

GRANT IMPLEMENTATION MANUAL

MONGOLIA

**JFPR 9106-MON: COMMUNITY-DRIVEN DEVELOPMENT FOR
URBAN POOR IN GER AREAS**

ASIAN DEVELOPMENT BANK

October 2007

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(i)

GRANT IMPLEMENTATION MANUAL

PREFACE

The Grant Implementation Manual (GIM) is intended to provide details of the Project components, Project inputs, financing plan, and implementation arrangements to facilitate implementation. The GIM will be the primary reference during Project implementation and will be updated periodically to incorporate significant changes in Project scope and implementation arrangements.

Project implementation is subject to the provisions of the applicable Letter of Agreement. The GIM will amplify and explain application of those provisions and the provisions in the JFPR Paper and Memorandum of Understanding (MOU) prepared during project processing as the principal reference document for implementation.

(ii)



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LIST OF ADDRESSES AND PERSONNEL CONCERNED

A. Asian Development Bank

Address	ADB Mongolia Resident Mission P.O. Box 1083, Central Post Office, Ulaanbaatar-210613, Mongolia
Facsimile	976-11-311975 (MnRM)
Telephone	976-11-329836 (MnRM) 976-11-323507 (MnRM)
Country Director	Mr. Adrian Ruthenberg Email: aruthenberg@adb.org
Senior Portfolio Management Specialist	Mr. Shane Rosenthal Email: srosenthal@adb.org
Economics Officer	Ms. Tsetsegmaa Amar Email: tamar@adb.org
Financial Control Specialist, CTLA 7	Ms. Li-Chun Hung Tel. No. 632-6325392 Email: @adb.org

B. Executing Agency,

Ministry of Construction and Urban Development (MCUD)

Barilgachidyn talbai-3,
State Property Building-5
Ulaanbaatar -211238

Mr. Ts Gankhuu
State Secretary
Tel. No. 976-11 320 528
Facsimile 976-11 262 810
Cellphone 976 99112826 / 976 95158300
Email: gankhuu@mcud.pmis.gov.m

C. Implementing Agencies

To be determined

ABBREVIATIONS

ADB	–	Asian Development Bank
CBO	–	Community-based Organization
CDD	–	Community-driven Development
DED	–	Deutscher Entwicklungsdienst
JFPR	–	Japan Fund for Poverty Reduction
JSDF	–	Japan Social Development Fund
GIM	–	Grant Implementation Manual
M&E	–	monitoring and evaluation
MCUD	–	Ministry of Construction and Urban Development
NCB	–	national competitive bidding
NGO	–	nongovernment organization
O&M	–	operation and maintenance
PIU	–	project implementation unit
PM	–	project manager
PMU	–	project management unit
PSC	–	project steering committee
PUSO	–	public urban service organization
SOE	–	statement of expenditures
TWC	–	technical working committee
UDSP	–	Urban Development Sector Project

NOTES

- (i) The fiscal year of the Government of Mongolia ends on 31 December.
- (ii) In this report, “\$” refers to US dollars.

(v)

GRANT PROCESSING HISTORY

- | | | |
|----|-----------------------------------|------------------|
| a) | Date of Submission of Application | |
| b) | Approval of JFPR (Govt. of Japan) | 21 December 2006 |
| c) | Approval of JFPR (ADB) | 02 March 2007 |
| d) | Letter of Agreement Signing | 14 May 2007 |
| e) | Inception Mission | 02-12 Oct 2007 |
| f) | Review Mission | |
| g) | Review Mission | |
| h) | Mid-term Review Mission | |

CONDITIONS FOR GRANT EFFECTIVENESS

The Government of Mongolia is required to sign a letter of agreement (LOA) **(Annex 1)** with ADB for the duration of the Project. Detailed implementation arrangements, such as flow, replenishment, and administrative procedures will be detailed in the grant implementation plan and be established by ADB and the Government through the JFPR letter of agreement. The Government shall carry out the Project with due diligence and efficiency, and shall cause the Project to be carried out by the EA in accordance with arrangements described in the JFPR Grant Assistance Report and in the LOA.

I. GRANT DESCRIPTION

A. Grant Objectives

1. The objective is to empower local communities through increased participation in local governance and involvement in the design, implementation, and management of community demand-driven infrastructure and income-generating projects in selected ger areas.

B. Grant area and location

2. The Project will target communities in three selected ger areas in cities are Bayankhongor, Choir and Erdenet.

C. Grant components

3. The Project has three components:

(i) **Capacity building to strengthen formal and informal local institutions.** This component will provide (i) community mobilization, (ii) training and capacity building, and participatory monitoring and evaluation. Mobilizing local communities to participate in the JFPR Project through the provision of technical assistance by facilitators and nongovernment organizations (NGOs). The Project will also strengthen the capacity of local communities and local governments to (a) initiate, (b) plan and implement, and (c) manage and supervise community subprojects through the provision of technical assistance and establishing a system for participatory monitoring and evaluation (M&E) and strengthening community capacity to undertake M&E.

(ii) **Grants for community-driven development initiatives.** This component aims to preparation by community groups of subproject proposals for small-scale community infrastructure and income-generating projects. They will have an open menu of subproject options with a shortlist of prohibited subprojects with negative impacts that will be finalized at the start of the JFPR Project. Evaluation of subproject proposals by the project technical working committee (TWC) represented by different agencies in the project steering committee (PSC) according to a set of criteria to be developed and verified at the start of the JFPR Project. Provision of small grants to community groups (savings groups and CBOs) on a demand-driven basis for subprojects that include small-scale infrastructure, social services, and productive or income-generating subprojects. Implementation of subprojects by the communities, including accounting and financial management, procurement of labor and materials, O&M, and M&E. CBOs to manage and operate community facilities established under the JFPR Project.

(iii) **Project management, monitoring and evaluation (M&E), and publicity.**(i) Implementation of pilot project (ii) M&E systems, (iii) Reporting to stakeholders (iv) Dissemination of information to other ger areas,(v) Three national conferences, (vi) Public awareness program through mass media (vii) Policy review and recommendation on CDD in ger areas (viii) Impact assessment on the sustainability of the CDD approach.

II. COST ESTIMATES, FINANCING PLAN AND ALLOCATION OF GRANT PROCESS

4. The total cost of the Project is estimated at \$1,950,000 equivalent, of which \$ 1.5 million will be financed on grant basis from Japan Fund for Poverty Reduction (JFPR), funded by the Government of Japan. The Government of Mongolia will finance \$150,000 (in kind) and remaining \$300,000 (in cash and kind) equivalent will be financed by DED (Deutscher Entwicklungsdienst), the German Development Service and communities. The cost estimates in **Appendix 2** (Appendix 2 of the JFPR Grant Implementation Manual) provide an overview of the costs and financing. Table 1 presents the summary of costs and financing. Table 1 presents the summary of cost estimates and financing plan.

Table 1: Cost Estimates and Financing Plan by Components (\$)

Components	JFPR	Government	Communities	Total
Capacity building to strengthen formal and informal local institutions	241,600			241,600
Grants for community-driven development initiatives	855,000		300,000	1,155,000
Project management, monitoring and evaluation (M&E), and publicity	253,900	150,000		403,900
Contingency	149,500			149,500
Total	1,500,000	150,000	300,000	1,950,000

The allocation of grant proceeds is in Table 2.

Table 2: Allocation of Grant Proceeds (\$)

Category	Amount of Grant Allocated
1. Civil works	288,750
2. Equipment and supplies	536,250
3. Training workshops and seminars	109,600
4. Project management	316,500
5. Monitoring and evaluation	99,400
6. Contingencies	149,500
Total	1,500,000

III. IMPLEMENTATION ARRANGEMENTS

A. Executing Agency and Implementing Agencies

5. The Ministry of Construction and Urban Development (MCUD) will be the Executing Agency of the Japan Fund for Poverty Reduction (JFPR) Project.

6. The implementation arrangements will be in line with the proposed Urban Development Sector Project (UDSP) with which the JFPR Project is associated. The project implementation unit (PIU) for the JFPR Project will be established within the project management unit (PMU) of the UDSP. The PIU will be headed by a project manager (PM). The PM will guide project implementation, administer the JFPR Project inclusive of reporting to the Asian Development Bank (ADB) and the Government of Mongolia. The PM will work under the supervision of the project director of the PMU for disbursement, procurement, financial management, monitoring

and evaluation (M&E), and preparing detailed project implementation plans, annual reports, and quarterly progress reports. The PIU will be supported by one national financial management consultant, and one short-term international M&E consultant. The JFPR Project will also employ one national community participation specialist in each of the project towns. Staff of the PIU will be selected on a competitive basis by MCUD and endorsed by ADB.

B. Project Steering Committee and Technical Working Committee

7. The project steering committee (PSC) will supervise project activities at the national and project levels. The PSC will comprise representatives from Ministry of Finance, MCUD, local governments, public urban service organizations, and nongovernment organizations (NGOs) working on ger area improvement and community development. The technical working committee (TWC) will be responsible for reviewing the technical, financial, and social aspects of the subproject proposals. The TWC will identify the viable subproject proposals and report to the PSC.

C. NGOs, CBOs, and Community Involvement

8. The crux of the proposed JFPR Project is community participation. With support and guidance from community mobilizers in each city, savings groups and community-based organizations (CBOs) will be the key actors responsible for implementing component B of the JFPR Project. They will be actively involved in subproject planning, proposal preparation, decision making, implementation, operation and maintenance (O&M), and M&E. The CBOs or savings groups will receive funds directly from the PIU to implement their proposed subprojects. They will be responsible for managing the finances and procuring equipment and services for the completion of the subproject. Under component A, local NGOs will be contracted to implement the training, public awareness campaigns, and other capacity-building activities.

IV. PROCUREMENT

A. Goods

9. Procurement under the JFPR Project will be conducted in accordance with ADB's *Procurement Guidelines* (2006, as amended from time to time). Goods and related services estimated to cost the equivalent of \$100,000 or less will be procured using ADB's shopping procedure. Goods and services and civil works with estimated value of \$500,000 or less will be procured using ADB's national competitive bidding (NCB) procedure. The PMU will be responsible for procurement with technical inputs from the PIU and MCUD. To procure items costing below \$10,000, the PMU may purchase the items directly from the supplier. In such cases, ADB should be satisfied that the price paid is reasonable. The indicative procurement package is in **Appendix 3**, and the checklist of activities for procurement of goods through LIB and shopping is in **Appendix 4**.

10. Before procurement by NCB starts, ADB and the Government will review the Government's procurement procedures to ensure consistency with ADB requirements. Any necessary modifications or clarifications to the Government's procedures will be documented in the procurement plan.

11. CBOs will be responsible for procuring goods and services required to complete their subprojects. They will call for participation of local communities in the delivery of goods and services.

B. Consulting Services

12. The JFPR Project will require 3 person-months of international M&E expert and 15 months of national technical consultants to develop standard design and assist with specific subprojects as needed. The international community development specialists provided by DED (Deutscher Entwicklungsdienst) and shared with the UDSP will provide support primarily to Components A and B of the JFPR Project on an as needed and as available basis. Consultants will be recruited by the PIU in accordance with ADB's *Guidelines on the Use of Consultants* (2006, as amended from time to time) and other arrangements for the engagement of national consultants acceptable to ADB. The consultants will be recruited based on no-objection from ADB. The terms of reference are in **Appendix 5** and the checklist of activities for recruitment of domestic consultants is in **Appendix 6**.

V. DISBURSEMENT PROCEDURES

A. Flow of Funds

13. The flow of funds arrangements are summarized in **Appendix 7**. To facilitate disbursements, an imprest account will be opened at a commercial bank in Ulaanbaatar acceptable to ADB. Disbursement from the imprest account will be supported by an appropriate withdrawal application and related documentation. Such documentation will demonstrate, among other things, that the goods and/or services were (i) produced and procured from ADB's member countries, and (ii) eligible for JFPR financing. The initial amount to be deposited in the account will not exceed \$100,000. Total advances at any time in the account are not to exceed \$150,000 or the estimated average expenditures for a 6-month period, whichever is less. The statement of expenditures (SOEs) procedure will be used for reimbursing and liquidating eligible expenditures; any individual contract to be reimbursed or liquidated under the SOE procedure will not exceed \$10,000 per payment. The establishment and liquidation of the imprest account and the use of SOE procedures will be in accordance with ADB's *Loan Disbursement Handbook* (January 2007, as amended from time to time). Sample form for monthly SOE reporting is given in **Appendix 8**.

14. Disbursement of the imprest fund will be made by the project director of the PMU of the UDSP, directly to the community groups and service providers, upon certification of the contractor's bill by the PM and approval by the PMU. The imprest account will be replenished by ADB based on budget requests prepared by the PM and endorsed by the project director of the PMU. The withdrawal applications will be signed by the project director. In addition, there will be various counterpart contributions in kind from the Government and other key stakeholders.

15. A summary of disbursement procedures is given in **Appendix 9**. Procedures for the maintenance and operation of the imprest account in **Appendix 10**.

VI. REPORTING REQUIREMENTS

A. Grant Status Report for Office of Cofinancing (OCO)

16. The progress of implementation will be reported to OCO based on the information provided in the quarterly progress report using the attached format **Appendix 11**.

B. Reports

17. The PIU will prepare quarterly and annual reports on project implementation, the form and content of which will be agreed upon with ADB. The reports will be in the format shown in **Appendix 11**. The PSC will officially endorse these reports to ADB, with comments. The PIU will maintain separate accounts for all project components financed by the JFPR and 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 the 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 requirement 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 JFPR Project, annual audits by an independent audit company acceptable to ADB. A summary of ADB's auditing requirements including the sample form of an audit letter is in **Appendix 13**.

18. The Government will provide a project completion report to ADB with the support of the PM, within 3 months of physical completion of the JFPR Project. All reports will comprise an assessment of the project impact and output, project performance M&E, as well as suggestions for further improving project implementation. The form is in **Appendix 14**.

VII. GRANT MONITORING AND EVALUATION

A. Monitoring and Evaluation

19. Preliminary indicators for the M&E of the performance of the JFPR Project will be discussed with key stakeholders. The JFPR Project will employ a comprehensive M&E system that includes (i) participatory monitoring undertaken by beneficiaries, (ii) internal M&E by the PIU, and (iii) external monitoring by NGOs and media. The project performance management system will be finalized prior to ADB's approval. At the beginning of project implementation, an international M&E specialist will design frameworks for each of the M&E components.

