



# Project Administration Memorandum

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Project Number: 39229  
Grant Number: 0115  
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## Mongolia: Agriculture and Rural Development Project

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes. This PAM shall be read along with the Report and Recommendations of the President and Grant Agreement. This PAM incorporates agreements reached between EAAE and Executing Agency as of 24 March 2009. In case of discrepancy, the Grant Agreement shall prevail.

Asian Development Bank



## CURRENCY EQUIVALENTS

(as of 15 August 2008)

Currency Unit – togrog (MNT)

MNT1.00 = \$0.0008673  
\$1.00 = MNT1,152.95

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BOM	–	Bank of Mongolia
EARP	–	environmental assessment and review procedure
GDP	–	gross domestic product
GTZ	–	Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
IEE	–	initial environmental examination
IFAD	–	International Fund for Agriculture Development
JFPR	–	Japan Fund for Poverty Reduction
MNE	–	Ministry of Nature and Environment
MNET	–	Ministry of Nature, Environment and Tourism
MOF	–	Ministry of Finance
MoFA	–	Ministry of Food and Agriculture
MOFALI	–	Ministry of Food, Agriculture, and Light Industry
PMU	–	project management unit
PRC	–	People's Republic of China
PPTA	–	project preparatory technical assistance
SOE	–	statement of expenditure
TA	–	technical assistance

## NOTES

In this report, "\$" refers to US dollars.

<b>Vice-President</b>	C. Lawrence Greenwood, Jr., Operations Group 2
<b>Director General</b>	K. Gerhaeusser, East Asia Department (EARD)
<b>Director</b>	K. Kannan, Agriculture, Environment and Natural Resources (EAAE), EARD
<b>Team leader</b>	T. Ueda, Natural Resources, EAAE, EARD
<b>Team members</b>	A. Djusupbekova, Senior Counsel, Office of the General Counsel F. Tornieri, Social Development Specialist (Gender and Development), Regional and Sustainable Development Department L. Byambaa, Investment Officer, MNRM, EARD



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# MAP



**GRANT PROCESSING HISTORY**

	Date(s)
a. Approval of Project Preparatory Technical Assistance (PPTA)	2 October 2006
b. PPTA No.	TA4846-MON
c. Feasibility Study	28 December 2007
d. Fact-Finding	2 – 6 July 2007
e. Appraisal	12 – 26 November 2007
f. Management Review Meeting	21 September 2007
g. Staff Review Committee Meeting	14 May 2008
h. Grant Negotiations	31 July 2008
i. Board Circulation	20 August 2008
j. Board Consideration and Approval	29 September 2008
k. Grant and Project Agreements Signing	24 October 2008
l. Grant Effectiveness, including conditions	7 January 2009



## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Agriculture and rural growth that sustains premium value differentiation for Mongolian products (combined impact of the Project and TA)</p>	<p>Incomes of agriculture producers in project areas increased by an average of at least 60% from 2008 to 2015</p> <p>Mongolian agriculture products claim at least a 30% price premium over comparable products in selected markets by 2015</p>	<p>National Statistics, Ministry of Food and Agriculture monitoring system, international market surveys, and marketing journals</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• The enterprises pass on increased value along the supply chain.</li> <li>• The supporting branding campaign is successful in creating premium value differentiation for Mongolian agriculture products.</li> <li>• The project supply chains have a demonstration effect and attract more agriculture producers to the supply chains and more agricultural enterprises to the project model.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Some enterprises fail in their export achievements and have a negative impact on the Mongolian brand.</li> <li>• Some domestic enterprises “free-ride” on the brand and dilute the brand with bad quality products.</li> </ul>
<p><b>Outcome</b> Fifteen Mongolian enterprises have improved quality, premium value Mongolian agriculture products available in select niche markets, and replicable process developed for brand development and management</p>	<p>Deliveries by at least 50% of the funded enterprises in partnership with premium value buyers by December 2010 and by all 15 enterprises by December 2011</p>	<p>Project performance monitoring system; project management office reports, and reports of reviews by ADB</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Enterprises develop long-term partnerships with suppliers.</li> <li>• Enterprises make the right contacts with international buyers.</li> <li>• The supporting technical assistance creates brand awareness outside Mongolia.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• The enterprises have inadequate capacity to operate their new machinery or manage their expanded supply chains and hence fail to execute orders.</li> </ul>

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
			<ul style="list-style-type: none"> <li>Participants in the value chains do not fully understand the nature of the demand from niche markets.</li> <li>Severe weather impacts production.</li> </ul>
<p><b>Outputs</b> Value chains able to deliver unique premium value products to niche markets</p> <p>Fully defined process and institutional arrangements for collaborative brand development and management developed and demonstrated (TA output)</p>	<p>Supply chains of 15 enterprises, supported by adequate public infrastructure, are capable of meeting quality and reliability standards that allow them to deliver products to identified premium-value niche markets by December 2011</p> <p>Details of the brand framework, business proposals, institutional framework ready by March 2009</p> <p>Brand partnership agreements between at least three Mongolian enterprises and international brands by June 2009</p> <p>At least three model brands launched by June 2010</p>	<p>Project performance monitoring system; project management unit reports, market surveys, and reports of reviews by ADB</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>The investment plans prepared by the PPTA are realistic and sound.</li> <li>The consultative process accurately identifies public investments that support value chains.</li> <li>The supporting TA creates brand awareness among participants in the value chain.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>The enterprises do not have adequate capacity to implement their investment plans.</li> <li>The procurement processes are delayed.</li> <li>The contractors experience delivery delays.</li> <li>Enterprises misuse the funds.</li> <li>Public investments are not sufficiently coordinated and responsive to private investments.</li> </ul>
<b>Activities with Milestones</b>			<b>Inputs</b>
<ol style="list-style-type: none"> <li>1. Value-Chain Development               <ol style="list-style-type: none"> <li>1.1 Project management unit established by August 2008.</li> <li>1.2 Investment plans finalized for all enterprises by June 2008.</li> <li>1.3 Assessments by commercial banks completed, lending terms finalized, and individual credit lines set up by August 2008.</li> <li>1.4 Contractual and procurement arrangements finalized by October 2008.</li> <li>1.5 At least 60% of investments completed by December 2009.</li> <li>1.6 All investments completed by December 2011.</li> </ol> </li> <li>2. Rural Infrastructure and Services Development               <ol style="list-style-type: none"> <li>2.1 Project management unit established by August 2008.</li> <li>2.2 Consultants recruited by November 2008.</li> <li>2.3 All consultative decision processes completed by June 2009.</li> </ol> </li> </ol>			<ul style="list-style-type: none"> <li>Asian Development Bank: \$14.72 million</li> <li>Government: \$1.41 million</li> <li>Commercial banks: \$11.00 million</li> <li>Enterprises: \$20.37 million</li> </ul>

Activities with Milestones	Inputs
<p>2.4 Contractual/procurement arrangements finalized by September 2009.</p> <p>2.5 All investments completed by December 2011.</p> <p>3. Technical Assistance for Agricultural Marketing and Brand Development</p> <p>3.1 Project management unit established by August 2008.</p> <p>3.2 Hypothetical brand case developed by October 2008.</p> <p>3.3 Internal and external surveys completed by December 2008.</p> <p>3.4 Initial batch of enterprises selected by January 2009.</p> <p>3.5 Brand proposals and brand packs ready by March 2009.</p> <p>3.6 At least three partnerships brokered and deals concluded by June 2009.</p> <p>3.7 At least three collaborative brands defined by October 2009.</p> <p>3.8 At least three brands launched by June 2010.</p>	

ADB = Asian Development Bank, PPTA = project preparatory technical assistance, TA = technical assistance.



## I. PROJECT DESCRIPTION

### A. Project Area and Location

1. Project areas and locations will be those of participating enterprises and their suppliers. Participating enterprises will be assessed and selected for loans from participating commercial bank(s) at the initial stage of the project.

### B. Impact and Outcome

2. The project impact will be sustainable agriculture and rural growth that maintains premium value for Mongolian products. The outcome will be the reliable supply of premium value agriculture products to niche markets by selected enterprises. The outcome is expected to have the desired impact beyond immediate project achievements because the Project will serve as a demonstration for enterprises and value-chain participants who are not immediate project beneficiaries.

### C. Outputs

3. The Project will develop value chains to deliver premium value products to niche markets.

The Project will deliver its output through three components: (i) value-chain development, (ii) rural infrastructure and services development, and (iii) project management.

