

Project Administration Manual

Project Number: 49409

Loan Number:

March 2016

Mongolia: Erdenes Mongol LLC Strengthening
Institutional Framework and Management Capacity

Contents

ABBREVIATIONS	IV
I. PROJECT DESCRIPTION	1
II. IMPLEMENTATION PLANS	5
A. Project Readiness Activities	5
B. Overall Project Implementation Plan	6
III. PROJECT MANAGEMENT ARRANGEMENTS	7
A. Project Implementation Organizations – Roles and Responsibilities	7
B. Key Persons Involved in Implementation	9
C. Project Organization Structure	10
IV. COSTS AND FINANCING	11
A. Detailed Cost Estimates by Expenditure Category	12
B. Allocation and Withdrawal of Loan Proceeds	13
C. Detailed Cost Estimates by Financier	14
D. Detailed Cost Estimates by Outputs/Components	15
E. Detailed Cost Estimates by Year	16
F. Contract and Disbursement S-curve	17
G. Fund Flow Diagram	18
V. FINANCIAL MANAGEMENT	19
A. Financial Management Assessment	19
B. Disbursement	20
C. Accounting	21
D. Auditing	21
E. Public Disclosure	22
VI. PROCUREMENT AND CONSULTING SERVICES	22
A. Advance Contracting and Retroactive Financing	22
B. Procurement of Goods, Works and Consulting Services	22
C. Procurement Plan	23
D. Functions of Erdenes Mongol to be Strengthened and Inputs of Consulting Services	34
E. Consultant's Outline Terms of Reference	34
VII. SAFEGUARDS	46
A. Environment	46
B. Indigenous Peoples	46
C. Involuntary Resettlement	46
VIII. GENDER AND SOCIAL DIMENSIONS	46
IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION	47
A. Project Design and Monitoring Framework	47
B. Monitoring	50
C. Evaluation	51
D. Reporting	52
E. Stakeholder Communication Strategy	53
X. ANTICORRUPTION POLICY	54
XI. ACCOUNTABILITY MECHANISM	54
XII. RECORD OF PAM CHANGES	54

Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Erdenes Mongol LLC is wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by Erdenes Mongol LLC of its obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan Agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government, Erdenes Mongol LLC, and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
AFS	=	audited financial statements
DMF	=	design and monitoring framework
FM	=	financial management
FMA	=	financial management assessment
FTP	=	full technical proposals
GACAP	=	governance and anticorruption action plan
GDP	=	gross domestic product
HDF	=	Human Development Fund
ICS	=	individual consultants selection
IFI	=	international financial institution
IFRS	=	International Financial Reporting Standards
ISA	=	International Standard on Auditing
LIBOR	=	London interbank offered rate
MIS	=	management information system
NAO	=	National Audit Office
NCB	=	national competitive bidding
OCE	=	Office of the Chief Executive (of Erdenes Mongol)
OCR	=	ordinary capital resources
PAI	=	project administration instructions
PAM	=	project administration manual
PMU	=	project management unit
PIU	=	project implementation unit
QCBS	=	quality- and cost based selection
RRP	=	report and recommendation of the President to the Board
SBD	=	standard bidding documents
SOE	=	statement of expenditure
SOEs	=	state-owned enterprises
SPS	=	Safeguard Policy Statement
SPRSS	=	summary poverty reduction and social strategy
TOR	=	terms of reference

I. PROJECT DESCRIPTION

A. Rationale, Location and Beneficiaries

1. Mongolia's economy relies heavily on the mining sector, which accounts for 20% of the gross domestic product.¹ This heavy dependence has made the country economically vulnerable to volatility in the international commodity market. At the same time, strategic investment in important economic infrastructure is necessary if Mongolia is to succeed in its effort to diversify its economy. Given a large land area with small and dispersed population, inadequate transport infrastructure is a critical obstacle to national unity and export growth. Yet, Mongolia does not have an effective mechanism to channel funds raised from its natural resources to strategic investments necessary for the development and diversification of the economy. The national development strategy for 2008–2021 identified this as a crucial economic challenge and since then efforts have been continued under successive governments.²

2. In Mongolia, the government plays an important role to invest in key economic areas. The government needs to ensure that the economic benefits derived from the development of the country's mineral resources are effectively invested to generate sustainable returns while supporting national unity and economic diversification. Good governance is required for the state's investment and management of assets to be effective. Good governance demands efficiency, accountability, and transparency. Information on the processes and results of state investment decision-making needs to be made public. Moreover, if the state engages in investment activities, its role as a regulator needs to be clearly separated from its role as an investor to avoid conflicts of interest and ensure fairness and equality in the market.

3. The government created the 100% state-owned Erdenes Mongol in 2007 to manage state-owned assets and make state investments more strategic and effective.³ Erdenes Mongol's portfolio has grown from holding shares of one mining company in 2010 to four companies by 2015.⁴ While government line ministries focus on policies and regulations in the sectors in which the state invests, Erdenes Mongol aims to manage state-owned assets and raise funds to invest in economic infrastructure for the benefit of the general public. Its establishment aimed at the bifurcation of the state's dual roles of regulator and investor, which is a prerequisite to achieving good governance. Erdenes Mongol is evolving into managing various state-owned assets in both mining and non-mining sectors, and investing in economic infrastructure to enhance economic diversification.⁵

4. However, Erdenes Mongol has not fully realized its potential in generating revenues and

¹ The second-largest component is wholesale and retail, which accounts for 17%. Government of Mongolia. 2013. *Achieving Millennium Development Goal: Fifth Progress Report*. Ulaanbaatar.

² Government of Mongolia. 2008. *Comprehensive National Development Strategy of Mongolia*. Ulaanbaatar.

³ The company had a staff of 68 as of 2015. It comprised a chief executive office, with responsibilities for human resource management and legal matters; an infrastructure management department; a project management department; and a finance and accounting department that handles financial analysis and financial management. Erdenes Mongol held about MNT 2.4 trillion (\$1.2 billion) in assets, as of 2015, including non-mining and mining assets.

⁴ In 2010, Erdenes Mongol was made responsible for 100% of shares of Erdenes Tavan Tolgoi, which operates a strategic mineral asset in Mongolia. As of January 2016, in addition to Erdenes Tavan Tolgoi, Erdenes Mongol holds shares in the following three mining companies as the majority shareholder: Shivee Ovoo (90% of the shares), Banganuur (75% of the shares), and Erdenes Mining Corporation (51% of the shares). As a minor shareholder, Erdenes Mongol also holds 34% shares of Oyu Tolgoi that operates a strategic mineral asset of Mongolia.

⁵ Khazanah of Malaysia is a similar strategic company owned by the government.

effectively leveraging funds for further investments. Its functionality, efficiency, and profitability have been limited by various constraints. Under the legal framework which originally established Erdenes Mongol, the company was treated as a public agency even though it is an investment company with its own budget, which is independent from the state budget. In addition, Erdenes Mongol did not have the authority to retain dividends from its investee companies; until recent amendment, the Human Development Fund, created in 2009, was the recipient of the dividends. Its status as a public agency also left it with limited managerial flexibility, and its compensation structure could not attract or retain competent professionals. The public sector requirements imposed on it also meant that it would take longer to process procurement or investments than it would as a commercial entity.

5. In February 2016, the Parliament approved the amendments to the Human Development Fund Law, authorizing Erdenes Mongol to retain dividends from its investee companies. Furthermore, under the amended law, the Charter of Erdenes Mongol, which was originally based on the State and Local Property Law, is being revised based on the Company Law.⁶ These developments in the legal framework will strengthen Erdenes Mongol's financial position, and allow it to operate its business as a commercial entity. Based on the Company Law and its revised Charter, Erdenes Mongol's governance structure will also be reformed. It will have three independent directors in its nine-member board of directors. The board of directors will have the authority to appoint the executive director (i.e., the chief executive officer), in contrast to the earlier arrangement that the chief executive officer of Erdenes Mongol was appointed by the government. This reform will improve transparency in management and allow Erdenes Mongol to be managed commercially with little political interference in future.

6. The approval of the amendments to the Human Development Fund Law also calls for urgent and substantial improvement of Erdenes Mongol's institutional and management capacities to fulfill its evolving mandate. Currently, Erdenes Mongol does not have a clear corporate strategy with medium and long-term targets. It also does not have sufficient capacity to identify investment opportunities that are appropriate to support the country's economic diversification with adequate attention to environmental management.

7. The company's corporate structure must be reformed to ensure sound governance, prudent risk management, and efficient administration.⁷ It needs to adopt the management structure in line with its business functions to analyze business risks and opportunities, and make strategic investment decisions. It also needs to develop corporate functions to provide legal, economic, and market analyses and information to support the efficient and effective functioning of the management. While currently Erdenes Mongol's financial investment and risk division in its finance and accounting department can only carry limited financial analysis, the company must develop its asset and liability management capacity to ensure prudent risk management. Strengthening the financial management and social and environment management capacity is also essential for sound corporate governance and compliance management. For efficient administration, functions such as human resources management need to be improved. It is also necessary to establish clear business processes to promote efficient use of financial and human resources.

8. The interim country partnership strategy of the Asian Development Bank (ADB) for

⁶ The amendments to Human Development Fund law have been approved, and the amended Human Development Fund Law will be renamed as the Future Heritage Fund law. The revised Charter of Erdenes Mongol will become effective in 2016, and it will be authorized to retain dividends from investee companies from 2017.

⁷ The functional capacity of Erdenes Mongol was assessed based on its financial management, procurement, business practices, organizational structure and close consultation with its management.

Mongolia for 2014–2016 identified economic diversification as a major medium-term development challenge facing the country. It also stressed the importance of efficient public sector management and the establishment of a sovereign wealth fund.⁸ Strengthening Erdenes Mongol's institutional framework and management capacity will significantly contribute to the effective management of Mongolia's state-owned assets and making sound investments for the diversification of the national economy.

B. Impact and Outcome

9. The impact of the project will be the effective management and use of Mongolia's state-owned assets for the benefit of the country's people. The expected outcome is Erdenes Mongol's capacity developed for its envisaged development.

C. Outputs

10. The project will provide for capacity development and advisory services to deliver three intended outputs. It will not prepare feasibility studies or a detailed engineering design of an investment project.

11. **Output 1: Corporate strategy developed.** The project will analyze the new legal and business framework to assess the changing business environment and determine the best strategy for Erdenes Mongol to adopt for its operations. This will include examination of the potential for new fund-raising schemes and possibilities for holding state-owned enterprises in the non-mining sector. The project will also conduct a detailed institutional analysis of the company and will help develop a corporate strategy to identify its midterm and long-term targets and milestones.

12. **Output 2: Functional capability strengthened.** To strengthen Erdenes Mongol's management capacity, the project will help establish three management groups within the company and hire high-level management consultants to engage in these groups for a transitional period of about 2 years. An advisory experts group, a strategy and risk management group, and an executive management recruitment group will strengthen the management system and will play critical roles in helping managers make investment decisions and ensuring sound corporate governance, prudent risk management, and efficient administration. The project will also help Erdenes Mongol strengthen its existing functions: (i) financial management; (ii) human resources management; (iii) public relations; and establish new functions; (iv) environment and social management; (v) supply chain management; and (vi) asset and liability management. It will assist Erdenes Mongol in the hiring and retention of middle-level management consultants for these operations for the transitional period. Improvements in financial management will cover reporting, accounting, auditing, internal control, and the facilitation of external auditing by an audit firm.

13. The project will also help Erdenes Mongol review and reform its business processes to make them more efficient and enable the company to expand its businesses. The project will support its capacity development during the transitional period by providing Erdenes Mongol with the necessary training at various stages of reform for (i) senior management, (ii) unit heads, and (iii) general staff. The project will assess and strengthen the existing management information system (MIS) as it relates to supply chain management, project management, and financial management.

⁸ ADB. 2014. *Interim Country Partnership Strategy: Mongolia, 2014–2016*. Manila.

14. **Output 3: Investment capability strengthened.** The project will help Erdenes Mongol develop its ability to diversify its asset base to increase investments in infrastructure that Mongolia needs to support overall economic diversification. This will include the capacity to identify sound, appropriate investment opportunities and conduct due diligence. These will be achieved by providing the company with advisory and capacity development consulting services. The project will also help to identify state-owned assets for potential acquisition and conduct an institutional and legal assessment of the possibility of Erdenes Mongol holding non-mining assets.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Activities	Month							Responsible Agency(s)
	2015		2016					
	11	12	1	2	3	4	5	
Advance contracting actions								
Fact-finding mission								Erdenes Mongol, ADB
MOU								MOF, Erdenes Mongol, ADB
Loan and Sovereign guarantee negotiations								MOF, Erdenes Mongol, ADB
ADB Board circulation								ADB
ADB Board approval								ADB
Loan and Sovereign guarantee signing								MOF, Erdenes Mongol, ADB
Legal opinion provided								MOJ for sovereign guarantee; External legal institution for Erdenes Mongol's loan agreement
Loan effectiveness								ADB

ADB = Asian Development Bank, MOF = Ministry of Finance, MOJ = Ministry of Justice, MOU = Memorandum of Understanding.