20. For internal monitoring purposes, baseline data on the social and poverty profiles of the beneficiaries will be collected and confirmed, and these indicators will be measured during project implementation. Comments and findings regarding these monitoring indicators will be included in a semiannual report to ADB. In addition to indicators for monitoring implementation, indicators for project evaluation will be measured at project completion. Where relevant, indicators will be disaggregated by gender. A final report will consist of an evaluation of changes that occurred in the preceding 4 years. The format of the report is in **Appendix 14**.

21. The baseline study will include a quantitative assessment of poverty and human development indicators in the project areas. The qualitative assessment will include (i) attitudes toward working together with other community members to attain benefits for the community as a whole; (ii) awareness of social inclusion issues; and (iii) knowledge of community action planning, needs identification and prioritization, project design, including O&M planning. Observations and surveys will be used to collect the data for the baseline, and to monitor and evaluate the achievement of targets.

B. Implementation of Component B: Grants for Community-Driven Development Initiatives

22. Under component B, small grants will be made available to communities on a demand-driven basis for subprojects that include small-scale infrastructure, social services, and productive or income-generating subprojects. Community groups, which include both savings groups and CBOs, will be eligible to apply for subproject grants.

23. The subproject cycle, depicted in **Figure A1**, includes preparation, appraisal, approval and launch, implementation, M&E, and O&M. The PIU field staff (community mobilizers) will be responsible for coordinating all aspects of component B in their project towns and guiding community groups through the subproject cycle.

24. The steps of the subproject cycle will be implemented as follows.

1. Preparation

26. Local NGOs will facilitate participatory planning workshops for interested community groups to identify and prioritize community needs. The NGOs will help ensure that the planning process is highly inclusive. The community group or a nominated subproject committee will then develop a proposal and budget for the priority subproject with assistance from the NGOs and community mobilizer. The proposal must include both an O&M plan and an M&E plan, which will require up-front training. In preparation for this stage, community handbooks describing the JFPR Project and detailing the subproject cycle in a user-friendly format will be distributed throughout the community.

2. Appraisal

27. The TWC will conduct a desk and field appraisal of each subproject proposal based on a predefined set of criteria. During the desk appraisal, the TWC will determine whether all relevant information is in the application and if the proposed subproject meets a standard set of transparent criteria, including

- (i) maximum community participation in developing the proposal (i.e., CBO membership will equally consist of men and women);
- (ii) maximum community benefit for male and female beneficiaries;
- (iii) community contribution (cash and in kind);
- (iv) local government contribution (i.e., land, and O&M support);
- (v) O&M plan in place; and
- (vi) capacity of the community to implement the subproject.

28. Once the application passes desk appraisal, the TWC will conduct a field appraisal, which consists of a social and a technical evaluation. The social evaluation will determine, for example, (i) whether women and vulnerable groups were sufficiently involved in decision making, (ii) whether the community has agreed to an acceptable plan for mobilizing the community contribution and for settling disputes, and (iii) what types of training are required to implement the subproject.

29. The TWC will then evaluate (i) the technical feasibility of the subproject, (ii) the accuracy of the cost estimates, and (iii) the viability of the O&M plan. The PIU will provide community

groups with simple standard designs for typical subprojects to assist the community to meet the technical requirements.

3. Approval and Launch

30. Once a subproject proposal has been approved, the PIU will prepare an approval letter detailing the steps the community group must take prior to implementing the subproject, including (i) types of training required, (ii) opening a checking account, and (iii) mobilizing community contributions. The PIU will prepare a contract with the community group stating the obligations and responsibilities of the community group and the PIU in implementing the subproject, and detailing the payment terms and schedule. The fund disbursement method to be used for subprojects will be defined in the project administration manual.

31. Once the contract is signed by the community group, a visible launch ceremony will be organized for the entire community and local government authorities.

4. Implementation

32. Local NGOs will develop and deliver the training package on all aspects of subproject implementation—procurement, accounting, financial management, O&M, and M&E—to the community group or selected members of the community group that have been nominated to manage the subproject. The community group will be responsible for procuring services and equipment with community participation.

5. Operation and Maintenance

33. The training delivered by the NGOs will include modules on technical maintenance as well as financial (i.e., fund raising through contributions, user fees) and social aspects, such as hygiene education. At the beginning of the JFPR Project, the PIU will develop a user-friendly maintenance manual that can be used by community groups to develop a simple maintenance plan for each subproject.

34. Before the subproject is completed, the community group will establish a maintenance fund. The community must determine at the project planning stage how O&M of the subproject will be financed for the next 3–5 years. They may set aside a portion of the community contribution to the subproject as seed money of the maintenance fund. They will also need to determine how they will collect funds in the future. The community group may seek a commitment from the local government to match the group's contribution to the fund. The procedure for establishing the maintenance fund will be defined in the project administration manual and options for fund raising will be described in the maintenance manual.

6. Monitoring and Evaluation

35. A comprehensive M&E system will be established. It will include (i) participatory monitoring undertaken by beneficiaries, (ii) internal M&E by the PIU, and (iii) external monitoring by NGOs and media.

36. The PIU will monitor and review the technical aspects, social aspects, impacts on beneficiaries, and financial aspects of the subprojects. Technical and financial monitoring will be linked so that a comparison can be drawn of the community's expenditure against targets.

37. The NGOs will train community groups to develop their own monitoring indicators and an M&E plan will be provided in the subproject proposal. Subproject accounts will be open and

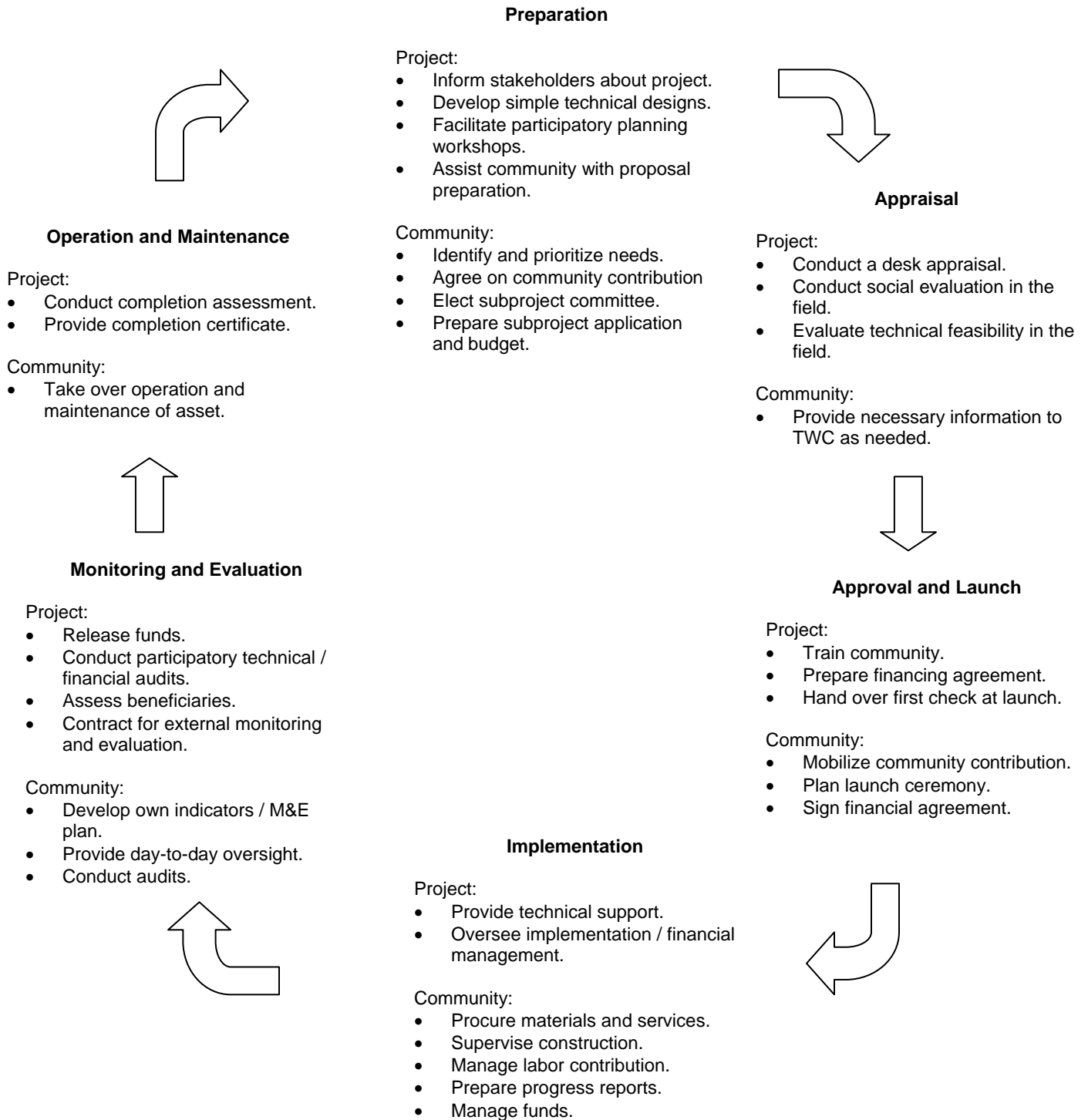
available for inspection by the community and subject to internal and external audits. The community will be engaged through various participatory techniques (e.g., maps, Venn diagrams, and flow diagrams) to determine their level of satisfaction with the subproject, and will be expected to report periodically to the PIU.

C. Implementation Schedule

38. The JFPR Project will be implemented over a period of 4 years from June 2007 to June 2011. Project preparation is expected to start in June 2007, with the establishment of the PIU and PSC, and hiring of national staff and international consultants. NGOs will be engaged in July 2007 to undertake the primary training and capacity-building activities under component A. A M&E framework will be designed in August 2007. It is expected that the first grants in component B will be disbursed to community groups in January 2009. Grants will be disbursed on an intermittent basis through April 2011.

39. The detailed implementation schedule is in **Appendix 15**.

Figure A1: Subproject Cycle



M&E = monitoring and evaluation, TWC = technical working committee.

{Source(s): Please provide source(s) here.}

VIII. MAJOR COVENANTS

40. The list of major covenants are presented in **Appendix 16**.

PROJECT FRAMEWORK

Component A	
Component Name	Capacity building to strengthen formal and informal local institutions
Cost	\$241,600
Component Description	<p>Component A has three main objectives:</p> <ul style="list-style-type: none"> (ii) Community mobilization: mobilizing local communities to participate in the JFPR Project through the provision of technical assistance by facilitators and nongovernment organizations (NGOs). (iii) Training and capacity building: strengthening the capacity of local communities and local governments to (a) initiate, (b) plan and implement, and (c) manage and supervise community subprojects through the provision of technical assistance, training, and workshops. (iv) Participatory monitoring and evaluation: establishing a system for participatory monitoring and evaluation (M&E) and strengthening community capacity to undertake M&E. <p>The expected outcomes of component A include</p> <ul style="list-style-type: none"> (i) identification and selection of community groups willing to participate in the JFPR Project; (ii) appointment of NGOs to provide training and raise community awareness for community mobilization, participatory planning, implementation, and monitoring at the local level; (iii) provision of technical assistance and training in participatory planning, project design and implementation, and M&E to local savings groups and CBOs; (iv) establishment of a participatory M&E system; (v) provision of vocational training on a demand-driven basis that supports community income-generating activities; (vi) provision of training to support specific activities of the proposed loan project, including making household water connections, compost toilets, and energy-efficient stoves; and (vii) development of a community information, education, and communication strategy.
Monitorable Deliverables/Outputs	<ul style="list-style-type: none"> (i) NGOs are appointed and local community mobilizers are hired. (ii) Training sessions for organizing and establishing savings groups are conducted in the community. (iii) Savings groups are established on a voluntary basis. (iv) Local facilitators are trained in planning, implementing, and monitoring community-driven development (CDD). (v) The information, education, and communication strategy is developed. (vi) A community handbook targeting community members and detailing the subproject development process is prepared and distributed. (vii) Local facilitators working with community leaders conduct

	<p>awareness programs on the JFPR Project directed to selected communities in ger areas.</p> <p>(viii) CBOs are formed by savings groups on a voluntary basis.</p> <p>(ix) Subproject proposals are developed by savings groups and CBOs with the assistance of local facilitators.</p> <p>(x) A participatory M&E methodology, procedures, instruments, and implementation schedule are established.</p>
Implementation of Major Activities: Number of months for grant activities	July 2007–May 2011 (47 months)

Component B	
Component Name	Grants for community-driven development initiatives
Cost	\$1,155,000
Component Description	<p>(i) Preparation by community groups of subproject proposals for small-scale community infrastructure and income-generating projects. They will have an open menu of subproject options with a shortlist of prohibited subprojects with negative impacts that will be finalized at the start of the JFPR Project.</p> <p>(ii) Evaluation of subproject proposals by the project technical working committee (TWC) represented by different agencies in the project steering committee (PSC) according to a set of criteria to be developed and verified at the start of the JFPR Project, and based on the following principles:</p> <ul style="list-style-type: none"> (a) maximum community participation in developing the proposals; (b) maximum community benefit; (c) community contribution (in cash and kind); (d) local government contribution (e.g., land and operation and maintenance (O&M) support); (e) O&M plan in place; (f) capacity of the community to implement the subproject; and (g) completion of the subproject within the year. <p>(iii) Provision of small grants to community groups (savings groups and CBOs) on a demand-driven basis for subprojects that include small-scale infrastructure, social services, and productive or Appendix 1 subprojects.</p> <p>(iv) Implementation of subprojects by the communities, including accounting and financial management, procurement of labor and materials, O&M, and M&E.</p> <p>(v) CBOs to manage and operate community facilities established under the JFPR Project.</p>
Monitorable Deliverables/Outputs	<p>(i) Community subprojects are appraised and selected .</p> <p>(ii) The community implements subprojects, including procurement of labor and materials, financial management, O&M, and M&E.</p>

	(iii) Transparency and accountability mechanisms are in place.
Implementation of Major Activities: Number of months for grant activities	July 2008–December 2010 (30 months)

Component C	
Component Name	Project management, M&E, and publicity
Cost	\$403,900
Component Description	(i) Implementation of pilot project. (ii) M&E systems. (iii) Reporting to stakeholders. (iv) Dissemination of information to other ger areas. (v) Three national conferences. (vi) Public awareness program through mass media. (vii) Policy review and recommendation on CDD in ger areas. (viii) Impact assessment on the sustainability of the CDD approach.
Monitorable Deliverables/Outputs	(i) The PSC is established and meeting regularly. (ii) A project implementation unit (PIU) is established and contractual staffs are hired. (iii) An operations manual is prepared. (iv) Annual M&E reports are submitted. (v) Regular information newsletters on progress are distributed to other funding agencies, NGOs, and local government agencies responsible for developing ger areas. (vi) Annual workshop and conference on progress and outputs are held. (vii) A national publicity campaign is conducted. (viii) A report on a policy review and recommendations is submitted. (ix) A report assessing the impact of the financial, institutional, educational, and social sustainability of the CDD approach is submitted.
Implementation of Major Activities: Number of months for grant activities	June 2007–June 2011 (49 months)

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

Funding Source	Amount (\$)
JFPR	\$1,500,000
Government	\$150,000 (in kind)

Other Sources (Please identify) DED (Deutscher Entwicklungsdienst) Community	In kind ¹ \$300,000 (in cash and kind) ²
Total	\$1,950,000

¹ The proposed JFPR project and the Urban Development Sector Project loan will share the expertise of three community development specialists funded by DED (Deutscher Entwicklungsdienst), the German Development Service.