4. **Value-Chain Development.** This component is expected to make loans available to approximately 15 private enterprises (out of a total of 23 enterprises endorsed by the advisory board established to oversee implementation of the project preparatory technical assistance [PPTA]), to undertake value-chain development investments that have high public goods content and the potential to deliver premium value products to niche markets.<sup>1</sup> The 23 endorsed

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<sup>1</sup> The project advisory board was chaired by the Ministry of Finance and had two representatives from the Ministry of Food and Agriculture, one representative from the Ministry of Industry and Trade, three civil society representatives, one representative from the German Agency for Technical Cooperation (GTZ), and one representative from ADB. The project advisory board considered the following criteria when endorsing enterprises: (i) ownership of the enterprise is Mongolian, (ii) the enterprise is engaged in agribusiness, (iii) the enterprise has products and/or services that have the potential for premium value, (iv) the enterprise has been in operation at least for 3 years, (v) the supply chain of the enterprise is located in Mongolia and is seen to make a substantial impact in the agriculture sector, (vi) the enterprise has adequate machinery and equipment to fulfill its plan or proposes to procure the required machinery as part of its plan, (vii) the enterprise has chain captain status, and (viii) the public good element and positive social and environmental externalities of its proposed investment plan. A transparent and rigorous procedure was applied to screen enterprises and is detailed in Supplementary Appendix A of the RRP. Enterprises were invited to apply to the Project through advertisements in national newspapers and information seminars in major cities. Applicants were screened on the basis of the above criteria. The information of screened companies was physically checked and validated. The companies were then assisted in preparing investment proposals. The final screening of enterprises was made on the basis of the following criteria applied to their investment proposals: (i) type of raw materials purchased, (ii) source of purchases, (iii) annual value of purchases, (iv) purchasing system, (v) projected turnover increase, (vi) liabilities and/or turnover, (vii) expansion of production capacity, (viii) modernization of final production, (ix) improved management and skills, (x) investments in supply chains, (xi) improved management of suppliers, (xii) improvements along supply chains, (xiii) improved raw material quality, (xiv) improved finished product quality, (xv) development of new value-added products, (xvi) development of uniquely Mongolian products, and (xvii) development of exports. The project advisory board endorsed 23 enterprises as being eligible to receive project funds; they were assisted by PPTA consultants in preparing outline proposals. Project enterprises represent the milk, meat, herbal products, fruit products, leather, and wool and cashmere sectors.

enterprises prepared outline proposals with support from the PPTA and endorsed by the project advisory board. These proposals were presented to commercial bank credit officers and management, who selected those that they considered most creditworthy. The PPTA consultants worked with the 15 most creditworthy companies to prepare bankable proposals for consideration by commercial banks. The final decision to approve loans to enterprises will be made by commercial banks using their own loan appraisal methodology. Banks will make loans to enterprises using their own funds. Project funds will be used to make deposits at each participating bank to cover 50% of the loan disbursements to project enterprises by that bank. Deposits are expected to range from \$300,000 to \$1.5 million. If a loan is declared as a loss, the commercial bank will be able to recover 50% of the principal outstanding from the deposit account. Summaries of investment plans endorsed by the project advisory board are presented in Appendix 5 of the RRP. Detailed financial analyses of four representative investment plans are presented in Supplementary Appendix C of the RRP. Full bankable proposals of the four representative enterprises are available as Supplementary Appendix B of the RRP. The proposed supply chain investments address the major constraints to value-chain development (paras. 7–11). The Project will promote social and gender responsiveness of enterprises by imparting relevant gender awareness and capacity development training for management, and assessing the performance and impact of project enterprises from social and gender perspectives.

5. **Component 2: Rural Infrastructure and Services Development.** This component will fund investments that will either support value chains in the longer term or have a large public good element, making them unattractive to private investors. Investments will build upon three priority areas identified in the ADB-funded Agriculture Sector Strategy Study: (i) development of livestock testing and veterinary extension centers, (ii) business advisory and technical support to agricultural cooperatives, and (iii) development of fodder supply and storage facilities to foster fodder market development. The Project will finance laboratory equipment, civil works, and training for veterinary centers; training for water point establishment and operation; stocking herds, equipment, and training for marketing cooperatives; and equipment and training for fodder facilities. Selection criteria for investments and envisioned procedures for their development, implementation, and monitoring, are in Appendix 6 of the RRP. Male and female community members will be consulted in the identification, selection, and possibly implementation of community-based rural infrastructure and support service development investments.

6. **Component 3: Project Management.** Two project management units (PMUs) will be established: one at the Ministry of Finance (MOF) for the value-chain development component and one at the Ministry of Food, Agriculture and Light Industry (MOFALI) for the rural infrastructure and services development component. Staff from the PMUs, MOFALI, MOF, project advisory board, and participating banks and enterprises will receive training (including gender awareness and capacity development for social and gender responsiveness) in line with the gender action plan in Appendix 15. The value-chain development PMU will work closely with participating banks to (i) ensure that proceeds of grant are deposited into deposit accounts in accordance with respective financing agreements; (ii) forecast funding requirements of the participating companies and arrange funds flow; (iii) monitor the use of funds against agreed plans; (iv) provide business advisory services and, in liaison with ADB and the Government, develop and assist in implementing corrective actions as necessary; (v) monitor performance of project enterprises; (vi) monitor compliance with covenants and environmental and social performance of the investments, and help to correct the situation as necessary; (vii) organize stakeholder mobilization and gender awareness workshops, including workshops to facilitate

harmonization with relevant ongoing projects; and (viii) prepare and submit required reports for the component.

7. Implementation of the rural infrastructure and services development component will be the responsibility of experts from MOFALI in collaboration with *aimag* (province) agriculture experts overseen by the MOFALI project working group. The PMU will assist MOFALI by (i) assisting in evaluating investment proposals; (ii) forecasting funding requirements for the component and arranging funds flow; (iii) monitoring implementation and compliance with covenants; (iv) organizing stakeholder mobilization and gender awareness workshops, including workshops to facilitate harmonization with relevant ongoing projects; and (v) preparing and submitting required reports for the component. Investments will be identified in consultation with communities participating (or with the potential to participate) in supply chains of enterprises supported by the Project. The MOFALI experts and project working group will coordinate selection. Where available, informal herder groups, like those established under the Agriculture Sector Development Project, local community councils established under the World Bank's Sustainable Livelihoods Project, or other local organizations will be used as agents for local input into investment selection and implementation.

#### **D. Special Features**

8. **Public Support for Value-Chain Development.** Value-chain investments have public goods characteristics. Benefits from these investments are not strictly appropriable by downstream investors. For example, participants in the chain can redirect improved products and intermediate inputs resulting from investments of downstream investors to buyers other than the investor. Also, many investments have initial costs beyond the reach of small producers. Furthermore, not having undertaken such investments or coordinated actions, participants are not certain of their financial benefits. Initial returns are likely to be low as participants in the chain go through a period of learning as they improve coordination and management, set up delivery systems, adopt technologies, and establish information systems. Finally, the early period could have participants reneging on contracts or otherwise subverting agreements as they go through a period of realizing the gains of long-term partnerships. Private investment in such development, therefore, is less than optimal because of the uncertainty, learning, and coordination problems. Special consideration for the public goods nature of value-chain investments is therefore necessary and a case for public support is credible.

9. A case for public support for value-chain investments can be motivated also by their positive spillover effects. As the benefits to long-term partnerships along supply chains are demonstrated, other enterprises and producers will be induced into developing such partnerships and thereby increasing the efficiency of the sector as a whole and incomes of more than the initial participants. In the particular case where supply chains are developed to realize the potential in the markets for premium-value products, positive environmental and social externalities will be substantial. Enterprises targeting such markets will have to ensure that their supply chains adhere to standards demanded by the markets and therefore will undertake investments with particularly high positive social and environmental impacts. Finally, public support for value-chain development through project enterprises will strengthen the financial system by increasing the capacity of commercial banks to move from the currently prevalent collateralized short-term lending to lending against potential cash flow and business prospects.

10. Enterprises endorsed by the advisory board have developed integrated investment plans that include investments in the supply chain, improved or expanded production, new and improved products, enhanced internal capacity, and improved marketing activities. The most

critical elements of these plans from the point of view of the companies are the planned investments in improvements of raw material quality and the supply chain. The enterprises endorsed by the project advisory board have proposed using 34.4% of their total investments for capital equipment and buildings, 26.7% to improve supply chain management, and 38.9% for working capital. A detailed description of proposed investments is provided in Appendix 5 of the RRP.

11. **Benefits of the Financial Intermediary Loan Modality.** Traditional modes of funding public investments are not suitable for value-chain development. Such investments through separate government-funded programs have not been sufficiently flexible or coordinated with private investments. The financial intermediary loan modality will overcome this shortcoming by providing private enterprises with funds to undertake quasi-public investments that support their own purely private value-chain development investment plans. This will ensure that investments with substantial public goods content and high economic, social, and environmental benefits are fully integrated with commercial investment decisions. At the same time, due diligence applied by commercial banks to the value-chain development proposals will ensure that the investments are financially viable. Given that commercial banks will make loans to enterprises using entirely their own funds, the requirement to relend ADB grant proceeds to a financial intermediary <sup>2</sup>is not applicable. Because private enterprises will borrow funds for the investments, they are expected to ensure that procurement is undertaken with accepted commercial practices. The loan disbursement systems of participating banks will provide an established channel for funding and collecting repayments. ADB's direct supervision of procurement and disbursement will not be necessary.

12. **Provision of a Unifying Core to a Diverse Range of Initiatives.** The Project will focus the resources of many ongoing and planned initiatives on value-chain development. The Rural Economies Development Project funded by German development assistance through GTZ provides credit guarantees and advisory services to small and medium-sized businesses. Agreement has been reached with GTZ that the Rural Economies Development Project will focus resources on project value chains. The Market Access for the Poor Project funded by IFAD aims to increase the added value of agriculture products, improve raw material quality, and improve access to finance. Agreement has been reached with IFAD that the market access project will assist project enterprises with the parts of their investment plans that deal with basic production. In addition, it will mobilize 20 grassroots groups integrated in project value chains and support them in developing and financing business plans to participate in project supply chains. IFAD is also assisting two project enterprises through a pilot program to test arrangements for partnerships with participants in their supply chains. A joint ADB–IFAD review of the pilot will be used to strengthen implementation arrangements for the Project at the end of the second year of implementation. A component of the Sustainable Livelihood Project funded by the World Bank will help herder groups develop and implement pasture management plans. The World Bank has agreed that the component will be pilot tested in project supply chains. If successful, the pilots will be replicated in more project supply chains through the Project's rural infrastructure and services development component.

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<sup>2</sup> ADB. 1987. *Review of Bank Policies on Credit Lines to Development Finance Institutions*. Manila. (R27-87).



## II. COST ESTIMATES AND FINANCING PLAN

### A. Detailed Cost Estimates

13. The investment cost of the Project is estimated at \$47.50 million, including physical and price contingencies and taxes and duties (Table 1). Costs include \$0.67 million in taxes and duties to be paid by the Government.<sup>3</sup> Detailed cost estimates are provided in Appendix 1.

