.</p> <p>The Project will take several measures to ensure the BZCs have requisite skills and instructions to manage the BZFs appropriately, in addition to providing the necessary office facilities and institutional arrangements needed to manage the funds. For example, in year 1 of the Project, training workshops will be held in fund management, accounting, and capacity building. Early in project implementation, guidelines will be defined to specify application and selection procedures, eligibility criteria for small grant support and revolving loans, and management fees to be paid by small loan recipients. BZF standards and special funds will follow international practices and be monitored by project management unit (PMU) staff regularly, as well as by an external auditor annually. Activities for development of fund management guidelines, BZC establishment, and training for BZC members will mirror the respective activities for the BZF, and will be coordinated by WWF.</p> <p>With the establishment of the funding mechanisms, training activities in financial management for selected BZC financial officers will take place. Training will be provided by an NGO or CBO certified as trainer in subjects related to savings and credit, accounting, and management of revolving funds. Guidelines for the BZF management will be developed by WWF, based on buffer zone laws and in-country experiences. BZC members and financial officers from BZCs in other regions will be involved as trainers.</p> <p>ORBC. The ORBC will be specifically responsible for Onon River Basin NRM and overseeing the preparation of an environmental management plan covering the entire area of the river basin. Establishment of the ORBC, including selection of its members, will be carried out using participatory processes according to the regulations laid out by the April 2004 water law. With project support, a series of workshops in the target <i>soums</i> and inter-<i>soum</i> meetings will facilitate ORBC establishment. The activity will be</p>

Component A	
	coordinated by the WWF in close cooperation with <i>soum</i> governments and the MNE. The Project will define and provide for ORBC members' capacity building needs. Areas indicated for these activities include ecology; integrated ecosystem management; organizational skills; and management, including financial management, participatory approaches, and communication and outreach skills. Mechanisms will be developed to ensure the ORBC's sustainable operation and of its secretariat. Further, an annual budget allocation of \$28,000 will be provided to extend grants to CBOs for NRM, conservation, and social development activities, and to procure needed equipment and materials (e.g., firefighting and haymaking).
Monitorable Deliverables and/or Outputs	<ul style="list-style-type: none"> (i) By the end of year 1, two CBOs in each <i>soum</i> will have developed operational norms and action plans, appointed a leader and BZC, and have had exposure to experiences in community organization in other regions in Mongolia. (ii) By the end of year 1, participatory selection of ORBC members will be completed. (iii) By the end of year 2, two CBOs in each <i>soum</i> will have established their own BZF and a participatory monitoring and evaluation system (PMES). (iv) By the first half of year 2, BZCs will be established, guidelines for management of BZFs will be developed, and BZFs will be set up in all <i>soums</i>. (v) By the end of year 2, CBOs will be accessing BZFs. (vi) By the first half of year 2, the ORBC secretariat will be established. (vii) By the end of year 2, ORBC members will have received training in ecology, conservation approaches, management, and communication skills. (viii) By the end of year 4, experiences in carrying out component A will be summarized in a report and policy paper, and shared with national policy makers.
Implementation of Major Activities: Number of months for grant activities	Community environmental organization support: 48 months BZC establishment: 24 months BZF establishment: 24 months ORBC establishment: 24 months

Component B	
Component Name	Developing and Strengthening Integrated Natural Resource Management and Conservation in the Onon River Basin
Cost (\$)	\$293,057
Component Description	<p>This component covers the development of (i) a basin-wide environmental management plan for the OBNP, (ii) buffer zone management plans for the <i>soums</i> surrounding the OBNP, (iii) a strategy for integrated management of the Onon River Basin, and (iv) management plans for selected community-managed areas.</p> <p>Activities under this component complement ongoing conservation efforts in the Onon River Basin by the Government and NGOs. The Project will develop conservation management plans at different levels with all stakeholders and CBOs. Activities will include training and capacity building in biodiversity and socioeconomic studies, a series of planning workshops and consultations, and trainings. This will also include support for CBOs to develop and implement NRM and conservation plans through relevant technical experts. Ecological education and public awareness will be supported by providing the Dadal <i>Soum</i> information center with equipment and materials to convert it into a</p>

Component B	
	<p>functioning training and meeting facility. Ecological education and public awareness activities will also include development of materials on the OBNP and the Onon River Basin and training in ecology and conservation practice for students, environmental movement members, and BZC and ORBC members. Educational materials and activities will include traditional knowledge and practice of NRM and conservation.</p> <p>Activities under this component will be coordinated with support provided under the Zuun Bus Partnership between WWF, The Nature Conservancy, and the Wildlife Conservation Society. Overall coordination will be the responsibility of the WWF, with the oversight of the steering committee and involvement of the PMU and MNE. WWF will provide significant input into training. Consultants will be engaged in accordance with ADB's <i>Guidelines on the Use of Consultants</i> (2007, as amended from time to time). These will include (i) the conduct of biodiversity and socioeconomic surveys, (ii) development of educational materials, (iii) creation and support of ecology centers, (iv) provision of training in ecology and conservation approaches, (v) technical assistance in preparing and implementing management plans, and (vi) facilitating key activities in consensus building and planning.</p>
Monitorable Deliverables and/or Outputs	<ul style="list-style-type: none"> (i) By the end of year 1, stakeholders will be informed that development of an OBNP management plan is underway. (ii) By the end of year 1, the Dadal <i>Soum</i> training facility will be established. (iii) By the end of year 2, consultations will be held with all stakeholders to develop a OBNP management plan. (iv) By the end of year 2, buffer zone management plans will be drafted to cover all <i>soums</i> in OBNP. (v) By the end of year 2, OBNP will be marked at key locations, and signboards will be installed at key entry points. (vi) By the end of year 3, the Onon River Basin management plan will be drafted. (vii) By the end of the first half of year 2, two CBOs in each <i>soum</i> will have received technical assistance in preparing resource inventories. (viii) By the end of the first half of year 3, at least one CBO in each <i>soum</i> will have developed a management plan for their community-managed area. (ix) By the end of year 3, educational materials for children will be developed and provided to schools and information centers. (x) By the end of year 4, educational materials for public awareness on the OBNP and Onon River Basin will be developed and publicly available. (xi) By the end of year 3, lessons on OBNP and the river basin will be incorporated into river basin area school curricula. (xii) By the end of year 4, the Onon River Basin management plan will be approved by authorities. (xiii) By the end of year 4, a summary of the Onon River Basin management plan will be prepared and made publicly available.
Implementation of Major activities: Number of months for grant activities	48 months
Component C	
Component Name	Local Enterprise Development for Alternative Livelihoods
Cost (\$)	\$593,369

Component C	
Component Description	<p>This component covers three major activities: (i) training and technical assistance for the development of environmentally sustainable small enterprises, including provision of skills training and capacity building; (ii) research and development of products and marketing efforts to enhance links along the value chain; and (iii) investments in technologies for value addition, processing, and packaging of local products. It is estimated that roughly 1,400 households will benefit directly from activities under this component, while another 5,600 will benefit indirectly.</p> <p>In line with government strategies to promote local products, the potential of local production and marketing of products will be examined. Products and markets indicated for research and development include (i) pine nut and berry processing in <i>Batshireet Soum</i>; (ii) tree nurseries, wood processing, alternative or pressed fuel, and block production in <i>Bayan Uul Soum</i>; (iii) medicinal plants in <i>Bayan Adarga Soum</i>; (iv) production of sour cream, beekeeping and honey production, wood processing, and processing of saw dust in briquettes in <i>Dadal Soum</i>; (v) tree nurseries in <i>Binder Soum</i>; (vi) nut and berry processing in <i>Umnudelger Soum</i>; and (vii) processing of livestock products (e.g., wool, meat, skins, and milk) in <i>Norovlin Soum</i>. The specific products supported may change during implementation due to the evolving interests of herding families and other stakeholders.</p> <p>Existing small enterprises will be assessed for their capacity-building needs, and a series of trainings will be delivered, including (i) the development of business plans; (ii) business management, marketing, and computer skills; and (iii) quality standards. New business initiatives will be encouraged, based on product and market research findings, and provided with the same capacity-building support.</p> <p>An important activity under this component will be identifying opportunities in which links and benefit-sharing agreements between CBOs can be facilitated to generate models of poverty reduction through community-based NRM. Vocational skills will be provided, with focus on target beneficiaries, as employment opportunities arise through new or growing local enterprises. Information and training on available grant and lending mechanisms will be provided, as well as ongoing support in developing packaging and market access. Necessary support will be provided by business consultants and trainers or NGOs with relevant experience in rural enterprise development. Competitive bidding will be undertaken for the implementation of the whole component or several subcomponents by provincial and/or national NGOs with the relevant expertise and experience.</p> <p>This component will also focus on providing support for the development of microenterprises for women. There is an opportunity to reduce poverty by providing support to women's initiatives in starting microenterprise activities. The rationale for focus on women include (i) the high percentage of households headed by women among the poor, (ii) opportunities to build on existing initiatives by women and women's groups, and (iii) benefits through women's economic empowerment that will extend to their households and children. Women's councils in all <i>soums</i>, i.e., local branches of the national Women's Federation, are actively supporting women's initiatives, but they lack resources to provide substantial support to women. The support to women's councils will include training of heads in group facilitation, financial management, and participatory appraisal and planning. It will also include training and backstopping support for women's groups in microenterprise</p>

Component C	
	development, to be delivered by women's councils and, for specialist training and support, by NGOs selected for implementation. A women's revolving support fund will also be set up to help groups of poor women to start microenterprise activities. It will be a special credit line under the BZF, administered by the BZC. Women's councils will evaluate applications and make recommendations for approval.
Monitorable Deliverables and/or Outputs	<ul style="list-style-type: none"> (i) By the end of year 1, at least six products will be assessed to become successful local products. (ii) By the end of year 1, at least two enterprise initiatives in each <i>soum</i> will be evaluated for their economic viability, potential to create employment, and capacity-building needs. (iii) By the end of year 1, women's council heads of all <i>soums</i> will have received training in group organization and participatory approaches. (iv) By the end of year 2, links will be developed in each <i>soum</i> at least between two CBOs engaged in NRM with enterprises and processors. (v) By the end of year 2, at least two enterprises from each <i>soum</i> will develop business plans. (vi) By the end of year 2, a women's revolving support fund under the BZF will be operational, and women's groups will be accessing the funds. (vii) By the end of year 2, women's groups from all <i>soums</i> will have received training in enterprise development and undertaken study visits to CBOs led by women in the Gobi Region. (viii) By the end of year 3, at least one women's group in each <i>soum</i> will have reduced the number of poor member households by at least 50% through small enterprise activities and expanding business. (ix) By the end of year 4, at least six enterprises will be marketing products in Ulaanbaatar. (x) By the end of year 4, the number of very poor households headed by women will have decreased by 50% in all women's groups supported by the Project.
Implementation of Major Activities: Number of months for grant activities	48 months

Component D	
Component Name	Project Management, Monitoring, Audit, and Evaluation
Cost (\$)	\$552,148
Component Description	This component will provide implementation support; mobilize partner NGOs, subcontractors, and consulting services; ensure oversight, policy support, and accountability; and coordinate capacity building for stakeholders and implementing partners. Project management includes activities beyond typical oversight and management functions that provide core services to the other three components and will produce key publications, share lessons learned, and discuss policy implications. The project implementation unit (PIU), established in Dadal <i>Soum</i> under the field coordinator, will coordinate all field activities. The PMU will act as the secretariat of the ORBC. Local coordinators in all target <i>soums</i> will report to the field coordinator. Local oversight and guidance will be provided by the <i>soum khural</i> . The project oversight committee will reflect local ownership and the river basin approach in its membership, while representing key government agencies relevant to project objectives. Local oversight bodies will facilitate project activities and other support, including allocation of office space for local coordinators by the <i>soum</i> government.