² Communities will be expected to contribute some of their own resources (cash and in kind) to demonstrate their commitment to implementing the subproject and to maintaining the infrastructure. However, the amount of community contribution to subprojects will not be stipulated by the JFPR Project. Rather, communities will decide how much they can contribute (cash and in kind), and their pledged contribution will be one of several elements to consider when the subproject proposal is appraised. Experience from other CDD projects has shown that community contributions are higher when the amount is not mandated.

A. SUMMARY COSTS TABLE (\$)

Grant Components Inputs/Expenditure Category	Component A Capacity Building to Strengthen Formal and Informal Local Institutions	Component B Grants for Community- Driven Development Initiatives	Component C Project Management, Monitoring and Evaluation, and Publicity	Total (Input)	Percent
1. Civil Works	0	288,750	0	288,750	19.0
2. Equipment and Supplies	0	536,250	0	536,250	36.0
3. Training, Workshops, Seminars, and Public Campaigns	105,600	0	4,000	109,600	7.0
4. Consulting Services	0	30,000	97,500	127,500	9.0
5. Grant Management	39,600	0	149,400	189,000	13.0
6. Other Inputs	96,400	0	3,000	99,400	7.0
7. Contingencies (0–10% of total estimated grant fund)	27,000	95,000	27,500	149,500	10.0
Subtotal JFPR Grant Financed	268,600	950,000	281,400	1,500,000	100.0
Government Contribution		Land donations	150,000	150,000	
Other Funding Agency(ies) Contributions	DED staff (in kind)				
Community's Contributions (mostly in kind) (labor and some local materials)		300,000		300,000	
Total Estimated Costs	268,600	1,250,000	431,400	1,950,000	
Incremental Costs					

DED = German Development Service Cofinancing (Deutscher Entwicklungsdienst), JFPR = Japan Fund for Poverty Reduction.

Source: Asian Development Bank estimates.

B. DETAILED COST ESTIMATES

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Funding Agencies	Communities
						Amount	Method of Procurement ^a			
Component A: Capacity Building to Strengthen Formal and Informal Local Institutions				Subtotal	241,600	241,600				
1.1	Civil Works									
1.2	Equipment and Supplies									
1.3	Training, Workshops, and Seminars									
1.3.1	6,000 attendees in 1-day savings group training sessions	person-day	6,000	3	18,000	18,000				
1.3.2	3,000 attendees in 1-day CBO training sessions	person-day	3,000	3	9,000	9,000				
1.3.3	9,000 attendees in 1-day community planning workshops	person-day	9,000	3	27,000	27,000				
1.3.4	100 attendees in 2-day local government training in CDD	person-day	200	3	600	600				
1.3.5	2,500 attendees in 2-day implementation training sessions (incl. accounting, bookkeeping, procuring labor and materials, O&M, M&E)	person-day	5,000	3	15,000	15,000				
1.3.6	6,000 attendees in 2-day (on average) vocational and other training sessions as requested	person-day	12,000	3	36,000	36,000				
1.4	Consulting Services									
1.4.1	International community development specialists (DED)	person-month	144						in kind ^b	

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Funding Agencies	Communities
						Amount	Method of Procurement ^a			
1.5	Management and Coordination of Component A									
1.5.1	Community mobilizer in Erdenet	person-month	44	300	13,200	13,200				
1.5.2	Community mobilizer in Bayankhongor	person-month	44	300	13,200	13,200				
1.5.3	Community mobilizer in Choir	person-month	44	300	13,200	13,200				
1.6	Other Project Inputs									
1.6.1	Monthly management fee for NGOs for 44 months	month	44	1,250	55,000	55,000				
1.6.2	CBO start-up funds	month	360	115	41,400	41,400				
Component B: Grants for Community-Driven Initiatives				Subtotal	1,155,000	855,000			300,000	
2.1	Civil Works									
2.1.1	Subprojects undertaken by savings groups	subproject	150	1,200	180,000	131,250			48,750	
2.1.2	Subprojects undertaken by CBOs	subproject	15	14,000	210,000	157,500			52,500	
2.2	Equipment and Supplies									
2.2.1	Subprojects undertaken by savings groups	subproject	150	2,200	330,000	243,750			86,250	
2.2.2	Subprojects undertaken by CBOs	subproject	15	27,000	405,000	292,500			112,500	
2.3	Training, Workshops, and Seminars									
2.4	Consulting Services									
2.4.1	National technical consultants to develop standard designs and assist	month	15	2,000	30,000	30,000				

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Funding Agencies	Communities
						Amount	Method of Procurement ^a			
	with specific subprojects as needed									
2.5	Management and Coordination of Component B									
2.6	Other Project Inputs									
Component C: Management, Monitoring and Evaluation, and Publicity				Subtotal	403,900	253,900	150,000			
3.1	Civil Works									
3.2	Equipment and Supplies									
3.3	Training, Workshops, and Seminars									
3.3.1	Annual roundtable discussions with funding agencies, NGOs	events	4	1,000	4,000	4,000				
3.4	Consulting Services									
3.4.1	International M&E expert	person-month	3	15,000	45,000	45,000				
3.4.2	Travel costs for M&E expert	trips	3	6,000	18,000	18,000				
3.4.3	Auditor	person-month	1.5	15,000	22,500	22,500				
3.4.4	Travel costs for auditor	trips	2	6,000	12,000	12,000				
3.5	Management and Coordination of Component C									
3.5.1	Project manager	person-month	48	1,200	57,600	57,600				
3.5.2	Financial manager	person-month	48	1,000	48,000	48,000				
3.5.3	Office space	lump sum	1	40,000	40,000		40,000			
3.5.4	Office furniture	lump sum	1	80,000	80,000		80,000			
3.5.5	Office equipment	lump sum	1	51,000	51,000	21,000	30,000			
3.5.6	Project operational costs	month	48	100	4,800	4,800				
3.5.7	Auditor	person-month	12	1,500	18,000	18,000				

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Funding Agencies	Communities
						Amount	Method of Procurement ^a			
3.6 Other Project Inputs										
3.6.1	NGO to conduct external evaluation	month	1	3,000	3,000	3,000				
Components A to C = Subtotal				Subtotal	1,800,500	1,350,500		150,000	300,000	
Contingency (Maximum 10% of total JFPR contribution)					149,500	149,500				
Total Grant Costs				Total	1,950,000	1,500,000		150,000	300,000	

CBO = community-based organization, CDD = community-driven development, DED = German Development Service Cofinancing (Deutscher Entwicklungsdienst), M&E = monitoring and evaluation, NGO = nongovernment organization, O&M = operation and maintenance.

^a Procurement under component B will be conducted in accordance with ADB's *Guidelines for Community Contracting*. Procurement under components A and C will be conducted in accordance with ADB's *Procurement Guidelines* (2006, as amended from time to time). Goods and services estimated to cost the equivalent of \$100,000 or less will be procured using ADB's direct purchase procedure. Goods and services estimated to cost more than \$100,000 will be procured using ADB's shopping procedure. The project management unit of the Urban Development Sector Project will be responsible for procurement, with technical inputs from the project implementation unit of the Japan Fund for Poverty Reduction Project and Ministry of Construction and Urban Development.

^b The JFPR Project will share the expertise of community development specialists (2) being provided by DED to support implementation of the proposed Urban Development and Housing Sector Project.

{Source(s): Please provide source(s) here.}

Procurement Plan (Amounts are in \$)

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Funding Agencies	Communities
						Amount	Method of Procurement ³			
Component B: Grants for Community-Driven Initiatives					735,000	536,250			198,750	
	Equipment and Supplies									
	Subprojects undertaken by savings groups	subproject	150	2,200	330,000	243,750			86,250	
	Subprojects undertaken by CBOs	subproject	15	27,000	405,000	292,500			112,500	
Component C: Management, Monitoring and Evaluation, and Publicity										
	Equipment and Supplies									
	Management and Coordination of Component C				131,000	21,000		110,000		
	Office furniture	lump sum	1	80,000	80,000			80,000		
	Office equipment	lump sum	1	51,000	51,000	21,000		30,000		
Components A to C = Subtotal					866,000	557,250		110,000	198,750	

³ Procurement under component B will be conducted in accordance with ADB's *Guidelines for Community Contracting*. Procurement under components A and C will be conducted in accordance with ADB's *Procurement Guidelines* (2006, as amended from time to time). Goods and services estimated to cost the equivalent of \$100,000 or less will be procured using ADB's direct purchase procedure. Goods and services estimated to cost more than \$100,000 will be procured using ADB's shopping procedure. The project management unit of the Urban Development Sector Project will be responsible for procurement, with technical inputs from the project implementation unit of the Japan Fund for Poverty Reduction Project and Ministry of Construction and Urban Development.

Procurement Plan (Amounts are in \$)

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Funding Agencies	Communities
						Amount	Method of Procurement ⁴			
Component A: Capacity Building to Strengthen Formal and Informal Local Institutions					105,600	105,600				
	Training, Workshops, and Seminars									
	6,000 attendees in 1-day savings group training sessions	person-day	6,000	3	18,000	18,000				
	3,000 attendees in 1-day CBO training sessions	person-day	3,000	3	9,000	9,000				
	9,000 attendees in 1-day community planning workshops	person-day	9,000	3	27,000	27,000				
	100 attendees in 2-day local government training in CDD	person-day	200	3	600	600				
	2,500 attendees in 2-day implementation training sessions (incl. accounting, bookkeeping, procuring labor and materials, O&M, M&E)	person-day	5,000	3	15,000	15,000				
	6,000 attendees in 2-day (on average) vocational and other training sessions as requested	person-day	12,000	3	36,000	36,000				
Component C: Management, Monitoring and Evaluation, and Publicity					4,000	4,000				
	Training, Workshops, and Seminars									
	Annual roundtable discussions with funding agencies, NGOs	events	4	1,000	4,000	4,000				
Components A to C= subtotal					109,600	109,600				

Procurement Plan (Amounts are in \$)

⁴ Procurement under component B will be conducted in accordance with ADB's *Guidelines for Community Contracting*. Procurement under components A and C will be conducted in accordance with ADB's *Procurement Guidelines* (2006, as amended from time to time). Goods and services estimated to cost the equivalent of \$100,000 or less will be procured using ADB's direct purchase procedure. Goods and services estimated to cost more than \$100,000 will be procured using ADB's shopping procedure. The project management unit of the Urban Development Sector Project will be responsible for procurement, with technical inputs from the project implementation unit of the Japan Fund for Poverty Reduction Project and Ministry of Construction and Urban Development.

Code	Supplies and Services Rendered	Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total (\$)	JFPR		Government	Other Funding Agencies	Communities
						Amount	Method of Procurement ⁵			
Component A: Capacity Building to Strengthen Formal and Informal Local Institutions										
	Consulting Services International community development specialists (DED)	person-month	144						in kind ^b	
Component B: Grants for Community-Driven Initiatives					30,000	30,000				
	Consulting Services National technical consultants to develop standard designs and assist with specific subprojects as needed	month	15	2,000	30,000	30,000				
Component C: Management, Monitoring and Evaluation, and Publicity					221,100	221,100				
	Consulting Services International M&E expert	person-month	3	15,000	45,000	45,000				
	Travel costs for M&E expert	trips	3	6,000	18,000	18,000				
	Auditor	person-month	1.5	15,000	22,500	22,500				
	Travel costs for auditor	trips	2	6,000	12,000	12,000				
	Management and Coordination of Component C Project manager	person-month	48	1,200	57,600	57,600				
	Financial manager	person-month	48	1,000	48,000	48,000				
	Auditor	person-month	12	1,500	18,000	18,000				
Components A to C = Subtotal					250,700	250,700				

⁵ Procurement under component B will be conducted in accordance with ADB's *Guidelines for Community Contracting*. Procurement under components A and C will be conducted in accordance with ADB's *Procurement Guidelines* (2006, as amended from time to time). Goods and services estimated to cost the equivalent of \$100,000 or less will be procured using ADB's direct purchase procedure. Goods and services estimated to cost more than \$100,000 will be procured using ADB's shopping procedure. The project management unit of the Urban Development Sector Project will be responsible for procurement, with technical inputs from the project implementation unit of the Japan Fund for Poverty Reduction Project and Ministry of Construction and Urban Development.

^b The JFPR Project will share the expertise of community development specialists (2) being provided by DED to support implementation of the proposed Urban Development and Housing Sector Project.

I. PROCUREMENT PLAN**II.**

C. Project Information	
D.	
Country	Mongolia
Project Name	Community-Driven Development for the Urban Poor in Ger Areas
Loan or TA Reference	Proposed Urban Development Sector Project
Date of Effectiveness	TBA ¹
Amount \$	1.5 million
Of which Committed, \$	
Executing Agency	Ministry of Construction and Urban Development
Approval date of Original Procurement Plan	TBA
Approval of most recent Procurement Plan	TBA
Media for Publication for Local Advertisements	TBA
Period Covered by the Plan	2007–2011

Procurement Thresholds for Goods & Related Services, Works and Supply and Installation

Procurement Method	Estimated Contract value (\$)
ICB Works	> 1,000,000
ICB Goods	> 500,000
NCB Works	≤ 1,000,000
NCB Goods	≤ 500,000
Shopping Works	≤ 100,000
Shopping Goods	≤ 100,000
Direct Purchase Works	≤ 10,000
Direct Purchase Goods	≤ 10,000
Exceptional Methods	community participation

ICB = international competitive bidding, NCB = national competitive bidding.