**Table 1: Project Investment Plan**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Value-Chain Development	39.55
2. Rural Infrastructure and Services Development	2.22
3. Project Management	2.40
<b>Subtotal (A)</b>	<b>44.17</b>
<b>B. Contingencies<sup>c</sup></b>	<b>3.33</b>
<b>Total (A+B)</b>	<b>47.50</b>

<sup>a</sup> Includes taxes and duties of \$6.88 million.

<sup>b</sup> In early 2008 prices.

<sup>c</sup> Physical contingencies computed at 5% for all goods and services. Price contingencies are computed at 6.8% for 2008, 0.7% for 2009, 1.4% for 2010, 0.4% for 2011, and 0.5% thereafter for foreign costs; and 10.5% for 2008, 9.5% for 2009, 9.0% for 2010, and 8.0% thereafter for local currency costs.

Source: Asian Development Bank estimates.

### B. Financing Plan

14. The Government has requested grant financing of \$14,720,000 equivalent from ADB's Special Funds resources to finance the Project. The Government will finance \$0.67 million in taxes and duties and \$1.05 million for the management of the rural infrastructure and services development component. Participating banks will provide \$11 million in loans to project enterprises using their own funds. The loans are expected to have terms up to 7 years with grace periods up to 3 years, during which interest will be paid. Commercial banks will determine interest rates using market-based assessments. The enterprises will contribute \$20.37 million of their own funds. The financing plan is in Table 2.

**Table 2: Financing Plan**  
(\$ million)

Source	Total	%
Asian Development Bank	14.72	31.0
Government	1.41	3.0
Commercial Banks	11.00	23.2
Enterprises	20.37	42.8
<b>Total</b>	<b>47.50</b>	<b>100.0</b>

Source: Asian Development Bank estimates.

<sup>3</sup> Taxes on value-chain development investments of private enterprises will be paid by the borrowing enterprises.

15. Participating banks will lend to enterprises using entirely their own funds at rates no less than the prevailing ordinary capital resources rate with market-based spreads on individual loans reflecting the credit risk assessed by the banks themselves and their cost of funds.<sup>4</sup> The flow of funds under the Project is shown in Supplementary Appendix D of the RRP. Every time a bank makes a disbursement for a project loan, the Government will deposit funds into a deposit account at that bank in dollars and togrog to guarantee 50% each of the dollar and togrog loan disbursement to the enterprises. The deposit account will always show a balance equal to 50% of the total outstanding principal balance on loans made by the bank to project enterprises. If a project loan is declared as a loss by a bank in its reporting to Bank of Mongolia (with the endorsement of the value-chain development PMU), the deposit account balance will be debited by the bank by an amount equal to 50% of the loan amount declared as a loss. PMU and ADB will review each loan agreement between the bank and the project enterprises to ensure that the cost and margin structure of the proposed lending is fair and transparent. This rather complicated guarantee scheme is considered efficient given the present legal framework in Mongolia and the undesirability of using direct Government lending schemes that borrowers view as less strict than commercial lending.<sup>5</sup>

### III. IMPLEMENTATION ARRANGEMENTS

16. The advisory board established to oversee the PPTA will monitor implementation and ensure coordination across components. The board will have two representatives from MOF (including the chairperson); one representative each from MOFALI, Ministry of Nature and Environment (MNE), and Ministry of Industry and Trade. Representatives of ADB may attend meetings as observers. Representatives of project enterprises and civil society may be invited to meetings as observers when necessary. The board will meet at least every 6 months to review progress, and will receive quarterly reports on implementation of each of the two components. A project manager will be appointed as secretary to the board and will be responsible for implementation of the board's decisions. The project manager will report to the board and will be responsible for the overall management of the project, management of the

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<sup>4</sup> Interest rates for deposits and loans are fully liberalized, with banks free to charge interest on a risk-reward basis. Market interest rates are showing a declining trend with increasing competition and gradual decrease in the inflation rate, with lending rates dropping faster than those on deposits. Lending rates have dropped from 26.6% in 2002 to 20% in 2006, while deposit rates have dropped from around 14% in 2002 to 13.5% in 2006. The interest spread dropped from 15.4% in 2002 to 8.9% in 2006, but nevertheless remains high.

<sup>5</sup> The Project will provide a guarantee of up to 50% of the principal of the term loans provided by commercial banks to the enterprises. By making an interest free deposit equivalent to 50% of the loan principal, the Project will effectively lower the commercial bank's cost of funds on the loan by 50%. The subsidy is justified on the grounds of the strong public goods nature of the planned investments by the enterprises. The subsidy is intended to help develop term lending to agribusiness by encouraging commercial banks to engage in term lending initially by providing them with a set of well-screened potential clients. During its transition to a market economy, ADB has consistently supported the reform and development of Mongolia's finance sector. The Government and ADB are currently implementing the Financial Regulation and Governance Program. Building on progress achieved under two Financial Sector Program loans, the Financial Regulation and Governance Program aims to help develop a sound and broad-based finance sector, using a holistic approach to address the remaining legal and regulatory, institutional, and policy constraints. A broad-based financial system comprising banks, nonbank financial institutions, savings and credit cooperatives, securities markets, and the insurance subsector reduces the risks associated with overreliance on the banking system, and increases the supply of long-term capital for productive investment. It will, in turn, promote growth and create jobs. Increased competition from alternative sources of financial intermediation will enhance efficiency, and the financial system as a whole will become more resilient to exogenous shocks. The Financial Regulation and Governance Program's objectives are to (i) reduce the cost of borrowing and expand access to credit by improving the collateral framework, (ii) improve governance in banks to protect depositors, (iii) enhance the role of the nonbank financial subsector in mobilizing savings for investment capital, and (iv) improve investor confidence by reducing risks from money laundering through the financial system.

project imprest account, facilitation of community based monitoring of the project, and coordination of activities that impact across different components and with other projects undertaken by other agencies in Mongolia.

17. MOF will be the Executing Agency for the value-chain development component and for the portion of the project management component associated with value-chain development. It will sign financing agreements with participating commercial banks.<sup>6</sup> MOF will establish an independent PMU to manage this component. A full-time PMU director responsible for implementation and supported by consultants will report to the project manager. The PMU will work in collaboration with the participating banks, which will appoint project coordinators from among their staff. The PMU will ensure that funds received by the banks are disbursed in accordance with the financing agreements and that the use of funds by enterprises is in accordance with the approved investment plan. It will conduct spot audits to prevent collusion between banks and borrowing enterprises and other misdemeanors in the use of project funds. MOFALI will be the Executing Agency for the rural infrastructure and services development component and the portion of the project management component associated with the rural infrastructure component. MOFALI will establish a PMU for the component. MOFALI has established a working group to oversee implementation of this component and will provide technical experts from MOFALI to assist in project implementation.<sup>7</sup> A full-time PMU director responsible for implementation of the component and supported by consultants will report to the project manager.

#### **IV. IMPLEMENTATION SCHEDULE**

18. The Project will be implemented over 4 years from 2008 to 2012. The value-chain investments are expected to be completed over 4 years. Participating banks will administer the outstanding loans after project completion. Rural infrastructure and services development investments will be completed by year 4. An implementation schedule is provided in Appendix 4.

#### **V. CONSULTANT RECRUITMENT**

<sup>6</sup> Khan Bank was selected as a partner in the Project through consultation with MOF and BOM because it (i) is financially sound, (ii) meets BOM's prudential requirements, (iii) has adequate staff for the management of project funds, (iv) has an acceptable record of medium-sized corporate lending, and (v) has at least 20% of its loan portfolio in rural areas. The complete due diligence report on Khan Bank is available in Supplementary Appendix E of the RRP. Other commercial banks will be assessed selected if they meet the same criteria and are considered acceptable to MOF, BOM, and ADB; and due diligence of the bank (conducted to the same standard as that conducted on Khan Bank) is considered to be acceptable by the Government and ADB. The Banking Law, enacted in 1996 and amended several times, provides the legal basis for BOM to regulate and supervise banking. About 40 staff members are in charge of supervising 16 banks. BOM has made substantial progress in strengthening its regulatory capacities in recent years. The International Monetary Fund has been supporting BOM in establishing and upgrading various regulations. The loan classification and loan loss provisioning standards are simple, conservative, and well implemented. The classification criteria consist of quantitative criteria based on the duration of loans overdue and qualitative criteria based on the conditions of borrowers. To minimize discretion, the qualitative criteria are only used to downgrade the classification derived from the quantitative criteria and are mainly based on numerical indicators such as return on assets (net profit as a percentage of assets) and capital-asset ratio. The amount of loan loss provisioning is determined according to the classification under the BOM guidelines (e.g., 1% for performing, 5% for past due). The required provisioning rates for substandard and doubtful loans were increased by the amendment of the guidelines (25%–40% for substandard, and 50%–75% for doubtful) in 2004. Commercial banks submit loan classification reports monthly to BOM. BOM has established a standard set of prudential ratio regulations, including for (i) capital adequacy, (ii) liquidity, (iii) credit concentration, and (iv) foreign exchange risk. Banks are required to submit reports on these indicators every month. A prompt corrective action program was established to allow BOM to take supervisory actions against undercapitalized banks, from an order to cease paying dividends to placement of the bank in conservatorship, depending on capital inadequacy.

<sup>7</sup> Technical expertise is expected to be needed in civil engineering, extension, and participatory planning.

19. The Project will require 436 person-months of consulting services: 42 person-months international and 394 person-months national. All consultants will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Technical experts will be recruited individually by the value-chain development PMU as requested by project enterprises to support enterprises in the implementation of their investment plans. Recruitment will be through a cost-sharing arrangement whereby enterprises requesting experts will bear 60% of the costs of engagement. The project manager, both project directors, and staff of both PMUs will be engaged individually. The remaining consultants will be recruited through firms under two packages (one package each for the value-chain development component and the rural infrastructure and services development component) following quality and cost-based selection procedures using an 80:20 quality–cost ratio.<sup>8</sup> The outline terms of reference are provided in Supplementary Appendix F of the RRP.