B. Overall Project Implementation Plan

Activities	2016 (Qrt)				2017 (Qrt)				2018 (Qrt)				2019 (Qrt)		
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
A. DMF															
1. Corporate strategy developed															
1.1 Complete analysis of new legal and business framework to examine business environment and find Erdenes Mongol's strategy to operate		■	■	■	■										
1.2 Complete Erdenes Mongol's institutional analysis		■	■	■	■										
1.3 Complete corporate roadmap with milestones				■	■	■									
2. Functional capability strengthened															
2.1 Complete set-up strategic management groups		■	■												
2.2 Complete recruitment of high-level management consultants for respective management groups and retain the consultants		■	■	■	■	■	■	■	■	■	■	■	■	■	
2.3 Complete strengthening existing functions and establishing new functions		■	■	■	■	■	■	■	■	■	■	■	■	■	
2.4 Complete recruitment of middle-level management consultants for respective functions and retained the consultants		■	■	■	■	■	■	■	■	■	■	■	■	■	
2.5 Complete business processes development				■	■	■	■	■	■	■	■	■	■	■	
2.6 Complete strengthening MIS and related ICT				■	■	■	■	■	■	■	■	■	■	■	
2.7 Conduct capacity development for each level of staff				■	■	■	■	■	■	■	■	■	■	■	
3. Investment capability strengthened															
3.1 Complete institutional and legal assessment to hold non-mining assets		■	■	■	■										
3.2 Complete provision of consulting supports for developing Erdenes Mongol's ability to identify appropriate investment opportunities and conduct due diligence				■	■	■	■	■	■	■	■	■	■	■	
3.3 Complete provision of consulting supports for developing Erdenes Mongol's ability to identify potential state assets to be acquired				■	■	■	■	■	■	■	■	■	■	■	
B. Management Activities															
0.1 Set up Project management unit (PMU)	■	■													
0.2 Recruitment of PIU staff and establish PIU	■	■													
0.3 Conduct inception/annual/midterm project review		■		■			■			■				■	
0.4 Start and complete loan closing procedures														■	■
0.5 Project completion report															■

ICT = information and communication technology, MIS = management information system, PIU = project implementation unit.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

1. The project will be implemented over 36 months from April 2016 to April 2019. Erdenes Mongol will be the executing agency. The Erdenes Mongol's Office of the Chief Executive Officer (OCE) led by the Chief Executive Officer (CEO) will serve as project management unit (PMU) to be responsible for overall management of the implementation of the Project. Under the PMU, a project implementation unit (PIU) will be established and will be responsible for the project implementation and monitoring. A project manager of Erdenes Mongol staff will lead the PIU, and consultants will serve as PIU staff to develop goods and consulting services contract packages and conduct procurement activities. The loan proceeds will be disbursed in accordance with ADB Loan Disbursement Handbook (2015, as amended from time to time). Procurements will be done in accordance with ADB's Procurement Guidelines (2015, as amended from time to time) and recruitment of consultants will be done in accordance with ADB's Consulting Services Guidelines (2013, as amended from time to time).⁹ Erdenes Mongol staff, including PMU and the project manager, will supervise the contracts of consulting services. Detailed terms of reference (TOR) and request for proposals (RFPs) for firms and individual consultants will be prepared by PIU staff and the project manager. Those TORs will be reviewed and endorsed by the PMU. Detailed TOR for PIU staff will be prepared by Erdenes Mongol's project manager and Erdenes Mongol's procurement officer with the guidance of OCE.

2. With supports from ADB, PMU and the project consulting team will prepare an overall map of Erdenes Mongol's institutional reforms, including (i) reformed structure of corporate functions, (ii) a plan of corresponding Erdenes Mongol staff allocation, (iii) detailed sequencing and coordination of project activities and deliverables, and (iv) related coordination among project consultants. It is noted that output 1 and output 3 (indicators 1a and 3a) need to be closely coordinated to deliver quality outputs and avoid redundancy, and such coordination will be reflected in the overall reform map. The overall reform map will be also well informed to the project consultants, and necessary adjustments will be made in it during the project implementation. The developed overall reform map and its update will be included in quarterly progress and annual project reports.

3. A financial management consulting firm and financial management unit will develop a financial management action plan which, endorsed by PMU, covers (i) accounting policies, systems and processes to be strengthened in Erdenes Mongol for full compliance with International Financial Reporting Standards, (ii) institutional arrangements for operational transparency and efficiency, (iii) internal audit procedures, systems and related capacity to be strengthened, (iv) external oversight capacity, including processing and undertaking external auditing in full compliance with International Auditing Standards, (v) related MIS and ICT systems to meet the reformed financial management, and (vi) systematic capacity development for the relevant staff. The financial management action plan will further specify (i) coordination and sequencing of respective reforms, (ii) detailed milestones with timeline, (iii) responsible party for each activity and deliverable, and (iv) overall coordination with other functional reforms to be conducted during the project implementation. The financial management action plan will be also coordinated and consistent with the above mentioned overall reform map. Necessary amendments will be reflected in the action plan during the project implementation, and the developed and updated action plan will be included in quarterly progress and annual project

⁹ Individual consultants may be recruited directly (independent individual) or through an organization, such as a consulting firm, an academic institution, or an international agency.

reports. ADB will monitor the implementation of the action plan.

4. A working group, comprising representatives from respective consulting firms and functional units, will be established. The working group will be responsible for the overall coordination among all project consultants, including all firms and functional units. Based on the above mentioned overall reform map, the working group will develop a project work plan specifying necessary coordination between all firms, units and individual consultants to conduct each project activity and deliver each output. A work plan will also include detailed timeline for each activity and deliverable. PIU and the working group will hold regular meetings to ensure the project implementation and quality deliverables. The working group will also play a role of focal point of consulting team to make close communication and regular reporting to PMU and ADB.

Project implementation organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> • Ministry of Finance (MOF) 	<ul style="list-style-type: none"> ➤ Negotiate Sovereign Guarantee Agreement ➤ Sign the Sovereign Guarantee Agreement of the Project
<ul style="list-style-type: none"> • Executing agency: Erdenes Mongol 	<ul style="list-style-type: none"> ➤ Negotiate Loan Agreement ➤ Sign the Loan Agreement of the Project ➤ Responsible for project oversight of overall project implementation and management to ensure timely project implementation and completion ➤ Coordination with ADB all project implementation issues, including financial management and administration ➤ Establish project management unit (PMU) ➤ Accountable, responsible for proper use of the imprest account's funds ➤ Ensure project's sustainability during post implementation stage and reporting to ADB on the assessed development impacts
<ul style="list-style-type: none"> • Implementing agency: Erdenes Mongol 	<ul style="list-style-type: none"> ➤ Responsible for project implementation, including administration, monitoring, and evaluation ➤ Quality assurance of works, and services of consultants and counterpart staff
<ul style="list-style-type: none"> • Project management unit (PMU under CEO of Erdenes Mongol) 	<ul style="list-style-type: none"> ➤ Prepare an overall reform map ➤ Establish project implementation unit (PIU) ➤ Responsible for all management during project implementation ➤ Ensure the quality and progress of audit reports and ensure the timely submission of those reports to ADB ➤ Responsible for appropriate management of the imprest account ➤ Ensure the coordination with ADB for timely disbursement, withdrawal/replenishment applications for endorsement
<ul style="list-style-type: none"> • Project implementation unit (PIU under PMU) 	<ul style="list-style-type: none"> ➤ Responsible for preparing detailed TOR and RFPs for firms and individual consultants ➤ Responsible for technical and national bidding procurement matters ➤ Responsible for communication and coordination works during project implementation ➤ Responsible for day-to-day management of the project implementation ➤ Prepare the documents for selections of firms and individual consultants and complete all recruitments procedures

Project implementation organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> ➤ Coordinate and implement procurement, disbursements, contract administration, monitoring and reporting to PMU
	<ul style="list-style-type: none"> ➤ Prepare bidding documents reports and other supporting documents, and submit them to PMU for review and approval ➤ Maintain the imprest account, and prepare and submit withdrawal applications and required documents to PMU ➤ Prepare and submit quarterly progress and annual reports and financial statements to PMU and ADB ➤ Regularly liaise with the executing and implementing agencies and ADB
<ul style="list-style-type: none"> • ADB 	<ul style="list-style-type: none"> ➤ Supervise project implementation, including compliance by executing and implementing agencies for project implementation in accordance with ADB's policies and procedures ➤ Provide technical support for preparation of an overall reform map and project implementation ➤ Conduct periodic loan review missions, a midterm review and project completion mission

B. Key Persons Involved in Implementation

Executing Agency

Erdenes Mongol

Officer's Name: Bayanjargal Byambasaikhan
 Position: Chief Executive Officer
 Telephone No.: +976 70110735
 Email address: bbyambasaikhan@erdenesmongol.mn
 Office Address: 14-15th Floor, Monnis Tower Chinggis Avenue 15, 1st Khoroo 9 Sukhbaatar District
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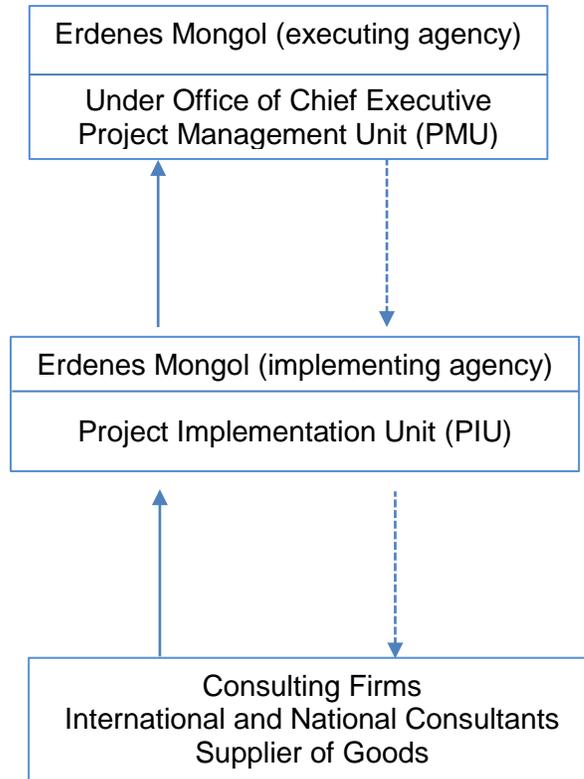
ADB

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C. Project Organization Structure

—————> Reporting

- - - - -> Oversee and Advise

IV. COSTS AND FINANCING

5. The project investment cost is estimated at \$41.2 million, including physical and price contingencies, taxes and duties on goods, and financing charges during implementation (Table 1). The project cost of \$35.0 million equivalent will be financed by ADB's ordinary capital resources loan. Erdenes Mongol will fund the remaining \$6.2 million, covering equipment and a vehicle for PIU, recurrent costs, and employer's contributions for social security of individual consultants imposed in Mongolia.¹⁰ Erdenes Mongol will also cover the costs of consultancy services for public relations unit. The employer's social security contributions will be directly made by Erdenes Mongol to the relevant government agency. Financing charges will be capitalized in the loan.

Table 1: Project Investment Plan

Item	Amount (\$ million)
A. Base Cost^a	
1. Corporate strategy developed	2.3
2. Functional capability strengthened	29.3
3. Investment capability strengthened	2.3
4. Project management support	3.2
Subtotal (A)	37.0
B. Contingencies^b	2.4
C. Financing Charges During Implementation^c	1.7
Total (A+B+C)	41.2

Note: Numbers may not sum precisely due to rounding.

- ^a In mid-2015 prices. Consulting service costs to be made on a gross basis. Includes about \$0.4million in taxes and duties on goods. The following principles were followed in determining the amount of taxes and duties to be financed by ADB: (i) the amount is within reasonable country thresholds, (ii) the amount does not present an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of taxes and duties is relevant to the success of the project. Employer's contribution for social security of individual consultants, imposed in Mongolia, to be financed by Erdenes Mongol, and will be directly made by Erdenes Mongol to the relevant government agency.
- ^b Physical contingencies computed at 5% for base investment costs. Price contingencies computed on average at 2.19% on foreign exchange costs and 2.79% on local currency costs. Includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.
- ^c Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 3-year US dollar fixed swap rate corresponding to the implementation period plus an effective contractual spread of 0.5%. There is no maturity premium based on the loan terms and repayment option and dates chosen by Erdenes Mongol. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

6. Erdenes Mongol has requested a loan from ADB's ordinary capital resources loan to help finance the Project. Erdenes Mongol will be the borrower of this Project with sovereign guarantee. The loan will have a 15-year term, including a grace period of 3 years, annual interest rate determined in accordance with ADB's London interbank offered rate-based lending facility, and such other terms and conditions set forth in the loan agreement.

¹⁰ Taxes and duties on goods are estimated at 15.0% following the Mongolia tax regulations. The contracts of consulting services will be on gross bases, and taxes on consulting services will be included in the cost of consulting services.

A. Detailed Cost Estimates by Expenditure Category

Item	Total Cost (\$ million)	% of Total Base Cost
A. Investment Costs^a		
1 Equipment	2.4	5.8
2 Consultants	34.4	83.5
a. Capacity development	31.8	77.1
b. Project management	2.6	6.4
Subtotal (A)	36.8	89.3
B. Recurrent Costs	0.3	0.6
Total Base Cost	37.0	89.9
C. Contingencies		
1 Physical ^b	1.9	4.5
2 Price ^c	0.6	1.4
Subtotal (C)	2.4	5.9
D. Financing Charges During Implementation^d		
1 Interest During Implementation	1.6	3.9
2 Commitment Charges	0.1	0.2
Total Project Cost (A+B+C+D)	41.2	100.0

Note: Numbers may not sum precisely due to rounding.