Procurement Thresholds for Consulting Services

Procurement Method	To be used above (Value \$)
Quality Cost Based Selection (QCBS)	200,000
Consultants Qualifications Selection (CQS)	100,000
Least Cost Selection (LCS)	10,000
Individual Consultant Selection (ICS)	individual consultants

¹ TBA – to be advised at a later date.

CHECKLIST OF ACTIVITIES FOR PROCUREMENT OF GOODS

Limited International Bidding

Action	Responsibility
1. Prepare list of goods, invitation for bids, bid documents using the ICB standard bidding documents for single-stage one-envelope procedure (including draft contract)	EA/PMU/PIU
2. Submit to ADB	EA/PMU
3. Review list of goods, invitation for bids and bid documents	ADB
4. Provide comments for amendments, if applicable	ADB
5. Revise as suggested by ADB	EA/PMU/PIU
6. Approve	ADB
7. Issue invitation for bids to a reasonable number (at least 3) of suppliers from more than one source country of the ADB/ or 8. Advertise the invitation for bids in an English language newspaper of general circulation in the country	EA/PMU
9. Open the bids or quotations publicly, compare and evaluate	EA/PMU
10. Prepare bid evaluation report	EA/PMU
11. Submit bid evaluation report and recommendation for contract award	EA/PMU
12. Review bid evaluation report and recommendation for contract award	ADB
13. Approve/Disapprove bid evaluation report and recommendation for contract award	ADB
14. If approve, finalize the contract with the selected suppliers 15. If disapprove, clarify the issues	EA/PMU
16. Submit signed contract	EA/PMU
17. Approve signed contract	ADB

E. National Competitive Bidding

Action	Responsibility
1. Prepare list of goods, invitation for bids, bid documents (including draft contract)	EA/PMU/PIU
2. Submit to ADB	EA/PMU
3. Review list of goods, invitation for bids and bid documents	ADB
4. Provide comments for amendments, if	ADB

applicable	
5. Revise as suggested by ADB	EA/PMU
6. Approve	ADB
7. Advertise in local English newspaper and issue invitation for bids to a interested bidders (30-day bidding period)	EA/PMU
8. Open the bids publicly, compare and evaluate, prepare record of public bid opening	EA/PMU
9. Prepare bid evaluation report	EA/PMU
10. Submit bid evaluation report and recommendation for contract award	EA/PMU
11. Review bid evaluation report and recommendation for contract award	ADB
12. Approve/Disapprove bid evaluation report and recommendation for contract award	ADB
13. If approve, finalize the contract with the selected suppliers 14. If disapprove, clarify the issues	EA/PMU
15. Submit signed contract	EA/PMU

F. Shopping

1. Submit request to ADB for procurement of goods through Shopping, including the list of goods to be procured.	EA/PMU
2. Issue No Objection	ADB
3. Proceed with procurement, by obtaining price quotations from several suppliers, with a minimum of three, to assure competitive prices. Evaluate, then submit the evaluation of quotations to ADB together with a purchase order or brief contract.	EA/PMU
4. Submit signed contract	EA/PMU

OUTLINE TERMS OF REFERENCE FOR CONSULTING SERVICES

1. **Project Manager (1 national, 48 person-months).** The project manager at the project implementation unit (PIU) will be responsible for the overall management and monitoring of implementation of the Japan Fund for Poverty Reduction (JFPR) Project consistent with Asian Development Bank (ADB) requirements. As such, the consultant will be the main link between ADB and the Ministry of Construction and Urban Development (MCUD), the executing agency; the project management unit (PMU) of the Urban Development Sector Project (UDSP), the counterpart ADB loan project; and other concerned project entities including participating local governments. The project manager's responsibilities include: (i) assist the project steering committee (PSC) to monitor the progress of the JFPR Project through the preparation and submission of semiannual progress reports based on physical and financial accomplishments and project impact; (ii) develop a detailed project implementation plan including a detailed budget and activity plan for each six months of project implementation; (iii) maintain project records and files, including summary accounts, budgets, and credit disbursement data; (iv) provide guidance and assistance to project participants regarding ADB procurement and disbursement procedures; (v) ensure that the contracting and fund flow arrangements are in accordance with ADB guidelines; (vi) select and oversee the work of a local nongovernment organizations (NGOs) to implement Component A; (vii) supervise and coordinate the activities of PIU staff pursuant to the successful implementation of the JFPR Project; (viii) develop project specific forms and procedures for the approval, disbursement, repayment, and lending of project proceeds; (ix) lead subproject desk and field appraisals missions; (x) participate in launch ceremonies and undertake periodic field visits to subproject sites in order to ensure proper end uses of project funds; (xi) arrange for annual audits of project accounts; (xii) assist ADB missions in undertaking reviews; (xiii) carry out effective monitoring to ensure that all subprojects are in compliance with domestic laws and regulations; (xiv) arrange an independent evaluation of the JFPR project by a local NGO and submit them to the ADB for review; (xv) at the end of the JFPR Project prepare a project completion report including the results of the major achievements and the lessons learned of the JFPR Project.

2. **Financial Manager (1 national, 30 person-months).** The financial manager will be responsible for overall coordination and supervision of financial matters for the JFPR Project consistent with ADB requirements. Responsibilities will include: (i) establishing effective financial and accounting controls; (ii) maintaining comprehensive and clear accounts and monitoring PIU expenditures and fund flows; (iii) preparation of withdrawal applications; (iv) supervising the maintenance of project accounts; (v) drawing up financial statements and any other activity required to manage financial operations of the JFPR Project; (vi) developing required regulations, guidelines, and forms in connection with strengthening the financial activities and channels of the JFPR Project including fund disbursement method to community groups; (vii) participating in subproject appraisals, particularly reviewing and verifying validity of cost estimates and maintenance fund plans; and (viii) providing quarterly financial progress reports to the Government and ADB.

3. **Engineers (national, 15 person-months).** Local engineers will be engaged on an intermittent basis up to a total of 15 person-months to assist with technical designs of community subprojects. Engineers will be required to: (i) develop appropriate simple standard designs for typical subprojects; (ii) employ low-cost, environmentally sound

alternative technologies where applicable; (iii) seek input of community members when developing and refining models to maximize the use of local materials, technology, and expertise; (iv) provide technical appraisal of subprojects; (v) assist community groups to revise proposals, if necessary, to meet technical requirements; and (vi) provide advice and expertise during project planning and implementation on an as needed basis.

4. **Community Mobilizers (3 national, 132 person-months).** The community mobilizers will serve as the PIU's field representatives in each of the three project towns. They will serve as liaisons between the PIU, the local NGOs (contracted to implement Component A) and the community groups. The community mobilizers will be responsible for: (i) serving as primary point of contact for community groups participating in the JFPR Project; (ii) establishing community-based organizations (CBOs) in active and interested communities; (iii) coordinating all aspects of Component B in their project town and guiding community groups through the subproject cycle, including proposal preparation, appraisal, approval and launch, implementation, monitoring and evaluation (M&E), and operation and maintenance (O&M); (iv) coordinating subproject desk and field appraisals; (v) day-to-day monitoring of community subproject implementation; (vi) troubleshooting and resolving issues in subproject implementation; and (vii) monitoring and reporting on a regular basis to the PIU on implementation status of Components A and B.

5. **Community Development Specialists (3 international, DED consultants).** The community development specialists provided by DED (Deutscher Entwicklungsdienst) and shared with the UDSP will provide support primarily to Components A and B of the JFPR Project on an as needed and as available basis. The specialists will assist the PIU and the local NGOs (contracted for Component A) with the following activities: (i) development of the information and education strategy; (ii) development of subproject eligibility criteria; (iii) preparation of community handbook and development of a distribution strategy; (iv) preparation of the user-friendly maintenance manual; (v) development of training modules for subproject planning and implementation, and vocational and other training on demand-driven basis; (vi) formation of CBOs; (vii) troubleshooting and resolving issues as they arise during subproject implementation.

6. **Local NGOs for Community Mobilization and Capacity Building.** Local NGOs will be selected to develop and implement training programs for Component A: capacity building of local institutions. The NGOs will be required to: (i) develop and implement the information and education strategy to disseminate information about the JFPR Project to communities; (ii) facilitate participatory planning workshops and assist communities to identify and prioritize needs; (iii) conduct community training needs assessment; (iv) develop and implement community training programs for establishment of savings groups and CBOs; (v) develop and implement training program for local government staff on participatory planning; (vi) develop and implement community training programs for subproject proposal development, accounting and financial management, procurement, O&M, and M&E; (vii) develop and implement vocational and other trainings for community groups on a demand-driven basis.

7. **Monitoring and Evaluation Specialist (1 international, 3 person-months).** The consultant will be required to: (i) liaise closely with project implementation staff at national and local levels; (ii) become familiar with local conditions via visits to MCUD, participating local governments, community groups, subproject sites, and involved

NGOs; (iv) design a M&E methodology that fully reflects the objectives and scope of the pilot activities, including internal monitoring, participatory M&E, and external evaluation; (v) identify clearly the data requirements for M&E purposes; (vi) design data collection instruments; (vii) cost out the required data collection and analysis requirements, and ensure that the cost of the designed M&E methodology is within project budget limits; (viii) undertake a complete base line study of project communities using the designed M&E methodology and instruments; (ix) train the project manager and community mobilizers in the M&E objectives, methodology, data collection requirements, and data collection instruments so that regular M&E can be carried out locally during project implementation; (x) develop a training module for community M&E of subprojects; (xi) undertake a mid-project evaluation in the second year; (xii) assess community M&E activities in the second year and provide recommendations for improving community involvement in M&E; and (xiii) undertake an evaluation of project in the fourth year.

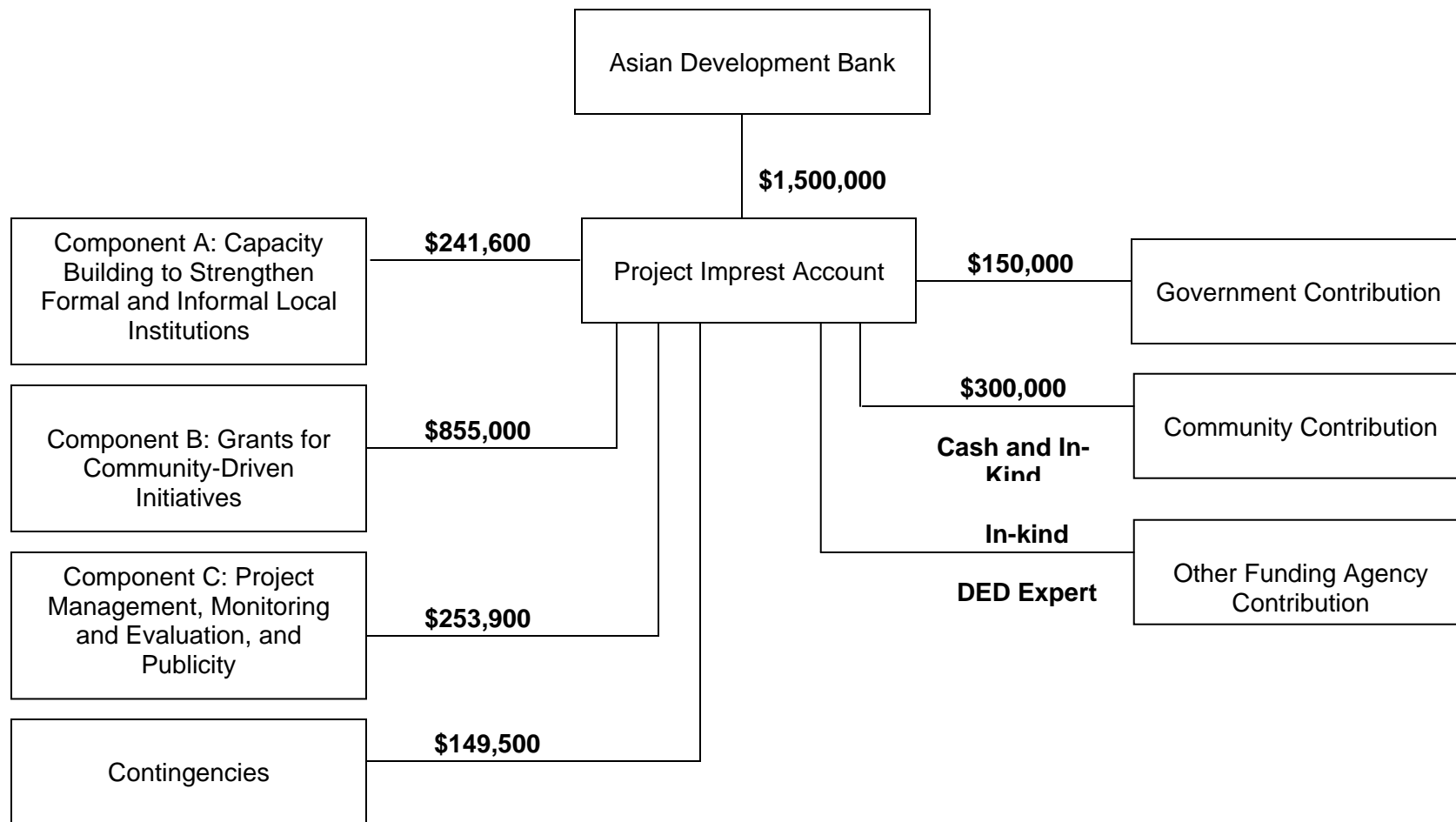
8. **Auditor (1 international, 1.5 person-months; and 1 national, 12 person-months).** The external auditor will (i) review all project expenditure and financial records, and (ii) provide an audit report on the flow and management of project funds.

9. **Local NGO for External Monitoring and Impact Evaluation.** A local NGO will be engaged for 1 month to conduct an external evaluation of the JFPR Project. The NGO will be required to: (i) liaise closely with project implementation staff at national and local levels; (ii) work closely with the national monitoring and evaluation consultant; (iii) become familiar with local conditions via visits to MCUD, local governments, community groups, subproject sites, and involved NGOs; (iv) review the base line study and review the project objectives; (v) undertake an impact evaluation based on the original M&E methodology and instruments incorporating data collection from (a) subproject site visits; (b) interviews with community members, CBO staff, savings groups, local government staff, etc; (c) M&E data collected by local CBO and the PIU; (d) proceedings and recommendations of annual national workshops; (e) specially designed questionnaires; and (f) policy discussions with MCUD representatives; (vi) document all the steps of capacity building and pilot activities so that difficulties as well as the good practices can be highlighted; and (vii) within 1 week of completion of assignment, provide a written report on activities and outputs to the PIU.