## VI. PROCUREMENT

20. With the assistance of the value-chain development PMU, where applicable, project enterprises will be encouraged to follow ADB's *Procurement Guidelines*, Section 3.12 (2007, as amended from time to time), and undertake procurement in accordance with established commercial practices acceptable to the Government and ADB. To be acceptable, the enterprises will (i) demonstrate that procedures are appropriate in the circumstances; (ii) ensure that goods and services financed using project funds are purchased with consideration to economy and efficiency at a reasonable price, given time of delivery, quality, and efficiency; and (iii) ensure that goods and services to be financed by project funds are procured from ADB member countries. Enterprises will be encouraged to procure goods through international competitive bidding and shopping when applicable in the interest of economy and efficiency. The Government has agreed to use ADB procurement procedures with regard to economy and efficiency. The PMU will oversee procurement by enterprises to ensure that ADB guidelines are followed. In case of noncompliance, the Government will have the right to recall the loan to the violating enterprise. For all other procurement, contracts for goods and works estimated to cost \$1.0 million or more will be procured using international competitive bidding. Contracts for goods and works estimated to cost less than \$1.0 million but more than \$100,000 will be procured through national competitive bidding in accordance with standard government procedures subject to modifications agreed with ADB. Contracts for goods and works estimated to cost \$100,000 or less will be procured using shopping. Any necessary modifications or clarifications to the recipient procurement procedures will be documented in the procurement plan. The relevant sections of ADB's *Anticorruption Policy* (1998, as amended to date) will be included in all procurement documents and contracts. The procurement plan is in Appendix 5.

## VII. DISBURSEMENT PROCEDURES

21. The grant will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). To facilitate funds flow on the value-chain development component, each participating bank will open a special account and will, with the endorsement of the value-chain development PMU, apply to ADB through MOF for advance deposits into the

<sup>8</sup> The following national consultants will be required for the value-chain development component: agribusiness specialist and/or project director, project monitoring specialists; financial analysts; business advisors; environment specialist; social/gender specialist. For the rural infrastructure component, the following national consultants will be required: project director, project monitoring specialist, environment specialist, social/gender specialist. The following international consultants will be recruited for the value-chain development component: value-chain development advisor; technical experts. A project manager will be recruited for overall coordination.

special account to cover 50% of projected disbursements to enterprises for project investment plans during the next 6 months. Upon receipt of this request, ADB will disburse funds in dollars to the special account. The participating commercial bank will make transfers from the special account to a deposit account equal to 50% of every disbursement made by the commercial bank to project enterprises for project investment plans. The deposits into the deposit account will be in dollars and togrog— guaranteeing 50% each of the dollar and togrog disbursement to the enterprise.<sup>9</sup> The commercial banks will use procedures to liquidate transfers from the value-chain development special account to the project deposit account in accordance with rules spelled out in financing agreements between MOF and the commercial banks. The participating commercial banks will release funds to MOF from the project deposit account equal to 50% of every principal repayment they receive on project loans (after deducting interest payment to the commercial bank).<sup>10</sup> The commercial bank will have entered into a loan agreement with a project enterprise (that stipulates use of funds) endorsed by ADB, including terms and conditions required by ADB prior to making disbursements to the enterprise. Before any project loan is declared as a loss, the value-chain development PMU and the commercial bank will make all reasonable efforts to either revive the business or recover the outstanding loan amount.

22. The Government will establish an imprest account for each value chain development component and rural infrastructure and service development component for the project at a commercial bank acceptable to ADB to be managed by the project manager. The initial amount to be deposited in the account will not exceed estimated expenditures for the next 6 months, or 10% of the grant amount, whichever is lower. The imprest account will be liquidated in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time) and detailed arrangements agreed between the Government and ADB. SOE procedures will be used for reimbursing eligible expenses or liquidating advances to the imprest account. Any individual payment to be reimbursed or liquidated under the SOE procedures will not exceed \$50,000.

## VIII. PROJECT PERFORMANCE MONITORING AND EVALUATION

23. The two PMUs overseen by the project director will monitor project performance as part of quarterly reporting to the advisory board, the respective executing agency, and ADB, incorporating a community-based monitoring system. Monitoring of value-chain investments will follow business development and monitoring plans prepared by the value-chain development PMU with project enterprises to ensure that enterprises are utilizing project funds for intended purposes and that expected results are being produced. The PMUs (with assistance from the social development specialist) will establish a (sex-disaggregated) database; carry out annual review and consultations on the social, gender, and participatory aspects of the Project; and ensure the collection of sex-disaggregated end-line data and information. Any deviations in the use of funds by enterprises will, if possible, be resolved in consultation between the PMU and the enterprises. ADB must endorse major modifications. The PMU will monitor rural infrastructure projects using standard reporting and periodic field visits. Data on inputs and outcomes of the rural infrastructure and services development component will be organized using software developed by the Agriculture Sector Development Project<sup>11</sup>. To identify baseline indicators on infrastructure availability and stakeholder needs, the PMU will commission a

<sup>9</sup> The exchange rate to be applied when converting from dollars to togrog will be the commercial bank's reference buying rate for dollars on the date of the disbursement to the project enterprise.

<sup>10</sup> Releases to MOF will be in the same currency as repayments from the project enterprises.

<sup>11</sup> ADB.2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Mongolia for the Agriculture Sector Development Project*. Manila

survey and prepare an inventory of existing infrastructure and support service programs once an eligible locality has an approved subproject proposal. The survey will be repeated and inventory updated at the conclusion of subproject implementation.

## **IX. PROJECT REVIEW**

24. MOF, MOFALI, participating commercial banks, and ADB will review the Project semiannually. A midterm review, not later than 2 years and 6 months after commencement, will include a comprehensive evaluation of implementation arrangements and progress as well as stakeholder consultations. Recommendations will be made for adjustments as appropriate to the project scope, cost estimates, and implementation arrangements. Three months after project completion, the impacts of the Project will be evaluated according to a schedule and terms of reference to be agreed by MOF, MOFALI, and ADB.

## **X. ACCOUNTING, AUDITING AND REPORTING**

25. MOF, MOFALI, and participating commercial banks will maintain separate accounts and financial statements for project funds in accordance with appropriate accounting standards and have these audited annually by independent auditors acceptable to ADB. The use of special and imprest accounts and SOE procedures will be part of the audit and a separate opinion will be submitted. Enterprises receiving project funds will be required to maintain accounts according to International Accounting Standards and to have these audited annually by independent auditors acceptable to ADB.<sup>12</sup> The audit report covering the audited project accounts and financial statements for each fiscal year will be submitted to ADB in English not later than 6 months after the end of each fiscal year. The project director, through the advisory board, will submit quarterly reports and diagnostic semiannual reports to ADB detailing project progress, problems, measures taken to overcome them, expected progress over the next 6 months, as well as any major issues. Within 3 months of physical completion of the Project, the project director, through the advisory board, will submit a project completion report to ADB, detailing the utilization of grant proceeds, project implementation analysis, and the socioeconomic impact of the Project with special attention to poverty reduction. The Government was advised of ADB's requirement of timely submission of audited project accounts and financial statements, and the suspension of disbursements of the ADB grant in case of noncompliance.

## **XI. MAJOR GRANT COVENANTS**

26. The status of compliance, including actions taken to comply with the covenants (see Appendix 7) should be indicated in the appropriate column and be appended in the quarterly progress report.

## **XII. IMPLEMENTATION OF ACCOMPANYING TECHNICAL ASSISTANCE**

27. The accompanying TA for Agricultural Marketing and Brand Development will be directed to capitalizing on opportunities in niche markets to develop a premium brand for Mongolian agriculture products. The brand development will be primarily aimed at developing partnerships between Mongolian enterprises and external premium brands to develop virtual vertically integrated value chains. The long-term objective could be to provide an opportunity for Mongolian enterprises to develop their own indigenous consumer brands for the export market.

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<sup>12</sup> Enterprises will adopt International Accounting Standards within 2 years of receiving project funding.

A number of high-end brands (i) want to stay away from mass production price discounts, and (ii) would be interested in building the idea of Mongolia as a premium and or exclusive product source. For example, Loro Piana and Dunhill have been building up Mongolia as a premium source of products. Furthermore, companies such as Burberry and Diesel are known for developing strong links with suppliers to improve their information technology and production capabilities. Enterprises selected for funding through the Project have inherent elements of performance, process, and origin to varying degrees. The TA will build on and combine these to provide a platform for creating credible and compelling brands.

28. The TA will contribute to realizing the impact of the Project—agriculture and rural growth that sustains premium value differentiation for Mongolian products. The outcome of the TA will be the creation of a process for brand development and management that is sustainable and replicable, while providing a demonstration effect. The TA output will be to develop and demonstrate a process for collaborative brand development including a brand framework, content of business proposals, an institutional framework for sustained brand management and development including a business plan for a brand management agency, three model brand partnership agreements between Mongolian enterprises and international brands, and three collaborative brands. Activities will involve building a hypothetical brand case, facilitating partnerships and enterprise selection (including internal and external surveys), designing brand proposals and proposal packs, making proposals, brokering partnerships and concluding deals, defining the collaborative brand, creating brand collateral, conducting the brand trial, and finally launching the brand.

29. Appendix 8 provides the terms of reference, cost estimates, and financing plan for the TA. The estimated TA cost is \$2.2 million equivalent. An ADB grant of \$2,000,000 equivalent is proposed from the Japan Special Fund funded by the Government of Japan. The Government will finance \$200,000 equivalent to cover workshops and training, remuneration of counterpart staff, and additional transport costs. Brand development will be contracted out to an international branding firm. Selection will follow ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Equipment will be procured using shopping following ADB's *Procurement Guidelines* (2007, as amended from time to time). MOF will be the Executing Agency. An independent PMU will implement the TA and gradually evolve into a branding agency. The TA is expected to commence in December 2008 and be completed by December 2010. Equipment procured through the TA will be transferred to MOF upon TA completion.