^a In mid-2015 prices. Consulting service costs to be made on a gross basis. Includes about \$0.4 million in taxes and duties on goods. Employer's contribution for social security of individual consultants, imposed in Mongolia, to be financed by Erdenes Mongol, and will be directly made by Erdenes Mongol to the relevant government agency.

^b Physical contingencies computed at 5% for base investment costs.

^c Price contingencies computed on average at 2.19% on foreign exchange costs and 2.79% on local currency costs. Includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 3-year US dollar fixed swap rate corresponding to the implementation period plus an effective contractual spread of 0.5%. There is no maturity premium based on the loan terms and repayment option and dates chosen by Erdenes Mongol. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (OCR)			
CATEGORY			ADB FINANCING BASIS
Number	Item	Total Amount Allocated for ADB Financing \$	Percentage of ADB Financing from the Loan Account
		Category	
1	Equipment	1,676,536	100% of total expenditure claimed
2	Consultants	31,019,600	100% of total expenditure claimed
	Financing Charges	1,714,442	100% of total amount due
	Unallocated	589,422	
	Total	35,000,000	

Source: Asian Development Bank estimates.

C. Detailed Cost Estimates by Financier (\$ million)

Item	ADB		Erdenes Mongol		Total Cost
	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs^a					
1 Equipment	1.7	70.9	0.7	29.3	2.4
a. PIU equipment and vehicle	0.0	0.0	0.7	100.0	0.7
b. MIS related ICT	1.7	100.0	0.0	0.0	1.7
2 Consultants ^b	31.0	90.2	3.4	9.8	34.4
a. Capacity Development	28.5	89.6	3.3	10.4	31.8
(i) Consulting firms	10.7	100.0	0.0	0.0	10.7
(ii) Individual consultants for public relations unit	0.0	0.0	2.7	100.0	2.7
(iii) Other individual consultants ^c	17.8	97.0	0.6	3.0	18.4
b. Project Management ^d	2.6	96.7	0.1	3.3	2.6
Subtotal (A)	32.7	88.9	4.1	11.1	36.8
B. Recurrent Costs	0.0	0.0	0.3	100.0	0.3
Total Base Cost	32.7	88.3	4.3	11.7	37.0
C. Contingencies^e	0.6	24.2	1.9	75.8	2.4
D. Financing Charges During Implementation^f	1.7	100.0	0.0	0.0	1.7
Total Project Cost (A+B+C+D)	35.0	85.0	6.2	15.0	41.2
% Total Project Cost		85.0		15.0	100.0

Note: Numbers may not sum precisely due to rounding.

^a In mid-2015 prices. Includes about \$0.4million in taxes and duties on goods.

^b Consulting service costs to be made on a gross basis. Employer's contribution for social security of individual consultants, imposed in Mongolia, to be financed by Erdenes Mongol, and will be made directly by Erdenes Mongol to the relevant government agency.

^c Erdenes Mongol's cost will be to cover employer's contribution for social security of individual consultants, imposed in Mongolia.

^d Costs of PIU staff will be financed by the budget of project management. An external auditor will be hired to conduct the project annual audit, which will be financed by the budget of project management.

^e Physical contingencies computed at 5% for base investment costs. Price contingencies computed on average at 2.19% on foreign exchange costs and 2.79% on local currency costs. Includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^f Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 3-year US dollar fixed swap rate corresponding to the implementation period plus an effective contractual spread of 0.5%. There is no maturity premium based on the loan terms and repayment option and dates chosen by Erdenes Mongol. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

D. Detailed Cost Estimates by Outputs/Components (\$ million)

Item	Total Cost	Output 1		Output 2		Output 3	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs^a							
1 Equipment	2.4	0.1	3.9	2.2	92.3	0.1	3.9
2 Consultants	34.4	3.1	9.1	28.1	81.8	3.1	9.1
a. Capacity Development	31.8	2.3	7.1	27.2	85.8	2.3	7.1
b. Project Management	2.6	0.9	33.3	0.9	33.3	0.9	33.3
Subtotal (A)	36.8	3.2	8.8	30.3	82.5	3.2	8.8
B. Recurrent Costs	0.3	0.1	33.3	0.1	33.3	0.1	33.3
Total Base Cost	37.0	3.3	8.9	30.4	82.1	3.3	8.9
C. Contingencies							
1 Physical ^b	1.9	0.2	8.9	1.5	82.1	0.2	8.9
2 Price ^c	0.6	0.1	8.9	0.5	82.1	0.1	8.9
Subtotal (C)	2.4	0.2	8.9	2.0	82.1	0.2	8.9
D. Financing Charges During Implementation^d							
1 Interest During Implementation	1.6	0.1	8.9	1.3	82.1	0.1	8.9
2 Commitment Charges	0.1	0.0	8.9	0.1	82.1	0.0	8.9
Subtotal (D)	1.7	0.2	8.9	1.4	82.1	0.2	8.9
Total Project Cost (A+B+C+D)	41.2	3.7	8.9	33.8	82.1	3.7	8.9

Note: Numbers may not sum precisely due to rounding.

^a In mid-2015 prices. Includes about \$0.4million in taxes and duties on goods. Consulting service costs to be made on a gross basis. Employer's contribution for social security of individual consultants, imposed in Mongolia, to be financed by Erdenes Mongol, and will be made directly by Erdenes Mongol to the relevant government agency.

^b Physical contingencies computed at 5% for base investment costs.

^c Price contingencies computed on average at 2.19% on foreign exchange costs and 2.79% on local currency costs. Includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 3-year US dollar fixed swap rate corresponding to the implementation period plus an effective contractual spread of 0.5%. There is no maturity premium based on the loan terms and repayment option and dates chosen by Erdenes Mongol. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

E. Detailed Cost Estimates by Year (\$ million)

Item	Total Cost ^a	Year 1	Year 2	Year 3	Year 4
A. Investment Costs^b					
1 Equipment	1.7	0.0	0.8	0.8	0.0
2 Consultants	31.0	10.6	16.1	4.3	0.1
a. Capacity Development	28.5	9.4	15.2	3.9	0.0
b. Project Management	2.6	1.1	0.9	0.5	0.1
Subtotal (A)	32.7	10.6	16.9	5.2	0.1
B. Recurrent Costs	0.0	0.0	0.0	0.0	0.0
Total Base Cost	32.7	10.6	16.9	5.2	0.1
C. Contingencies^c	0.6	0.2	0.3	0.1	0.0
D. Financing Charges During Implementation^d	1.7	0.1	0.3	0.6	0.7
Total Project Cost (A+B+C+D)	35.0	10.9	17.6	5.8	0.7
% Total Project Cost	100.0	31.0	50.1	16.7	2.1

Note: Numbers may not sum precisely due to rounding.

^a The total cost amount represented in this table is the sum of all ADB funds for the project.

^b In mid-2015 prices. Consulting service costs to be made on a gross basis. Includes about \$0.4million in taxes and duties. Employer's contribution for social security of individual consultants, imposed in Mongolia, to be financed by Erdenes Mongol, and will be made directly by Erdenes Mongol to the relevant government agency.

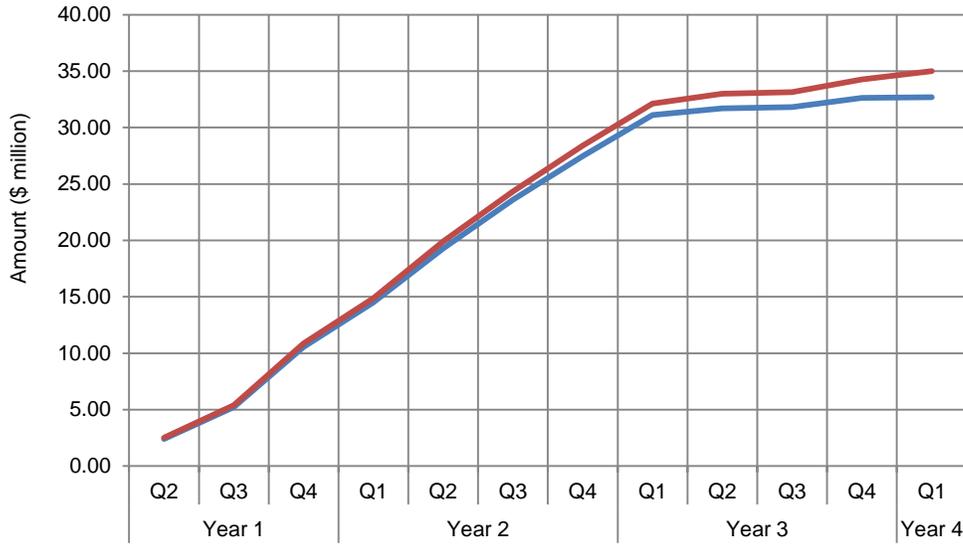
^c Physical contingencies computed at 5% for base investment costs. Price contingencies computed on average at 2.19% on foreign exchange costs and 2.79% on local currency costs. Includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 3-year US dollar fixed swap rate corresponding to the implementation period plus an effective contractual spread of 0.5%. There is no maturity premium based on the loan terms and repayment option and dates chosen by Erdenes Mongol. Commitment charges for the ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

F. Contract and Disbursement S-curve

7. Figure 1 shows the estimated disbursement progress over the implementation period of the Project. The Disbursement S-Curve will help assess disbursement performance at any time during the project implementation. In case of delays and poor disbursements, this will help as an early warning system for taking timely remedial measures.

Figure 1: Disbursement S-curve

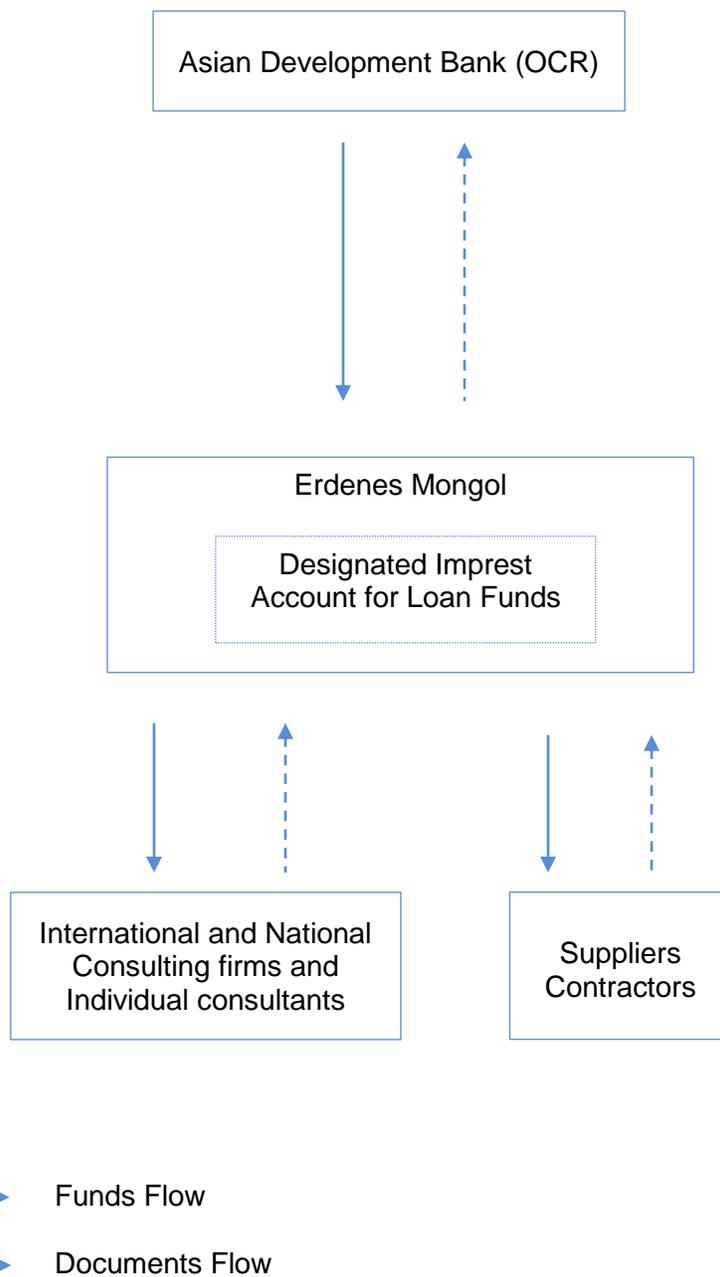


\$ million	Year 1			Year 2				Year 3				Year 4
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Contract Awards	2.42	5.24	10.55	14.49	19.29	23.62	27.47	31.12	31.69	31.82	32.64	32.70
Disbursement	2.52	5.39	10.86	14.87	19.92	24.33	28.41	32.13	33.00	33.14	34.26	35.00

G. Fund Flow Diagram

8. Figure 2 shows how the funds will flow from ADB to Erdenes Mongol to implement the Project.

Figure 2: Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

9. The financial management assessment (FMA) has been prepared in accordance with the Asian Development Bank's (ADB) *Financial Management and Analysis of Projects* (2005) and *Financial Management Technical Guidance Note* (2015). A questionnaire was prepared prior to completing the FMA. The assessment overall finds the project financial management (FM) risk, without mitigation, to be moderate.