Component D	
	<p>WWF will act as the implementation consultant for the Project. WWF has a strong track record in implementation and advocacy of conservation strategies in Mongolia as well as a larger program of activities in the project area. It will work closely with other development partners to carry out community-based NRM and related activities in the Onon River Basin. Partners will be subcontracted to implement major activities in enterprise development and community organization. The project director will be engaged by ADB in consultation with the executing agency and WWF, and will be based in Ulaanbaatar. The implementation consultant will establish office facilities in Dadal <i>Soum</i> and will cover costs of running the office (approximately \$5,000 per year) during the Project.</p> <p>Local coordinators will play a key role in linking community organizations, local governments, resource agencies, and project-supported mechanisms, including financial mechanisms. Annual evaluation workshops will take place in each <i>soum</i>, followed by annual project evaluation meetings. CBOs will evaluate their activities semi-annually once their PMES is established. Annual work plans and budgets will be prepared in a participatory manner and by adopting the bottom-up approach, whereby <i>soum</i>-level plans will incorporate community-based plans, and the project annual work plan will consolidate the <i>soum</i>- and river basin-level plans. Annual reports on implementation of activities and on impacts will be prepared by local coordinators, the field office, and the project coordinator. The implementation consultant will undertake public audit and beneficiary evaluation.</p> <p>The PMES to capture impacts of project activities, measure achievements against targets at different levels, and promote adaptive management will be developed in the Project's first year. An initial task of the PMU will be to collect baseline information on project performance and impact indicators. CBOs will establish their own monitoring systems with project support, based on community-developed indicators, to measure social, economic, and environmental changes in their group and local area. Evaluation of group achievements will be facilitated twice a year.</p> <p>During annual <i>soum</i>-level workshops, all local stakeholders will jointly evaluate project implementation and achievements and discuss necessary adjustment of strategies. Findings from these workshops will be the basis for discussion in an annual project evaluation workshop, organized by the field office, where implementation and achievements will be jointly evaluated and adjustments discussed. The project oversight committee (or several local community members and officials) will participate in this workshop.</p>
Monitorable Deliverables and/or Outputs	<ul style="list-style-type: none"> (i) By end of month 1, a PMU in Ulaanbaatar and a PIU at Dadal <i>Soum</i> will be established, and a project coordinator and a field coordinator will be appointed by ADB in consultation with the executing agency and WWF. (ii) By end of month 3, all field office staff members will be hired, and the field office will be operational. (iii) By end of month 3, subcontractors and partner NGOs for implementation of the components' major activities will be contracted with memoranda of understanding concluded. (iv) By end of month 4, inception workshops will have been held in all <i>soums</i>. (v) By end of month 5, local coordinators in <i>soums</i> will have been selected.

Component D	
	(vi) By end of month 6, the PMU, in collaboration with the PIU, will have prepared a comprehensive annual work plan and a monitoring evaluation plan.
	(vii) During project implementation, the PMU, in collaboration with the PIU, will submit quarterly progress reports, annual audits, evaluation reports, and a quarterly newsletter in the local language.
	(viii) By the Project's end, policy briefs on community-based NRM and community revolving funds will be prepared and disseminated, and at least one publication on lessons learned will be published for wider dissemination.
Implementation of Major Activities: Number of months for grant activities	48 months

2. Financing Plan for Proposed Grant to be Supported by JFPR

Funding Source	Amount (\$)
Japan for Poverty Reduction	2,000,000
Government	100,000
Other Sources	
<ul style="list-style-type: none"> World Wide Fund for Nature has committed to support the costs of construction, establishment (i.e., providing basic office equipment, furniture, and core staff), and operation of the central field office. 	50,000
<ul style="list-style-type: none"> Community in-kind contributions (e.g., temporary workshop venues, logistical support, and labor). 	25,000
Total	2,175,000

3. Background

1. In June 2004, ADB published the Mongolia Country Environmental Analysis which highlighted the strong link between poverty alleviation and environmental concerns.¹ Much of the literature on rural poverty in Mongolia also emphasized this link; the European Commission has reported that the recent movement of herders to trading settlements—in search of markets for their livestock and labor—has led to overgrazing and degradation of pasture, soil, and water resources around the settlements, leading large areas of the countryside to a greater concentration of economic activity, ecosystem damage, and increased poverty. The Mongolia Country Environmental Analysis has indicated opportunities for ADB to assist the Government in addressing this situation, including provision of greater financing for local environmental management and strengthening local capacity for water resource and land use planning and management. These opportunities are additionally relevant to local poverty reduction initiatives, particularly when addressed through community-based NRM.

2. Implementing community-based NRM is of particular significance in Mongolia, as community organization is crucial to facilitate the mobility of herders for sustainable management of dry land pastures, which represent the primary resource on which rural communities depend for their livelihoods. The limited capacity of government institutions in land and resource management and conservation means that rural communities are the primary institutions for the stewardship of natural resources. An important barrier to sustainable management, conservation, and poverty reduction is the inability of local households to add

¹ ADB. 2004. *Mongolia Country Environmental Analysis*. Manila.

value to natural resources; this results in the depletion of natural resources while poverty is perpetuated. Recent and ongoing programs in Mongolia—which have focused on the inclusion of the poor and vulnerable in CBOs, on collective action and labor division in livestock and NRM, and on facilitating resource use rights and responsibilities for CBOs—have generated encouraging results for community-driven poverty reduction that serve as lessons to build on and apply more widely. With Mongolia's commitment to place 30% of its territory under formal protection, community-based NRM will be a key element to put into practice effective landscape-level management and protection strategies. Initial discussion concerning the application of the principles of community-based NRM in the context of Mongolia has been held with the Embassy of Japan in Ulaanbaatar and received a positive reception. ADB has also held preliminary discussions with WWF, and based on these discussions, there appears to be an excellent opportunity for cooperation and collaboration in developing this approach, particularly in areas adjacent to protected areas in the Onon River Basin.

3. The Project will build upon earlier, as well as ongoing, community-based NRM efforts in Mongolia and in the Onon River Basin in particular. WWF is currently working to strengthen the capacity of OBNP administration for monitoring, law enforcement, and park management, and is supporting the development of the ORBC. To date, however, this support is not operational. Project activities will complement these ongoing activities by (i) adding important interventions in social mobilization and organizational development, (ii) institutional strengthening, (iii) building stakeholder collaboration, (iv) facilitating experience sharing, (v) promoting poverty reduction, and (vi) identifying lessons learned for policy and strategy development.

4. Innovation

4. Innovative aspects of the Project include (i) producing enabling conditions for the development of community-based strategies for poverty reduction, (ii) developing a model that links the poor in rural centers to CBOs in rural areas, and (iii) establishing the ORBC to serve as a model and to provide important lessons for policy makers and environmental managers. Moreover, the poor are primary residents in rural centers and are typically “livestock-poor”, i.e., without livestock, and are therefore not often involved in NRM. However, their diversified livelihood strategies depend mostly on natural resources, such as nontimber forest products. Developing a functional link between these livestock-poor resource users and herding households that manage pastoral and forest resources is the key challenge that this Project addresses.

5. The Project's potential for developing new approaches to conservation is significant in the context of Mongolia's challenges to sustainable NRM and protection of biodiversity, its commitment to place 30% of its territory under formal protection, and its responsibilities in community-based development and in implementing a program for protected areas. Protected area management in Mongolia will achieve sustainable results only if a landscape-level approach to conservation is adopted that develops links to local ecosystems, provides connectivity, and protects the multitude of local sites and conservation values. Community-based NRM is the tool to put these approaches into practice. The Project, therefore, is likely to provide lessons for future programs, in both value-chain development as well as in NRM.

6. The proposed approach and strategies are in line with the principles set out for JFPR grants, and in particular (i) respond directly to the needs of the poorest and most vulnerable groups through new and innovative methods; and (ii) build ownership, capacity, empowerment, and participation of local communities, NGOs, and other civil society groups. An innovative and more cost-effective approach that promotes sustainability is proposed for CBOs through

capacity development by community trainers, such as community organizers who have played a key role in facilitating community organization and community-based conservation and poverty reduction. These community organizers, as well as community leaders and other resource persons who are emerging as trainers of herder field schools, will be mobilized to work with local communities, governments, and other implementing partners in the project area. Exchange and experience-sharing visits to the Gobi Region and other program areas will be another element of building capacity while promoting local ownership of design and implementation of interventions.

7. Evaluation and planning procedures reflect a bottom-up approach and promote beneficiary-led planning and implementation. Annual evaluation workshops will take place in each *soum*, followed by an annual project evaluation meeting. CBOs will evaluate their activities semi-annually once their PMES is established. Annual work plans and budgets will be prepared in a participatory manner and through a bottom-up approach, whereby *soum*-level plans incorporate community-based plans and the project annual work plan consolidates *soum*- and river basin-level plans.

5. Sustainability

8. The sustainability of project activities and achievements is promoted by the strong emphasis on building local institutions and through fostering collaboration and cooperation through strengthening comanagement mechanisms such as BZCs and the ORBC under component A. Moreover, financial mechanisms established with project support and tailored to the needs of poor and remote rural households, including those headed by women, are key to enabling the target beneficiaries' access to credits and building financial capital. Training activities under component A are designed to strengthen the capacity of organizations of the rural poor as well as intermediary institutions, such as local women's councils. Capacity building inputs are designed to deliver step-by-step training to the target beneficiaries to establish and strengthen their own organizations by developing skills in management, communication, and organizational development, and by building links among each other, to local government, and to resource agencies. Likewise, intermediary institutions will be strengthened to provide ongoing support, particularly to the most vulnerable, such as households headed by women. In all capacity building measures, the development of local trainers through "training of trainers" will be prioritized.

9. The Project will develop an innovative and more cost-effective approach that promotes sustainability through strengthened capacity development of groups. Group establishment and strengthening will be supported by community trainers as outlined in para. 6.

6. Participatory Approach

10. The Project was formulated following extensive consultations with local stakeholders and key informants, and after participatory analysis with selected local groups (e.g., Buriad community groups, women's groups, and *bag* leadership groups) and focus groups of the target beneficiaries in all *soums*. Discussions in introductory and preparatory meetings included representatives of the environmental and social policy departments of the *aimag* governments, officers of local *soum* governments, and members of *aimag* and *soum khurals*. Participatory rural appraisal techniques were employed by two field teams to analyze environment-poverty links with CBOs in rural areas and rural centers in each *soum*. Participatory action research included social mapping and wealth ranking to identify poverty profiles and dimensions as well as group analysis on opportunities for poverty reduction through community-based NRM. A

series of meetings were held with local NGO representatives and citizens' movements. Following participatory appraisals and consultations with the Government, communities, and civil society organizations, a workshop brought together representatives of all concerned organizations to validate the emerging Project and to develop action plans for each *soum* as the basis for the Project. Discussions during these workshops also included implementation and monitoring arrangements, and the proposed arrangements clearly separate implementation and monitoring responsibilities. To promote participatory practice, ownership, and sustainability, CBOs will be viewed as the primary implementers of activities, supported by the PIU and subcontracted implementing partners. Monitoring mechanisms have been designed for both local- and central-level implementation. On the local level, the *soum khural* is proposed as the local oversight committee; while on the project oversight committee of the ORBC, the governments of Hentiy and Dornod *Aimags*, local representatives, ADB, and MNE will be represented. Participation and ownership of the primary organizations of the target beneficiaries will be enhanced through the establishment of a PMES.

Primary Beneficiaries and Other Affected Groups and Relevant Description	Other Key Stakeholders and Brief Description
Poor and very poor households of rural centers	BZCs
Poor households headed by women	ORBC
Local women's councils	OBNP administration
Poor rural or herding households	<i>Soum</i> governments
Primary organizations of the rural poor, women's groups, and resource user groups including <i>nukhurlul</i> and herder groups	<i>Soum khurals</i> Hentiy and Dornod <i>Aimag</i> governments
Local enterprises and NGOs engaged in social development and environmental protection	MNE

7. Coordination

11. Ongoing programs concerned with poverty reduction and NRM include (i) the Rural Poverty Reduction Program (RPRP) implemented by MNE and financed by the International Fund for Agricultural Development, (ii) World Bank's sustainable livelihood projects, (iii) a German Agency for Technical Cooperation (GTZ)-assisted program on sustainable NRM and conservation in Hentiy *Aimag*, and (iv) microfinance programs in Hentiy *Aimag* supported by World Vision and the United States Department of Agriculture. The proposed Project will also endeavor to participate in and contribute to ongoing international research into implementing effective community-based NRM, including linking to Poverty Environment Net, the leading index of poverty-environment knowledge and resources.

12. WWF, a key institutional partner in the Project, is already engaged in the project area through development of a comprehensive Onon River Basin conservation program for 2007–2012. For this program, WWF is raising funds from several donors, namely WWF organizations in the United States and the Netherlands, as well as the Wildlife Conservation Society and The Nature Conservancy. With this program, WWF has also catalyzed an open-ended partnership that will bring together a cross-section of government and civil society for the sustainable future of Mongolia's Eastern Region. The partnership provides an additional supporting framework within which the proposed Project is embedded with regard to resource mobilization.

13. GTZ has also been assisting the Government in implementing a sustainable NRM and conservation project in the proposed project area that focuses on community forestry, protected area management, and buffer zone development. The proposed Project's activities will overlap geographically with GTZ's project in two *soums*, and involves activities that would complement, not overlap, with the GTZ project, e.g., preparation of a tourism development management plan and small enterprise development, and developing eco-friendly local products including cheese, pine nuts, medicinal tea, felt, and leather. Additionally, World Vision is active in the project area, Vision Fund Mongolia, a business development service, and a herder livelihood diversification project, funded by the United States Department of Agriculture. The Government's RPRP is being implemented in all *soums* of Hentiy *Aimag*, and is designed to assist about 80,000 poor to very poor households in the rural areas of four *aimags*, including Hentiy. Implementation of RPRP began in 2003 and is expected to continue until 2009.