CHECKLIST OF ACTIVITIES FOR RECRUITMENT OF DOMESTIC CONSULTANT

1. Prepare the documents such as: (i) terms of reference, (ii) invitation documents (letter of invitation plus the background information of the Project), (iii) evaluation criteria (iv) draft contract	EA/PMU/PIU
2. Submit to ADB	EA/PMU
3. Review the documents	ADB
4. Provide comments for amendments, if applicable	ADB
5. Revise as suggested by ADB	EA/PMU/PIU
6. Approve	ADB
7. Advertise the requirement for consultants bids in a local publication in the country	EA/PMU
9. Open the bids or quotations publicly, compare and evaluate	EA/PMU
10. Prepare bid evaluation report	EA/PMU
11. Submit bid evaluation report and recommendation for contract award	EA/PMU
12. Review bid evaluation report and recommendation for contract award	ADB
13. Approve/Disapprove bid evaluation report and recommendation for contract award	ADB
14. If approve, finalize the contract with the selected applicants. 15. If disapprove, clarify the issues	EA/PMU
16. Submit signed contract	EA/PMU
17. Approve signed contract	ADB

FUND FLOW ARRANGEMENTS FOR JAPAN FUND FOR POVERTY REDUCTION



DED = German Development Service Cofinancing (Deutscher Entwicklungsdienst), JFPR = Japan Fund for Poverty Reduction, M&E = monitoring and evaluation.

Source: Asian Development Bank.

DETAILED DISBURSEMENT PROCEDURES

Reference: ADB's Loan Disbursement Handbook dated January 2007

A. REIMBURSEMENT PROCEDURE

8. ADB pays to the project account for eligible expenditures, which have been incurred and paid for by the project out of its budget allocation or its own resources (para. 9 of the *Handbook*).

Requirements

signed withdrawal application (*form ADB-DRP/RMP in Appendix 3 of the Handbook*)
summary sheet (*form ADB-RMP-SS in Appendix 4 of the Handbook*)

Supporting Documents

(i) contract or confirmed PO
(ii) copy of the invoice/bill/claim and delivery receipt
evidence of payment showing the amount paid; the date of receipt and the payee

B. DIRECT PAYMENT PROCEDURE

1. ADB, pays a designated beneficiary, at the request of the Borrower, from the loan funds (para. 7 of the *Handbook*).

Requirements

(i) signed withdrawal application (*form ADB-DRP/RMP in Appendix 3 of the Handbook*)
(ii) summary sheet (*form ADB-DRP-SS in Appendix 4 of the Handbook*)

Supporting Documents

(i) contract or confirmed purchase order (PO) indicating amount and due date
(ii) **for payment of goods:** supplier's invoice, bill of lading, or other similar documents
(iii) **for payment of services:** consultant's claim or invoice
(iv) **for payment of civil works:** claim or invoice from the contractor and a work progress certificate signed by the project engineer and approved by the borrower's -authorized representative.

C. STATEMENT OF EXPENDITURES (SOE)

9. This procedure requires no submission of supporting documents (*see paragraphs 9.8 to 9.23 of the Handbook for details*). **Ceiling is \$10,000 per item of expenditures** The SOE is used in lieu of the usual supporting documents and the Summary Sheet. It may also be used in connection with the liquidation or replenishment of the imprest account.

A sample SOE format has been devised for the JFPR Project and is in Attachment 1 to this Annex and the Withdrawal Application is in Appendix 19 of the Handbook. Other types of SOEs are available in the Handbook.

E. INSTRUCTIONS FOR WITHDRAWALS

Before the first W/A is submitted to ADB, the name of the authorized representative(s) must be provided to ADB, through the Ministry of Finance, including the authenticated specimen signatures of the representative(s).

The W/A should be signed by the authorized representative(s), sequentially numbered and should not exceed five digits (00001, 00002, etc.).

The cover letter of the W/A should include a sentence reconfirming that the contracts were awarded on the basis of tax exemption to ensure expeditious loan disbursement by ADB.

The W/A forms and summary sheets to be used vary for the different procedures. A separate W/A for each currency requested should be submitted. Under the JFPR Project, the following W/A procedures may be used: (i) direct payment, (ii) reimbursement, and (iii) imprest fund. The forms are:

- (i) For direct payment and reimbursement procedures
 - (a) Withdrawal Application Form (*form ADB-DRP/RMP in Appendix 3 of the Handbook*)
 - (b) Summary Sheet (*form ADB-DRP-SS in Appendix 4 of the Handbook*)
- (ii) For imprest fund procedure
 - (a) Withdrawal Application Form (*form ADB-IFP in Appendix 19 of the Handbook*)
 - (b) Summary Sheet (*Special Form prepared for the Project in Attachment 1 to this Annex*)
 - (c) Imprest Account Reconciliation Statement (*Appendix 21 of the Handbook*)
 - (d) ADB Liquidation of Advance (*Appendix 22 of the Handbook*). This form is required only when the initial advance is to be liquidated which due one year before the closure of the Project.

The W/A to be submitted to ADB must be the signed original copy to the attention of Ms. Li-Chun Hung, Financial Control Specialist, CTLA 7 and copied to Director, EASS. However, supporting documents may be in photocopies and the originals to be kept for audit purposes.

PROCEDURE FOR ESTABLISHING AND OPERATING THE IMPREST ACCOUNT

Imprest Account for JFPR Proceeds

The Government shall, for the purpose of this project, open and maintain an Imprest Account at a commercial bank designated by ADB for the deposit of JFPR funds and for making payments for Project expenditures, following detailed arrangements and actions agreed upon by the Government and ADB in accordance with ADB's Loan Disbursement Handbook revised in January 2001.

Eligible Expenditures

Payments out of the Imprest Account shall be made exclusively for eligible expenditures in respect of the reasonable cost of goods and services required for the project and to be financed out of the proceeds of the JFPR Grant to meet expenditures for the purpose of the Project.

Currency of Denomination

The Imprest Account shall be denominated in US Dollar.

Initial Advance and Ceiling

ADB shall, after the signing of the JFPR Agreement, on the basis of a Withdrawal Application-Imprest Fund (ADB-IFP-WA) covering the expenditures to be provided for in the initial disbursement (ADB-IFP-EE) and evidence satisfactory to ADB that the Imprest Account has been duly opened, withdraw from the JFPR Account and deposit into the Imprest Account an amount of \$100,000 as initial advance to cover the initial estimated expenditures of the JFPR Project. The amount will be regarded as a ceiling up to which ADB may deposit into the Imprest Account for replenishment purposes.

Liquidation and Replenishment

The EA shall furnish on a monthly or quarterly basis to ADB in respect of all payments out of the Imprest Account the duly filled-in (i) Withdrawal Application – Imprest Fund (ADB-IFP); (ii) Summary Sheet (ADB-IFP-SS-Annex 6 of this document), together with such supporting documents and other evidence as ADB shall reasonably request, showing that each payment was made for eligible expenditures; and Imprest Account Reconciliation Statement (Appendix 21 of the *Handbook*). ADB agrees to the use of the Statement of Expenditure (SOE) procedure for liquidation of expenditures incurred not exceeding US\$10,000 per payment. The EA shall also furnish to ADB statement of Imprest Account prepared by the commercial bank. Details of debit entries of such bank statements of Imprest Account should be shown on the statements or separate sheet.

To replenish the Imprest Account, ADB will deposit into the Imprest Account an amount equal to payments made out of the Imprest Account for eligible expenditures on the basis of the withdrawal applications submitted as per para. 4 above, but only to the extent that the amount of any such deposit, together with the balance remaining in the Imprest Account as of the date of such deposit, does not exceed the equivalent of the prevailing ceiling unless ADB has agreed to the EA's request to increase the ceiling.

Notwithstanding the provisions of para. 5 of this Annex, ADB may at any stage by notice to the EA/PMU suspend further replenishments to the Imprest Account if the EA has failed to comply with any of the provisions of this Annex.

Accounts and Records

The EA/PMU shall ensure that all amounts received for or in connection with the Imprest Account and amounts withdrawn therefore are recorded in a separate account in accordance with consistently maintained sound accounting principles. The EA/PMU shall retain until one year after the Closing Date for withdrawals from the JFPR Account or such other date as ADB may agree, all accounts and records including orders, invoices, bills, receipts and other original documents evidencing the expenditures paid out of the Imprest Account, and shall enable ADB's representatives to examine such accounts and records during disbursements and review missions.

Audit

The EA shall cause an adequate independent auditor or government auditor acceptable to ADB to periodically audit the Imprest Account and records referred to in para. 8 above and furnish the audit report thereon to **ADB not later than six months** after the end of each fiscal year. Audits will be done on the first month after the end of each fiscal year. The auditor will be required to include in the audit report the review of the transactions during the financial year in review, including the findings.

Ineligible or Unjustified Payment

Where any withdrawal or payment from the Imprest Account is determined by ADB (i) to have been utilized for any purposes not eligible, or (ii) not justified by the evidence furnished, the EA/PMU shall, promptly upon notice from ADB, and unless otherwise agreed by ADB, prior to any further replenishments, deposit into the Imprest Account an amount equal to the amount of such payment to the portion thereof not so eligible or justified, in the same currency as that in which the amount was withdrawn from the JFPR Account. Alternatively, ADB may offset the unjustified payment against new withdrawal applications for reimbursement.

Closing of the Imprest Account

Notwithstanding the provisions of para. 5 of this Appendix, when ADB shall have determined that the project components to be financed with payments from the Imprest Account are near completion, ADB may reduce the amount of any replenishment as ADB may deem appropriate with a view towards gradually closing the Imprest Account.

In the event that (a) ADB determines that any amount outstanding in the Imprest Account will not be required to cover eligible expenditures, or (b) any amount remains outstanding in the Imprest Account after the Closing Date specified in the JFPR Agreement, the EA/PMU shall, promptly upon notice from ADB, and unless otherwise agreed by ADB, refund to ADB such amount then outstanding in the Imprest Account.

For matters not covered in this Annex, ADB's *Guidelines on Imprest Fund and Statement of Expenditures Procedures* will apply.

JAPAN FUND FOR POVERTY REDUCTION (JFPR)

GRANT STATUS REPORT

(Note: To be received by OCO within one month after the end of the reporting period)

A. Basic Grant Data	DMC:
Grant Number:	Name of Grant:
Approved Grant Amount: \$	Responsible Project Officer and Division {name, position, e-mail, phone}:
Grant Commencement Date (Date LoA was signed):	Original Closing Date / Revised Closing date (after extension):
Executing Agency {Names, Address, Contact Persons, E-mail, Phone, Fax}:	
Implementing Agency(ies) {Names, Address, Contact Persons, E-mail, Phone, Fax}:	

B. Grant Status	Period of Reporting {date from/to}:				
General Status (Summary)	A <input type="checkbox"/>	B <input type="checkbox"/>	C <input type="checkbox"/>	D <input type="checkbox"/>	E ⁷ <input type="checkbox"/> Specify: _____
Grant Development Objective:					
Grant Components	Targeted/Expected Output	Physical Accomplishments		Notes - Remarks:	
		(%)	Rating ⁸ (HS,S,PS,U)		

⁷ A = Financially Closed; B = Implementation already started or is ongoing; C = LOA signed but implementation has not started yet; D = ADB Approved but LOA not yet signed; E = Others, (please briefly specify, e.g. extension, or issues that need to be flagged)

⁸ HS=Highly Satisfactory, S=Satisfactory, PS=Partly Satisfactory, U=Unsatisfactory

C. Grant Utilization					
Grant Committed:	Cummulative Disbursements:		Balance:		Notes - Remarks:
\$	\$		\$		
Annual Disbursements (from ADB to Grant Accounts):					
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	
Projected:	\$	\$	\$	\$	
Actual:	\$	\$	\$	\$	
Procurement of Goods and Services:					
	Goods		Services		Notes - Remarks:
	No. of contracts	Total Amount	No. of Contracts	Total Amount	
Contracts Awarded:					
Outstanding Contracts:					

D. Major Issues / Problems {please add extra sheet if necessary}	
Problems / Issues	Action Taken / Proposed

Prepared By:	Name / Division / Signature	Comments
Project Officer:		
Cleared By:		
1. Director General:	Name / Division / Signature	Comments
2. Director:		

SAMPLE FORMAT AND GUIDELINES FOPR THE PREPARATION OF QUARTERLY PROGRESS REPORT

I. INTRODUCTION

1. Quarterly Progress Reports on the implementation of the Project should be prepared and submitted by the EA/PMU for the periods ending March, June, September and December of the implementation period. The quarterly reports will be submitted to ADB by the 15th of the month following each reporting period.
 - A. Summary
 - B. Technical/Project Components
 - C. Financial
 - D. Management and Operations
 - E. Other Miscellaneous Matters

II. DESCRIPTION OF CONTENTS

2. The following paragraphs illustrate and highlight the type of information the ADB would like to receive on a quarterly basis on the implementation of the Project and the operation of the Project facilities.
 - A. Summary
3. This part of should contain a summarized version of the Project implementation status as detailed in subsequent part for immediate and ready reference. It should analyze original and revised schedules and actual achievement/shortfall in terms of physical and financial targets and accomplishments, both during the reporting period and up to the next reporting period (preferably in terms of broad components of identifiable physical elements). It would also contain conclusions about the viability of the original (as indicated in the JFPR Paper) cost estimates, and expected date of completion of the Project.
 - B. Technical/Project Components
4. The purpose of this part if to provide information on significant physical activities which took place during the reporting period with an assessment of progress achieved and a projection of progress expected to be achieved in the next reporting period. This should contain information at least on the following aspects:
 - physical works accomplished during the reporting period
 - comparison of the actual progress of activities as at end of each reporting period with that of the original forecast
 - changes in the original/revised plans and schedules or deviations there from (both actual and expected), except that changes requiring ADB's approval should be reported to ADB immediately and subsequently mentioned in the semi-annual report
 - other changes, modifications, deviations or events which affected physical progress during the reporting period which are likely to affect project implementation in the next reporting period
 - the expected dates of completion of major components (physical elements) of the Project

5. Progress on each Project component should be covered.

- measures taken or planned to correct factors responsible for delay during the reporting period or which are likely to affect physical progress in the future
- any delay or expected delay in the delivery of services and activities

C. Financial

6. The annual financing plan for the Project and achievements in financial terms during the reporting period should be supported by appendix/table. The details should at least cover the following:

- amount allocated for the Project \$ _____
- amount approved by the EA in the annual budget \$ _____
- amount utilized to date \$ _____

7. A review of actual achievements during the reporting period and revisions of projected dates and amounts in respect of contracts yet to be signed and activities yet to be done, with brief reasons for revisions should be made.