10. Erdenes Mongol's finance and accounting department is composed of two major divisions: (i) accounting division and (ii) financial investment and risk division. A separate internal audit unit is also in place, which undertakes internal control and transactions reviews. Erdenes Mongol prepares its accounts in accordance with national accounting laws and rules, established by the Ministry of Finance (MOF). Based on the MOF's guidance for state-owned enterprises (SOEs), Erdenes Mongol has developed its own accounting policies and procedures. Computerized accounting systems are in place using commercially available accounting software and internal controls ensure segregations of duties, control on transactions, budgeting exercises, etc. All staff in the department are adequately qualified either as accountants or investment officers with appropriate experience previously of about three years on average in accounting and/or commercial investment firms. All staff in accounting division are professionally qualified accountants. The department comprises 13 staff, which is generally adequate for Erdenes Mongol's current business. An internal audit function was developed in Erdenes Mongol in 2007, and the internal audit unit comprises two staff at present. The internal audit unit is independent, and conducts periodic audit transactions and controls assessments. However, detailed processes and procedures are unclear to undertake internal audits, such as whether a sample based or comprehensive audit was undertaken and specific reporting lines. In addition, the size of internal audit unit would be insufficient to undertake audit for both Erdenes Mongol's own business and this Project.

11. Erdenes Mongol annual financial statements are prepared in accordance with the National Accounting Law of Mongolia and policies and rules issued by the MOF, which are meant to be compliant with International Financial Reporting Standards (IFRS). IFRS has been committed to by the government and most domestic listed companies have already fully implemented IFRS, although small and medium entities are yet to transition to IFRS. Erdenes Mongol's financial statements are therefore considered satisfactory and in accordance with the national standards. External audits for Erdenes Mongol are undertaken by the National Audit Office (NAO), which engages external auditors, mostly local audit firms, to audit SOEs, including Erdenes Mongol, in accordance with national audit standards. National audit standards are issued by the NAO, which are meant to be compliant with the International Standards on Auditing (ISA). All audits for the last 3 years were completed within three months of the accounting year, as is mandated, and all opinions were unqualified. Audit opinions are issued by the NAO to the audit committee on the Board of Erdenes Mongol as well as to the Erdenes Mongol CEO. Audit opinions for the last 3 years were issued in Mongolian language by the NAO and translated for review by an international audit and accounting firm.

12. Although audit processes and procedures followed the relevant laws and regulations in Mongolia, international audit firms are considered to be able to better provide ISA compliance per best practices than some domestic audit firms, which is an area requiring support under the Project. The FMA overall noted that Erdenes Mongol systems and processes are fully in compliance with national laws as well as adequate for the historical activities of Erdenes

Mongol. However, with an envisaged expansion in Erdenes Mongol activities and a strategic direction which would encompass greater financial flows and transactions as well as diversification into investments in new economic opportunities, accounting and governance systems and procedures, as well as staff capacities, would need to be strengthened. Hence, a low to moderate FM risk has been noted for the Project.

13. The above assessment has directly led to the design of the FM component as a core part of the Project and these FM activities may be seen as mitigation measures for any future risks arising. The FM component therefore focuses on key FM areas for ADB support, (i) accounting policies and processes to ensure full compliance with IFRS, (ii) development of good governance institutional arrangements, (iii) internal oversight and governance capacity development (strengthening internal audit procedures and systems), (iv) external oversight capacity development (including process for engaging and undertaking external audit in full compliance with ISA), (v) upgrading MIS and ICT systems to meet revised FM processes.¹¹ While consulting firms, including financial management, will assist with policy, structure and systems formulation in the above aspects, individual consultants will be embedded inside Erdenes Mongol to implement these measures for a transition period of about 2 years.

14. In addition to the above, support is also provided for Erdenes Mongol's project implementation unit (PIU) for overall implementation of the Project through provision of financial management and other specialists to serve as the PIU. Guidance and training on ADB procedures and rules will also be provided for the Erdenes Mongol staff and PIU staff. The guidance and training will cover: (i) financial management and reporting, (ii) budget preparation and oversight, (iii) disbursement procedures, (iv) financial audit process and requirements, (v) proper use of and accounting for the imprest accounts and the statement of expenditure. On the basis of the proposed mitigation measures and the project activities, the project FM risk is considered to be moderate, and the planned project arrangements satisfactory.

B. Disbursement

15. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),¹² and detailed arrangements agreed upon between Erdenes Mongol and ADB. Online training for project staff on disbursement policies and procedures is available at: http://wpqr4.adb.org/disbursement_elearning. Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

16. **Imprest account.** Separate imprest account should be established and maintained by the executing agency through the PMU. The currency of the imprest account will be in US dollars. Erdenes Mongol who establishes the imprest account in its name is accountable and responsible for proper use of the imprest account. The imprest account is to be used exclusively for ADB's share of eligible expenditures. The total outstanding advance to the imprest account should not exceed the estimate of ADB's share of expenditures to be paid through the imprest account for forthcoming 6 months. The Erdenes Mongol may request for initial and additional advances to the imprest account based on an Estimate of Expenditure Sheet setting out the estimated expenditures to be financed through the imprest account for the forthcoming six (6) months. Supporting documents should be submitted to ADB or retained by Erdenes Mongol in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time)

¹¹ A financial management action plan will be developed under the project to ensure coordination and quality of planned financial management related deliverables. Details of the action plan is described in Section III.

¹² Available at <http://www.adb.org/documents/loan-disbursement-handbook>.

liquidating or and replenishing the imprest account.

17. **Statement-of-expenditure (SOE).** The SOE procedure may be used for reimbursement of eligible expenses or liquidation of advances to the imprest account. The ceiling of the SOE procedure is the equivalent of \$50,000 per individual payment. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.¹³

18. **Withdrawal application (WA).** The minimum value per WA is \$100,000 equivalent. Individual payments below this amount should be paid by Erdenes Mongol and subsequently claimed to ADB (i) through reimbursement; or (ii) from the imprest account, unless otherwise accepted by ADB. ADB reserves the right not to accept withdrawal applications below the minimum amount. Before the submission of the first withdrawal application, Erdenes Mongol should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person.

C. Accounting

19. Erdenes Mongol will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. The Project accounts will follow international accounting principles and practices, and prepare project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing

20. Erdenes Mongol will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing, and the Mongolian government's audit regulations by an auditor acceptable to ADB. The audited project financial statements together with the auditors' opinion will be submitted in English language to ADB within six months of the end of the fiscal year by Erdenes Mongol. The annual audit report for the project accounts will be included in an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan proceeds were used only for the purposes of the project or not; and (iii) the level of compliance for each financial covenant contained in the legal agreements for the Project. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor. Erdenes Mongol will also submit Erdenes Mongol entity's audit reports to ADB.

21. Erdenes Mongol has been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements. ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are

¹³ SOE forms are available in Appendix 9B of ADB's Loan Disbursement Handbook (2015, as amended from time to time).

substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

E. Public Disclosure

22. Public disclosure of the Project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).¹⁴ After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 14 calendar days of the date of their acceptance by posting them on ADB's website. The Audit Management Letter will not be disclosed.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

23. To facilitate project readiness and timely implementation, Erdenes Mongol, the executing agency, requested ADB to approve advance contracting for recruitment of PIU specialists. Advance contracting will be adopted for recruitment of PIU specialists, and their recruitment will be done through individual consultants selection (ICS). The contract to recruit the individuals will be signed after loan effectiveness. Advance contracting will be adopted for recruitment of a total 200 person-months (62 person-months for international and 138 person-months for national) for PIU support. All advance contracting will be undertaken in conformity with ADB's Procurement Guidelines (2015, as amended from time to time)¹⁵ and ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).¹⁶ The issuance of invitations to bid under advance contracting will be subject to ADB approval. The borrower, i.e., Erdenes Mongol, has been advised that approval of advance contracting does not commit ADB to finance the Project. There shall be no retroactive financing for this Project.

B. Procurement of Goods, Works and Consulting Services

24. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). Civil works will not be procured under this Project. Goods packages worth \$100,000 to \$2,000,000 will be procured using national competitive bidding (NCB), while packages under \$100,000 will be procured through shopping. Any necessary modifications or clarifications will be documented in the procurement plan.

25. The procedures to be followed for NCB shall be those set forth in the Public Procurement Law of Mongolia of 1 December 2005, effective 1 February 2006, as amended on 6 February 2007, 16 July 2009, 10 June 2010, 9 June 2011, and December 2011 with the clarifications and modifications required for compliance with the provisions of ADB's Procurement Guide. In accordance with ADB requirements, foreign contractors may participate in bidding for NCB contracts. Erdenes Mongol has been advised of the need to maintain transparency and accountability in procuring goods and services, as required under the ADB's Anticorruption Policy (1998, as amended from time to time). And the relevant sections of ADB's Anticorruption Policy will be included in all documents and contracts relating to the engagement of consultants.

¹⁴ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

¹⁵ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

¹⁶ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

26. An 18-month procurement plan indicating threshold and review procedures, goods, and consulting service contract packages and national competitive bidding guidelines is in Section C.

27. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).¹⁷ The outline terms of reference for all consulting services are in Section E.

28. An estimated 200 person-months (62 person-months international, 138 person-months national) of individual consulting services are required to serve as PIU staff to (i) facilitate project management and implementation, and an estimated 1,048 person-months (538 person-months international, 510 person-months national) of individual consulting services to strengthen institutional and management capacity of Erdenes Mongol. Erdenes Mongol's current institutional capacity was assessed through the assessment of financial management, procurement, the organizational structure, and consultation with the Erdenes Mongol's management, etc. Based on those assessments and consultation, the consulting inputs have been determined. Detailed institutional analysis will be conducted as a part of output 1 under the Project. Consulting firms will be engaged using the quality- and cost-based section (QCBS) method with a standard quality: cost ratio of 80:20.

C. Procurement Plan

Basic Data

Project Name: Erdenes Mongol LLC Strengthening Institutional and Management Capacity	
Project Number: 49409	Approval Number:
Country: MONGOLIA	Executing Agency: Erdenes Mongol LLC
Project Procurement Classification: B	Implementing Agency: Erdenes Mongol LLC
Procurement Risk: Low	
Project Financing Amount: \$ 41.2 million ADB Financing: \$35.0 million Non-ADB Financing: \$6.2 million	Project Closing Date: October 2019
Date of First Procurement Plan: 16 February 2016	Date of this Procurement Plan: 16 February 2016

1. Methods, Thresholds, Review and 18-Month Procurement Plan

a. Procurement and Consulting Methods and Thresholds

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works		
Method	Threshold	Comments
National Competitive Bidding for Goods	Beneath that stated for ICB, Goods	
Shopping for Goods	Below \$100,000	

¹⁷ Checklists for actions required to contract consultants by method available in e-Handbook on Project Implementation at: <http://www.adb.org/documents/handbooks/project-implementation/>

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	
Individual Consultant Selection (ICS)	

b. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
1	MIS related ICT systems, including financial management, supply-chain management, and project management	\$1.70 million	NCB	Prior	1S1E	Q1/2017	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods

c. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
2	Management consulting firm (Business analysis and risk analysis to develop corporate strategy; strengthen Erdenes Mongol's management capacity; strengthen Erdenes Mongol's marketing and risk management; improving Erdenes Mongol's business processes; support Erdenes Mongol's capacity in	\$2.8 million	QCBS	Prior	Q2/2016	FTP	Quality: Cost 80:20 Assignment: International and National

	identifying new investment opportunities and non-mining assets to be acquired; provide capacity development supports for Erdenes Mongol's staff.)						
3	Law Firm 1 (Analysis of legal and business framework to develop corporate strategy; strengthen management capacity; legal and institutional analysis for new investment opportunity and assets to be acquired.)	\$1.70 million	QCBS	Prior	Q2/2016	FTP	Quality: Cost 80:20 Assignment: International
4	Law Firm 2 (Analysis of legal and business framework to develop corporate strategy; strengthen management capacity; legal and institutional analysis for new investment opportunity and assets to be acquired.)	\$0.77 million	QCBS	Prior	Q2/2016	FTP	Quality: Cost 80:20 Assignment: National
5	Financial Management Firm (Strengthening Erdenes Mongol's financial management system and capacity; identifying appropriate FM related MIS-ICT systems; prepare specifications for the MIS-ICT system to procure it; ensure EM's financial management functions to be in line with the strengthened MIS ICT system; provide capacity development supports for Erdenes Mongol's staff.)	\$1.95 million	QCBS	Prior	Q3/2016	FTP	Quality: Cost 80:20 Assignment: International and National
6	ICT Firm (Assess function and stats of existing MIS, relating to supply-chain, financial management and project management; identify necessary upgrade of those MIS including ICT systems; prepare specification for needed ICT	\$2.04 million	QCBS	Prior	Q3/2016	FTP	Quality: Cost 80:20 Assignment: International and National

	systems to be procured; support to introduce those ICT systems to Erdenes Mongol's systems; provide needed capacity development to Erdenes Mongol; provide supporting services for the introduced MIS-ICT systems.)						
7	Human Resources (HR) Management Firm (Review Erdenes Mongol's HR system and develop its HR management strategy; reform Erdenes Mongol's compensation system; develop Erdenes Mongol's staffing plan; develop Erdenes Mongol's career development and training plan and implement it; develop Erdenes Mongol's talent management strategy and implement it; provide training for respective levels of staff.)	\$1.44 million	QCBS	Prior	Q3/2016	FTP	Quality: Cost 80:20 Assignment: International and National
8	Business Advisors for Advisory Group	\$0.84 million each	ICS	Prior	Q2/2016		Assignment: International (3) 24 person-months each, intermittent
9	Technical and Financial Advisor for Advisory Group	\$0.84 million each	ICS	Prior	Q2/2016		Assignment: International (3) 24 person-months each, intermittent
10	Project Manager for Strategy and Risk Management Group	\$0.84 million	ICS	Prior	Q2/2016		Assignment: International (1) 24 person-months, intermittent
11	Business Manager for Strategy	\$0.84 million	ICS	Prior	Q2/2016		Assignment:

	and Risk Management Group						International (1) 24 person-months, intermittent
12	Financial and Compliance Managers for Strategy and Risk Management Group	\$0.84 million each	ICS	Prior	Q2/2016		Assignment: International (2) 24 person-months each, intermittent
13	Executive Operation Management for Executive Recruitment Strategy Group	\$0.98 million each	ICS	Prior	Q2/2016		Assignment: International (4) 28 person-months each, intermittent
16	Supply-chain Specialist/Unit Head of Supply-chain Management	\$0.54 million	ICS	Prior	Q3/2016		Assignment: International (1) 18 person-months, intermittent
17	Asset and Liability Management Specialist/Unit Head of Asset and Liability Management	\$0.54 million	ICS	Prior	Q2/2016		Assignment: International (1) 18 person-months, intermittent
18	Social Development Specialist for Social and Environment Management Unit	\$0.30 million	ICS	Prior	Q3/2016		Assignment: International (1) 12 person-months, intermittent
19	Environment Safeguards Specialist for Social and Environment Management Unit	\$0.30 million	ICS	Prior	Q3/2016		Assignment: International (1) 12 person-months,

							intermittent
20	Human Resources Management Specialist/Unit Head of Human Resources Management Unit	\$0.54 million	ICS	Prior	Q3/2016		Assignment: International (1) 18 person-months, intermittent
21	Financial Management Specialist/Unit Head of Financial Management Unit	\$0.54 million	ICS	Prior	Q2/2016		Assignment: International (1) 18 person-months, intermittent
22	ICT Specialist/Unit Head of ICT Support Unit	\$0.54 million	ICS	Prior	Q2/2016		Assignment: International (1) 18 person-months, intermittent
23	Public Relations Specialist/Unit Head of Public Relations Unit	\$0.60 million	ICS	Prior	Q3/2016		Assignment: International (1) 18 person-months, intermittent
24	Communications Specialist for Public Relations Unit	\$0.6 million	ICS	Prior	Q3/2016		Assignment: International (1) 18 person-months, intermittent
25	External Relations Specialist for Public Relations Unit	\$0.14 million	ICS	Prior	Q3/2016		Assignment: National (1) 24 person-months, intermittent
26	Communications Specialists for Public Relations Unit	\$0.14 million each	ICS	Prior	Q3/2016		Assignment: National (2)

							24 person-months, intermittent
27	Communication Specialists for Institutional Coordination (Erdenes Mongol staff and hired consultants' coordination, including necessary translation)	\$0.12 million each	ICS	Prior	Q2/2016		Assignment: National (3) 24 person-months each, intermittent
28	Logistic Specialist for Institutional Coordination (Erdenes Mongol staff and hired consultants' coordination, including necessary translation)	\$0.12 million	ICS	Prior	Q2/2016		Assignment: National (1) 24 person-months, intermittent
29	Procurement Specialists for PIU	\$0.36 million each	ICS	Prior	Q1/2016		Assignment: International (2) 12 person-months, intermittent
30	Procurement Specialist for PIU	\$ 0.12 million	ICS	Prior	Q1/2016		Assignment: National (1) 24 person-months, intermittent
31	Financial Management Specialist for PIU	\$0.15 million	ICS	Prior	Q1/2016		Assignment: National (1) 30 person-months, intermittent
32	Project Manager Specialist for PIU	\$0.9 million	ICS	Prior	Q1/2016		Assignment: International (1) 30 person-months, intermittent
33	Institutional coordination, including	\$0.15 million	ICS	Prior	Q1/2016		Assignment:

	translation, for PIU	each					National (2) 30 person-months each, intermittent
34	External auditor (for Annual Audit Report)	\$0.24 million	ICS	Prior	Q2/2016		Assignment: International (1) 8 person-months, intermittent

FTP = Full Technical Proposal, ICS = Individual Consultants Selection, ICT = information and communications technology, MIS = management information system, PIU = project implementation unit, QCBS = quality- and cost based selection

d. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts)

The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months. A vehicle is needed for the project consultants to be fielded to hold meetings with EM's investee companies and relevant ministries and agencies.

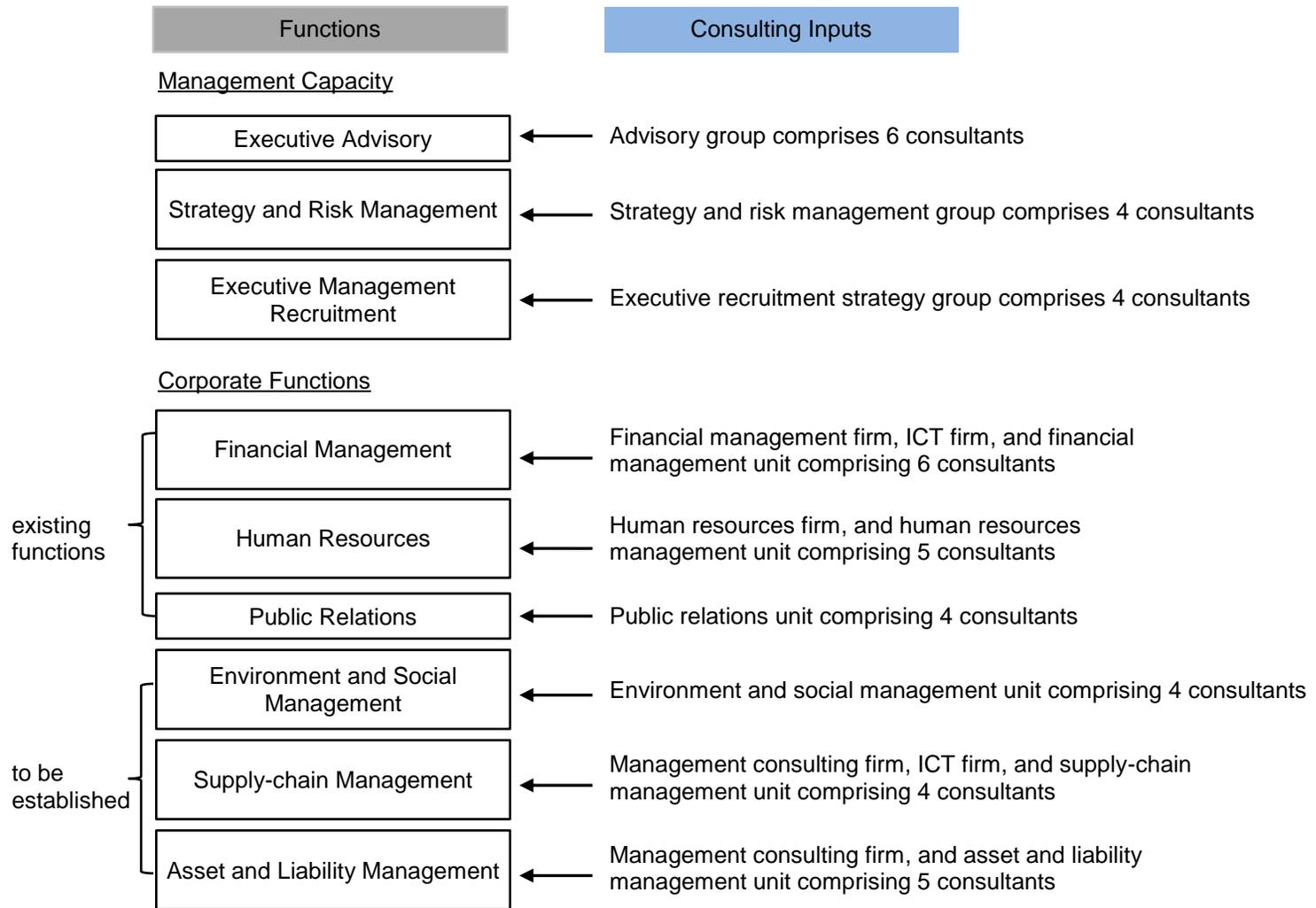
Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure	Advertisement Date (quarter/year)	Comments
34	PIU office equipment and vehicle	0.7	Multiple	Shopping	Post			Prequalification of Bidders: N

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
35	Supply-chain Management Unit: Procurement	\$0.09 million each	3	ICS	Prior	Q3/2016		Assignment: National

	Specialists (2 national); Contract Management Specialist (1 national)							18 person-months each, intermittent
36	Asset and Liability Management Unit: (i) Capital Market Specialist (1); (ii) Financial Modeling Specialist (1); (iii) Financial Structure Specialist (1);(iv) Fund Raising Specialist (1)	\$0.09 million each	4	ICS	Prior	Q2/2016		Assignment: National 18 person-months each, intermittent
37	Environment and Social Management Unit: (i) Social Development Specialist (1); (ii) Environment Safeguards Specialist (1)	\$0.06 million each	2	ICS	Prior	Q3/2016		Assignment: National 12 person-months each, intermittent
38	Human Resource Management Unit: (i) Compensation Specialist (1); (ii) Training & Career Development Specialist (1); (iii) Talent Management Specialist (1); (iv) Staffing Specialist (1)	\$0.06 million each	4	ICS	Prior	Q3/2016		Assignment: National 12 person-months each, intermittent
39	Financial Management Unit: (i) Accounting Specialist (1); (ii)	\$0.09 million each	5	ICS	Prior	Q2/2016		Assignment: National 18 person-

	Auditing Specialist (1); (iii) Internal Control Specialist (1); (iv) Compliance Specialist (1); (v) Financial Reporting Specialist (1)							months each, intermittent
40	ICT Support Unit: (i) ICT Supply-chain Specialist (1); (ii) ICT Financial Management Specialist (1); (iii) ICT Project Management Specialist (1)	\$0.09 million each	3	ICS	Prior	Q2/2016		Assignment: National 18 person-months each, intermittent
41	Procurement specialists for PIU	\$0.06 million each	2	ICS	Prior	Q1/2016		Assignment: National 12 person-months, intermittent

D. Functions of Erdenes Mongol to be Strengthened and Inputs of Consulting Services



E. Consultant's Outline Terms of Reference

1. Representatives from PIU, each firm and functional unit will be required to compose a working group to ensure the overall coordination among all project consultants, respective firms and functional units. A working group will develop a project work plan specifying necessary coordination between all firms, units and individual consultants to conduct each project activity and deliver each output. A project work plan will also include detailed timeline for each activity and deliverable. A working group will make close communication with PIU regularly to ensure the project implementation and quality deliverables. A working group will also play a role of focal point of consulting team to make regular reporting to PMU and ADB.

2. International specialists should have sufficient professional and international expertise and knowledge in the respective fields. A Mongolian national holder who meets the requirements is also eligible to apply for an international position under the respective TORs.

Consulting Firms

3. Consulting firms will be engaged to (i) conduct legal, institutional and business analyses, (ii) strengthen the management structure and capacity, (iii) develop Erdenes Mongol's corporate strategy, (iv) set-up and strengthen respective functions, (v) provide capacity development supports for Erdenes Mongol staff, and (vi) support Erdenes Mongol to strengthen its capacity to identify new investment opportunities and also identify non-mining assets to be acquired. Such capacities include the ability to identify appropriate investment opportunities and conduct due diligence. All firms will be required to work cooperatively, and also collaborate with Erdenes Mongol's staff, and individual consultants hired under the Project.

4. **Management Consulting Firm.** A firm will be engaged on a gross basis for a total of 110 person-months (55 person-months international; 55 person-months national), comprising following specialists, to deliver following major deliverables.

- (i) A firm comprises financial market specialists (1 international; 1 national; 11 person-months each, intermittent), business management specialists (1 international; 1 national; 11 person-months each, intermittent), fund raising specialists (1 international; 1 national; 11 person-months each, intermittent), investment specialists (1 international; 1 national; 11 person-months each, intermittent), and business process specialists (1 international; 1 national; 11 person-months each, intermittent).
- (ii) Each consultant should preferably have the master's degree or equivalent professional knowledge and expertise, particularly in the sectors of finance and business.
- (iii) With Law firms in analyzing new business environment for Erdenes Mongol to find Erdenes Mongol's optimal corporate strategy to operate, including the potential for new fund raising schemes, and possibilities to hold non-mining state-owned enterprises with cleaner environment footprint.
- (iv) Conduct an Erdenes Mongol's institutional analysis, such as existing business processes and systems; develop a corporate strategy to identify the mid- to long-term targets and concrete milestones; prepare and submit a report of Erdenes Mongol's institutional analysis, and a corporate strategy with roadmap to PMU and ADB.

- (v) Conduct analyses of Erdenes Mongol's portfolio and financial positions; consulting PMU, develop a reform plan to recover Erdenes Mongol's operations losses and strengthen its profitability in short- to medium-term.
- (vi) Undertake a shadow credit rating of Erdenes Mongol for 2 years, and establish a roadmap to improve its credit rating; provide the relevant training to Erdenes Mongol staff.
- (vii) Develop a possible leveraged financing facility, including the structure, facility size, usage and operationalization parameters, and financial sources.
- (viii) With Human Resources Management firm and relevant consultants, identify key performance indicators (KPIs) for respective levels of Erdenes Mongol staff, including high- and middle- management and the general staff.
- (ix) Review and develop Erdenes Mongol's business processes, envisaging the expansion of EM's business areas; introduce the developed business processes to Erdenes Mongol's operation.
- (x) Identify the functions of newly established units of (a) asset and liability management, and (b) supply-chain management; prepare guidance on those functions; and implement the functions with individual consultants and Erdenes Mongol staff.
- (xi) With Law firms, support Erdenes Mongol to identify investment opportunities and non-mining assets to be acquired, including strengthening Erdenes Mongol's ability to identify appropriate investment opportunities and conduct due diligence.
- (xii) With Human Resources Management firm and each functional unit, provide capacity development supports for Erdenes Mongol staff.