14. Ongoing projects in other parts of Mongolia include the Training, Advocacy, and Networking Project, which is being implemented by Mercy Corps and financed by the United States Agency for International Development. It is a 5-year civil society strengthening project working in five rural *aimags*. The World Bank's sustainable livelihood project was implemented in Hentiy *Aimag*, and its second phase will reduce vulnerability and secure sustainable livelihoods through pastoral risk management. This project aims to improve risk forecasting, preparedness, and response planning; reform pasture land tenure, management, and use; develop best practices for pastoral livelihood improvement; and institutionalize pastoral risk management. The Asia Foundation has also launched an environmental initiative in water quality monitoring to inform, engage, and empower citizens to monitor water quality and to identify pollution sources along the Onon River.

15. Despite several ongoing programs on NRM, livelihood improvement, and social development, the proposed Project will make an important contribution by putting into practice innovative approaches to NRM. In contrast to the RPRP and the World Bank's sustainable livelihoods program—which both focus on pastoral resources—the proposed Project aims to develop integrated NRM, including timber and nontimber forest resources, wildlife, and pasture and water resources on a community level. Moreover, the Project uses an integrated approach at the river basin level, putting into practice new legislation on water management in a key area for the conservation of biodiversity and for transboundary NRM and cooperation. Functional links to ongoing and recent World Vision-assisted programs will be built during implementation by involving or subcontracting NGOs, which have worked with World Vision or United Nations Development Programme and received capacity-building support, to become service and training providers for the Project. In the western part of the target area, namely in Batshireet *Soum*, GTZ-assisted activities on community-based wildlife management and local product development provide a basis on which the proposed Project can build.

16. Officials from the Embassy of Japan and the Japan International Cooperation Agency (JICA) in Ulaanbaatar were fully consulted during the Project's design phase, and the Project's opportunities and risks were reviewed. Mr. Takahiro Ishizaki, First Secretary, Embassy of Japan in Mongolia, met with ADB staff members involved in project preparation on 25 April 2007 and 12 October 2007. ADB staff members also met with Mr. Tsutomu Moriya, Resident Representative, JICA–Mongolia Office on 17 October 2007, to discuss the Project and opportunities for coordination and cooperation with ongoing JICA programs and projects.

8. Detailed Cost Table

17. Refer to Appendix 2 for summary cost table, Appendix 3 for detailed cost estimates, and Appendix 4 for the funds flow arrangements.

C. Link to ADB Strategy and ADB-Financed Operations

1. Link to ADB Strategy

Document	Document Number	Date of Last Discussion	Objective(s)
Mongolia Country Environmental Analysis (ADB)	Not applicable	June 2004	Highlights a strong link between poverty alleviation and environmental concerns, and calls for policies and programs to improve the income of poor rural households that depend on the country's natural resources for their livelihoods. Prioritizes opportunities in addressing this situation, including provision of greater financing for local environmental management and strengthening local capacity for water resources, land use planning, and management.
Mongolia Country Strategy and Program Update (2007–2009)	Sec. M78-06	August 2006	Support improvement of environment and NRM, and expansion of environmental conservation efforts. Also prioritize sustainability of key natural resources for generating livelihoods.
Mongolia: Country Operations Business Plan 2008–2010	IN.315-07	November 2007	
Agriculture Sector Strategy Study	R122-04	July 2004	Addresses pastureland, water resource, and forest degradation as key to Mongolia's agricultural sector, and emphasizes the need for policy reform, capacity building, and increased investment.

2. Link to Specific ADB-Financed Operation

Project Name	Proposed Project Preparatory Technical Assistance for Mongolia: Integrated Irrigated Agriculture and Water Management Project (formerly titled Environmentally Sustainable Rural Development)
Project Number	P41234
Date of Board Approval	September 2008
Loan Amount (\$ million)	\$1,000,000.00

3. Development Objectives of the Proposed Project Preparatory Technical Assistance for Mongolia: Integrated Irrigated Agriculture and Water Management Project

18. The proposed project aims to (i) increase rural incomes and welfare of poor farming households, and (ii) reduce poverty through the rehabilitation and construction of key water resources infrastructure in Central, Darkhun-Uul, and Selenge *Aimags*. The TA outcome will be

a detailed feasibility study agreed by the Government and ADB that will (i) enhance the productivity and sustainability of existing irrigation systems in the project area; and (ii) strengthen institutions including (a) the Ministry of Food and Agriculture (MoFA) to deliver accountable irrigation services, (b) water users associations to manage fulfilling specified operations and management tasks of the irrigation systems, and (c) other relevant agencies to provide effective support services. In view of the priorities of the MoFA, which now have a sense of urgency due to rising food prices, the proposed assistance will consider focusing on developing assistance towards irrigation rehabilitation and vegetable production development targeted at the household level. Such assistance will simultaneously address environmental management and sustainability issues through incorporation of integrated water resources management approaches and institutional capacity development. The key outputs include (i) a review of the Government’s policy, strategy and ongoing program on irrigated agriculture development; (ii) a suggested list of possible projects for ADB financing agreed by the Government; (iii) detailed feasibility studies for each of the projects identified and agreed earlier and a consolidated overall project feasibility study; and (iv) recommendations on institutional strengthening under the Project.

4. Main Components of the Proposed Project for Mongolia: Integrated Irrigated Agriculture and Water Management Project

No.	Component Name	Brief Description
1.	Irrigated Agriculture Development	This component may include (i) rehabilitation of irrigation infrastructures such as small dams, distribution canals at primary, secondary, and tertiary levels, and regulating structures; (ii) provision of irrigation equipment and farming equipment; (iii) capacity development of farmers in using proper irrigation technologies; (iv) introduction of land preparation techniques and farming technologies for land conservation; (v) improvement of agricultural extension services; and (vi) promotion of community participation and establishment of farmer user groups for operation and maintenance (O&M) of irrigation facilities. With both public and private investment envisaged, this component will address issues relating to the economic justification, security of investments, mechanisms for generating an acceptable return, and mechanisms for meeting future O&M costs.
2.	Sustainability and Management	This component may include (i) introduction of integrated river basin management; (ii) introduction of water rights and/or water withdrawal licensing systems and monitoring; (iii) institutional strengthening on irrigation services and management; and (iv) improvement of cost recovery, at least for O&M purposes from the direct beneficiaries of water users. This component will help develop a policy framework for water management as a whole, irrigation development, determining the criteria and mechanisms for public and private investment, and structures and procedures for regulatory supervision of investment, operation, and utilization.
3.	Fresh Vegetable Markets and Processing	The component may include (i) opportunities for vegetable and potato farmers to form several marketing groups that can jointly collect, package, and store or market their products directly to retailers or consumers; and (ii) new techniques in food processing for attaining consistent, high-quality products.

5. Rationale for Grant Funding versus ADB Lending

19. The Project involves the development of innovative arrangements to strengthen local communities in exercising greater control over NRM. Accordingly, the Project will face relatively high start-up costs as institutional arrangements and capacities have not been developed. Second, the Project is oriented toward the provision of public goods that offer only modest prospects for revenue generation to facilitate loan repayment. The Project aims to involve poor households with few resources, limiting opportunities for cost recovery from in-kind contributions without risking the neediest households benefiting from the Project. Requirements for households to share in project costs makes it more likely that the Project will be dominated by relatively powerful and wealthy households, so by reducing the need for cost sharing, grant financing fosters fuller participation by poorer households.

D. Implementation of the Proposed Grant

1. Implementing Agency: Project Management Unit under the Ministry of Nature and Environment

20. MNE will be the executing agency and will be responsible for the overall supervision of the Project through a PMU established in Ulaanbaatar. The location of the PMU will be determined upon project inception. A fulltime project coordinator will be engaged to head the PMU and to monitor and supervise the Project's day-to-day activities. WWF will be the implementation consultant under the Project with responsibility for carrying out the day-to-day activities of the Project under the supervision of the PMU and the project steering committee. The steering committee will be chaired by MNE, will be represented by officials from MOF, the Hentiy local government, and WWF. A PIU will also be established in Dadal *Soum* to manage the Project's implementation activities. The key staff of the PIU will comprise a field coordinator, a conservation and NRM specialist, and a community development and poverty reduction specialist. The project and field coordinators will be engaged by ADB in consultation with the executing agency and the implementation consultant using ADB's individual consultant selection procedure and contracted by the executing agency.

21. The PMU, in coordination with the PIU, will be responsible for overseeing the activities of WWF, including the procurement of equipment and engagement of consultants. All procurement of goods, works, and services will be undertaken in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). Details on project procurement are provided in the procurement plan in Supplementary Appendix A.

22. The Project will require the services of international and national consultants to assist in implementation. As agreed with MNE, WWF will be engaged using the single source selection method through the NGO's program, subject to review under ADB's selection processes. The PMU and ADB will review the credentials of consultants proposed by WWF based on the proposed consultants' relevant experience and cost. Details on the engagement of consultants, their expertise, initial proposed time allocations, and brief terms of reference are provided in Supplementary Appendix B. The proposed expertise and periods for engaging the services of the consultants are subject to change during implementation in response to the situation in the project area, and will also depend on the activities and staff that will be provided by MNE in target *soums*, as consulting services are intended to supplement rather than substitute for existing government activities. The detailed work program that specifies the inputs of consultant services and goods needed to carry out the Project will be finalized at project inception. The

detailed work program will be reviewed and approved by the project steering committee on a bi-annual basis, based on updates prepared by WWF during project implementation.

23. WWF is among the most experienced and largest natural resource conservation organizations in Mongolia and works to address conservation issues in several parts of the country. Over the past 15 years, it has grown to encompass 20 bilingual and highly experienced staff members, each averaging 7 years of previous work on environmental issues in two offices located in Ulaanbaatar and Khovd. WWF's on-ground activities attract national attention, involve multiyear programs on environmental protection, and creatively apply innovative conservation and participatory approaches and communication tools adapted to local situations.

24. Over the course of its past conservation achievements, WWF has evolved from a species-focused animal welfare organization into a people-centered conservation organization emphasizing sustainability concerns. It is the only organization responding to illegal wildlife trade, poaching, countrywide sustainable pasture management, and protected area management in a comprehensive and integrated manner, based on partnerships with herder groups, local authorities, Institute of Biology, Institute of Geography, MNE, universities, Customs General Administration, and border defense facilities.

25. WWF is well-suited for project implementation due to its experience in carrying out similar programs, its professional expertise, its close ties to key institutions in Mongolia, the scale of its ongoing conservation work, and the recognition it has received from the Government. WWF has much experience as an environmental, conservation-focused NGO that has operated in Mongolia, and undertaken community-based NRM practices for more than a decade.

26. WWF's multiyear contribution to Mongolia's environmental protection is well recognized by the Government and other relevant stakeholders. Thanks to its lobbying and technical assistance, about one third of the country's territory lies in nationally-protected areas. WWF invests heavily into effective law enforcement in these areas; it has established two mobile anti-poaching units that conduct enforcement of poaching restrictions and illegal trade in protected animal and plant species. This enforcement approach has been adopted by the State Specialized Inspection Agency for countrywide replication.

27. In addition, WWF has been active in reviving the traditional conservation knowledge and socially-accepted norms and taboos regulating game species. Jointly with the Mongolian Buddhist Association and Buddhist monk community, enhanced protection and endangered species restoration of gazelles and snow leopards were achieved under the World Bank-funded Sacred Forests Project by banning commercial harvesting of these animals. WWF also succeeded in reducing pressure on the natural resource base through integrating the community-based NRM concept and sustainable livelihood approaches while setting up several successfully functioning CBOs in western Mongolia. These groups number about 10 around Khar Us Nuur National Park in Khovd *Aimag* with revolving funds and capacity and training programs designed to increase access to sound livelihood programs.

28. Educational activities are integrated into WWF projects. Additionally, WWF implemented an environmental education project funded by the Swedish International Development Cooperation Agency, which advocates environmental education as an integral part of the complex development process. Through numerous partnerships that had been established over the years, including the law enforcement agencies and local authorities, WWF has fostered changes in attitudes toward the environment in highly-restricted institutions like the General Intelligence Agency of Mongolia and the State Specialized Inspection Agency.

29. Additionally, WWF has extensive experience in implementation of internationally-funded projects, such as a World Bank public awareness project on toxic chemicals. WWF has also coordinated public awareness campaigns on plastic bags with national corporate businesses, such as Nomin Holding Company, Ltd. and Aero Mongolia, which will soon be scaled up countrywide.

30. WWF financial contributions for Mongolia are derived from various sources, including from their offices in the Netherlands, Sweden, United States, and their international headquarters as well as from The Nature Conservancy. For 2008, WWF-Netherlands will contribute 32%, and other WWF network donors will provide 27% of their operating costs. Other multilateral development institutions, such as ADB and World Bank, will also contribute. Compared to 2007, WWF's funding in Mongolia for 2008 will increase by about 35%.