D. Management and Operations

8. This part is meant to be descriptive and should highlight, among others:

- actual or prospective changes in the organization of the EA and PMU/PIUs
- status of the project office
- problems encountered, and measures taken
- a statement of the progress of such other activities, i.e. coordination with NGOs.

III. OTHERS

9. Whenever applicable, and if possible, the quarterly progress report, as design, should be supplemented by the following paragraphs: (i) scheduled and actual expenditures in terms of total Project duration by months; (ii) scheduled and actual expenditures in terms of total Project cost and the Project duration by months; and (iii) status of disbursement (scheduled and actual) relating to the Project and the Project duration.

IV. CONCLUSION

10. The format of the Project and guidelines enunciated above are for guidance only and should be adjusted keeping view of the implementation status.

SAMPLE AUDIT LETTER

ASIAN DEVELOPMENT BANK

Regional Department
Sector Division / Regional or Resident Mission

[Date]

[The Borrower]

Dear Sir or Madam:

Subject: **[Loan No. and Project Title]**
FINANCIAL REPORTING AND AUDITING REQUIREMENTS

This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Financial Reporting and Auditing of Projects Financed by ADB* (the Booklet) is enclosed to guide you.

ADB, by its Charter, is required to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are used for the purposes for which the loan was approved. ADB requires accurate and timely financial information from its borrowers to be assured that expenditure was for the purposes stated in the loan agreement.

For this particular loan, the requirements are stipulated in sections _____ and _____ of the Loan Agreement of _____ between ADB and [the Borrower] and sections _____ and _____ of the Project Agreement of _____ between ADB and [name of the EA]. Copies of the Loan/Project Agreements are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

The following are the main requirements:

- ADB requires the EA to maintain separate project accounts and records exclusively for the Project to ensure that the loan funds were used only for the objectives set out in the Loan or Project Agreements. The project accounts comprise the following:

-

-

The first set of project accounts to be submitted to ADB covers the fiscal year ending _____. As stipulated in the Loan or Project Agreements, they are to be submitted up to _____ months after the end of the fiscal year. For this loan, the deadline is by _____. A sample report format with explanatory notes, is attached as Annex A.

- The accounts and records for the project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. Please advise your external auditor to comment on the impact of any deviations, by [name of the Executing Agency] from international accounting standards.

- Please ensure that your external auditor specifies in the Auditor's Report the appropriate auditing standards they used, and direct them to expand the scope of the paragraph in the Auditor's Report by disclosing the key audit procedures followed. Your external auditor is also to state whether the same audit procedures were followed for all supplementary financial statements submitted.

ADB wishes that auditors conform to the international auditing standards issued by the International Federation of Accountants. In cases where other auditing standards are used, request that your external auditor to indicate in the Auditor's Report the extent of any differences and their impact on the audit.

- The external auditor's opinion is also required on whether
 - the proceeds of the ADB's loan have been utilized only for the project as stated in the Loan Agreement;
 - the financial information contains data specifically agreed upon between [name of the Borrower or EA] and ADB to be included in the financial statements;
 - the financial information complies with relevant regulations and statutory requirements; and
 - compliance has been met with all the financial covenants contained in the Loan or Project Agreements.
- The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
- Actions on deficiencies disclosed by the external auditor in its report are to be resolved by [name of Borrower or Executing Agency] within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by [name of Borrower or EA].

Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

Yours sincerely,

Director /Country Director
(Sector Division/Regional or Resident Mission)

cc: (EA)
(External auditor of the Borrower or EA)

**JAPAN FUND FOR POVERTY REDUCTION
IMPLEMENTATION COMPLETION MEMORANDUM (ICM)¹**

I. BASIC INFORMATION			
1. JFPR Number and Name of Grant:			
2. Country (DMC):	3. Approved JFPR Grant Amount: \$		
4. Grant Type: <input type="radio"/> Project / <input type="radio"/> Capacity Building	5-A. Undisbursed Amount \$	5-B. Utilized Amount \$	
6. Contributions from other sources {convert in-kind contributions into US\$}			
Source of Contribution:	Committed Amount	Actual Contributions:	Remark - Notes:
DMC Government	\$	\$	
Other Donors (please name)	\$	\$	
Private Sector	\$	\$	
Community/Beneficiaries	\$	\$	
7-A. GOJ Approval Date:	7-B. ADB Approval Date:	7-C. Date the LOA was signed (Grant Effectiveness Date):	
8-A. Original Grant Closing Date:	8-B. Actual Grant Closing Date:	8-C. Account Closing Date:	
9. Name and Number of Counterpart ADB (Loan) Project:			
10. The Grant Recipient(s): {Names, address, contact persons, e-mail, phone, fax numbers of the agency(ies) and/or institutions that signed the Letter of Agreement with ADB}			
11. Executing and Implementing Agencies: {Names, Address, Contact Persons, E-mail, Phone, Fax}			

¹ The ICM has to be prepared under responsibility of the ADB Project Officer with contributions from the Recipient, EA/IAs, and the grant project manager/coordinator at the PIU. A template of the ICM is available on network drive W:\TEMPLATE\OC\JFPR

II. GRANT PERFORMANCE ASSESSMENT**12. Description** (Background rationale):

{Extract information on background and rationale from the approved JFPR Grant Proposal and summarize}

13. Grant Development Objective and Scope:

{Briefly describe the Grant Development Objectives (purpose) and scope (outputs and activities). Assess the relevance of the Grant design (including appropriateness of objectives, components, implementation arrangements and schedule) and formulation (including extent of stakeholders' participation and ownership)}

14. Key Performance Indicators

{list each original indicator as mentioned in the approved JFPR Grant Proposal}

{rate the accomplishments, describe any changes and evaluate each indicator for its relevance, achievements and sustainability}

i)

⁹ HS=Highly Satisfactory; S=Satisfactory; PS=Partly Satisfactory; U=Unsuccessful

ii)		
iii)		
iv)		
v)		
<p>15. Evaluation of Inputs (Adequacy of formulation, terms of references, inputs and performance of the Recipient(s), EA, IA(s), NGOs and ADB, performance of consultants, other inputs, review missions):</p> <p>{Evaluate, among others: (i) The economy of input provision (the relative cost of input provision); (ii) the productivity of the inputs (conversion into outputs); (iii) the quality of the inputs; (iv) reasons for deviating from planned inputs and activities; (v) client satisfaction with the inputs provided; (vi) the performance of ADB, the Recipient, the EA, IA(s) and NGOs as highly satisfactory (HS), satisfactory (S), partly satisfactory (PS), or Unsatisfactory (U); (vii) any other inputs.}</p>		
<p>16. Evaluation of Outputs and Results (Reports generated, institution building, training, analysis of quality, comparison with terms of references, sustainability and exit strategy):</p> <p>{Evaluate performance issues, such as (i) efficiency in the production of outputs (cost and process); (ii) effectiveness or efficacy (compare actual to planned results); (iii) quality of outputs (refer to qualitative benchmarks where possible); (iv) recipient and client (beneficiaries) satisfaction with the outputs/ results; (v) timeliness of delivery of outputs; and (vi) effectiveness of the exit strategy and related transfer of activities for sustainability.}</p>		
<p>17. Overall Assessment and Rating (HS,S,PS,U):</p> <p>{Provide an overall assessment including the issues of sustainability, and categorize the Grant activities as highly successful (HS), successful (S), partly successful (PS), or unsuccessful (U) following OED's guidelines.}</p>		

18. Major Lessons Learned:

{Discuss the significant lessons learned that can help improve the formulation and implementation of similar JFPR grant investments and as an input for recommendations and for scaling-up the pilot interventions under this Grant, particularly in relation to the overall objective of poverty reduction.}

19. Recommendations and Follow-up Actions:

{Include project-specific and general recommendations (scaling up) of any interventions, activities and action required, and make suggestions for changes to policies and strategies that can improve the effectiveness of the counterpart loan, future JFPR grants, and/or that can generally be applicable to ADB practices.}

20. Additional Remarks, Comments and Suggestions:

{Present here any additional remarks, comments and suggestions that have not been dealt with or mentioned in earlier paragraphs, but which may contribute to this memorandum.}

I. III. PREPARATION AND APPROVAL

Prepared by:	Name of Person and designation / Name of Institution / Signature	II. <u>Date</u>
1. Representative from the Recipient:		
2. Manager, JFPR-GIU ¹⁰ :		
3. Project Officer, ADB: {the Project Officer consolidates the inputs from the Recipient and the PIU}		

Approved	Name of Person and designation / Name of Institution / Signature	III. <u>Date</u>

¹⁰ GIU=grant implementation unit (formerly called PIU=project implementation unit)

1. Director General, Department, ADB:		
2. Division/Country Director, ADB:		
3. Head of the Recipient:		
4. Head of the Executing Agency:		
5. Head of Implementing Agency:		

JFPR IMPLEMENTATION COMPLETION MEMORANDUM (ICM)¹¹

BACKGROUND INFORMATION

A. Objective and Scope

1. The main objective of a JFPR Implementation Completion Memorandum (ICM) is to learn from the experiences of the Recipients, executing agencies (EAs), implementing agencies (IAs) and ADB in implementing grants, and to use the lessons learned to improve the performance of ongoing and future ADB-financed projects in poverty reduction. The ICM will also be used as a measure of ADB's development effectiveness and as an input to country strategy formulation. An ICM

- evaluates the rationale for the JFPR; adequacy of preparation; appraisal and design; implementation arrangements; and performance of the recipient, EA, IAs and ADB, including how problems were handled, whether they were foreseen as potential risks, and the adequacy of the solutions adopted during implementation;
- provides a preliminary evaluation of achievements of the immediate objectives (purpose) and the impact and contribution to the overall objectives (goal);
- provides a preliminary evaluation of the sustainability of the grant interventions and benefits; and
- makes recommendations—based on the evaluation and lessons learned—for dissemination and scaling-up of the grant interventions for future ADB operations.

B. Timing and Preparation of ICM

2. An ICM is prepared within six months after Grant Closing Date¹².

3. The Recipient (EA and/or IA) first prepares the ICM for self-evaluation and also helps with the preparation of ADB's section of the ICM. If the Recipient's contribution of the ICM is delayed and the grant implementation is considered complete, the division/country director concerned may, after consultation with the latest review mission and responsible project staff, decide to proceed with preparing ADB's part of the ICM in the absence of the recipient's section of the ICM.

4. When the grant implementation is approaching completion, an ADB review mission should agree with the Recipients on the outline and timing for the Recipient's section of the ICM. Assistance in preparing the Recipient's section of the ICM is usually a part of the terms of reference of the grant implementation unit (GIU).

C. Length and Content of ICMs

¹¹ Policy and procedures are based on the JFPR guidelines, topic 29, in combination with the principles of PAI 6.07 - *Grant Completion Report* for ADB Loans.

¹² Grant Closing Date is the date when all implementation, consolidation and other related physical activities end, as shown in the JFPR Grant Proposal and the Letter of Agreement, up to a maximum of four years after JFPR grant effectiveness, including extensions.

5. Staff of the unit administering the grant (sector division, regional department or resident mission) must ensure that any problems or issues that arose during grant implementation are recorded in the ICM. Grant status reports and back-to-office reports (BTORs) prepared during preparation and implementation will provide the input for this. Such issues or problems should not go unnoticed and thus lessons ignored. Therefore, all ICMs are to be detailed. Appendixes are limited to those that are essential for explaining the text.

6. An ICM is kept concise by
- concentrating on analyzing grant inputs and activities, implementation arrangements, costs, outputs, and impacts;
 - focusing on the principal determinants of performance;
 - using condensed analytical tables and supporting appendixes;
 - using cross-referencing to source documents; and
 - avoiding repetition.

D. Intended Use of the Implementation Completion Memorandum (ICM)

7. ICMs are intended for use by and will be circulated to the
- The Government of Japan
 - Directors General and Directors of relevant departments, Divisions and offices;
 - Country director, RM concerned; and
 - Recipients, concerned DMC agency, executing and implementing agencies.