5. **Law Firms.** An international firm (a total of 40 person-months) and a national law (a total 48 person-months) firm will be engaged on a gross basis to deliver following major deliverables.

- (i) An international law firm comprises a business legal specialist (1 international, 10 person-months, intermittent), a financial legal specialist (1 international, 10 person-months, intermittent), a compliance specialist (1 international, 10 person-months, intermittent), and a legal advisor (1 international, 10 person-months, intermittent).
- (ii) A national law firm comprises a business legal specialist (1 national, 10 person-months, intermittent), a financial legal specialist (1 national, 10 person-months, intermittent), a compliance specialist (1 national, 10 person-months, intermittent), and a legal advisor (1 national, 10 person-months, intermittent).
- (iii) Each consultant should hold degree and/or professional certification in law, and professional experience in the respective fields of law.
- (iv) International and National law firms are required to collaborate to deliver outputs and conduct all project activities assigned to law firms; collaborate and prepare their work plan specifying respective deliverables, work coordination among them, and milestones with detailed timeline; based on their work plan, ensure completion of assigned deliverables and project activities cooperatively.
- (v) Analyze the new legal framework for Erdenes Mongol to expand its business areas and strengthen its financial positions, including the potential for new fund raising schemes, and possibilities to hold non-mining state-owned enterprises with cleaner environment footprint; prepare and submit a report of analysis of new legal and business framework to PMU and ADB.
- (vi) Assist Management Consulting firm in developing a corporate strategy of Erdenes Mongol to identify the midterm and long-term targets and concrete milestones.
- (vii) Review Erdenes Mongol's existing charter; if needed, prepare recommendations to amend the charter to meet the new business and legal environment.

- (viii) Analyze legal risks for Erdenes Mongol's businesses and investments; provide project-related assistance for Erdenes Mongol; provide legal advice for Erdenes Mongol including advice on possible merger and acquisitions, and investments.
- (ix) Strengthen Erdenes Mongol's legal management structure and capacity.
- (x) Conduct legal and institutional assessment for Erdenes Mongol to hold non-mining assets; prepare and submit a report of institutional and legal assessment to PMU and ADB.
- (xi) Support Erdenes Mongol to identify investment opportunities and non-mining assets to be acquired, including strengthening Erdenes Mongol's ability to identify appropriate investment opportunities and conduct due diligence; prepare and submit a report of identified investment opportunities, and a report of identified potential state-owned assets to PMU and ADB.
- (xii) With Human Resources Management firm and each functional unit, provide capacity development support for Erdenes Mongol staff.

6. **Financial Management Firm.** A firm will be engaged for a total 96 person-months (48 person-months international; 48 person-months national) on a gross basis to deliver following major deliverables.

- (i) A firm comprises accounting specialists (1 international, 1 national, 12 person-months each, intermittent), audit specialists (1 international, 1 national, 12 person-months each, intermittent), internal control specialists (1 international, 1 national, 12 person-months each, intermittent), and financial reporting specialists (1 international, 1 national, 12 person-months each, intermittent).
- (ii) Each consultant should hold Certified Accountant, Certified Public Accountant or equivalent qualification. S/he should have professional expertise and experience in accounting and/or auditing, including the use and adoption ISA and IFRS.
- (iii) Review Erdenes Mongol's current practices of financial management, including accounting, auditing, financial reporting, internal control and external auditing; develop a financial management action plan for Erdenes Mongol's financial management system and practices to meet the international standards, such as the International Financial Reporting Standards and the International Standards on Auditing; the action plan covers: (a) accounting policies and processes to ensure full compliance with IFRS, (b) development of good governance institutional arrangements, (c) internal oversight and governance capacity development (strengthening internal audit procedures and systems), (d) external oversight capacity development (including process for engaging and undertaking external audit in full compliance with ISA), (e) upgrading MIS and ICT systems to meet revised FM processes; implement the action plan with Erdenes Mongol staff and individual consultants hired under the Project, and ensure the quality deliverables.
- (iv) Assess the function and status of Erdenes Mongol's existing financial management related management information system (MIS), develop a reform plan to strengthen the MIS and related ICT system; identify appropriate FM related MIS and ICT system to be introduced; with ICT firm, prepare specifications of the ICT system for procurement; implement the reform plan.
- (v) Assess capacity of Erdenes Mongol's financial management staff; develop a capacity development plan for Erdenes Mongol staff to ensure their ability to meet the above mentioned international standards and strengthened financial management related MIS and ICT systems.
- (vi) Provide Erdenes Mongol's relevant staff and engaged PIU staff with the guidance and training on the rules and procedures of financial management for ADB funded

projects. The guidance and training will cover: (i) financial management and reporting, (ii) budget preparation and oversight, (iii) disbursement procedures, (iv) financial audit process and requirements, (v) proper use of and accounting for the imprest accounts and the statement of expenditure.

- (vii) With Human Resources Management firm and each functional unit, provide capacity development support for Erdenes Mongol staff.

7. **ICT Firm.** A firm will be engaged for a total of 132 person-months (36 person-months international; 96 person-months national) on a gross basis to deliver following major deliverables.

- (i) A firm comprises supply-chain related ICT specialists (1 international, 2 national, 12 person-months each, intermittent), financial management related ICT specialist (1 international, 4 national, 12 person-months each, intermittent), project management related ICT specialists (1 international, 2 national, 12 person-months each, intermittent).
- (ii) Each consultant should have professional expertise in the MIS and ICT systems, and professional experience in respective fields of ICT systems.
- (iii) Assess the function and status of Erdenes Mongol's existing MIS and related ICT systems of (a) financial management, (b) supply-chain management and (c) project management; Work closely with Financial management firm for the assessment of financial management MIS and related ICT system.
- (iv) With relevant firms and functional units, develop reform plans to strengthen respective MIS and related ICT systems for (a) financial management, (b) supply-chain management and (c) project management; implement the reform plans with Erdenes Mongol staff and individual consultants hired under the Project.
- (v) Identify the appropriate ICT systems to be introduced to Erdenes Mongol to strengthen respective MIS and ICT systems; prepare specification of the identified ICT systems for procurement.
- (vi) Based on the prepared specifications, support PIU staff, Erdenes Mongol staff and individual procurement consultants hired under the Project to prepare bidding documents of those ICT systems and complete the procurement.
- (vii) Ensure the procured ICT systems to be functional in Erdenes Mongol; provide supporting and solution services.
- (viii) With Human Resources Management firm and each functional unit, assess ICT related capacity of Erdenes Mongol's staff, develop a training plan to ensure their ability to operate respective functions in the strengthened MIS and ICT systems; provide planned training for Erdenes Mongol staff.

8. **Human Resources Management Firm.** A firm will be engaged for a total of 72 person-months (36 person-months international; 36 person-months national) on a gross basis to deliver following major deliverables.

- (i) A firm comprises human resource (HR) strategy specialists (1 international, 1 national, 12 person-months each, intermittent), staffing strategy specialists (1 international, 1 national, 12 person-months each, intermittent), and compensation system specialists (1 international, 1 national, 12 person-months each, intermittent).
- (ii) Each consultant should have professional expertise in HR management and preferably have professional experience in respective fields of HR management.

- (iii) Review Erdenes Mongol's current HR system; develop a HR strategy for Erdenes Mongol to establish a merit-based incentive structure.
- (iv) Review Erdenes Mongol's current compensation system; develop its reform plan to attract and retain competitive staff in Erdenes Mongol at the respective levels of high and middle management and general staff. A compensation system includes base salary, performance-based benefits and other allowances.
- (v) Review Erdenes Mongol's current staffing; develop a plan to strengthen its staffing to meet Erdenes Mongol's current needs and expected expansion of businesses.
- (vi) Develop a career development strategy, and a systematic training plan and menu for respective levels of Erdenes Mongol staff.
- (vii) Develop a talent management strategy to develop management and leadership capacity of the management-level staff; develop its implementation plan; implement the implementation plan.
- (viii) With respective firms and units, prepare a career development session for female staff of Erdenes Mongol to enhance their talent development, and conduct the session.
- (ix) With respective firms, units, and institutional coordinators, conduct capacity development training for the respective levels of Erdenes Mongol staff. The training also includes training on language (English) focusing on each expertise such as legal and financial management. Ensure the gender equality in training opportunities.

Individual Consultants

9. Individual consultants will be engaged to strengthen Erdenes Mongol's management capacity and its functional capability, particularly (i) business and investment advisory, (ii) strategic market and risk management, (iii) asset and liability management, (iv) supply-chain management, (v) environment and social management, (vi) human resources management, (vii) financial management, (viii) public relations, and (ix) ICT related supports. All consultants will be required to work cooperatively, and also closely work with Erdenes Mongol staff, and consulting firms hired under the Project.

10. **Advisory Group.** Following six international consultants will be engaged to be served as advisors for the Erdenes Mongol's high-level management.

- (i) **Business advisors** (3 international, 24 person-months each, intermittent).
- (ii) **Technical and Financial advisors** (3 international, 24 person-months each, intermittent).
- (iii) Each consultant should preferably hold the master's degree in the field of finance or business or equivalent, and professional expertise in those fields. S/he should also have professional experience in the business management.
- (iv) Those six international consultants will form an advisory group for Erdenes Mongol's high-level management.
- (v) As a member of the advisory group, each consultant will analyze the business environment for Erdenes Mongol based on respective expertise, identify business opportunities and risks, and form strategic business and investment recommendations to support Erdenes Mongol's management to make appropriate business and investment decisions.
- (vi) Strengthen Erdenes Mongol's market credibility to raise external funds, envisaging public offering.

- (vii) Collaborate with hired consulting firms to help develop a corporate strategy for Erdenes Mongol identifying the midterm and long-term targets with milestones.
- (viii) Guide Erdenes Mongol's high-level management to strengthen its management capacity.

11. **Strategy and Risk Management Group.** Following four international consultants will be engaged to provide market strategy and risk management analyses for Erdenes Mongol's high-level management including its chief economist.

- (i) **Financial and Compliance Management Specialists** (2 international, 24 person-months each, intermittent).
- (ii) **Business Management Specialist** (1 international, 24 person-months, intermittent).
- (iii) **Project Management Specialist** (1 international, 24 person-months, intermittent).
- (iv) Each consultant should preferably hold master's degree in the area of business, finance, or equivalent, and professional expertise and experience in the respective fields of business and risk management.
- (v) Those four international consultants will form a strategy and risk management group.
- (vi) Prepare recommendations of economic, business, market analyses and related risk analyses to support Erdenes Mongol's high-level management to make appropriate business and investment decisions.
- (vii) Support Erdenes Mongol's management for efficient and effective management of Erdenes Mongol's projects.
- (viii) Review and manage Erdenes Mongol's business practices to ensure sound corporate governance and compliance management, including financial management, environmental and social safeguards.
- (ix) Guide Erdenes Mongol's high-level management to strengthen its capacity in strategy and risk management, including compliance management, and transfer the related knowledge to Erdenes Mongol's management.

12. **Executive Recruitment Strategy Group.** Following four international consultants will be engaged to form executive recruitment strategy group for Erdenes Mongol's high-level management including the coordination with its investee companies.

- (i) **Executive Operation Management Specialists** (4 international consultants, 28 person-months, intermittent).
- (ii) Each consultant should have professional expertise in the business strategy, and preferably have professional experience in the management of business, project, and enterprises.
- (iii) Review business and institutional coordination between Erdenes Mongol and its investee companies; improve their project management and business efficiency.
- (iv) With Erdenes Mongol's high-level management, consulting firms and the advisory group, develop a plan to structure efficient and effective coordination between Erdenes Mongol and its investee companies.
- (v) With Erdenes Mongol's high-level management, implement the developed plan to improve the coordination between Erdenes Mongol and its investee companies, and their profitability, including their performance and their business strategies.
- (vi) Support to strengthen Erdenes Mongol's capacity to maintain the improved coordination with its investee companies.

13. **Institutional Coordination.** Following four consultants will be engaged for the coordination between the hired consultants, including consulting firms, and Erdenes Mongol staff, by providing necessary interpretation, translation and logistic supports.

- (i) **Communication Specialists** (3 nationals, 24 person-months, intermittent).
- (ii) **Logistics Specialist** (1 national, 24 person-months, intermittent).
- (iii) Communication specialist should have professional expertise in translation and/or interpretation, and preferably have professional experience in translation and/or interpretation between Mongolian and English.
- (iv) Logistic specialist should have professional experience in this field.
- (v) Work closely with the consulting firms, individual consultants and Erdenes Mongol staff.
- (vi) Provide communication supports, including translation and interpretation as needed, for the smooth communication between Erdenes Mongol staff and hired consultants, in order to facilitate the smooth project implementation.
- (vii) Provide logistic supports to ensure smooth communication and collaboration among the consultants and Erdenes Mongol staff for the smooth project implementation.