2. Risks Affecting Grant Implementation

Type of Risk	Brief Description	Measure to Mitigate the Risk
Enabling Legal Framework	The legal framework for community-based NRM, especially integrated NRM, is not fully developed. <i>Nukhurluls</i> prevent CBOs from utilizing resources.	The Project will ensure that good dialogue with policy makers is maintained, that lessons learned are introduced into the policy dialogue, and that pilot innovative approaches are negotiated.
Financial	Financing mechanisms (e.g., microfinance) cannot be delivered through new institutions such as BZCs.	The Project will focus on effective sequencing of activities, on building capacity for financial management and local oversight committees, and on clearly separating implementing and monitoring responsibilities.
Process Orientation	Project implementation duration and the implementing agency's limited experience with projects that focus on livelihood aspects of natural resource conservation is a challenge.	The Project will apply experience-sharing mechanisms in building local institutions, namely CBOs, to build in-country experience. In addition, it will involve and subcontract local NGOs with relevant experience to focus on building local capacity and training of trainers.

3. Monitoring and Evaluation

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for Monitoring and Evaluation
1. Number of poor households will decrease by 50%, very poor households will decrease by 80%, and poor households headed by women will decrease by 30% <i>soum</i> -wide.	Lists of poor and very poor households maintained by <i>soum</i> social officers and <i>bag</i> governors Social mapping and wealth rankings produced by project staff members at inception of the Project Participatory monitoring and evaluation systems (PMES) maintained by CBOs Reports of consultants and subcontracted NGOs	Monitor <i>soum</i> and <i>bag</i> data annually Compile data from community-based PMES semi-annually Reports, presentations, and discussions during annual evaluation, workshops in seven <i>soums</i> , and central evaluation workshops with project oversight committee
2. At least three new local products from the Onon River Basin will reach the	PMES maintained by CBOs Annual project report	Review information from PMES bimonthly

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for Monitoring and Evaluation
domestic market and contribute to rural poor households' income generation.	<p>Chamber of commerce information on local products</p> <p>Livelihood analysis with target beneficiaries, internal and external evaluations, and the midterm review</p> <p>Reports of consultants, technical experts, and NGOs</p>	<p>Annual exercise of livelihood analysis with randomly selected households</p> <p>Reports, presentations, and discussions during annual evaluation workshops in seven <i>soums</i> and central evaluation workshop with project oversight committee</p>
<p>3. In each <i>soum</i>, at least five CBOs will be operational; will have their own action plan, monitoring and evaluation system, community revolving fund; and will be engaged in NRM and income-generating activities. In addition, among the five CBOs, at least one in each <i>soum</i> will be developed as a model for experience-sharing and scaling-up and will be implementing a NRM and conservation plan.</p>	<p>Annual project report</p> <p>PMES maintained by CBOs</p> <p>Registration of user groups and legal recognition as <i>nukhurlul</i></p> <p>CBOs' action plans and completed NRM plan</p> <p>Documentation and description of model group in each <i>soum</i></p> <p>Group norms, action plans, and reports of activities and achievements</p> <p>Records from community funds</p> <p>Reports from consultants and experts</p> <p>External evaluations, and midterm and final project reviews</p>	<p>Every 6 months, facilitate evaluation of community activities and review community-based PMES with selected CBOs</p> <p>Reports, presentations, and discussions during annual evaluation workshops in seven <i>soums</i> and central evaluation workshop with project oversight committee</p> <p>Midterm review (external) at the end of the second project year</p> <p>Final (external) review at the Project's end</p>
<p>4. A community- based NRM strategy will be documented, shared, and actively promoted by local governments, NGOs, and other stakeholders in the Onon River Basin. In addition, a basin management plan will be drafted based on a participatory process led by the ORBC.</p>	<p>Annual project reports</p> <p>Documentation of innovations and community-based strategies for poverty reduction</p> <p>Data from <i>soum</i> and <i>bag</i> officials on poverty incidence</p> <p>Data on household well-being within participating CBOs from PMES</p> <p>Reports from consultants and technical experts</p> <p>Draft Onon River Basin management plan</p> <p>Data and records on resource status and management regimes of <i>aimag</i> environmental services and land agency and national park</p>	<p>Every 6 months, review information from PMES</p> <p>Annual exercise of livelihood analysis with randomly selected households</p> <p>Reports, presentations, and discussions during annual evaluation workshops in seven <i>soums</i> and central evaluation workshop with project oversight committee</p> <p>Annual review of data from <i>soum</i> and <i>bag</i> officials on poverty incidence</p> <p>Establish a baseline on resource status and management regimes in selected areas of community-based NRM with relevant <i>soum</i></p>

Key Performance Indicator	Reporting Mechanism	Plan and Timetable for Monitoring and Evaluation
	administration	and <i>aimag</i> government officials and the national park administration; reviews at midterm and the end of the Project
5. BZCs and BZFs will be established in all project <i>soums</i> .	Annual project report BZCs' meetings and activities records BZF financial records Midterm and final external evaluation reports	Every 6 months, evaluate activities of BZCs including BZF management with selected representatives of all BZCs Reports, presentations, and discussions during annual evaluation workshops in seven <i>soums</i> and central evaluation workshop with project oversight committee

4. Estimated Disbursement Schedule²

Fiscal Year (FY)	Amount (\$)
FY2008	699,516
FY2009	463,578
FY2010	563,724
FY2011	273,182
Total Disbursements	2,000,000

Appendixes

1. Design and Monitoring Framework
2. Summary Cost Table
3. Detailed Cost Estimates
4. Funds Flow Arrangements
5. Implementation Arrangements
6. Summary Poverty Reduction and Social Strategy

Supplementary Appendixes

- A. Procurement Plan
- B. Terms of Reference for Consultants
- C. Letter of Support for the Project from the Ministry of Nature and Environment
- D. Letter of Endorsement for the Project from World Wide Fund for Nature
- E. Two Memoranda of Understanding between the Ministry of Nature and Environment and the World Wide Fund for Nature regarding Cooperation in Onon River Basin.
- F. Final Report on Inputs for Project Development: Poverty Reduction through Community-Based Natural Resource Management Project

² Adjusted to anticipate the Board approval and Letter of Agreement signing and/or effectivity dates.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Poverty is reduced, and government oversight of natural resource management (NRM) and local community participation in NRM decision making is enhanced.</p>	<p>Poverty among households taking part in community-based organizations (CBOs) supported by the Project is reduced by 50%, extreme poverty among these households is decreased by 80%, and poverty among households headed by women is decreased by 30% by end of 2012.</p>	<p>Lists of poor and very poor households maintained by <i>soum</i> (district) social officers and <i>bag</i> (subdistrict) governors</p> <p>Reports of consultants and subcontracted nongovernment organizations (NGOs)</p>	<p>Assumptions The legal framework for community-based NRM, especially integrated NRM, is not fully developed, and competing institutions prevent CBOs from utilizing resources.</p>
<p>Outcome Improved livelihoods among families living in areas surrounding the Onon-Balj National Protected Area.</p> <p>Strengthened integrated NRM and conservation in the Onon River Basin (ORB).</p> <p>Strong local institutions developed in communities around the Onon River Basin National Park (OBNP) area.</p>	<p>Benefit 1,400 directly, and 5,600 families indirectly, through the Project's enterprise development activities by the end of 2012.</p> <p>CBOs effectively channel local community inputs into NRM by the end of 2012.</p>	<p>Data from <i>soum</i> and <i>bag</i> officials on poverty incidence</p> <p>Reports of consultants, technical experts, and NGOs</p> <p>Participatory monitoring and evaluation system (PMES) maintained by CBOs</p> <p>Registration of user groups and their legal recognition as <i>nukhurlul</i> (forest-user groups)</p>	<p>Assumptions Both local governments and populations in project <i>soums</i> maintain strong interest in the Project and its goals.</p>
<p>Outputs 1.1. Environmentally-focused CBOs, buffer zone councils (BZCs), and buffer zone funds (BZFs) established.</p>	<p>By the end of 2012, at least five CBOs in each of the project <i>soums</i> are developed and operationalized.</p> <p>At least one CBO is developed as a model for implementing NRM, conservation planning, and developing and promoting local natural resource-based products in each project <i>soum</i>.</p> <p>At least two CBOs in each project <i>soum</i> develop operational practices and action plans, appoint a leader and a BZC, establish a BZF and develop management guidelines, and set up PMES by the end of 2011.</p>	<p>Annual project reports</p> <p>Registration of user groups and legal recognition as <i>nukhurlul</i></p> <p>Administrative records of community funds</p> <p>Documentation and description of model CBO</p> <p>CBO bylaws, action plans, and reports of activities and achievements</p> <p>Reports of consultants, technical experts, and NGOs</p> <p>Data and records on resource status and management regimes of <i>aimag</i> (province) environmental services and land agency and national park administration</p>	<p>Assumptions Cross regional and sectoral cooperation between government offices active in ORB enables integrated resource management efforts planned under the Project proceed as planned.</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>1.2. Establishment of an effective Onon River Basin Council (ORBC).</p> <p>2.1. Basin-wide environmental, and buffer zone management plans are prepared.</p> <p>2.2. A strategy for integrated management of the ORB is adopted as government policy.</p> <p>2.3. Management plans for selected areas under community management</p> <p>3.1. Environmentally - sustainable and profitable small-scale enterprises established.</p> <p>3.2. Local enterprises are developed to provide alternative sources of livelihood that reduce harmful resource extraction from protected areas.</p> <p>3.3. New products and markets developed for local forest, livestock, and agricultural products</p> <p>3.4. New technologies are available in the project area for increasing value adding activities to locally produced goods</p>	<p>BZCs are established in the seven target <i>soums</i> and a BZF by the end of 2011.</p> <p>Complete participatory selection of ORBC members by the end of 2010.</p> <p>A basin-wide environmental management and a buffer zone management plan are completed by end of 2010.</p> <p>Borders of the OBNP are marked with signboards at key locations by end of 2010.</p> <p>By the end of 2011, buffer zone management plans drafted covering all <i>soums</i> in OBNP area.</p> <p>The Dadal <i>Soum</i> training facility is established and providing training by end of 2009.</p> <p>At least six products will be assessed to become successful local products, and at least two enterprise initiatives are evaluated in terms of economic viability, employment creation potential, and capacity-building needs by end of 2009.</p> <p>By the end of year 4, at least six enterprises will be marketing products in Ulaanbaatar.</p> <p>By the end of year 1, women's council heads in all project <i>soums</i> receive training in group organization and participatory approaches.</p> <p>By the end of year 2010, at least between two CBOs are engaged in NRM with enterprises and processors, and two enterprises from each</p>	<p>Annual project reports</p> <p>Draft ORB management plan</p> <p>Reports from consultants and technical experts</p> <p>External evaluations, and midterm and final project reviews</p> <p>Reports on stakeholder consultations prepared by project staff</p> <p>Annual project reports</p> <p>Inspections of facilities by project staff</p> <p>Reports from consultants and technical experts</p> <p>Documentation of innovations and community-based strategies for poverty reduction</p> <p>Chamber of commerce information on local products</p>	<p>Assumptions Sufficient capacity can be developed and adequate opportunities for value addition can be identified in the project area to enable viable livelihood alternatives to emerge from small-scale enterprise development efforts.</p> <p>Risks Financing delivery mechanisms (e.g., revolving support fund) is challenged with new institutions such as BZCs due to management limitations or legal issues.</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
4.1. Effective project implementation, monitoring, and assessment.	<p><i>soum</i> develop business plans.</p> <p>A women's revolving support fund under the BZF is operational, and women's groups will be accessing the funds by the end of 2010.</p> <p>Project progress, audit, and evaluation reports are submitted on time.</p> <p>Quarterly newsletters for project stakeholders are prepared and disseminated.</p> <p>Educational materials for children are developed, provided to schools and information centers, and made publicly available by the end of 2011.</p>	<p>Annual project report</p> <p>Midterm and final external evaluation reports</p> <p>Project financial audits</p> <p>Project publications</p>	<p>Risks</p> <p>Timely implementation of the Project is delayed by the limited experience of the executing agency, implementing agency, and involved NGOs.</p>
Activities with Milestones			Inputs (\$'000)
<p>1.1. Local oversight committees' identification of localities and CBOs to take part in the Project completed by end of 2009.</p> <p>1.2. Provision of training in community organizing and approaches to NRM to community leaders completed by end of 2011.</p> <p>1.3. Facilitation of experience sharing between community leaders and organizers engaged in CBO NRM activities completed by end of 2012.</p> <p>1.4. <i>Aimag</i>-level NGO provision of training to CBOs on legal procedures, public participation, and civil and community rights and responsibilities completed by end of 2012.</p> <p>1.5. Assistance to participating local communities in organizing and obtaining legal recognition of BZCs completed by end of 2011.</p> <p>1.6. Establishment of revolving funds, upon local governments' commitments to providing legally mandated cofinancing, in all project <i>soums</i> completed by end of 2010.</p> <p>1.7. Assistance to BZCs in arranging office facilities and management capabilities to necessary to operate and oversee BZFs completed by end of 2012.</p> <p>1.8. Provision of training workshops on fund management and accounting to BZC staff completed by end of 2009.</p> <p>1.9. Assistance to BZFs in developing management guidelines, application and selection procedures, and eligibility criteria (following international practice) for small grant support and revolving loan funds completed by end of 2012.</p> <p>1.10. Workshops in the target <i>soums</i> and an inter-<i>soum</i> meeting to facilitate ORBC establishment held before the end of 2009.</p> <p>1.11. Training to ORBC members in ecology; integrated ecosystem management; organizational skills; and management, including financial management, participatory approaches, and communication and outreach skills, completed by the end of 2010.</p>			<p>JFPR Financing: 2,000.0</p> <p>Government Financing: 100.0</p> <p>Other Donors (NGOs): 50.0</p> <p>Community's Contributions (mostly in-kind): 25.0</p> <p>Total 2,175.0</p> <p>JFPR Financing: 2,000.0</p> <p>Equipment and Supplies 548.0</p> <p>Staff and Consulting Services 499.6</p> <p>Training, Workshops, and Consultations 585.8</p> <p>Community Revolving Fund 186.0</p> <p>Contingencies 180.6</p> <p>Government Financing: 100.0</p> <p>Equipment and Supplies 22.0</p> <p>Staff and Consulting Services 40.0</p> <p>Training, Workshops, and Consultations 38.0</p>
<p>2.1. Conservation management plans at the River Basin, <i>aimag</i>, and <i>soum</i> level developed in close consultation with stakeholders and CBOs in the project area completed by end of 2010.</p> <p>2.2. Training and capacity building for government officials and CBOs in biodiversity and socioeconomic studies completed by end of 2011.</p>			<p>World Wide Fund for Nature Financing: 50.0</p> <p>Equipment and Supplies 40.0</p> <p>Training, Workshops, and Consultations 10.0</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>2.3. Planning workshops, consultations, and training to support CBOs' development of NRM and conservation plans completed by end of 2009.</p> <p>2.4. The Dadal <i>Soum</i> information center is provided with equipment and materials to enable it to function as an effective training and meeting facility by end of 2009.</p> <p>3.1. Management and skills training, and capacity building technical assistance provided to foster the development of environmentally sustainable small enterprises completed by end of 2012.</p> <p>3.2. Assistance to communities in researching and developing products and improving product marketing in order to enhance value of local products completed by 2012.</p> <p>3.3. Investments in technologies for value addition, processing, and packaging of local products completed by end of 2012.</p> <p>4.1. Provision of implementation support including mobilization of partner NGOs, subcontractors, and consulting services; ensuring oversight, policy support, and accountability; and coordinating capacity building activities for stakeholders and implementing partners completed by end of 2012.</p> <p>4.2. Assistance to local communities in developing a PMES to capture impacts of project activities, measure achievements against targets, and promote adaptive management completed by end of 2009.</p> <p>4.3. Annual <i>soum</i>-level workshops to involve stakeholders in evaluating the Project's implementation and achievements, and to discuss necessary adjustment to strategies completed by end of 2012.</p> <p>4.4. Policy briefs based on project experience in community-based NRM and community revolving funds disseminated by end of 2009.</p> <p>4.5. At least one publication on lessons learned for completed wider publication by end of 2012.</p>			<p>Community in-kind Contributions: 25.0</p> <p>Equipment and Supplies 6.0</p> <p>Staff and Consulting Services 10.0</p> <p>Training, Workshops, and Consultations 9.0</p>