### XIII. KEY PERSONS INVOLVED IN THE PROJECT

#### A. ADB Staff

Agriculture, Environment and Natural  
Resources Division (EAAE)  
East Asia (Regional) Department  
(EARD)

Mr. Kunhamboo Kanan  
Director  
Tel.: +632 632 6139  
E-mail: [kkannan@adb.org](mailto:kkannan@adb.org)

Mr. Takeshi Ueda  
Natural Resources Economist  
Tel.: +632 632 6216  
E-mail: [taueda@adb.org](mailto:taueda@adb.org)

Ms. Anna San Pedro  
Assistant Project Analyst  
Tel.: +632 632 5258  
Email: [amsanpedro@adb.org](mailto:amsanpedro@adb.org)

Controller's Department  
Loan Administration Division, Section 4  
(CTLA-4)

Ms. Oksana D. Nazmieva  
Financial Control Specialist  
Tel.: +632 632 4423  
E-mail: [onazmieva@adb.org](mailto:onazmieva@adb.org)

Central Operations Services Office  
Consulting Operations Services  
Division 2 (COS2)

Mr. Jose Luis C. Syquia  
Procurement Specialist  
Tel.: +63 2 632 4450  
E-mail: [jsyquia@adb.org](mailto:jsyquia@adb.org)

Address:

Asian Development Bank  
No. 6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Trunkline: +632 632 4444  
+632 636 2534 (EAAE)  
<http://www.adb.org>

Facsimile:

Website Address:

#### B. Executing Agency

Ministry of Finance

Baavgai Khurenbaatar  
Director General, Department of Policy and  
Coordination for Aid and Loans  
Tel.: +976-11-262272  
E-mail: [khurenbaatar\\_b@mof.gov.mn](mailto:khurenbaatar_b@mof.gov.mn)

Togmid Dorjkhand  
Deputy Director General, Department of Policy and  
Coordination for Aid and Loans  
Tel.: +976-51-263764  
E-mail: [dorjkhand@yahoo.com](mailto:dorjkhand@yahoo.com)

Tsedendamba Zolzaya



Senior Specialist, Department of Policy and  
Coordination for Aid and Loans  
Tel.: +976-11-260679  
Fax: +976-11-262272  
E-mail: zolzaya\_ts@mof.gov.mn

Ministry of Food, Agriculture and  
Light Industry

Bayanmunkh Purevjav  
General Director, Strategic Planning and Policy  
Department  
Tel.: +976-11-262563  
E-mail: baya0529@yahoo.com

Oyundelger Nataa  
Senior Officer, External Cooperation Division,  
General Director, Strategic Planning and Policy  
Department  
Tel.: +976-51-261908  
Fax: +976-11-452554  
E-mail: n\_odelger2006@yahoo.com

#### **XIV. ADB ANTICORRUPTION POLICY**

30. ADB's *Anticorruption Policy* (1998, as amended to date) was explained to and discussed with the Government and executing agencies. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project. To support these efforts, relevant provisions of ADB's *Anticorruption Policy* are included in the grant regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project will include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

31. The ADB Office of the General Auditor is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff. Within that office, the Anticorruption Unit is responsible for dealing with all matters related to allegations of fraud and corruption. Anyone coming across evidence of corruption associated with the Project may contact the Anticorruption Unit by telephone, facsimile, by mail, or by email as follows:

Integrity Division (OAGI), Office of the Auditor General  
Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
0401 Metro Manila, Philippines  
Telephone: +63 2 632 5004  
Facsimile.: +63 2 636 2152  
Email: [anticorruption@adb.org](mailto:anticorruption@adb.org) or  
[integrity@adb.org](mailto:integrity@adb.org)

32. The Project Administration Memorandum (PAM) shall be read conjunction with the RRP, Grant Agreement, and other relevant ADB documents listed in Appendix 16.

## 1. DETAILED COST ESTIMATES

**Table A8.1: Project Components by Financiers**

(\$'000)

Item	Government of Mongolia		ADB-ADF		Commercial Banks		Enterprises		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1. Value-chain development	0.0	0.0	11,000.0	26.2	11,000.0	26.2	20,013.9	47.6	42,013.9	88.5
2. Rural infrastructure and services development	359.8	13.9	2,220.2	86.1	0.0	0.0	0.0	0.0	2,580.1	5.4
3. Project management	1,053.6	36.3	1,499.7	51.6	0.0	0.0	351.7	12.1	2,905.0	6.1
<b>Total Project Cost</b>	<b>1,413.4</b>	<b>3.0</b>	<b>14,720.0</b>	<b>31.0</b>	<b>11,000.0</b>	<b>23.2</b>	<b>20,365.6</b>	<b>42.8</b>	<b>47,499.0</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund.

Source: ADB estimates.

**Table A8.2: Expenditure Accounts by Financiers**

(\$'000)

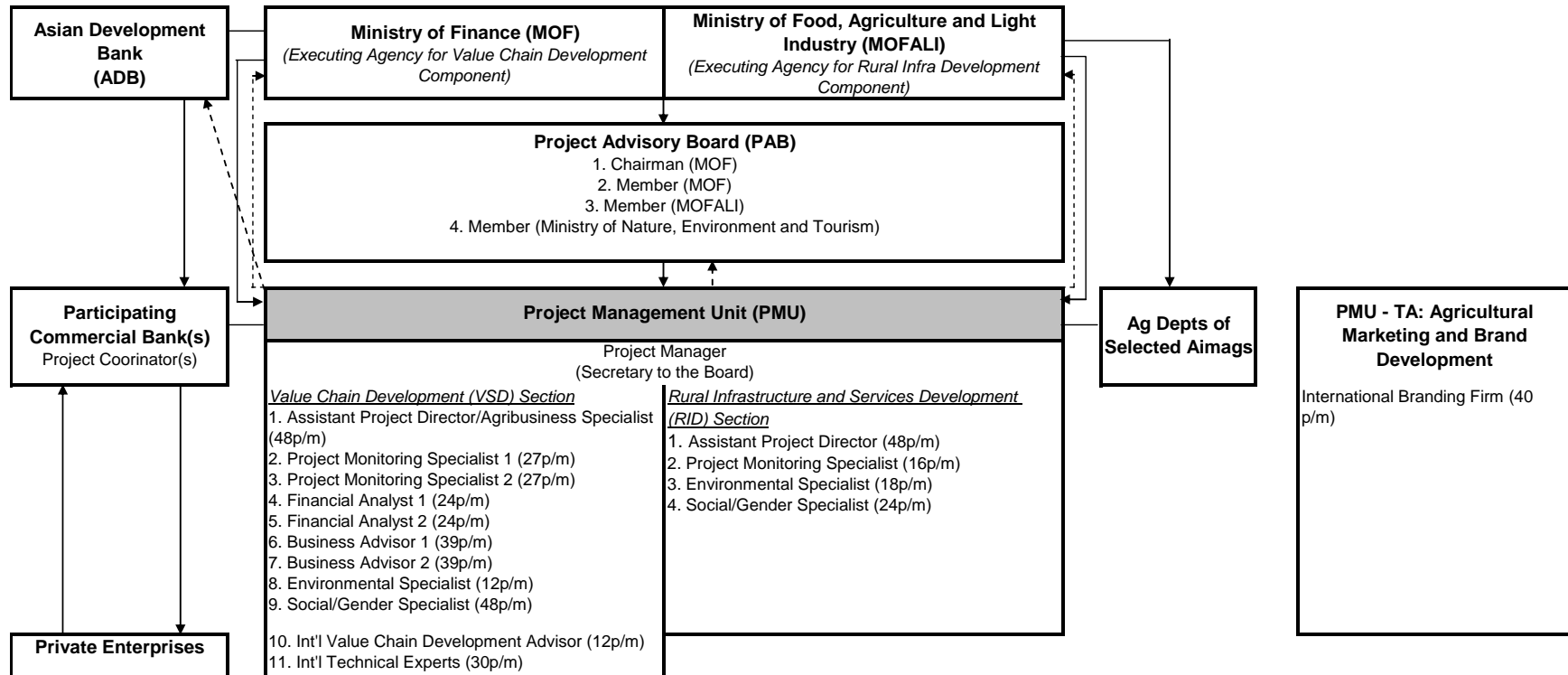
Item	Government of Mongolia		ADB-ADF		Commercial Banks		Enterprises		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Investment Costs</b>										
Salaries	732.1	100.0	0.0	0.0	0.0	0.0	0.0	0.0	732.1	1.5
Training	632.3	10.0	569.0	90.0	0.0	0.0	0.0	0.0	632.3	1.3
Consulting services	298.0	15.0	1,341.4	67.3	0.0	0.0	351.7	17.7	1,991.9	4.2
Civil works	40.0	15.0	263.0	85.0	0.0	0.0	0.0	0.0	309.9	0.7
Equipment and vehicles	246.0	15.0	1,396.0	85.0	0.0	0.0	0.0	0.0	1642.4	3.5
Materials	20.0	15.0	149.0	85.0	0.0	0.0	0.0	0.0	176.4	0.4
Value-chain development loans	0.0	0.0	11,000.0	26.2	11,000.0	26.2	20,013.9	47.6	42,013.9	88.5
<b>Total Project Cost</b>	<b>1,413.4</b>	<b>3.0</b>	<b>14,720.0</b>	<b>31.0</b>	<b>11,000.0</b>	<b>23.2</b>	<b>20,365.6</b>	<b>42.8</b>	<b>47,499.0</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund.