IMPLEMENTATION SCHEDULE

ACTIVITIES	2007							2008							2009							2010							2011						Total Targets	
	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M		A
COMPONENT A: Strengthening Local Institutions																																				
1. Community Mobilization																																				
Hire and train local community mobilizers	■																																			
Engage local NGO	■																																			
Develop Information, Education & Communication Strategy	■																																			
Train communities to form savings groups	■																																			
Prepare Community Handbook	■																																			
Distribute Community Handbook	■																																			
Train interested savings groups in CBO formation	■																																			
Provide TA to legally register CBOs	■																																			
Provide TA to develop CBO business plans	■																																			
2. Training and Capacity Building																																				
Conduct community capacity assessment	■																																			
Develop training plan and modules for subproject development	■																																			
Facilitate planning workshops with interested SGs/CBOs	■																																			
Train local government staff in participatory planning, CDD	■																																			
Train community groups to prepare subproject proposal and budget	■																																			
Train community groups to implement subproject (i.e. accounting, bookkeeping, procuring labor & materials, O&M, M&E)	■																																			
Develop vocational and other training modules (based on demand)	■																																			
Conduct vocational training on demand-driven basis	■																																			
Train CBOs for Part B of UDHP Loan (i.e. water connections, pipe installation, composting, stove retrofitting, etc.)	■																																			
3. Participatory Monitoring and Evaluation																																				
Assist community groups to develop M&E plan	■																																			
Train community in monitoring daily progress	■																																			
Conduct participatory financial audits of community accounts	■																																			
Targets:																																				
Number of Savings Groups formed																																				
Number of CBOs formed																																				
105																																				
9																																				
COMPONENT B: Grants for Community-Led Infrastructure																																				
1. Subproject Preparation																																				
Develop standard, simple technical designs	■																																			
Community preparation of subproject proposals	■																																			
Conduct technical (desk and field) appraisal of subproject proposals	■																																			
2. Approval and Launch																																				
Approve subproject proposal	■																																			
Prepare financing agreement	■																																			
Organize subproject launch ceremony & sign financing agreement	■																																			
3. Implementation																																				
Mobilize community and local government contributions	■																																			

**STATUS OF COMPLIANCE WITH MAJOR COVENANTS
(As of May 2007)**

Covenant	Status of Compliance
G. General	
1. The Ministry of Construction and Urban Development is to serve as the Executing Agency for the JFPR Project (Letter of Agreement, para. 2)	
2. The Government shall carry out the JFPR Project with due diligence and efficiency, in accordance with the arrangements described in the Grant Assistance Report, and as provided below. (Letter of Agreement, para. 3)	
3. ADB shall administer the JFPR pursuant to an agreement ADB has entered into with the Government of Japan, and as provided in the approved Grant Assistance Report and as otherwise described below. (Letter of Agreement, para. 4)	
4. The Government shall make available, promptly as needed, the funds, facilities, services, equipment, land and other resources which are required, in addition to the funds to be provided under the JFPR Assistance (the JFPR Funds), for the carrying out of the JFPR Project. (Letter of Agreement, para. 5)	
Except as ADB may otherwise agree, the Government shall apply the JFPR Funds to the financing of expenditures specified in the approved JFPR Grant Proposal Form. (Letter of Agreement, para. 6)	
5. Except as ADB may otherwise agreed, the Government shall ensure all goods, services and other items of expenditure financed out of the JFPR Funds are used exclusively in the carrying out of the JFPR Project. (Letter of Agreement, para. 7)	
6. The procurement of any goods and	

Covenant	Status of Compliance
<p>services (excluding consulting services) financed under the JFPR Assistance shall be carried out in accordance with the "ADB Procurement Guidelines" dated April 2006, as amended from time to time. The engagement of any consulting services financed under the JFPR Assistance shall be carried out in accordance with the "Guidelines on the Use of Consultants" dated April 2006, as amended from time to time. (Letter of Agreement, para. 8)</p>	
<p>7. No local taxes or duties payable by public entities (whether the central government, any local government or any public institution) shall be financed under the JFPR Assistance. (Letter of Agreement, para. 9)</p>	
<p>8. The Government shall maintain, or cause to be maintained, records and accounts adequate to identify the goods, services and other items of expenditure financed out of the JFPR Funds, to disclose the use thereof in the JFPR Project, and to record the progress of the JFPR Project (including the cost thereof). (Letter of Agreement, para. 10)</p>	
<p>9. (a) The Government shall (i) maintain or cause to be maintained, separate accounts for the JFPR Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the JFPR Funds, and the operation of any imprest account and the application of any statement of expenditures (SOE)</p>	

Covenant	Status of Compliance
<p>procedure authorized under the JFPR Project), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request. (Letter of Agreement, para. 11a)</p>	
<p>(b) The Government shall enable ADB, upon ADB's request, to discuss the Government's financial statements for the JFPR Project from time to time with the Government's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. (Letter of Agreement, para. 11b)</p>	
<p>10. The Government shall enable ADB's representatives to inspect the JFPR Project, and the goods, services and other items of expenditure financed out of the JFPR Funds, and any relevant records and documents. (Letter of Agreement, para. 12)</p>	
<p>11. (a) The JFPR Funds shall not be disbursed by ADB after the expected completion date of the JFPR Project or maximum four years from the date of this Letter of Agreement, whichever is earlier, or such other date to which ADB may agree. (Letter of Agreement, para. 13a)</p> <p>(b) The Government shall follow, or cause to be followed, procedures acceptable to ADB to facilitate disbursement of the JFPR Funds under the JFPR Project. These provisions shall include detailed arrangements to be agreed upon between the Government and ADB on applications for withdrawal, evidence of authority to sign such applications, evidence to support such applications, and sufficiency of such applications. (Letter of Agreement, para. 13b)</p>	

Covenant	Status of Compliance
<p>(c) In the event that the Government and ADB agree to the establishment of an imprest account under the JFPR Project, the Government shall establish, immediately upon its confirmation of this Letter of Agreement or such later date as ADB may agree, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2007, as amended from time to time, and detailed arrangements agreed upon between the Government and ADB. The initial amount to be deposited into the imprest account shall be US\$100,000 as agreed upon by the Government and ADB]. (Letter of Agreement, para. 13c)</p> <p>The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for the JFPR Project and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2007, as amended from time to time , and detailed arrangements agreed upon between the Government [the Receipt] and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed an amount agreed upon by the Government and ADB.</p>	
<p>12. (a) The Government shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the use of the JFPR Funds; (ii) the goods, services and other items of expenditure financed out of the proceeds of the JFPR Funds; (iii) the JFPR Project; and (iv) any other matters relating to the purposes of the JFPR Assistance. (Letter of Agreement, para. 14a)</p> <p>(b) Without limiting the generality of the foregoing, the Government shall</p>	

Covenant	Status of Compliance
<p>furnish, or cause to be furnished, to ADB quarterly and semiannual reports, as agreed by ADB, on the carrying out of the JFPR Project. Such reports shall be submitted in such form and detail as ADB shall reasonably request. (Letter of Agreement, para. 14b)</p>	
<p>(c) Within three months after physical completion of the JFPR Project, the Government shall prepare and furnish to ADB a report, in such form and detail as ADB shall reasonably request, on the accomplishment of the purposes of the JFPR Assistance. (Letter of Agreement, para. 14c)</p>	



Worksheet for Quarterly & Yearly Contract Awards/Commitments & Disbursement Projections (\$ Million)

(Important: Before completing this form, please read carefully the instructions printed at the back of this form. Refer to PAI Nos. 5.02. Issued in December 2001.)

PROJECT: _____ LOAN/GRANT NO. _____ SEGMENT NO. _____ FUNDS (OCR, SF, ADF-IX, ATF^{2/}) _____ COUNTRY (Acronym) _____ PROJECTIONS MADE IN: _____ (Month, Year)

Ref. Line No.	Category ^{1/}	CONTRACT/COMMITMENT ITEM ^{1/}	Contracts Awarded on Previous Year(s)	QUARTER 1				QUARTER 2				QUARTER 3				QUARTER 4				TOTAL PROJECTED FOR THE YEAR 20____					
				Jan, Feb, Mar 20____				Apr, May, Jun 20____				Jul, Aug, Sep 20____				Oct, Nov, Dec 20____				(YP)=(QA) + (QP)					
				Month, Year Contract Awarded	QP	Month Awarded/Committed or To be Awarded/Committed	QA	QP	Disbursement Amount Related to the Contract/Commitment (2)	QP	Month Awarded/Committed or To be Awarded/Committed	QA	QP	Disbursement Amount Related to the Contract/Commitment (4)	QP	Month Awarded/Committed or To be Awarded/Committed	QA	QP	Disbursement Amount Related to the Contract/Commitment (6)	QP	Month Awarded/Committed or To be Awarded/Committed	QA	QP	Disbursement Amount Related to the Contract/Commitment (8)	Contract Value/Commitment (9)=(1+3+5+7)
TOTAL (Carried Forward) FROM PREVIOUS PAGE ___ OF ___ PAGES																									
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GRAND TOTAL (LAST PAGE)																									

^{1/} In accordance with the allocation of loan proceeds as defined in the loan documents, or any other detailed breakdown if found useful.
^{2/} ATF = Asian Tsunami Fund; Projections should be for the ADB-ATF financed component only.
 QA = Quarterly Actual (already awarded/committed/disbursed, when projections are prepared).
 QP = Quarterly Projected (to be awarded/committed/disbursed), when projections are prepared).

APPLICATION OF LESSONS LEARNED FROM EXISTING JFPR PROJECT (NO. 9015)

10. The new Japan Fund for Poverty Reduction (JFPR) project will build on some of the critical lessons that have been learned from the first JFPR project in Mongolia. The first JFPR Project for the Improvement of the Living Environment in Ger Areas of Mongolia's Cities (JFPR No. 9015) was established in 2003. The key objective of the project was to pilot innovative and sustainable approaches to address housing-related poverty in selected ger areas. To achieve this objective, the project adopted a prescriptive approach, which includes housing finance for the poor, public bathhouses that employ social pricing, reduction in the cost of housing through community assets, namely briquette making and greenhouses, and establishment of integrated community centers.

11. There are key differences between the existing JFPR project and the proposed project. The primary difference is that the proposed project will employ a community demand-driven approach, rather than a prescriptive approach. The community infrastructure and income generating subprojects that result will be determined by the community. The subprojects will also be implemented by the community. Under the existing JFPR project, the PIU has implemented every intervention. The new project will turn responsibility over to the community while providing support and guidance for procurement, accounting, managing contractors, etc.

12. To ensure that the community has the skills necessary to undertake a subproject, the proposed JFPR project will invest resources from the beginning to organize communities from the grassroots based on voluntary initiative. This is another key differentiating factor from the existing project. The community-based organizations (CBOs) in Darkhan, Zuunmod, and Ulaanbaatar were established "externally" by Loan 1847-MON: Housing Finance Sector Project and later supported by the existing JFPR project. The communities did not invest their own time or resources to build the organizations, and their sustainability beyond the life of the subproject is questionable. The new project will build on this lesson by first supporting the establishment of savings groups on a voluntary basis to help neighbors to organize and learn to work together. After the initial phase of savings groups is created, larger CBOs will be established among those communities that demonstrate initiative and willingness.

13. CBOs and savings groups will be guided through a participatory planning process to develop subproject proposals for small-scale community infrastructure and income generating activities. Subproject proposals will be expected to generate maximum community benefit. As opposed to the existing JFPR project, which targets benefits primarily to individual households, particularly through the housing finance component, the new project will seek to benefit entire communities. Key criteria for subproject appraisal will be the inclusiveness of both the planning process and benefits of the subproject.

14. The proposed JFPR project will improve upon on the existing project in two additional ways. First, the proposed project will target resources to a limited number of project sites. The project will be implemented in selected ger area communities of Erdenet, Bayankhongor, and Choir. The existing JFPR targets 11 separate communities spread out across Mongolia, which dilutes the benefits of the project and creates logistical obstacles for implementation and coordination. The proposed project will also hire a staff person in each site, rather than relying on a central project implementation unit (PIU) in Ulaanbaatar like the current project.

15. Secondly, the proposed project will dedicate resources to developing and implementing a rigorous monitoring and evaluation (M&E) system that includes participatory monitoring,

internal monitoring and auditing, and an external evaluation by a third party. Systems for tracking and monitoring progress of the project towards agreed upon targets were not emphasized during the design phase of the current project, and resources were not specifically allocated for M&E activities.

16. The following table summarizes a comparison of the existing JFPR project and the proposed project.

Comparison of Existing and Proposed JFPR Projects

	Existing JFPR (No. 9015) Project	Proposed JFPR Project
Objective	Pilot innovative and sustainable approaches to address housing-related poverty in selected ger areas.	Empower local communities through increased participation in local governance and involvement in the design, implementation, and management of community demand-driven infrastructure and income generating projects in selected ger areas.
Amount	\$2.2 million	\$1.5 million
Project Area	Selected ger area communities in: Baruun Urt, Choibalsan, Choir, Dalanzadgad, Darhan, Zuunmod, Mandalgobi, Sainshand, Tsetserleg, Ulaanbaatar, and Underkhaan.	Selected ger area communities in: Bayankhongor, Choir, and Erdenet.
Approach	The approach for achieving the objective is to: <ul style="list-style-type: none"> • pilot sustainable opportunities for housing finance for the poor, • show viable approaches for running public bathhouses, and • reduce the costs of housing for the poor in ger areas through the use of community assets. 	The approach for achieving the objective is to: <ul style="list-style-type: none"> • establish and increase capacity of CBOs to engage with local authorities in monitoring and overseeing basic service delivery, • prepare community demand-driven infrastructure and small-scale enterprise plans in participatory and technically satisfactory manner, • support community implementation of priority small civil works, and • enhance transparency and accountability in the management of public funds and resource allocation.
Implementation Arrangements	<ul style="list-style-type: none"> • PIU core staff includes a director, financial manager, social expert, and driver in Ulaanbaatar • JFPR project is autonomous and not well integrated with loan project (Housing Finance Sector Project). • PIU implements every component of the project. • Housing loans are disbursed through selected local non-banking financial institutions. • PIU is located in Ulaanbaatar 	<ul style="list-style-type: none"> • PIU core staff includes a project manager and financial manager in Ulaanbaatar, and 1 community mobilizer in each town. • JFPR project manager will report to the project director of the proposed Urban Development Sector Project. • PIU has overall project management and M&E responsibilities (Component C) and is responsible for subproject appraisal. • Local nongovernment organizations will implement Component A. • Communities will implement Component B (planning and preparation of subproject proposals and implementation of

	Existing JFPR (No. 9015) Project	Proposed JFPR Project
	and responsible for project implementation in 11 sites.	subprojects).
Establishment of CBOs	CBOs set up by the Housing Finance Sector Project in Darkhan, Zuunmod, and Ulaanbaatar in pre-selected communities and strengthened by the JFPR project.	Basis of community mobilization will be the formation of voluntary savings groups. CBOs will be established in communities that demonstrate willingness and initiative to participate.
Key Design Differences	<ol style="list-style-type: none"> 1. Prescribed interventions 2. Communities pre-selected and CBOs established “externally” by the Housing Finance Sector Project 3. Benefits targeted primarily to individual households 4. Wide geographic disbursement of project area dilutes benefits and creates logistical obstacles for implementation 5. Lack of M&E 	<ol style="list-style-type: none"> 1. Community demand-driven interventions 2. Emphasis on supporting voluntary initiative of community to participate in the project and create CBOs by a bottom-up approach 3. Benefits targeted to community as a whole 4. Limited number of project areas to maximize project resources and benefits 5. Emphasis on M&E by the community, the PIU, and an external evaluator