BZC = buffer zone council, BZF = buffer zone fund, CBO = community-based organization, JFPR = Japan Fund for Poverty Reduction, NGO = nongovernment organization, NRM = natural resource management, OBNP = Onon Basin National Park, ORB = Onon River Basin, ORBC = Onon River Basin Council, PMES = participatory monitoring and evaluation system.

SUMMARY COST TABLE
(\$)

Inputs / Expenditure Category	A: Building Local Institutions for Integrated NRM and Poverty Reduction	B: Developing and Strengthening Integrated NRM and Conservation in the Onon River Basin	C: Local Enterprise Development for Alternative Livelihoods	D: Project Management, Monitoring, Audit, and Evaluation	Total (Input)	% of Total
1. Equipment and Supplies	223,000	47,000	205,000	73,000	548,000	27.40
2. Training, Workshops, and Consultations	125,640	121,200	234,500	104,500	585,840	29.29
3. Staff and Consulting Services	18,100	98,400	58,300	324,800	499,600	24.98
4. Community Revolving Fund (Other Inputs: Community and Women's Support Funds)	144,000	0	42,000	0	186,000	9.30
Subtotal JFPR Grant-Financed (without contingency)	510,740	266,600	539,800	502,300	1,819,440	90.97
5. Contingencies (0–10% of total estimated grant fund): Use of Contingencies requires prior approval from ADB.	50,686	26,457	53,569	49,848	180,560	9.03
Subtotal JFPR Grant-Financed (including contingency)	561,426	293,057	593,369	552,148	2,000,000	100.00
Government Contribution	0	100,000	0	0	100,000	
Other Donors Contributions (e.g., NGOs)	0	0	0	50,000	50,000	
Community's Contributions (mostly in-kind)	0	0	0	25,000	25,000	
Total Estimated Costs	561,426	393,057	593,369	627,148	2,175,000	

NRM = natural resource management, NGO = nongovernment organization.
Source: Asian Development Bank estimates.

DETAILED COST ESTIMATES

Code	Supplies and Services Rendered	Unit	Quantity Units	Cost per Unit	Total \$	JFPR Amount	Govern- ment	Other Donors	Communi- ties
Component A. Building Local Institutions for Integrated NRM and Poverty Reduction				Subtotal	510,740	510,740	0	0	0
1.1	Equipment and Supplies								
1.1.1	Equipment for community information and/or meeting centers	lumpsum	40	1,000	40,000	40,000			
1.1.2	Fire-fighting equipment	lumpsum	7	10,000	70,000	70,000			
1.1.3	Office ORB Council (personal computer, printer)		1	1,000	1,000	1,000			
1.1.4	Small grants to communities for NRM, conservation, and social development	lumpsum	4	28,000	112,000	112,000			
1.2	Staff and Consulting Services								
1.2.1	Evaluation and participatory planning with community organizations	expert day	160	113	18,100	18,100			
1.3	Training, Workshops, and Consultations								
1.3.1	Experience-sharing workshop among community organizations, 70 participants	lumpsum	1	4,000	4,000	4,000			
1.3.2	Extensionists as local trainers and on-the-job training (local experts)	expert day	220	40	8,800	8,800			
1.3.3	In-country study visits of BZC members	lumpsum	2	3,000	6,000	6,000			
1.3.4	Regional workshop to establish Onon River Basin Council, 60 participants	lumpsum	1	3,000	3,000	3,000			
1.3.5	Study visits in-country on community organization for local coordinators	lumpsum	1	3,000	3,000	3,000			
1.3.6	Study visits and experience-sharing to model groups in each project soum	lumpsum	4	3,000	12,000	12,000			
1.3.7	Trainers in accounting	expert day	10	80	800	800			
1.3.8	Trainers in micro-finance fund management and accounting	expert day	50	80	4,000	4,000			
1.3.9	Trainers in management, community development, and conflict resolution	expert day	12	80	960	960			
1.3.10	Trainers in savings and credit, and revolving fund management	expert day	6	80	480	480			
1.3.11	Trainers management, organizational development, and related skills	expert day	35	80	2,800	2,800			
1.3.12	Trainers and facilitators in participatory planning and community mobilization (national experts)	expert day	160	80	12,800	12,800			
1.3.13	Training accounting, BZC, and ORB Council account management	lumpsum	1	2,000	2,000	2,000			
1.3.14	Training and workshops to establish BZCs in 5 soums, 40 participants	lumpsum	5	500	2,500	2,500			
1.3.15	Training BZC members (management, communications, conflict resolution), 2 workshops with approximately 30 participants in each workshop	lumpsum	2	5,000	10,000	10,000			
1.3.16	Training BZC members in financial management; revolving fund, savings, and credit administration	lumpsum	1	3,000	3,000	3,000			
1.3.17	Training fund management and accounting for community organization financial officers	lumpsum	5	1,000	5,000	5,000			
1.3.18	Training management skills, organizational development, and communication skills for community organizations	lumpsum	4	2,000	8,000	8,000			
1.3.19	Training ORB council members in legal aspects, management, communication skills, and conflict resolution	lumpsum	3	10,000	30,000	30,000			
1.3.20	Workshop for members of all BZCs and development BZF administration guidelines	lumpsum	1	3,000	3,000	3,000			
1.4	Materials Development								
1.4.1	Information material on BZC and accessing BZF	lumpsum	1	3,500	3,500	3,500			
1.5	Community Revolving Fund								
1.5.1	Contributions to BZF in 2 soums Khan Khentie	lumpsum	2	12,000	24,000	24,000			
1.5.2	Establish BZFs in 5 soums surrounding OBNP	lumpsum	5	24,000	120,000	120,000			

Code	Supplies and Services Rendered	Unit	Quantity Units	Cost per Unit	Total \$	JFPR Amount	Government	Other Donors	Communities
Component B. Developing and Strengthening Integrated NRM and Conservation in the Onon River Basin				Subtotal	366,600	266,600	100,000	0	0
2.1	Equipment and Supplies								
2.1.1	Displays for Dadal Information center	lumpsum	1	6,000	6,000	3,000	3,000		
2.1.2	LCD projector, screen, TV, camera, and video camera for Dadal Information Center	lumpsum	1	8,000	8,000	5,000	3,000		
2.1.3	Sign boards to demarcate park border	lumpsum	1	30,000	30,000	25,000	5,000		
2.1.4	Supplies, materials, and educational materials for students' conservation clubs	lumpsum	7	3,500	24,500	14,000	10,500		
2.2	Staff and Consulting Services								
2.2.1	Field research to draft ORB management plan	expert day	380	90	34,200	24,000	10,200		
2.2.2	Field research to inform drafting of ORB management plan	expert day	260	90	23,400	16,800	6,600		
2.2.3	Socioeconomic studies in support of OBPN, BZ, and ORB development	expert day	100	90	9,000	6,400	2,600		
2.2.4	TA for community organizations - preparation of management plans	expert day	160	90	14,400	11,200	3,200		
2.2.5	TA for community organizations - resource inventories and surveys	expert day	260	90	23,400	16,800	6,600		
2.2.6	TA to draft OBPN management plan	expert day	180	90	16,200	11,200	5,000		
2.2.7	TA to draft ORB management plan	expert day	200	90	18,000	12,000	6,000		
2.3	Training, Workshops, and Consultations								
2.3.1	Information or education campaigns by ORB Council	lumpsum	7	2,500	17,500	14,000	3,500		
2.3.2	Public consultations to develop ORB management plan	lumpsum	7	2,500	17,500	14,000	3,500		
2.3.3	Public consultations to develop OBPN management plan	lumpsum	5	2,500	12,500	10,000	2,500		
2.3.4	Public consultations to develop OBPN management plan	lumpsum	5	2,500	12,500	10,000	2,500		
2.3.5	Public consultations to develop ORB management plan	lumpsum	7	2,500	17,500	14,000	3,500		
2.3.6	Trainer for teachers' ecological training	expert day	20	80	1,600	1,600			
2.3.7	Trainers for ecological education ORB and OBPN	expert day	20	80	1,600	1,600			
2.3.8	Training for teachers in ecology for ORB and OBPN	lumpsum	1	5,000	5,000	4,000	1,000		
2.3.9	Training ORB Council, IRBM, co-management, etc.	lumpsum	1	12,000	12,000	10,000	2,000		
2.3.10	Workshop to present and discuss draft OBPN management plan	lumpsum	1	5,000	5,000	3,000	2,000		
2.3.11	Workshop to present and discuss draft ORB management plan	lumpsum	1	6,000	6,000	4,000	2,000		
2.4	Materials Development								
2.4.1	Curriculum development for local schools on OBPN and ORB	expert day	80	90	7,200	4,800	2,400		
2.4.2	Develop displays for Dadal Information Center	expert day	80	80	6,400	4,800	1,600		
2.4.3	Develop content for ecological education courses	expert day	90	80	7,200	4,800	2,400		
2.4.4	Documentary film production and dissemination	lumpsum	1	7,200	7,200	5,000	2,200		
2.4.5	Printing costs	lumpsum	4	2,500	10,000	6,000	4,000		
2.4.6	Public awareness and ecological education materials on OBPN and ORB	expert day	80	80	6,400	4,800	1,600		
2.4.7	Training course materials, ecology OBPN, ORB, conservation strategies	expert day	80	80	6,400	4,800	1,600		