14. **Supply-Chain Management Unit.** Following four consultants will be engaged for the transitional period of about 2 years to form a supply-chain management unit in Erdenes Mongol. These consultants will be required to collaborate with Erdenes Mongol's relevant staff to establish and strengthen supply-chain management in Erdenes Mongol.

- (i) **Supply-Chain Specialist/Unit Head** (1 international, 18 person-months, intermittent).
- (ii) **Procurement Specialists** (2 national, 18 person-months each, intermittent).
- (iii) **Contract Management Specialist** (1 national, 18 person-months, intermittent).
- (iv) Each consultant should have professional expertise in the field of supply-chain management, and should preferably have professional experience in the respective fields.
- (v) Work with Management consulting firm, review Erdenes Mongol's existing supply-chain related business processes, and develop suitable supply-chain management structure and processes to improve efficiency of Erdenes Mongol's business operations.
- (vi) With Erdenes Mongol's staff, operate supply-chain management based on the developed supply-chain management structure and processes.
- (vii) Strengthen Erdenes Mongol's staff skills and knowledge to ensure the sustainability of this function after the transitional period.

15. **Asset and Liability Management Unit.** Following five consultants will be engaged for the transitional period of about 2 years to form an asset and liability management unit. These consultants will be required to collaborate with Erdenes Mongol's staff to newly establish the asset and liability management function in Erdenes Mongol.

- (i) **Financial Specialist/Unit Head** (1 international, 18 person-months, intermittent).
- (ii) **Capital Market Specialist** (1 national, 18 person-months, intermittent).
- (iii) **Financial Modeling Specialist** (1 national, 18 person-months, intermittent).
- (iv) **Financial Structure Specialist** (1 national, 18 person-months, intermittent).
- (v) **Fund raising specialist** (1 national, 18 person-months, intermittent).
- (vi) Each consultant should preferably hold master's degree in the area of finance, business, economic or equivalent, and have professional expertise in the field of

asset and liability management. Also, s/he should preferably have professional experience in the respective fields.

- (vii) With related consulting firms, conduct Erdenes Mongol's asset and liability analysis, and strengthen its portfolio and financial positions.
- (viii) Conduct market analysis to examine and identify business risks for Erdenes Mongol's operations.
- (ix) Conduct financial analysis of Erdenes Mongol, including financial modeling, project related financial analysis, and financial structuring.
- (x) Examine possible fund raising schemes for Erdenes Mongol with related risks' analyses to support Erdenes Mongol's management to identify and conduct appropriate fund raising actions.
- (xi) Transfer necessary knowledge and skills to Erdenes Mongol's staff to ensure the sustainability of this function after the transitional period.

16. **Environment and Social Management Unit.** Following four consultants will be engaged for the transitional period of about 2 years to ensure environment and social safeguards for Erdenes Mongol's businesses.

- (i) **Environment Development Specialist** (1 international and 1 national, 12 person-months each, intermittent).
- (ii) **Social Development Specialist** (1 international and 1 national, 12 person-months each, intermittent).
- (iii) Each consultant should preferably have professional expertise in social or environmental safeguards, and also professional experience and knowledge in the respective fields; National social development specialist should also have knowledge and expertise in the issue of gender development.
- (iv) Ensure Erdenes Mongol to comply with relevant laws and regulations.
- (v) Develop Erdenes Mongol's internal guidelines on environment and social safeguards, including gender perspective, by establishing an environment and social management system meant to make Erdenes Mongol's future investments environmentally and socially sustainable; and implement the guidelines.
- (vi) Develop capacity development plan for Erdenes Mongol's staff to strengthen their knowledge on environment and social sustainable development; implement the capacity development plan.
- (vii) Develop a module of gender analysis to include gender perspective in the process of Erdenes Mongol's investment decision making, including simple gender analysis tools; Support Erdenes Mongol's relevant staff to implement the developed module.
- (viii) With Public relations unit, enhance communication with communities and other stakeholders to promote Erdenes Mongol's positive actions in environment and social development.
- (ix) Assist Human Resources Management firm and respective units in providing a session to enhance career development of Erdenes Mongol's female staff.
- (x) Transfer knowledge and skills to Erdenes Mongol's staff to ensure the sustainability of this function after the transitional period.

17. **Human Resources Management Unit.** Following five consultants will be engaged for the transitional period of about 2 years to reform Erdenes Mongol's human resources (HR) management system. These consultants will be required to collaborate with Erdenes Mongol's staff and HR consulting firm hired under this Project.

- (i) **HR Management Specialist/Unit Head.** (1 international consultant, 18 person-months, intermittent).
- (ii) **Compensation Specialist** (1 national consultant, 12 person-months, intermittent).
- (iii) **Training and Career Development Specialist** (1 national consultant, 12 person-months, intermittent).
- (iv) **Talent Management Specialist** (1 national consultant, 12 person-months, intermittent).
- (v) **Staffing Specialist** (1 national consultant, 12 person-months, intermittent).
- (vi) Each consultant should have professional expertise in HR management and preferably have professional experience in respective fields of HR management.
- (vii) Support HR management firm to review Erdenes Mongol's HR management system and develop Erdenes Mongol's HR strategy.
- (viii) With Erdenes Mongol staff, HR Management firm and respective units, implement reformed compensation system, training and career development, talent management to develop management and leadership, and staffing.
- (ix) Review effectiveness of implemented training and improve the training.
- (x) Transfer knowledge and skills to Erdenes Mongol staff to ensure the sustainability of this function after the transitional period.

18. **Financial Management Unit.** Following six consultants will be engaged for the transitional period of about 2 years to strengthen Erdenes Mongol's financial management function to meet related international standards, such as IFRS and ISA. These consultants will be required to cooperate with Erdenes Mongol's staff and financial management firm hired under the Project.

- (i) **Financial Management Specialist/Unit Head** (1 international, 18 person-months, intermittent).
- (ii) **Accounting Specialist** (1 national, 18 person-months, intermittent).
- (iii) **Audit Specialist** (1 national, 18 person-months, intermittent).
- (iv) **Internal Control Specialist** (1 national, 18 person-months, intermittent).
- (v) **Compliance Specialist** (1 national, 18 person-months, intermittent).
- (vi) **Financial reporting specialist** (1 national, 18 person-months, intermittent).
- (vii) Each consultant should hold Certified Accountant, Certified Public Accountant or equivalent qualification. S/he should have professional expertise and preferably experience in accounting and/or auditing, including the use and adoption ISA and IFRS.
- (viii) With Financial Management firm and relevant staff of Erdenes Mongol, implement the financial management action plan, and ensure the quality deliverables.
- (ix) With Erdenes Mongol's staff and Financial management firm, implement improved financial management practices based on the reformed financial management system, including the strengthened related MIS-ICT system.
- (x) Ensure the quality of Erdenes Mongol's financial management to meet the international standards, such as IFRS.
- (xi) Facilitate external auditing with an external audit firm.
- (xii) Transfer knowledge and skills to Erdenes Mongol's staff to ensure the sustainability of strengthened financial management after the transitional period.

19. **ICT Support Unit.** Following four consultants will be engaged for the transitional period of about 2 years to ensure functions of ICT related systems in Erdenes Mongol and support Erdenes Mongol's staff to manage their ICT related operations. These consultants will be required to collaborate with Erdenes Mongol's staff and ICT firm hired the Project.

- (i) **ICT Specialist/Unit head** (1 international, 18 person-months, intermittent.)
- (ii) **ICT and Supply-Chain Management Specialist** (1 national, 18 person-months, intermittent).
- (iii) **ICT and Financial Management Specialist** (1 national, 18 person-months, intermittent).
- (iv) **ICT and Project Management Specialist** (1 national, 18 person-months, intermittent).
- (v) Respective consultants should have professional expertise in the MISs and ICT systems, and professional experience in respective fields of ICT systems.
- (vi) Support ICT firm to introduce MIS related ICT systems to Erdenes Mongol, and ensure their functionality.
- (vii) Support Erdenes Mongol's staff to meet required ICT related skills and knowledge required by the strengthened MIS related ICT systems.
- (viii) Provide supporting and maintenance services for Erdenes Mongol's ICT related systems.
- (ix) Transfer knowledge and skills to Erdenes Mongol's relevant staff to ensure the sustainability after the transitional period and effectiveness of introduced ICT systems.

20. **Public Relations Unit.** Following four consultants will be engaged for the transitional period of about 2 years to strengthen Erdenes Mongol's public relations (PR). These consultants will be required to cooperate with Erdenes Mongol's staff to strengthen Erdenes Mongol's external and community relations.

- (i) **Public Relations Specialist/Unit Head.** (1 international, 18 person-months, intermittent).
- (ii) **External Specialist** (1 national, 24 person-months, intermittent).
- (iii) **Communication Specialist** (1 international, 18 person-months, intermittent; 1 national, 24 person-months, intermittent).
- (iv) Each consultant should preferably have professional experience in public relations, and also have professional expertise and knowledge in the respective fields of public relations.
- (v) Review Erdenes Mongol's existing PR strategy, develop an improved PR plan, and implement the plan, including information sessions with civil society organizations.
- (vi) Ensure the effective external relations with all stakeholders, communities, specific interest groups including non-profit organizations.
- (vii) Enhance effective Erdenes Mongol's communications through media.
- (viii) With Environment and social management unit, promote Erdenes Mongol's positive actions in environment and social development.
- (ix) Ensure disclosure of Erdenes Mongol's business related information, including financial reporting, to improve its transparency and market credibility.
- (x) Transfer knowledge and skills to Eedenes Mongol's staff to ensure the sustainability of this function after the transitional period.

21. **Project Implementation Unit (PIU).** Following ten consultants will be engaged to serve as PIU staff, be responsible for the day-to-day management and implementation of the Project, and ensure timely delivery of the project outputs and smooth implementation of the project activities.

- (i) **Project Management Specialist** (1 international, 30 person-months, intermittent).
- (ii) **Procurement Specialists** (2 international and 2 national for 12 person-months each, intermittent; 1 national for 24 person-months, intermittent).
- (iii) **Financial Management Specialist** (1 national, 30 person-months, intermittent).
- (iv) **Institutional Coordinate And Translation Specialists** (2 national, 30 person-months, intermittent).
- (v) **External Audit Specialist** (1 international, 8 person-months, intermittent).
- (vi) Project management specialist should have professional experience in managing projects, and preferably experience in managing international financial institution (IFI) financed projects.
- (vii) Procurement specialists should have professional expertise and knowledge in procurement, including recruitment and procurement of goods, and preferably have experience in procurement for IFI financed projects.
- (viii) Financial management specialist should preferably have Certified Accountant, Certified Public Accountant or equivalent qualification, and also preferably have professional experience in financial management for IFI financed projects.
- (ix) Institutional coordinate and translation specialists should have professional expertise in translation and interpretation between Mongolian and English, and preferably have professional experience in communication, particularly translation and interpretation between Mongolian and English.
- (x) Develop annual project work plans including detailed project implementation schedules and budget plans.
- (xi) Close coordinate with PMU, consulting firms, individual consultants, Erdenes Mongol staff, suppliers and other project related parties.
- (xii) Ensure that the project follows applicable procedures, guidelines and rules of ADB and the government.
- (xiii) Monitor project implementation and progress.
- (xiv) Report regularly project progress and raise issues with PMU and ADB.
- (xv) Ensure timely preparations of all required reports under the Project.
- (xvi) Prepare and review bid documents for consultants' selection including terms of reference and request for proposals for consulting firms and individual consultants; conduct and complete consultant recruitment, following ADB's Procurement Guidelines (2015, as amended from time to time) and ADB's Consulting Services Guidelines (2013, as amended from time to time).
- (xvii) With consulting firms, prepare bid documents for goods, including technical specification; conduct bidding and complete procurement.
- (xviii) Manage overall procurement of goods and services to ensure transparency and compliance of the ADB Guidelines and the Government's procurement policies and procedures.
- (xix) Following ADB Loan Disbursement Handbook (2015, as amended from time to time), ensure the project budget planning and utilization; prepare and complete reports of liquidation and claims.
- (xx) Conduct project accounting in accordance with accounting standards and requirements of ADB; prepare related reports; and prepare financial statements and other financial reports of the Project following ADB rules and requirements.
- (xxi) Oversee the physical inventory of equipment and other supplied purchased under the Project.
- (xxii) Maintain and organize all project documents; keep project contact register up-to-date; prepare minutes of the project related meetings.

- (xxiii) Coordinating and arranging meetings of PIU with ADB, suppliers, consultants and other related parties.
- (xxiv) Providing translation and interpretation services as needed.
- (xxv) Prepare and submit following reports to PMU and ADB: (i) quarterly progress reports with one month from the end of the related quarter in a format consistent with ADB's project performance monitoring system, (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for next 12 months; and (iii) a project completion report within six months of completion of the Project.

22. **External Audit Specialist** (1 international, 8 person-months, intermittent).

- (i) External audit specialist should hold Certified Accountant, Certified Public Accountant or equivalent qualification, and have professional experience in external auditing, and preferably professional experience in external auditing for IFI financed projects.
- (ii) Conduct project annual external auditing; prepare ADB required project audit reports and submit the reports to PMU, the implementing and executing agencies, and ADB; prepare responses to inquiries on the audit reports, as needed.

VII. SAFEGUARDS

29. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at appendix 5 of the SPS.

30. The Project is for capacity development and advisory services and not to prepare feasibility studies or detailed engineering design of an investment project.