Source: ADB estimates.

## 2. PROJECT ORGANIZATION CHART

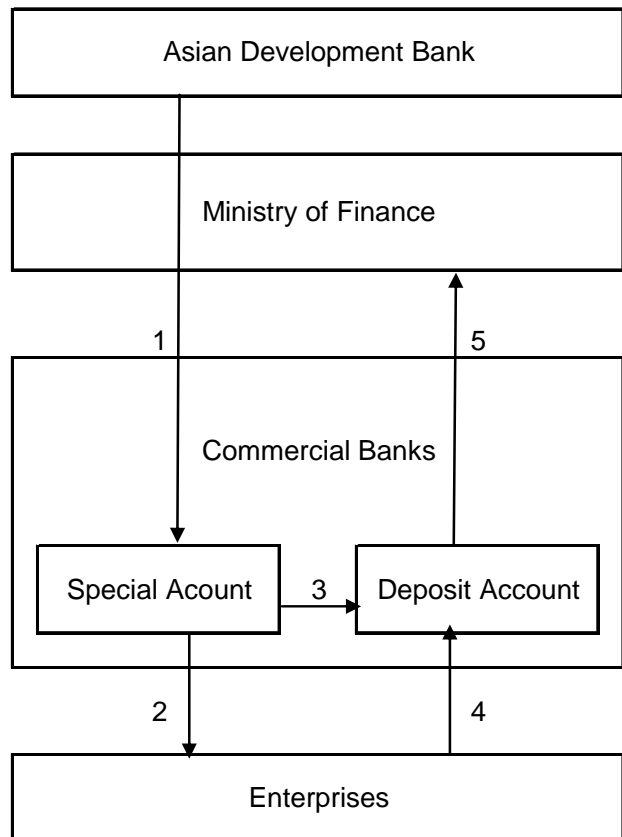
**Grant 0115-MON: Organization Chart**



### 3. FUNDS FLOW FOR VALUE CHAIN DEVELOPMENT

#### FUNDS FLOW FOR VALUE CHAIN DEVELOPMENT

1. ADB disburses funds to the Special Account of commercial banks on endorsement of Ministry of Finance
2. Commercial banks disburse loans to enterprises using their own funds.
3. Commercial banks withdraw funds from the Special Account to the Deposit Account against disbursement of their own funds to project enterprises
4. Commercial Banks will release funds from Deposit Account to Ministry of Finance upon repayment by Enterprises



#### 4. IMPLEMENTATION SCHEDULE

[illegible]

## 5. PROCUREMENT PLAN

**Table A5.1: Project Information**

Country	Mongolia
Name of Recipient	Mongolia
Project Name	Agriculture and Rural Development
Loan or Technical Assistance Reference	Tbd
Date of Effectiveness	Tbd
Amount \$ (total from all financiers):	\$14.72 million
Of Which Committed, \$	Tbd
Executing Agency	Ministry of Food and Agriculture, and Ministry of Finance
Approval Date of Original Procurement Plan	Tbd
Approval of Most Recent Procurement Plan	Tbd
Publication for Local Advertisement <sup>a</sup>	Tbd
Period Covered by this Plan	2008–2013

<sup>a</sup> General procurement notice, invitations to prequalify and bid, calls for expressions of interest.

**Table A5.2: Procurement Thresholds for Goods and Related Services, Works and Supply, and Installation**

Procurement Method	Estimated Contract Value (\$)
ICB civil works	Above \$1,000,000
ICB goods	Above \$500,000
NCB civil works	Less than \$1,000,000
NCB goods	Less than \$500,000
Shopping works	Below \$100,000
Shopping goods	Below \$100,000
Loans to financial intermediaries <sup>a</sup>	

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

<sup>a</sup> Procurement is undertaken by the respective beneficiaries in accordance with established private sector or commercial practices acceptable to the Asian Development Bank. International competitive bidding is the most appropriate for the purchase of large single items or in cases where large quantities of like goods can be grouped together for bulk purchasing.

**Table A5.3: Procurement Thresholds for Consultant Services**

Procurement Method	To be used
Quality- and Cost-Based Selection	For consultant services

**Table A5.4: List of Contract Package for Goods, Works and Consulting Services**

Description	Number of Contracts	Cost Estimate per Contract	Aggregated Total Cost Estimate	Mode of Procurement	Expected Date of Advertisement	Prior Review	Responsible Agency
<b>A. Civil Works</b>							
1. Veterinary Services Center <sup>a</sup>	5	20,000	100,000	Shopping		Yes <sup>b</sup>	PMU
<b>B. Equipment</b>							PMU
1. Veterinary Center	1	275,000	275,000	NCB		Yes	PMU
2. Marketing Cooperative <sup>c</sup>	3	83,300	250,000	Shopping		No	PMU
3. Fodder Production and Storage Facility	1	42,500	42,500	Shopping		No	PMU
4. Trucks	1	30,000	30,000	Shopping		No	PMU
5. Computers, Printer, and Photocopy Equipment	1	7,500	7,500	Shopping		No	PMU
6. Stocking Herd	1	50,000	50,000	Shopping		No	PMU

**C. Consulting Services**

1.	PMU Consultants	2	868,000	868,000	QCBS (80:20) Simplified technical proposal	Yes	PMU
<b>Total of Indicative Contract Packages</b>			<b>1,623,000</b>				

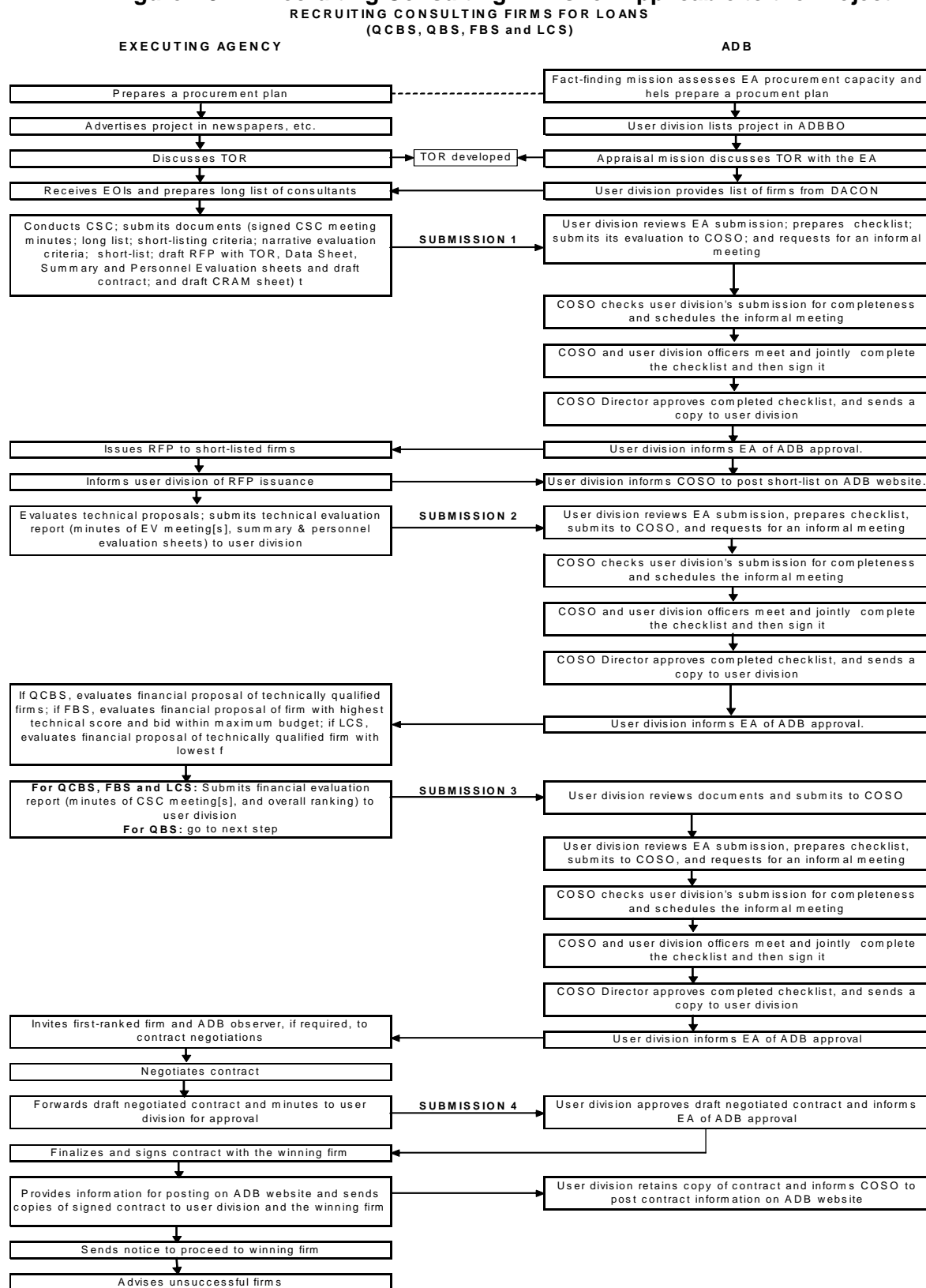
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NCB = national competitive bidding, PMU = project management unit, QCBS = quality- and cost-based system.

<sup>a</sup> Establishment of five veterinary services centers and testing laboratories are proposed.

<sup>b</sup> For NCB, the first draft English language version of the procurement documents should be submitted for Asian Development Bank (ADB) review and approval regardless of the estimated contract amount. ADB-approved procurement documents should be used as a model for all NCB procurement financed by ADB for the Project, and need not be subjected to further review. ADB will review the bid evaluation report and award of contract on a postreview basis. For shopping, ADB will normally review the award of contract on a postreview basis.