Code	Supplies and Services Rendered	Unit	Quantity Units	Cost per Unit	Total \$	JFPR Amount	Government	Other Donors	Communities
Component C. Local Enterprise Development for Alternative Livelihoods			Subtotal		539,800	539,800	0	0	0
3.1	Equipment and Supplies								
3.1.1	Allocation to establish processing plants, small factories, storage, and transport	lumpsum	1	150,000	150,000	150,000			
3.1.2	Small-scale equipment, materials for microenterprise	lumpsum	2	24,000	48,000	48,000			
3.1.3	Allocation to support women groups' microenterprise initiatives	lumpsum	7	1,000	7,000	7,000			
3.2	Staff and Consulting Services								
3.2.1	Evaluation of enterprises and local products	expert day	60	80	4,800	4,800			
3.2.2	Market research	expert day	75	80	6,000	6,000			
3.2.3	Research and development of new products, packaging, processing, etc.	expert day	550	80	44,000	44,000			
3.2.4	Facilitator and coordinator for women's microenterprise groups	expert day	50	70	3,500	3,500			
3.3	Training, Workshops, and Consultations								
3.3.1	Advanced business management, market, computer skills, financial management, quality standards	lumpsum	21	3,667	77,000	77,000			
3.3.2	Budget allocation for supporting participation in fairs in Ulaanbaatar	lumpsum	21	1,000	21,000	21,000			
3.3.3	Budget allocation for vocational skills training for the poor	lumpsum	1	5,000	5,000	5,000			
3.3.4	Evaluation workshops with local entrepreneurs	lumpsum	7	500	3,500	3,500			
3.3.5	Trainers for business planning and management	expert day	50	80	4,000	4,000			
3.3.6	Trainers for advanced business management, marketing, PC skills, financial management, and quality standards	expert day	223	240	53,600	53,600			
3.3.7	Training in business planning and management	lumpsum	7	1,000	7,000	7,000			
3.3.8	Workshops to develop business associations	lumpsum	14	1,000	14,000	14,000			
3.3.9	Workshops to link producers, traders, and buyers	lumpsum	21	1,000	21,000	21,000			
3.3.10	In-country study visits with women groups' leaders and members	lumpsum	2	3,500	7,000	7,000			
3.3.11	Study visits (in-country) to heads of women's council	lumpsum	1	3,500	3,500	3,500			
3.3.12	Trainer, participatory approaches, and group formation	expert day	20	85	1,700	1,700			
3.3.13	Training in participatory approaches and group formation	lumpsum	1	2,000	2,000	2,000			
3.3.14	Workshops and trainers or moderator and workshop supplies and materials	lumpsum	7	800	5,600	5,600			
3.4	Materials Development								
3.4.1	Develop information material on credit and financial mechanisms	expert day	20	80	1,600	1,600			
3.4.2	Printing material on credit and financial mechanisms	lumpsum	1	3,500	3,500	3,500			
3.4.3	Develop guidelines for women's fund management	lumpsum	7	500	3,500	3,500			
3.5	Community Revolving Fund								
3.5.1	Establish "women's support funds"	lumpsum	7	6,000	42,000	42,000			

Code	Supplies and Services Rendered	Unit	Quantity Units	Cost per Unit	Total \$	JFPR Amount	Government	Other Donors	Communities
Component D. Project Management, Monitoring, Audit, and Evaluation				Subtotal	577,300	502,300	0	50,000	25,000
4.1	Equipment and Supplies								
4.1.1	Miscellaneous office expenses (office materials, office equipment)	lumpsum	7	11,000	77,000	66,500		7,500	3,000
4.1.2	Office for local coordinators (PC, printer, camera, miscellaneous)	lumpsum	7	2,500	17,500	2,500		12,500	2,500
4.1.3	Field office for PMU (PC, internet, phones, fax, printer, camera, etc.)	lumpsum	1	25,000	25,000	4,000		20,000	1,000
4.2	Staff and Consulting Services								
4.2.1	Administrator	month	48	400	19,200	18,700			500
4.2.2	Administrative and/or office staff overseeing the Project	month	48	800	38,400	37,900			500
4.2.3	Audit	lumpsum	1	22,800	22,800	22,300			500
4.2.4	Field Coordinator	month	48	500	24,000	23,500			500
4.2.5	Final evaluation	lumpsum	1	22,000	22,000	21,500			500
4.2.6	Local coordinators	month	336	300	100,800	97,300			3,500
4.2.7	Meetings project oversight committee	lumpsum	8	1,000	8,000	7,000			1,000
4.2.8	Midterm review	lumpsum	1	22,800	22,800	21,800			1,000
4.2.9	Project Coordinator, salary	month	48	800	38,400	37,400			1,000
4.2.10	Technical staff 1	month	48	400	19,200	18,700			500
4.2.11	Technical staff 2	month	48	400	19,200	18,700			500
4.3	Training, Workshops, and Consultations								
4.3.1	End of year evaluation workshops (soum-level)	lumpsum	4	3,750	15,000	14,250			750
4.3.2	End of year evaluation workshops (bag-level)	lumpsum	28	1,000	28,000	27,750			250
4.3.3	Inception workshop in Dadal soum	lumpsum	1	3,000	3,000	2,500			500
4.3.4	Local inception workshops	lumpsum	7	1,000	7,000	6,500			500
4.3.5	Transport services used in provision of training and conduct of consultations	lumpsum	7	10,000	70,000	53,500		10,000	6,500
Components A to D = Subtotal				Subtotal:	1,994,440	1,819,440	100,000	50,000	25,000
Contingency (maximum 10% of total JFPR contribution)					180,560				
Total Grant Costs				Total:	2,175,000	2,000,000	100,000	50,000	25,000

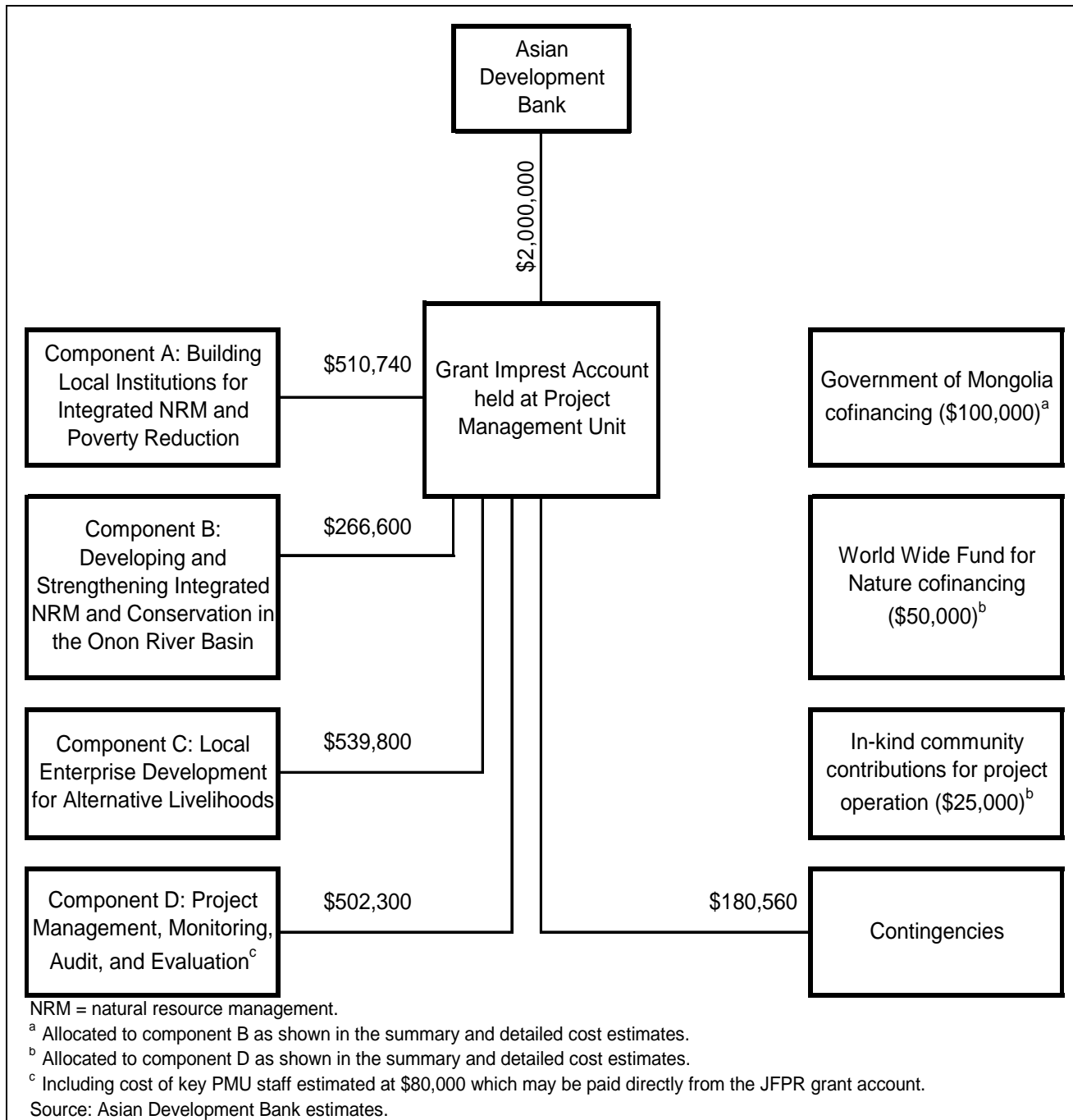
BZ= buffer zone, BZC = buffer zone council, BZF = buffer zone funds, DPN = direct purchase (national), ICB = international competitive bidding, IRBM = integrated river basin management, JFPR = Japan Fund for Poverty Reduction, LCB = local competitive bidding, NCB = national competitive bidding, NRM = natural resource management, OBNP = Onon Basin National Park, ORB = Onon River Basin, PC = personal computer, PMU = project management unit, SSS = single-source selection, TA = technical assistance.

Source: Asian Development Bank estimates.

FUNDS FLOW ARRANGEMENTS

1. The Asian Development Bank (ADB) will channel the Japan Fund for Poverty Reduction Fund (JFPR) funds directly to a JFPR imprest account—which will be opened and maintained by the project management unit (PMU) at a bank endorsed by the executing agency and acceptable to ADB—to facilitate payment of the Project's day-to-day expenditures. The executing agency and ADB will be kept informed by the PMU of all transactions and receive copies of all financial statements and audit reports. The imprest account will be managed by the PMU—initially based on the first 6-month work plan and related budget, and afterwards, based on the approved annual work plan and budget. Advance payments to the World Wide Fund for Nature for project implementation may be made directly from the grant account or from the imprest account in six monthly tranches, and approved by the steering committee based on expected work programs.
2. Total advances to the imprest account are not to exceed ADB's estimated share of eligible project expenditures for the next 6 months or 10% of the grant amount, whichever is lower. The executing agency may request an initial advance from ADB based on approved contracts and planned expenditures for the first 6 months of implementation. The initial advance, in any event, is not to exceed the approved ceiling. The imprest account will be established, managed, replenished, and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time).
3. The statement of expenditures (SOE) procedure will apply for all payments and transactions under \$10,000 to ensure speedy implementation, and can be approved by the PMU as delegated by the executing agency. Detailed implementation arrangements on the funds flow, liquidation, replenishment, and administrative procedures will be detailed in the grant implementation manual and established between ADB and the Government through the Project's letter of agreement. The schematic funds flow for the Project is shown in Figure A4.1.
4. Since the imprest fund and SOE procedure will be used, the executing agency will ensure the PMU's sufficient financial management capability to establish adequate accounting procedures and controls for the efficient operation of the imprest fund.
5. Interest earned on the imprest account, net of bank charges, can be used for the Project, subject to ADB's approval and within the approved total amount of JFPR. Any unutilized interest should be returned to the JFPR account maintained at ADB, upon project completion and before closing of JFPR account.

Figure A4.1: Funds Flow Arrangements for JFPR Project



IMPLEMENTATION ARRANGEMENTS

1. A detailed grant implementation memorandum will be prepared by the project management unit (PMU) in consultation with the Asian Development Bank (ADB) and agreed upon with the Ministry of Finance (MOF) and the Ministry of Nature and Environment (MNE) before project inception. The grant implementation memorandum will further detail the implementation arrangements under the Project.

A. Project Organization and Management

2. The MNE will be the executing agency and will be responsible for the overall supervision of the Project through a PMU in Ulaanbaatar. The location of the PMU will be determined upon project inception. The World Wide Fund for Nature (WWF) Mongolia will be the implementation consultant under the Project with responsibility for carrying out the day-to-day project activities under the supervision of the PMU and the steering committee. WWF will be responsible for establishing the project implementation unit (PIU) facilities (building and basic office set-up) in Dadal *Soum*, and cover the running costs of the office through project resources as well as its counterpart contribution to the Project. WWF will be a key partner institution and will coordinate project activities with other projects WWF is currently implementing in the project area. The PIU will act as the secretariat of the Onon River Basin Management Council (ORBC), establish the Council, and develop financial mechanisms to sustain the Council and its secretariat as part of the project activity under component A.

3. A steering committee chaired by MNE, including nominated representatives from MOF, the Hentiy local government, and WWF will provide oversight and policy guidance for the Project, make strategic decisions, and hire local organizations involved in project implementation. Representatives from ADB and the Embassy of Japan will participate in the steering committee as observers. The steering committee will review and approve the initial project work program prepared by WWF and subsequent updates prepared during implementation.