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact: Improved quality of life of poor people in ger area of Bayankhongor, Choir, and Erdenet.</p>	<p>Increased the % of the ger area households in subproject areas with access to improved community infrastructure from 0 to 35%.</p>	<p>Main data sources/reporting mechanisms for the JFPR Project include:</p> <p>PIU quarterly and annual reports</p> <p>Contracted NGO monthly progress reports</p> <p>CBO reports and financial records</p> <p>External evaluation</p>	<p>Assumptions:</p> <p>Residents are willing and able to join community groups.</p> <p>CBOs are adequately trained in administrative and financial management and develop the necessary capacities to implement the subprojects.</p> <p>CBOs will engage competent management staff and encourage broad membership among communities.</p> <p>Local governments are willing to contribute to subprojects, primarily through the donation of land.</p> <p>Subproject proposals will benefit the community as a whole.</p> <p>Community demand for and investments in subprojects will ensure their long-term maintenance and sustainability.</p>
<p>Outcomes: Empowered local communities in ger areas of Bayankhongor, Choir, and Erdenet.</p>	<p>Increased % of ger area households participating in the management of community infrastructure subprojects from 0 to 35%.</p> <p>Number of operational savings groups</p> <p>Number of operational and financially viable CBOs</p> <p>% of resident population who have become savings group and/or</p>	<p>PIU annual and monthly reports</p> <p>NGO monthly progress reports</p> <p>Financial records of CBOs</p> <p>External evaluation study</p> <p>Annual bag office survey of households</p> <p>Socioeconomic survey</p> <p>CBO subproject</p>	<p>Risks:</p> <p>Households are unable or unwilling to join community groups.</p> <p>Training and education activities are inadequate to achieve community awareness or broad based change.</p> <p>Community groups are not formed or function poorly and cannot manage subprojects.</p> <p>Local elites capture decision-making powers</p>

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
	<p>CBO members</p> <p>Number of CBOs with community approved business plans</p> <p>Local government contribution to planning and implementing subprojects</p> <p>Improved poverty and human development indicators in beneficiary communities</p> <p>Number of participants in training sessions held for communities and local government in participatory planning and subproject proposal development</p> <p>Number of subproject proposals and budgets completed</p> <p>% of CBO members that actively participate in subproject planning and endorse subproject proposal</p> <p>Number of subproject proposals approved</p> <p>Number of subprojects completed at technical standards by sector</p> <p>Number of beneficiaries reached</p> <p>% of poor and vulnerable beneficiaries reached</p> <p>O&M plans in place</p> <p>Degree of community satisfaction with completed subprojects</p> <p>% of subprojects where flow of funds is timely</p>	<p>completion report</p> <p>Point of contact surveys</p> <p>Participatory M&E mechanisms (i.e. venn or flow diagrams, diaries, photographs, etc.)</p> <p>Internal and external audits of community group accounts</p>	<p>and benefits of subprojects.</p> <p>Communities lose interest.</p> <p>Input costs increase significantly.</p> <p>CBOs cannot generate adequate revenues to pay operating expenses.</p> <p>Lack of an existing legal framework for CBOs disrupts disbursement of funds to community groups.</p>

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
	<p>Transparency requirements complied with in subproject preparation, selection, and implementation</p> <p>Sanctions enforced in cases of non-compliance with project rules</p>		
<p>Outputs:</p> <p>PIU and management procedures are in place and fully operational.</p> <p>Information and education strategy is designed and implemented.</p> <p>Training and capacity building activities are successfully designed and implemented.</p> <p>Savings groups and CBOs are formed on a voluntary basis.</p> <p>Community groups prepare subproject proposals that are technically sound and respond to the demands of the community.</p> <p>Community groups successfully implement subprojects.</p> <p>Transparency and accountability mechanisms are in place and fully operational.</p>	<p>Increased the number of fully functioning savings groups in subproject areas from 6¹³ to 180.</p> <p>Increased the number of registered, fully operational, and financially viable CBOs in subproject areas from current 0 to 15.</p> <p>Increased the number of community infrastructure subproject proposals prepared through participatory planning from 0 to 195.</p> <p>Increased the number of community infrastructure subprojects undertaken by community groups (savings groups and CBOs) from 0 to 165.</p> <p>Number of staff engaged and trained in PIU systems and management procedures (7 national).</p> <p>% of subproject area residents reached by public awareness campaign (50%).</p> <p>Number of participants in training activities (35,200)</p>	<p>PIU annual and progress reports</p> <p>Focus group discussions and household surveys</p> <p>NGO monthly reports</p> <p>CBO project completion reports</p> <p>Internal and external audits of community group accounts</p>	

¹³ Urban Development Resource Center has established six savings groups in three subproject areas (Erdenet, Bayanhongor, and Gobi Altai).

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
	<p>Number of savings groups and CBOs formed (180; 15).</p> <p>Number of subproject proposals prepared, appraised, and approved (165).</p> <p>Number of subprojects successfully completed (165).</p>		
<p>Activities</p> <p>Component A:</p> <ol style="list-style-type: none"> 1. Mobilize communities to act collectively as savings groups and CBOs (June 2009) 2. Conduct community capacity assessment and develop training modules (March 2008) 3. Facilitate planning workshops and train community groups to prepare subproject proposals (September 2010) 4. Train community groups to implement subprojects (June 2011) 5. Develop and implement vocational and other training modules on demand-driven basis (June 2011) <p>Component B:</p> <ol style="list-style-type: none"> 1. Develop standard, simple technical designs (September 2008) 2. Conduct appraisal and approve subproject proposals (December 2010) 3. Support and monitor community implementation of subprojects (June 2011) <p>Component C:</p> <ol style="list-style-type: none"> 1. Establish PIU and project steering committee and develop operations Manual (September 2007) 2. Design M&E methodology (internal, external and participatory) (December 2007) 3. Implement M&E plan (June 2011) 4. Conduct roundtable discussions/workshops (June 2011) 			<p>Inputs</p> <p>JFPR - \$1.5 million</p> <p>Civil Works - \$288,750 Equipment – \$536,250 Training - \$109,600 Project Management - \$415,900 Contingencies - \$149,500</p> <p>Government - \$150,000 (in-kind)</p> <p>Communities - \$300,000 (cash & in-kind)</p> <p>Other (DED) – consultants (In-kind)</p>

CBO = community-based organization, DED = Deutscher Entwicklungsdienst, JFPR = Japan Fund for Poverty Reduction, M&E = monitoring and evaluation, NGO = nongovernment organization, O&M = operation and maintenance



Asian Development Bank

Mongolia Resident Mission

H. E. Mr. N. Bayartsaikhan
Minister of Finance of Mongolia
ADB Governor for Mongolia
Government Building-2
United Nations Street 5/1
Ulaanbaatar 210646, Mongolia

25 April 2007
Ref: 078/07

Dear Minister Bayartsaikhan,

**Re: Japan Fund for Poverty Reduction (JFPR)
– Assistance for Mongolia**

JFPR Project No. 9106 - Community-Driven Development for Urban Poor in Ger Areas

1. We are pleased to inform you that on 2 March 2007, the Asian Development Bank (ADB) approved the provision of assistance on a grant basis from the JFPR (the JFPR Assistance) to the Government of Mongolia (the Government) in an amount not exceeding the equivalent of US\$1,500,000 for Community-Driven Development for Urban Poor in Ger Areas (the JFPR Project).
2. As indicated in the Grant Assistance Report, which is attached as an Annex to this Letter of Agreement, the Ministry of Construction and Urban Development (MCUD) is to serve as the Executing Agency (EA) for the JFPR Project.
3. The Government shall carry out the JFPR Project with due diligence and efficiency, in accordance with the arrangements described in the Grant Assistance Report, and as provided below.
4. ADB shall administer the JFPR pursuant to an agreement ADB has entered into with the Government of Japan, and as provided in the Grant Assistance Report and as otherwise described below.
5. The Government shall make available, promptly as needed, the funds, facilities, services, equipment, land, and other resources which are required, in addition to the funds to be provided under the JFPR Assistance (the JFPR Funds), for the carrying out of the JFPR Project.
6. Except as ADB may otherwise agree, the Government shall apply the JFPR Funds to the financing of expenditures specified in the Grant Assistance Report.

7. Except as ADB may otherwise agree, the Government shall ensure all goods, services and other items of expenditure financed out of the JFPR Funds are used exclusively in the carrying out of the JFPR Project.

8. The procurement of any goods and services (excluding consulting services) financed under the JFPR Assistance shall be carried out in accordance with the "ADB Procurement Guidelines" dated April 2006, as amended from time to time. The engagement of any consulting services financed under the JFPR Assistance shall be carried out in accordance with the "Guidelines on the Use of Consultants" dated April 2006, as amended from time to time.

9. No local taxes or duties payable by public entities (whether the central government, any local government or any public institution) shall be financed under the JFPR Assistance.

10. The Government shall maintain, or cause to be maintained, records and accounts adequate to identify the goods, services and other items of expenditure financed out of the JFPR Funds, to disclose the use thereof in the JFPR Project, and to record the progress of the JFPR Project (including the cost thereof).

11. (a) The Government shall (i) maintain or cause to be maintained, separate accounts for the JFPR Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the JFPR Funds, and the operation of any imprest account and the application of any statement of expenditures (SOE) procedure authorized under the JFPR Project), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Government shall enable ADB, upon ADB's request, to discuss the Government's financial statements for the JFPR Project from time to time with the Government's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB.

12. The Government shall enable ADB's representatives to inspect the JFPR Project, and the goods, services and other items of expenditure financed out of the JFPR Funds, and any relevant records and documents.

13. (a) The JFPR Funds shall not be disbursed by ADB after the expected completion date of the JFPR Project or maximum four years from the date of this Letter of Agreement, whichever is earlier, or such other date to which ADB may agree.

(b) The Government shall follow, or cause to be followed, procedures acceptable to ADB to facilitate disbursement of the JFPR Funds under the JFPR Project. These provisions

shall include detailed arrangements to be agreed upon between the Government and ADB on applications for withdrawal, evidence of authority to sign such applications, evidence to support such applications, and sufficiency of such applications.

(c) In the event that the Government and ADB agree to the establishment of an imprest account under the JFPR Project, the Government shall establish, immediately upon its confirmation of this Letter of Agreement or such later date as ADB may agree, an imprest account at a bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2007, as amended from time to time, and detailed arrangements agreed upon between the Government and ADB. The initial amount to be deposited into the imprest account shall be US\$100,000 as agreed upon by the Government and ADB.

(d) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for the JFPR Project and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2007, as amended from time to time, and detailed arrangements agreed upon between the Government [the Recipient] and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed an amount agreed upon by the Government and ADB.

14. (a) The Government shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the use of the JFPR Funds; (ii) the goods, services and other items of expenditure financed out of the proceeds of the JFPR Funds; (iii) the JFPR Project; and (iv) any other matters relating to the purposes of the JFPR Assistance.

(b) Without limiting the generality of the foregoing, the Government shall furnish, or cause to be furnished, to ADB quarterly and semiannual reports, as agreed by ADB, on the carrying out of the JFPR Project. Such reports shall be submitted in such form and detail as ADB shall reasonably request.

(c) Within three months after physical completion of the JFPR Project, the Government shall prepare and furnish to ADB a report, in such form and detail as ADB shall reasonably request, on the accomplishment of the purposes of the JFPR Assistance.

15. The Government shall cooperate with ADB to ensure that the JFPR Project is carried out promptly and effectively, and for this purpose, shall issue appropriate instructions to its officials, agents and representatives.

16. In the appraisal of subprojects, the Government will ensure that the Technical Working Committee will determine whether all relevant information is included in the subproject proposal and if the proposed subproject meets a standard set of transparent criteria, including

- (vii) maximum community participation in developing the proposal (i.e., community-based organization membership will equally consist of men and women);
- (viii) maximum community benefit for male and female beneficiaries;
- (ix) community contribution (cash and in kind);

- (x) local government contribution (i.e., land, and operation and maintenance support);
- (xi) operation and maintenance plan in place;
- (xii) capacity of the community to implement the subproject; and
- (xiii) only communal land that is not occupied or used for residential or productive purposes could be used.

17. The Government and ADB shall, from time to time, at the request of either party, exchange views on the JFPR Project, and consult on any reports prepared by consultants or others and the implementation of any recommendation made in those reports.

18. ADB may use any reports prepared by consultants for any purpose which ADB may consider appropriate, and those reports may be made public unless otherwise agreed by the Government and ADB.

19. The Government may at any time request ADB in writing to terminate the JFPR Assistance.

20. (a) ADB may at any time suspend or, after consultation with the Government, terminate the JFPR Assistance if any circumstances arise which, in the opinion of ADB, interfere or threaten to interfere with the successful implementation of the JFPR Project, the accomplishment of its purposes, or the execution of the JFPR Project in accordance with the terms and conditions of this Letter of Agreement.

(b) ADB may cancel the JFPR Assistance if implementation of the JFPR Project and related disbursements do not start within six months after the execution of this Letter of Agreement.

(c) ADB may cancel the JFPR Assistance if any ADB loan operations related to the JFPR Project are cancelled.

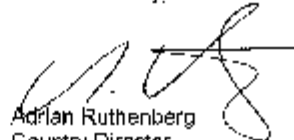
(d) If at any time ADB determines, (i) after consultation with the Government and MCUD, that any amount of the JFPR Assistance will not be required for the purposes of the JFPR Project, or (ii) that corrupt, fraudulent, collusive or coercive practices, as determined by ADB, were engaged in by representatives of the Government, MCUD or any beneficiary under the JFPR Project during the implementation of the JFPR Project or as part of the procurement or consultant selection, or the execution of a related contract, for the JFPR Project, without the Government having taken timely and appropriate action satisfactory to ADB to remedy the situation, or (iii) that the procurement of any goods and services, and recruitment of consultants to be financed out of the JFPR Assistance is inconsistent with the procedures set forth or referred to in this Letter of Agreement including the Annex, ADB may by notice to the Government terminate the right of the Government] to make withdrawals from the JFPR Assistance. Upon the giving of such notice, the JFPR Assistance or the relevant portion thereof may be cancelled by ADB.

23. If these arrangements are acceptable to you and FA, kindly have three copies of this Letter of Agreement countersigned on behalf of the Government in the space indicated below. Please retain one original signed copy for your records, one copy for EA. Please return one original signed copy to ADB.

24. Extra copies of this Letter of Agreement and the Annex are being forwarded to Executing Agency assisting in the implementation of the JFPR Project.

25. In my capacity as Country Director of the ADB Mongolia Resident Mission, East Asia Department, I will be responsible for all matters pertaining to the implementation of the JFPR Project. All communications on this matter may, therefore, be addressed to me.

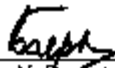
Yours sincerely,



Adrian Ruthenberg
Country Director
Mongolia Resident Mission
East Asia Department

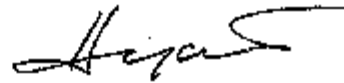
Confirmed:

On behalf of the Government



Name: N. Bayartsaikhan
Position: Minister of Finance

Date: 2007.05.14.



Name: J. Narantsatsralt
Position: Minister of Construction
and Urban Development

Date:

Attachment: Grant Assistance Report