<sup>c</sup> Three marketing cooperatives for each of wool and cashmere, dairy, and meat are proposed under the Project.  
Source: ADB estimates.

**Figure A5.1: Recruiting Consulting Firms for Applicable to the Project**



## 6. PROCUREMENT PROCEDURES

### A. Procurement by Project Enterprises

1. Procurement will be in accordance with established commercial procedures acceptable to the recipient and the Asian Development Bank (ADB). To be acceptable, the enterprises will (i) demonstrate that procedures are appropriate in the circumstances; (ii) ensure that goods and services financed using project funds are purchased with consideration to economy and efficiency at a reasonable price, given time of delivery, quality, and efficiency; and (iii) ensure that goods and services to be financed by project funds are procured from ADB member countries.

### B. National Competitive Bidding

2. The recipient's standard procurement procedures are subject to the following modifications. The procedures to be followed for national competitive bidding (NCB) will be those set forth in the Public Procurement Law of Mongolia of 1 December 2005 effective since 1 February 2006, as amended (amendment 1 dated 6 February 2007), (hereinafter referred to as the Law) with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of ADB's *Procurement Guidelines* (2007, as amended from time to time).

- (i) **Applicable procurement procedure.** Bidding shall be conducted in accordance with the open bidding procedure as defined in the Public Procurement Law of Mongolia, chapter 2, subject to the provisions stated in para. ii (c).
- (ii) **Participation in bidding and preferences.** (a) Government-owned enterprises in Mongolia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of either the procuring entity or the project executing or implementing agency. (b) Prospective bidders shall be permitted to request bidding documents either in person or by mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee for the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The bidding documents shall be delivered at the prospective bidders' preference, either by hand or by mail or courier, provided that the bidder is willing to pay the mail or courier delivery charges which should be specified in the bid invitation. Each bidder shall be allowed to purchase only one set of the bidding documents for a given tender. No limitations shall be imposed on any bidder as to the number of tenders in which it may participate during a given time period. But the bidder's qualification (financial and technical capabilities) for award of contract(s) shall be assessed on the basis of its capacity to meet the aggregated qualifying requirements for the award of contracts for which it has submitted the lowest evaluated, substantially responsive bids. (c) Interested foreign bidders from eligible countries shall be allowed to participate without being required to associate or form joint ventures with local bidders. Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders. Mongolian bidders and goods manufactured in Mongolia shall be given no preference over foreign bidders and goods manufactured outside Mongolia either in the bidding process or in the evaluation of bids. (d) Prior registration shall not be a requirement for any bidder

to participate in bidding. (e) Prequalification of contractors shall not be required except in the case of large or complex works and with the prior written concurrence of ADB.

- (iii) **Advertising.** Invitations to bid shall be advertised in the Mongolian national language in at least one widely circulated national daily newspaper and freely accessible, nationally known website in accordance with Article 21.1 of the Law on Procurement. Bidding of NCB contracts estimated at (a) \$500,000 or more for goods and related services; and (b) \$1,000,000 or more for civil works shall be advertised concurrently with the general procurement notices on ADB's website.
- (iv) **Standard bidding document.** Standard bidding documents acceptable to ADB shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand, mail, or courier.
- (v) **Qualification criteria and evaluation criteria.** (a) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When postqualification is applied, the assessment of bidders' qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Executing and/or Implementing Agency and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated, substantially responsive bid shall be assessed first. The evaluation of a bidder's qualifications shall only take into account the bidder's capacity and resources to perform the contract, in particular, its experience and past performance on similar contracts; capabilities with respect to personnel, equipment, and construction or manufacturing facilities; and financial position. In carrying out the postqualification assessment, the Executing and/or Implementing Agency shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a reasonable time period (that is, a minimum of 7 days) to the bidder to provide a response. (b) Evaluation criteria to be used in the evaluation of bids shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.
- (vi) **Bid opening, evaluation, and award of contract.** (a) Bids shall be opened in public immediately upon the stipulated deadline for submission of bids. Bidders' representatives and project beneficiaries from the concerned local community shall be allowed to attend. The name of the bidder and total amount of each bid including discounts shall be read aloud and recorded in the bid opening record (BOR). Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened. Immediately after completion of the bid opening proceedings, a copy of BOR shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity, and shall be retained at the same location until the award of contract has been notified. A copy of BOR shall be promptly provided to all bidders who submitted

bids. (b) All bids shall not be rejected or new bids invited without ADB's prior written concurrence. (c) No bid shall be rejected merely on the basis of a comparison with the owner's estimated cost or budget ceiling without ADB's prior written concurrence. (d) A bid containing material deviations from or reservations to the terms, conditions, or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of nonmaterial, minor deviations, or reservations. (e) The evaluation of bids shall be done in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid. (f) Bidders shall be requested to extend the validity of their bids only under exceptional circumstances and, in all such cases, the Executing and/or Implementing Agency shall obtain ADB approval for the extension of the bid validity period in a timely manner, and subsequently, communicate such request for extension of the validity period of the bids in writing to all bidders before the date of expiry of their bids. Bidders shall have the right to refuse to grant such an extension of the validity of their bids without forfeiting their bid securities. Bidders agreeing to extend the validity date of their bids shall also extend the validity period of their bid securities. (g) In the case of contracts of more than 18 months' duration, the bidding documents and the resultant contract shall provide for price adjustment based on a formula acceptable to ADB which shall be disclosed to the bidders in the bidding documents. (h) If a bidder that submitted the lowest evaluated bid refuses to accept the arithmetical corrections made by the Executing and/or Implementing Agency during the evaluation of its bid, its bid shall be disqualified and its bid security shall be forfeited. (i) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify its bid as originally submitted. (j) There shall be no postbidding negotiations with the lowest evaluated bidder or any other bidder. No bidder shall be required, as a condition for the award of contract, to change the bid price or otherwise materially alter the bid after it has been submitted. (k) A bidder declared ineligible by ADB, based on a determination by ADB that the bidder has engaged in corrupt, fraudulent, collusive, or coercive practices in competing for or in executing an ADB-financed contract, shall be ineligible to be awarded an ADB-financed contract during the period of time determined by ADB.

- (vii) **Inspections of accounts and records.** Bidding documents and contracts under NCB procedures financed by ADB shall include a provision requiring suppliers and contractors to permit ADB to inspect their accounts and records relating to the bid submission and the performance of the contract by the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by ADB, if so required by ADB.
- (viii) **Complaints by bidders and handling of complaints.** Bidders' complaints shall be handled in accordance with the procedures set out in the Public Procurement Law of Mongolia, chapter 7.
- (ix) **Disclosure of decisions on contract awards.** At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be published in a local newspaper or well-known, freely

accessible website identifying the bid and lot numbers and providing information on (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name of bidders whose bids were rejected and the reasons for their rejection; and (d) name of the winning bidder, the price it offered, and the duration and summary scope of the contract awarded. The procuring entity, Executing and/or Implementing Agency shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids were not selected.

- (x) **ADB member country restrictions.** Bidders must be nationals of member countries of ADB, and offered goods and works must be produced in and supplied from ADB member countries.

## 7. DISBURSEMENT MODALITIES

### A. Basic Requirements for Disbursements

1. For the first withdrawal from the Loan Account, the following are required:
  - The Loan Agreement must have been declared effective by ADB;
  - The Borrower shall open, immediately after the Effective Date, an imprest accounts, at the State or commercial banks acceptable to ADB for expenditures under the Project (refer to the **Imprest Account Procedure**). The imprest accounts shall be established, managed, replenished and liquidated in accordance with the ADB's *Loan Disbursement Handbook*, and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into the imprest accounts shall not exceed the lesser of the equivalent of 10% of the Loan amount and the estimated expenditures for the next six months;
  - Sufficient evidence of the authority of the person(s) who will sign withdrawal applications on behalf of the borrower, together with the authenticated specimen signature of each authorized person of MOF and HPG must have been submitted by the borrower to ADB. Any subsequent change in the list of authorized representatives must be reported without delay. Authenticated specimen signatures of new representatives must also be provided; and
  - Any other disbursement conditions as specified in the Loan Agreement must be met.

### B. Withdrawal Application

2. For all withdrawals, ADB must receive a withdrawal application in the prescribed form. A withdrawal application is a written request to ADB by the borrower to pay funds against the borrower's Loan Account. The application must reach ADB before the Loan closing date.
3. A withdrawal application usually consists of:
  - the application itself, in letter form, in two copies;
  - summary sheet(s); and
  - supporting documents ; or
  - statement of expenditures (SOE).

### C. Types of Disbursement Procedure

4. The EA may disburse eligible expenditures under the Project through the following procedures:
  - (i) **Direct Payment**
    - The borrower may request ADB to pay the supplier/contractor directly from the loan funds.
    - ADB's payment is on behalf of the borrower and is treated as a withdrawal by the Borrower from the Loan Account.
    - Basic requirements are:
      - Signed Withdrawal Application form (ADB -DRP/RMP)
      - Summary sheet (ADB - DRP – SS)
      - Supporting documents

**(ii) Commitment**

- At the request of the Borrower, ADB provides an irrevocable undertaking to reimburse a commercial bank for payments made or to be made to a supplier against a Letter of Credit (L/C).
- This procedure is extensively used for financing import of goods.
- Basic requirements are:
  - Signed Commitment Letter Application (ADB-CL)
  - Summary Sheet for Commitment Letter
  - Supporting documents

**(iii) Reimbursement**

- Eligible expenditures incurred and paid for from Borrower's own resources.
- ADB pays to the Borrower's account
- Full documentation
- Basic requirements are:
  - Signed Withdrawal Application (ADB -DRP/RMP)
  - Summary Sheet (ADB - DRP – SS)
  - Supporting documents:
    - Contract or PO
    - Invoice (Goods - invoice, bill of lading; Services - claim; Civil Work - claim, certificate)
    - Evidence of receipt of payment (payee, amount, date of payment, nature of payment)
- Where full documentation would be impractical, burdensome, voluminous or costly, ADB may allow simplified documentation following special types of reimbursement procedures
- Applicable Special Reimbursement Procedures:

**a. Statement of Expenditures (SOE)**

- No submission of supporting documents
- Certification from Borrower
  - Expenditures incurred and paid for
  - Records well maintained
  - Records are available for examination by ADB
  - Review missions and independent auditors
- SOE Forms
  - For contract items
  - For non-contract items
  - For other items
- Conditions for Use of SOE
  - Impracticability of full documentation
  - Borrower/EA's Admin. & Accounting capability
  - Audit arrangements
  - Prior ADB approval
  - Limitations - \$100,000 per individual payment.