4. The PMU will be established in Ulaanbaatar, with a project coordinator accountable to the executing agency and ADB. The project coordinator will be responsible for the management of the day-to-day affairs of the Project including regular planning, monitoring, and reporting, and supervise the office staff and financial administration. The project coordinator is also responsible for negotiating contractual arrangements with external organizations, and will pay particular attention to coordination with other development agencies in Hentiy and Ulaanbaatar with projects related to the community-based natural resource management (NRM) or the activities of the Project more generally. The project coordinator will build productive relationships with all key stakeholders. In addition to the project coordinator, the PIU will have the following staff: (i) field office staff in Dadal *Soum* comprising a field coordinator, a conservation and NRM specialist, a community development and poverty reduction specialist, an administrative assistant, and a driver or handyman; and (ii) local coordinators in each of the seven project *soums*. The project coordinator and the field coordinator will be recruited by ADB using ADB's individual consultant selection procedure. Payment to these staff may also be made directly by ADB from grant account to ensure their independence.

5. The field office, under the management of the field coordinator, will directly supervise all field activities. The local coordinators are accountable to the field coordinator for the implementation of project activities in the *soum* to which they are assigned and are responsible

for achieving objectives at the *soum* level. Local coordinators will play a key role in linking community organizations among each other, to local government, to resource agencies, and to project-supported mechanisms including financial mechanisms.

6. All procurement will be carried out in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). The PMU will operate the project imprest account in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). A detailed implementation plan and implementation manual will be developed during inception of the Project.

B. Procurement

7. Procurement under the Project will be undertaken in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). Contracts for goods and works estimated to cost the equivalent of \$100,000 or less will be procured using ADB's shopping procedure. Contracts for goods with estimated value of more than \$100,000, but not equal to or exceeding \$500,000, and contracts for works with estimated value of more than \$100,000, but not equal to or exceed \$1.0 million will be awarded using the national competitive bidding (NCB) procedure. Items costing \$10,000 or below may be purchased directly from the supplier. In such cases, ADB should be satisfied that the price paid is reasonable. The use of international competitive bidding is not envisaged under the Project. NCB procurement will be done on the basis of NCB procedures, in accordance with the Mongolian Procurement Law, subject to modifications agreed with ADB. The PMU will be responsible for procurement, with technical inputs from MNE and WWF. The procurement plan is in Supplementary Appendix A.

C. Consulting Services

8. The Project will require 4.25 person-months of international and 660 person-months of national consulting services. WWF will be engaged following the single source selection method in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Engagement of the international consultants will be undertaken by PMU, while engagement of the national consultants will be undertaken by WWF through the nongovernment organization (NGO) program. Adoption of this method will foster integration of the Project with the other activities under the implementation by WWF, and would be beneficial for the Project in view of WWF's unique expertise and experience in implementing community-based NRM-related projects and its long-standing presence in the project area which allowed the establishment of strong linkages to local government officials and staff working on related development projects in the Onon River Basin. Subcontract to NGOs will also be undertaken for training and related activities. The detailed terms of reference (TOR) for the consultants are provided in Supplementary Appendix B. As the specific activities to be undertaken under components A and B will be driven by the interests and demands of the participating communities, the consultancy requirements for the Project will be reviewed and adjusted, as necessary, to meet the requirements of implementation and to help ensure the successful completion of the Project.

D. Financial Management

9. The PMU will operate the project imprest account in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time) including the maintenance of separate accounts for all project components financed by the Japan Fund for Poverty Reduction (JFPR) and the annual audit by an independent auditor that has adequate knowledge and

experience of international accounting practices and is acceptable to ADB and MNE. The audited project accounts will be available within 6 months after the end of each financial year. Audit should also include the use of the imprest fund and the statement of expenditures (SOE) procedure. An independent opinion with regards to the compliance with standard procedures on SOE and imprest account should be expressed by the auditor. In addition, a final project completion report will be provided within 3 months of the end of the Project. The interest earned on JFPR imprest account, net of bank charges, will be remitted to the JFPR account maintained at ADB before the financial closing of the account. Standard ADB operating procedures will be followed in reimbursing, liquidating, and replenishing eligible expenditures from the advances to the imprest account. Standard ADB ceilings that apply to individual payment shall also apply.

10. It is recommended that packages of related activities and trainings, or components be subcontracted to national consultant teams through consulting companies, or national and provincial NGOs. Extensive consultations for project formulations concluded that local NGOs and service and training providers exist with good capacity, experience, and outreach to implement “packages” or components on ecological education, enterprise development including product and market development, and all relevant trainings, community mobilization and participatory planning in the context of community-based NRM, and training in management and communication skills. A description of local organizations, their focal areas, and outreach capacity is provided in Supplementary Appendix F (Final Report on Inputs for Project Development: Poverty Reduction through Community-Based Natural Resource Management Project). All procurements under the JFPR grant will be conducted in accordance with ADB’s *Procurement Guidelines* (2007, as amended from time to time). WWF will be recruited by ADB in accordance with ADB’s *Guidelines on the Use of Consultants* (2007, as amended from time to time) to provide the services for implementation, management, and progress monitoring of the JFPR grant. Local NGOs, consultants, and training providers will be contracted by PMU in accordance with ADB’s *Guidelines on the Use of Consultants* (2007, as amended from time to time).

E. Reporting

11. Annual reports and semi-annual implementation activities and their impacts, and on challenges and risks for implementation, along with annual financial reports, are to be prepared by the local coordinators, field coordinator, and national project coordinator. These reports will be submitted to and consolidated by PMU for submission to ADB. The annual reports are due prior to the annual evaluation workshops. Semi-annual reports, less comprehensive on implementation, will be prepared by the project and field coordinators. The project coordinator submits the semi-annual report to ADB prior to the mid-year meeting of the project oversight committee. The form and contents of annual and semi-annual reports will be agreed between ADB, MNE, and WWF at project inception. At the end of the Project, a summary publication on community-based NRM implementation and the policy environment for community-based NRM in Mongolia will be provided for wider dissemination.

12. The PMU will maintain separate accounts for all project components financed by the JFPR grant and by the Government, and have them audited by an independent auditor that has adequate knowledge of and experience with international accounting practices and is acceptable to ADB. The audit report should include a separate opinion on the use of the imprest account and SOE procedure. The audited project accounts and the auditor's reports will be submitted to ADB within 6 months after the end of each fiscal year. The Government will be informed of ADB's requirements of the timely submission of audited project accounts and financial statements, including the suspension of disbursements in case of noncompliance. ADB

will also finance, through the Project, annual audits by an independent audit company acceptable to ADB.

F. Oversight

13. The project steering committee comprising nominated representatives from MNE, the Hentiy *Aimag* government, the Dornod *Aimag* government, WWF, and ORBC (as soon as this is established) will provide oversight and policy guidance for the Project and make strategic decisions including final approval of hiring of local organizations involved in project implementation. Representatives of ADB and the Embassy of Japan in Mongolia may also participate in the steering committee as non-voting observers in order that these organizations maintain a close relationship to the Project. The committee will (i) provide policy guidance congruent to the national, provincial, and local policies and strategies, including the selection of local consultancy, training, and other specialist services; (ii) undertake project advocacy at the policy level to ensure national commitment and contribution to the project objectives; (iii) discuss and approve annual workplans and budgets; and (iv) discuss and approve annual reports on project implementation. The committee will meet twice annually in Dadal *Soum*, and the yearend meeting will be scheduled to coincide with the Project's annual yearend evaluation workshop. The committee will appoint a rotating chair each year. The representative of MNE and the national project manager will be required to consult closely and maintain strong links with the oversight committee throughout project implementation. The project manager will report to the project oversight committee and prepare an annual work plan and budget for oversight committee review and endorsement.

14. At *soum* level, the *khural* representatives from Iregdiin, Khurliin, and Terguulegchid *Soums* will provide local policy guidance and oversight. Functions include (i) guidance to project implementation on *soum* level; (ii) discussion and approval of annual workplan and budget, prepared by local coordinator; (iii) discussion and approval of annual report prepared by local coordinator; (iv) selection of project target areas, communities, and groups; and (v) strategic decisions including final approval of investments. The local coordinators will report to the *soum khural* representatives and prepare an annual work plan and budget to be approved by this body. Local oversight bodies will facilitate allocation of office space for local coordinators by the *soum* government. They meet quarterly and hold ad hoc meetings as required.

G. Monitoring and Evaluation

15. Monitoring and evaluation for the Project is designed both as a tool to guide the implementation process and capture impacts on poverty and NRM; a key element is participatory M&E established and maintained by beneficiaries themselves.

16. Annual evaluation workshops in each *soum*, followed by a joint workshop with representatives from all *soums* and attended by the project oversight committee will be an important event for implementing partners, executing agency, organizations of the beneficiaries, and other stakeholders to jointly assess progress, identify barriers, and adjust strategies, if needed.

17. Assessments on the poverty profile of communities at the time of the community organizations' establishment (for existing community organizations), and follow up on initial participatory analysis through social mapping and wealth ranking during project formulation which will provide a baseline against which to measure impact on household well-being. Carrying out these initial assessments and incorporating them into a database for monitoring

purposes will be one of the initial tasks of the PMU. Additional information on poverty impact assessment and monitoring under the Project is available in Appendix 6 (Summary Poverty Reduction and Social Strategy) prepared for the Project.

18. A participatory M&E system will be established with community organizations based on locally relevant, measurable, and applicable indicators for social, economic, and environmental impacts that are designed and measured by community organizations themselves. This will serve as a tool to evaluate progress, set new targets, and adjust strategies for communities themselves. Assistance and facilitation by project staff and/or local consultants is expected to support the system.

19. Semi-annual reviews of M&E system maintenance and findings of selected community organizations will be undertaken by project staff and/or external consultants. Annual backstopping support through an external consultant will evaluate strategies and impacts, and provide guidance, particularly with regard to institution building and community-driven poverty reduction strategies, in addressing environment-poverty linkages. This will present opportunity to adjust strategies of particular components subject to the approval by the project oversight committee. The first assignment of this kind is due at the beginning of the second year of the Project.

20. Control studies on social, economic, and environmental impacts through community-based NRM with member and non-member households of community organizations in the project area. A midterm review and final evaluation will evaluate implementation and impacts measured against key performance indicators. Reports based on project M&E activities will distill lessons learned about community-based NRM implementation in Mongolia. These will be prepared and disseminated as part of the Project's dissemination plans.

H. Communication Strategy

21. Much of the project design centers on developing collaboration among stakeholders, and activities to facilitate communication are included in all components. A series of meetings and workshops are planned to enable experience sharing and to distill and document lessons learned. Documentation of lessons learned on community mobilization, institution building, community-driven poverty reduction, poverty reduction through community-based NRM, and dissemination is included in TOR for main consultants and identified as project outputs and deliverables. Production and dissemination of educational and public awareness materials, including lessons learned on community-based NRM and on collaborative management are key activities under component B.

22. Experience-sharing events (e.g., exchange visits, workshops) and publications that include policy discussions, best practice, and technical and sector notes for use in future policy dialogue discussions between Mongolia government and ADB are included under component A. An experience-sharing and evaluation workshop is planned for project year 3, and documentation of lessons learned defined as output. WWF as an international advocacy NGO will be able to greatly enhance the visibility of achievements by the Project and to disseminate lessons learned in-country through their outreach program and media linkages as well as globally through their international organizational structure and high profile campaigns.

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country/Project Title: Mongolia Poverty Reduction through Community-Based Natural Resource Management

Lending/Financing Modality:	Others (JFPR Grant Assistance)	Department/ Division:	East Asia Department (EARD) / Agriculture, Environment, and Natural Resources Division (EAEE)
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I. POVERTY ANALYSIS AND STRATEGY

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

1. Based on the country poverty assessment, the country partnership strategy, and the sector analysis, describe how the Project would directly or indirectly contribute to poverty reduction and how it is linked to the poverty reduction strategy of the partner country.

Included among ADB projects are (i) an agriculture and rural development project that has strong environmental links in the 2007 pipeline, and (ii) an environment management project proposed for preparation in 2008 and implementation in 2009.^a Highlighted in an ADB study for Mongolia completed in November 2005, there is a strong link between poverty alleviation and environmental concerns in the country.^b Much of the literature on rural poverty in Mongolia also emphasizes this link; the European Commission reports that the recent movement of herders to trading settlements—in search of markets for their livestock and labor—has led to overgrazing and degradation of pasture, soil, and water resources around the settlements leading large areas of the countryside to a greater concentration of economic activity, ecosystem damage, and increased poverty. The Mongolia Country Environmental Analysis indicates opportunities for ADB to assist the Government in addressing this situation, including provision of greater financing for local environmental management and strengthening local capacity for water resource and land use planning and management. These opportunities are additionally relevant to local poverty reduction initiatives, particularly when addressed through community-based NRM.