A. Environment

31. The Project is classified as category C for environment. The assessment determined that the project will not directly or indirectly affect the environment. Therefore, no IEE is required. In case of unanticipated impacts, related activities will be conducted in accordance with ADB's SPS (2009). The Project will not result in an investment project but is for engagement of consultants for capacity development and advisory services. The Project will have positive environmental benefits through establishing a social and environment management unit in Erdenes Mongol to ensure Erdenes Mongol's compliance with the related laws and regulations, and develop its internal guidelines on environment and social safeguards leading to environmental sustainability of investments by referring an environment and social management system including ADB related documents and good practice. In addition, it will develop a capacity development plan for Erdenes Mongol's staff to strengthen their knowledge on environment and social sustainable development, and implement it.

B. Indigenous Peoples

32. The Project is classified as category C for indigenous peoples. The assessment determined that the project will not directly or indirectly affect ethnic minority communities. Therefore, no indigenous peoples plan is required. In case of unanticipated impacts, indigenous people's activities will be conducted in accordance with ADB's SPS (2009).

C. Involuntary Resettlement

33. The Project is classified as category C for involuntary resettlement. The Project is for advisory and capacity development services, and will neither require land acquisition nor resettlement. In case of unanticipated impacts during project implementation, land acquisition and resettlement activities will be conducted in accordance with ADB's SPS (2009).

VIII. GENDER AND SOCIAL DIMENSIONS

34. The Project is classified as *some gender elements* category in design. A Project related gender issue is that the capacity to integrate a gender perspective in the process of Erdenes Mongol's investment decision making is limited. Erdenes Mongol's business investments, including infrastructure related investments, may not equally benefit women and men (although unintentionally) and have positive or negative gender impacts. Therefore, it is important that a process of investments decision-making includes gender analysis and thus well informed about possible gender issues related to the proposed investments in order to address any such concerns and/or mitigate any risks and ultimately improve social inclusiveness of the investment. As part of the capacity development support, the Project includes two major gender measures: (i) Provide a session to enhance career development targeted at female staff; and (ii) Develop a module on how to integrate the gender perspective (including simple gender analysis

tools) in a decision-making process of investments, as a part of capacity development on environment and social sustainable development.

35. The project will provide the capacity development and advisory services for Erdenes Mongol. It is not expected to have a direct impact on poverty and social issues, but would have an indirect impact on poverty. Improving the management of state-owned assets and state investment will help diversify Mongolia's economy, which, in turn, would improve the overall welfare of the poor. The project will also strengthen the company's public relations, which will improve its communications with stakeholders, communities, and such groups as nonprofit organizations.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
3. Erdenes Mongol's investment capacity strengthened	<p>2d. MIS-related ICT systems developed by installing MIS-related ICT systems by December 2018 (2015 baseline: 0)</p> <p>2e. Capacity of human resources of Erdenes Mongola, including capacity to include gender perspective in decision making process, developed by March 2019</p> <p>3a. Institutional and legal assessment of Erdenes Mongol potentially holding non-mining assets produced by March 2017</p> <p>3b. Support for Erdenes Mongol to develop its ability to identify appropriate investment opportunities provided by September 2018</p> <p>3c. Support for Erdenes Mongol to develop its ability to identify potential state assets to be acquired provided by September 2018</p>	<p>3a. A report on institutional and legal assessment</p> <p>3b. A report on identified investment opportunities</p> <p>3c. A report on state-owned assets identified for potential acquisition</p>	
<p>Key Activities with Milestones</p> <p>1. Corporate strategy developed</p> <p>1.1 Complete an analysis of the new legal and business framework to examine business environment and find Erdenes Mongol's optimal strategy to operate by Q1 2017.</p> <p>1.2 Complete institutional analysis of Erdenes Mongol by Q1 2017.</p> <p>1.3 Complete a corporate road map identifying the midterm and long-term targets and milestones by Q2 2017.</p> <p>2. Erdenes Mongol's functional capability strengthened</p> <p>2.1 Complete the strengthening of management capacity by Q1 2019.</p> <p>2.1.1 Complete the set-up of management groups (advisory experts group, strategy and risk management group, and executive management recruitment group) by Q3 2016</p> <p>2.1.2 Complete the recruitment of high-level management consultants for the management groups, and retain the consultants until Q1 2019</p> <p>2.2 Complete reform of the corporate structure by Q1 2019</p> <p>2.2.1 Complete the strengthening of existing functions (financial management, human resources managements, and public relations) by Q4 2018</p> <p>2.2.2 Complete establishment of new functions (asset and liability management, social and environment management, and supply chain management) by Q4 2018</p>			

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p>2.2.3 Complete the recruitment of middle-level management consultants for the functions, and retain the consultants until Q1 2019</p> <p>2.3 Complete the improvement of business processes by Q4 2018</p> <p>2.4 Complete the development of the MIS and related ICT systems of financial management, project management and supply-chain management by Q4 2018</p> <p>2.5 Conduct capacity development training, including a session for female staff, for the staff of Erdenes Mongol until Q1 2019</p> <p>3. Erdenes Mongol's investment capacity strengthened</p> <p>3.1 Complete the institutional and legal assessment of holding non-mining assets by Q1 2017</p> <p>3.2 Complete provision of consulting support for developing Erdenes Mongol's ability to identify appropriate investment opportunities by Q3 2018</p> <p>3.3 Complete provision of consulting support for developing Erdenes Mongol's ability to identify potential state assets to be acquired by Q3 2018</p>			
<p>Inputs</p> <p>ADB: \$35.0 million (loan)</p> <p>Erdenes Mongol: \$6.2 million</p>			
<p>Assumptions for Partner Financing</p> <p>Not applicable.</p>			

ADB = Asian Development Bank, ICT = information and communications technology, MIS = management information system, MNT = Mongolian Tugrik.

Source: Asian Development Bank.

B. Monitoring

36. **Project performance monitoring.** The PMU and PIU will establish an appropriate project performance monitoring system, including social institutional measures to assess achievements of the planned reforms, within one year of effectiveness following the DMF indicators. The PMU and PIU will, in consultation with ADB, develop a set of project performance monitoring indicators consistent with the ADB Guidelines for Preparing a Design and Monitoring Framework. Monitoring and evaluation reports will be submitted by the PIU and the PMU to ADB on a semiannual basis.

37. Under the guidance of the PMU, the PIU will exercise rigorous monitoring to ensure expeditious contract awards and disbursement. In this respect, actions will include:

- (i) To avoid delays in bid evaluation resulting from contractors' submission of incomplete bids, a checklist of all the supporting documents, forms, and guarantees (Table 2) will be attached with the bids for future tendering. This will be further discussed during pre-bid meetings;
- (ii) Monitoring of agreed time-bound activities from preparation of bid evaluation report (BER) to the contract award will be carried out using a checklist (Table 3) for each action with the given timeframe; and
- (iii) For ADB monitoring, consultants shall copy to ADB project officer the interim payment certificates, which will help intensify ADB's monitoring, expedite withdrawal application processing and payments to contractors, and consequently improve the project implementation progress.

Table 2: Checklist of Documents for Bidders at Purchase of Tender Documents

Instruction to Bidders (ITB) Requirements	Specific Instructions and Supporting Documents
(a) Letter of Bid	<ul style="list-style-type: none"> ➤ Total bid price (excluding discount); ➤ Discount (if any); ➤ Bid validity of 150 days ➤ Signed by an authorized person (see. Item e, below)
(b) Completed schedules as required, including priced bill of quantities (BOQ)	<ul style="list-style-type: none"> ➤ Accomplished Schedule of Payment Currencies, if wished to be paid in foreign currency; ➤ Accomplished Tables of Adjustment Data; ➤ Accomplished BOQs
(c) Bid Security	<ul style="list-style-type: none"> ➤ Bidders may utilize their existing bid security, with no revision to the expiry date, provided it meets the following: <ul style="list-style-type: none"> ➤ Format in accordance with the Form of Bid Security, or any format acceptable to the Employer; other forms like cashier's or manager's check is also acceptable; ➤ Each lot (if in lots) is covered by a bid security (either one bid security per lot or one bid security covering multiple lots - EA should check if these are the same amounts indicated in the Bidding Documents); ➤ Validity of bid security is 28 days beyond the validity of the bid; and ➤ For Joint Ventures (JV), the bid security is in the name of the JV or names of all future partners of the JV, if not yet constituted.
(d) Alternative bids, if permissible	Alternative bid is not permitted. Any alternative bid will not be considered.

Instruction to Bidders (ITB) Requirements	Specific Instructions and Supporting Documents
(e) Written confirmation authorizing the signatory of the Bid to commit the Bidder	➤ Notarized Power of Attorney demonstrating the authority of the signatory of the bid.
(f) Documentary evidence in establishing the Bidder's qualifications to perform the contract if its Bid is accepted	<ul style="list-style-type: none"> ➤ Accomplished Current Contract Commitments / Works in Progress form. ➤ Accomplished Financial Resources form with supporting documents. ➤ Accomplished Bidder Information Sheet, JV Information Sheet, Pending Litigation Accomplished Financial Situation with supporting documents, and Average Annual Construction Turnover.
(g) Technical Proposal	<ul style="list-style-type: none"> ➤ Accomplished Personnel Forms; ➤ Accomplished Equipment form; ➤ Site Organization; ➤ Method Statement; ➤ Mobilization Schedule; ➤ Construction Schedule (work program or overall implementation schedule); and ➤ In case of JV, a copy of the Joint Venture Agreement, or a Letter of Intent to execute a JV in the event of a successful bid together with a copy of the proposed JV agreement.

Table 3: Time-bound Action Plan for Preparation and Approval of Bid Evaluation Reports

Activity	No. of Days	Responsible Agency/Department
Evaluation of Bids and preparation of BER	10-15 days	PMU, PIU and EC
ADB's receipt and review of BER	4 days	ADB
EA's/IA's incorporation of ADB comments in BER, if any	2 days	EA/PMU, IA/PIU
ADB's receipt of revised BER	2 days	ADB
Transmittal of ADB's no-objection of recommendation of award	1 day	ADB
Notification of award to winning bidder(s)	2 days	EA/PMU
Contract signing	15 days	EA/PMU and Contractor

ADB = Asian Development Bank, BER = bid evaluation report, BOQ = bill of quantities, EA = executing agency, EC = Evaluation Committee, JV = joint venture, PC = procurement committee, PMU = project management unit, PIU = project implementation unit.

Source: Asian Development Bank.

38. **Compliance monitoring.** The compliance status of loan covenants will be reported and assessed through the quarterly progress reports and verified by ADB review missions.

39. **Safeguards monitoring.** Since no environment, involuntary resettlement impacts or impacts on ethnic minority communities are anticipated, there are no action plans to monitor. Due diligence will be conducted to confirm there are no impacts during implementation.

C. Evaluation

40. ADB will field an inception mission within three months after signing of the loan agreement. ADB and Erdenes Mongol will jointly undertake reviews of the Project at least once

a year. The reviews will assess progress in each output, identify issues and constraints, and determine necessary remedial actions and adjustments. Erdenes Mongol and ADB will undertake a comprehensive midterm review in the second year of project implementation. The midterm review will (i) review the design and implementation arrangements and identify adjustments required; (ii) assess the progress of project implementation against performance indicators; and (iii) recommend changes in the design or implementation arrangements, if necessary. Within six months of physical completion of the Project, the EA will submit the project completion report to ADB.¹⁸

D. Reporting

41. The executing agency through the PIU will provide ADB with (i) quarterly progress reports within one month from the end of the related quarter in a format consistent with ADB's project performance monitoring system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for next 12 months; and (iii) a project completion report within six months of completion of the Project.

¹⁸ Project completion report format available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

E. Stakeholder Communication Strategy

42. The Project will strengthen the functions of Erdenes Mongol's public relations, including external relations and communications. The function of external relations will enhance the communications with stakeholders, communities, and specific interest groups including non-profit organizations. The function of communications will enhance Erdenes Mongol's communications mainly through media. Key stakeholders include (i) government agencies responsible for the design and implementation of the Project like the Ministry of Industry, Minerals Authority Foreign Investment Agency, the Ministry of Energy and the Ministry of Environment; (ii) industry and professional associations and/or companies involve in mining and non-mining operations like Open Society Forum, Mongolian National Chamber of Commerce and Industry, environmental organizations; (iii) donors involved actively involved in the sector.

Project Documents	Means of Communication	Responsible Party	Frequency	Audience(s)
Project Data Sheet	ADB's website	ADB	semiannually	General Public
Report and Recommendation of the President	ADB's website	ADB	upon approval by the Board	General Public
Legal Agreements	ADB's website	ADB	upon signing	General Public
Major Change in Scope	ADB's website	ADB	upon approval of such change	General Public
Completion Report	ADB's website	ADB	upon circulation to the Board	General Public
Evaluation Report	ADB's website	ADB	upon circulation to Management and the Board	General Public

X. ANTICORRUPTION POLICY

43. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.¹⁹ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.²⁰

44. To support these efforts, relevant provisions are included in the loan agreement and/ or regulations and the bidding documents for the Project.

XI. ACCOUNTABILITY MECHANISM

45. People who are, or may in the future be, adversely affected by the Project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²¹

XII. RECORD OF PAM CHANGES

46. All revisions and/or updates during the course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.²²

Table 5. Table for Recording PAM Changes

PAM Version	Created Date	Revision Date	Reasons of Change	Main Contents of Change
V1.0	February 2016	N/A	Initial	N/A

¹⁹ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

²⁰ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

²¹ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

²² EA and ADB shall ensure that changes to the PAM during project implementation must be consistent with the loan agreement.