Implementing community-based NRM is of particular significance in Mongolia, as community organization is crucial to facilitate the mobility of herders for sustainable management of dry land pastures, which represent the primary resource on which rural communities depend for their livelihoods. The limited capacity of government institutions in land and resource management and conservation means that rural communities are the primary institutions for the stewardship of natural resources. An important barrier to sustainable management, conservation, and poverty reduction is the inability of local households to add value to natural resources; this results in the depletion of natural resources while poverty is perpetuated. Recent and ongoing programs in Mongolia—which have focused on the inclusion of the poor and vulnerable in CBOs, on collective action and labor division in livestock and NRM, and on facilitating resource use rights and responsibilities for CBOs—have generated encouraging results for community-driven poverty reduction that serve as lessons to build on and apply more widely. With Mongolia's commitment to place 30% of its territory under formal protection, community-based NRM will be a key element to put into practice effective landscape-level management and protection strategies.

B. Poverty Analysis

Targeting Classification: General intervention

1. Key Issues

The Project is expected to enhance sustainable use and conservation of biodiversity and to reduce social vulnerability issues by promoting participatory methods and community-based NRM modalities. The Project directly contributes to poverty reduction by targeting society's poorest groups (e.g., those in rural areas as well as households headed by women) by strengthening links to markets for nontimber and agricultural products and by enhancing the capacity of CBOs, thereby mobilizing community-based strategies for poverty reduction.

Poverty levels in Mongolia have significantly declined from the high levels (approaching 50%) that prevailed immediately after the collapse of the centrally-planned economy in the early 1990s. However, today, more than one in three people in Mongolia remain poor. Poverty is significantly higher in rural areas (43% compared to 30% for urban areas) where poor households depend on agriculture and, most importantly, extensive livestock production for their livelihoods. More than half of the rural population consists of nomadic herding families who rotate their mixed herds across remote pastures. Poverty among this group is particularly acute.

Agriculture in Mongolia contributes 22% to the gross domestic product. More than 80% of this derives from this extensive livestock production, which can contribute to reducing rural poverty and to wider economic growth through food production and the export of high-quality meat and wool products, including cashmere. However, extensive livestock production in Mongolia is vulnerable to extreme climatic conditions, particularly extreme winters known as *zuuds*. There have been three *zuuds* since 2000, dramatically reducing livestock numbers with poor herding families bearing the greatest burden. Prior to economic collapse, this climatic vulnerability of livestock herding was mitigated by strong centralized management of herd size, composition, livestock movements, and fodder production through herder collectives, and was strongly based on pasture mapping and monitoring.

The economic collapse also resulted in the reemergence of the traditional herding system based on kinship groups, and many previously nonherding families took up small-scale subsistence herding as a survival strategy. This led to increased vulnerability in the sector caused by the loss of proactive management and coordination structures for pasture use and the decline in, or loss of, support services—particularly in respect to animal health. Degradation of pastures is currently increasing partly because damaged and badly maintained water points have restricted pasture access, and the low mobility of poor herders has increased pressure on localized pastures, especially those close to *soum* (district) settlements. These detrimental effects on pastures have been compounded by the increasing proportion of goats in the national herd, which are being grazed for the lucrative cashmere wool market, as well as the increasingly unpredictable rainfall patterns resulting from climate change.

The Project aims to reduce the number of poor households involved with project activities by 50%. It is hoped that very poor households will have improved their well-being and have decreased by 80%. In addition, the number of poor households headed by women will have decreased by 30% *soum*-wide.

2. Design Features

The Project's potential for developing new approaches to conservation is significant for sustainable NRM and protection of biodiversity, the country's commitment to place 30% of its territory under formal protection, its responsibilities under community-based development and in implementing the national policy on protected areas, and in the context of programming donor support for the environmental management sector. Protected area management will achieve sustainable results only if a landscape-level approach to conservation is adopted that develops links, provides connectivity, and protects a multitude of local sites and conservation values. Community-based NRM is the tool to put these approaches into practice. The Project will provide lessons for upcoming programs in both value-chain development as well as in NRM. The Project's support for developing a river basin management council—the first of its kind in Mongolia—is also a noteworthy innovation that can serve as a model and produce important lessons for policy makers and environmental managers.

The Project's approach and strategies are in line with the principles set out for JFPR grants, and in particular (i) respond directly to the needs of the poorest and most vulnerable groups through new and innovative methods; and (ii) build ownership, capacity, empowerment, and participation of local communities, NGOs, and other civil society groups. An innovative and more cost-effective approach that promotes sustainability is proposed for capacity development of CBOs by community trainers, such as community organizers who have played a key role in facilitating community organization and community-based conservation and poverty reduction in three Gobi *aimags* (provinces) over past years. Community organizers, as well as community leaders and other resource persons who are emerging as trainers of herder field schools, will be mobilized to work with local communities, governments, and other implementing partners in the project area. Exchanges to the Gobi Region and other program areas will be another element of building capacity while promoting local ownership of design and implementation of interventions.

Evaluation and planning procedures will reflect a bottom-up approach and promote beneficiary-led planning and implementation. Annual evaluation workshops will take place in each *soum*, followed by an annual project evaluation meeting. CBOs will evaluate their activities semiannually once their participatory monitoring and evaluation system (PMES) is established. Annual work plans and budgets will be prepared in a participatory manner and through a bottom-up approach, whereby *soum*-level plans will incorporate community-based plans, and the Project's annual work plan will consolidate *soum*-level and river basin-level plans.

Other aspects of the Project include (i) a strategy for producing enabling conditions for the development of community-based strategies for poverty reduction, (ii) a plan to develop a model that links the poor in rural centers to CBOs in rural areas, and (iii) support for developing a river basin management council. The rural poor are typically without livestock, and are therefore not involved in NRM on a daily basis; however, their diversified livelihood strategies depend on natural resources such as nontimber forest products. Developing a functional link between these livestock-poor resource users and herding households that manage pastoral and forest resources is the key challenge that this Project addresses.

II. SOCIAL ANALYSIS AND STRATEGY

A. Findings of Social Analysis

For poor households in rural areas, inclusion in rural CBOs for NRM will provide opportunities based on labor division within the group and employment to wages. Recognizing that poor communities may be too economically vulnerable and may lack the resources and skills needed to switch quickly to nonresource intensive livelihoods, the Project will seek to support interventions (i) to build capacity among these households to generate income from alternative sources, (ii) to improve the sustainability of existing resource-intensive income-generating activities, and (iii) to identify approaches for mitigating any adverse environmental consequences.

B. Consultation and Participation

1. Provide a summary of the consultation and participation process during the project preparation.

Local Buriad leaders expressed serious concerns about recent environmental degradation in the area and the effect it is having on traditional lifestyles. The Ministry of Nature and Environment (MNE) has indicated its support to the Project, stressing the rising importance of community-based NRM in recent years. Local government representatives in the five target *soums*, the *aimag* government, protected area administrators, CBO representatives engaged in NRM and conservation, and other rural stakeholders have been involved in participatory consultations and workshops related to the project design. These consultations focused on soliciting stakeholder input regarding the causes of poverty; identifying barriers to poverty reduction; defining entry points for interventions through environment–poverty links, capacity building, and social development; and capitalizing on value-chain development opportunities.

The Project was formulated following extensive consultations with local stakeholders and key informants, and after participatory analysis with groups of target beneficiaries in all *soums*. Introductory and preparatory meetings included representatives of the environmental and social policy departments of the *aimag* government, officers of *soum* governments, and members of *aimag* and *soum khurals* (legislative bodies). In each *soum*, participatory rural appraisal techniques were employed by two field teams to analyze environment–poverty links with CBOs in rural areas and rural centers. Participatory action research included social mapping and wealth ranking to identify poverty profiles and dimensions and group analysis on opportunities for poverty reduction through community-based NRM. A series of meetings was held with representatives of local NGOs and citizens' movements.

Following participatory appraisals and consultations with the Government, communities, and civil society organizations, a workshop brought together all representatives to validate the emerging concept and develop action plans for each district as the basis for the Project. Discussions also included implementation and monitoring arrangements, which clearly separated implementation and monitoring responsibilities. To promote participatory practices, ownership, and sustainability, CBOs will be viewed as the primary implementers of activities, supported by the project implementing unit of the main implementing NGO and by subcontracted implementing partners. Monitoring mechanisms have been designed for both local- and central-level implementation. On the local level, the *soum khural* will be the local oversight committee, while in the project oversight committee, Onon River Basin Council, governments of Hentiy and Dornod *aimags*; JFPR, ADB, and MNE are represented. Participation and ownership will be enhanced through the establishment of a PMES.

2. What level of consultation and participation (C&P) is envisaged during the project implementation and monitoring?
 Information sharing Consultation Collaborative decision making Empowerment
3. Was a C&P plan prepared?
 Yes No

If a C&P plan was prepared, describe key features and resources provided to implement the plan (including budget, consultant input, etc.). If no, explain why.

Plans for consultation and participation in the Project represent a central portion, and the issue of how to ensure full participation of rural families in NRM decision-making takes up much of the project proposal.

C. Gender and Development**1. Key Issues**

The Project provides an opportunity to reduce poverty by providing support to women's initiatives to start microenterprise activities. The rationale for including a specific women's component in the Project is (i) a high percentage of women head households among the poor; (ii) initiatives by women and women's groups already exist that may be built on; and (iii) benefits through women's economic empowerment will extend to their households and children, i.e., have an impact on the target group as a whole and contribute to overall poverty reduction. Women's councils in all *soums*, i.e., local branches of the national Women's Federation, are actively supporting women's initiatives; however, they lack resources to provide substantial support to women.

2. Key Actions

Measures included in the design to promote gender equality and women's empowerment—access to and use of relevant services, resources, assets, or opportunities and participation in decision-making process:

- Gender plan Other actions/measures No action/measure

Summarize key design features of the gender plan or other gender-related actions/measures, including performance targets,

monitorable indicators, resource allocation, and implementation arrangements.

The Project provides support to women’s councils, including training of heads in group facilitation, financial management, and participatory appraisal and planning. The Project will also provide training and backstopping support to women’s groups in microenterprise development to be delivered by women’s councils and, for specialist training and support, by an NGO or consulting service. A women’s support fund will also be set up to help groups of poor women to begin microenterprise activities, which will be a special credit line under the buffer zone fund, administered by the buffer zone council. For this fund, women’s councils will evaluate applications and make recommendations for approval.

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS			
Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
Involuntary Resettlement	No impact on resettlement is expected given the nature of the planned project activities. However, because precise interventions under the Project will be designed in detail only during project implementation, as dictated by participating communities, a resettlement framework has been prepared. The Project is categorized as C/B. Monitoring requirements and the process for action should resettlement impacts be found are explained in the framework.	A resettlement framework has been prepared, and involuntary resettlement safeguard compliance requirements have been included in the project letter of agreement.	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input checked="" type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action
Indigenous Peoples	A majority of the population in the project area is from the Buriad ethnic minority group. Buriad officials make up a majority of <i>aimag</i> and <i>soum</i> government officials in the project area. The Buriad group is expected to be affected by the Project only in positive ways.	An indigenous peoples development framework has been prepared, and the project proposal devotes major portions of its design and planning to processes that ensure local community participation in investments to create or improve livelihood alternatives for Buriad communities. The Project has been classified as Category B, and specific actions will be	<input type="checkbox"/> Plan <input checked="" type="checkbox"/> Other Action (specific actions will be prepared during detailed project design if found to be needed) <input checked="" type="checkbox"/> Indigenous Peoples Framework <input type="checkbox"/> No Action
III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS			
Issue	Significant/Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
		prepared, if needed, during implementation. Efforts to arrange for the participation of Buriad community representatives and Buriad-based NGOs in project implementation began during project preparation. The Project aims to reverse trends in environmental degradation in the Onon River Basin that Buriad leaders have cited as important factors in undermining traditional Buriad lifestyles and livelihoods. The Project includes financial support to peoples adversely affected by conservation	

		measures pursued under the Project, and this provision will cover Buriad households.	
Labor <input checked="" type="checkbox"/> Employment opportunities <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Core labor standards	The Project is expected to generate new employment opportunities.	Planned efforts to spur enterprise development will improve employment opportunities in the project area while also increasing agricultural producers' opportunities to add value to their outputs and obtain greater income from their agricultural and livestock-raising activities.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action
Affordability	Limited impact	Infrastructure and services provided by the Project will be financed on a grant basis. Local contributions to the Project will be minimal, and analysis will be undertaken to ensure such contributions do not prevent participation of the poorest households.	<input type="checkbox"/> Action <input type="checkbox"/> No Action
Other Risks and/or Vulnerabilities <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (conflict, political instability, etc)	None apply.		<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action
IV. MONITORING AND EVALUATION			
Are social indicators included in the design and monitoring framework to facilitate monitoring of social development activities and/or social impacts during project implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			

ADB = Asian Development Bank, CBO = community-based organization, JFPR = Japan Fund for Poverty Reduction, NGO = nongovernment organization, NRM = natural resource management.

^a ADB. 2006. *Country Strategy and Program Update for Mongolia (2007–2009)*. Manila.

^b ADB. 2004. *Mongolia Country Environmental Analysis*. Manila.