**b. Force Account**

- The Force Account Works procedure is used to reimburse the Borrower for expenditures incurred carrying out certain approved civil works required for the project, when using the Borrower's own work force, equipment and other civil work resources.
  - Reimbursement procedure
  - Borrower uses its own work force, equipment and other resources
  - Competitive bidding unsuitable for size, nature and location
  - Constructions proven satisfactorily at reasonable costs
  - Two certificates should be submitted to ADB:
    - Part 1 Certificate - This indicates cumulative percentage of completion of physical progress of work. It is certified and signed by [1] the Chief Engineer or [2] authorized representative of the Borrower or project consultant.
    - Part 1 Certificate - It indicates the cumulative amount in US\$ that can be withdrawn and the current amount of claim based on the percentage of work completed as shown in Part 1. The authorized representative of the Borrower certifies amount (percentage is multiplied by the estimated force account work amount agreed).
- (iv) **Imprest Account** - see relevant section on this Appendix for detailed discussion on this procedure.

## **Procedure for Opening Imprest Account**

### **A. Imprest Account for Loan Proceeds**

1. The Executing Agency (EA) shall open two imprest accounts immediately after effectiveness of the Loan at a commercial bank acceptable to ADB. The Imprest accounts shall be managed, replenished and liquidated in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time), the Loan Agreement and detailed arrangements agreed upon between the EA, MOF, and ADB.

### **B. Initial Advance and Ceiling**

2. After the loan effectiveness, the EA may request an initial advance from ADB based on the estimated expenditures for the first six months of the project or 10 percent of the proceeds of the Loan, whichever is lower. The initial advance and subsequent advances are not to exceed the approved ceiling of advances. All advances are deposited in the imprest accounts. The EA must obtain prior ADB approval for any upward changes in the approved ceiling.

### **C. Currency of Domination**

3. The imprest account shall be dominated in US Dollar.

### **D. Comfort Letter**

4. If the imprest account is maintained in a commercial bank, a comfort letter is required to protect the interest of both the EA and ADB. The letter confirms that the commercial bank shall not assert any claim to set off, seize, or attach amounts on deposit to the Account to satisfy amounts due to the commercial bank by the EA.

### **E. ADB Requirements to Transfer Initial Deposit to the Imprest Account**

**5. ADB requires the following documents to process transfer of initial deposit to the imprest account:**

- (i) two copies of a withdrawal application for imprest fund using form ADB-IFP (mark the box for "Initial Advance").
- (ii) estimate of expenditure sheet using form ADB-IFP-EES.
- (iii) list of authorized representative(s) with their specimen signature(s) to withdraw fund from the imprest account.
- (iv) copy of the comfort letter from the commercial bank where the imprest account was established/opened.



## **Operating the Imprest Account – Reimbursement Procedure**

### **A. Statement of Expenditures (SOE)**

6. The SOE procedure is a reimbursement procedure requiring no submission of supporting documents. The SOE procedure will be used for reimbursement of eligible expenditures for the project and to liquidate advances provided into the imprest account. Any individual payment to be reimbursed, liquidated or replenished under the SOE procedure shall not exceed the equivalent of US\$ 100,000. ADB will require full documentation of individual expenditure exceeding this amount.

### **B. Account and Records**

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

### **C. Liquidation and Replenishment**

8. When applying for replenishment of the imprest accounts, the EAs shall prepare and submit to ADB a withdrawal application form (ADB-IFP), the summary sheet (ADB-IFP-SS) and SOE form, imprest account reconciliation statement, and a copy of the most recent bank statement.

### **D. Closing of the Imprest Account**

11. When ADB shall have determined that the project components to be financed with payments from the Imprest Account are near completion, ADB may reduce the amount of any replenishment, as ADB may deem appropriate with a view towards gradually closing the Imprest Account.

12. In the event that (i) ADB determines that the amount outstanding in the imprest account will not be required to cover eligible expenditures, or (ii) any amount remains outstanding in the imprest account after the closing date specified in the Loan Agreement, the EAs shall, promptly upon notice from ADB, and unless otherwise agreed by ADB, refund to ADB such amount then outstanding in the imprest account.

### **E. Eligible and Ineligible Expenditures**

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

14. Conversely, where any withdrawal or payment from the Imprest Account is determined by ADB (i) to have been utilized for any purposes not eligible, or (ii) not justified by the evidence furnished, the EAs shall promptly upon notice from ADB and unless otherwise agreed by ADB, prior to any further replenishments, deposit into the Imprest Account an amount equal to the

amount of such payment to the portion thereof not so eligible or justified, in the same currency as that in which the amount was withdrawn from the Loan. Alternatively, ADB may offset the unjustified payment against new withdrawal application for reimbursement.

**F. Other Matters**

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

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

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

Asian Development Bank **ADB**

PROJECT: \_\_\_\_\_ LOAN/GRANT NO. \_\_\_\_\_ SEGMENT NO. \_\_\_\_\_ FUNDS (OCR, SF, ADF-IX, ATF<sup>2/</sup>) \_\_\_\_\_ COUNTRY (Acronym) \_\_\_\_\_ PROJECTIONS MADE IN: \_\_\_\_\_ (Month, Year)

Ref. Line No.	Category <sup>1/</sup>	CONTRACT/COMMITMENT ITEM <sup>1/</sup>	Contracts Awarded on Previous Year(s)	QUARTER 1			QUARTER 2			QUARTER 3			QUARTER 4			TOTAL PROJECTED FOR THE YEAR 20____ (YP)=(QA) + (QP)	
				Jan, Feb, Mar 20____			Apr, May, Jun 20____			Jul, Aug, Sep 20____			Oct, Nov, Dec 20____			Contract Value/ Commitment (9)=(1+3+5+7)	Disbursement Amount Related to the Contract/ Commitment (10)=(2+4+6+8)
				Month, Year Contract Awarded	QP	Disbursement Amount Related to the Contract/ Commitment (2)	QP	Disbursement Amount Related to the Contract/ Commitment (4)	QP	Disbursement Amount Related to the Contract/ Commitment (6)	QP	Disbursement Amount Related to the Contract/ Commitment (8)					
					QA		Month Awarded/ Committed or To be Awarded/ Committed		QA		Month Awarded/ Committed or To be Awarded/ Committed		QA	Month Awarded/ Committed or To be Awarded/ Committed	QA		
TOTAL (Carried Forward) FROM PREVIOUS PAGE ____ OF ____ PAGES				QP	QA	QP	QA	QP	QA	QP	QA	QP	QA	QP	QA		
1																	
2																	
3																	
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7																	
8																	
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10																	
TOTAL OF THIS PAGE ____ OF ____ PAGES (To be carried on next page)																	
GRAND TOTAL (LAST PAGE)																	

<sup>1/</sup> In accordance with the allocation of loan proceeds as defined in the loan documents, or any other detailed breakdown if found useful.

<sup>2/</sup> ATF = Asian Tsunami Fund; Projections should be for the ADB-ATF financed component only.

QA = Quarterly Actual (already awarded/committed/disbursed, when projections are prepared).

QP = Quarterly Projected (to be awarded/committed/disbursed, when projections are prepared).

NOTES AND REMARKS:

Page \_\_\_\_ of \_\_\_\_ pages

QP-01-20

## 8. GRANT COVENANTS

	<b>Reference in the Grant Agreement</b>	<b>Major Covenants</b>	<b>Deadline for Compliance</b>
1	GA, Schedule 4 Para 1	MOF shall be the EA for the Value Chain Development Component, and MOFA shall be the EA for the Rural Infrastructure and Services Development Component. Each of MOF and MOFA shall also be the EA for the activities under the Project Management Component associated with the Value Chain Development Component and the Rural Infrastructure and Services Development Component, respectively.	Ongoing
2	GA, Schedule 4 Para 2	Within three (3) months of the Effective Date, the Recipient shall ensure that two (2) PMUs are established in a manner acceptable to ADB, headed by a full-time Project Coordinator (formerly Project Director), and staffed with competent personnel. Within three (3) of the Effective Date, the Recipient shall ensure that the Project Director (formerly Project Manager) is appointed. The Project Director shall (a) oversee overall Project implementation; (b) manage Project imprest account; (c) report to the Advisory Board; (d) facilitate community based monitoring of Project implementation; and (e) coordinate activities that impact across different Components and with other assistance projects undertaken by other assistance agencies in Mongolia.	
3	GA, Schedule 4 Para 3	The PMU for the Value Chain Development Component shall be established within MOF and shall (a) collaborate with the Participating Banks; (b) ensure that the proceeds of the Grant made available to Participating Banks are deposited into the Deposit Accounts in accordance with the respective Financing Agreements; (c) ensure that the use of VCD loans by Participating Enterprises is in accordance with the respective investment plans; (d) forecast forward funding requirements of Participating Enterprises and arrange funds flow; (e) provide business advisory services; (f) in liaison with ADB and the Recipient, develop and assist in implementing corrective actions under the Project, as necessary; (g) monitor financial performance of Participating Enterprises and compliance with the relevant covenants provided for in this Grant Agreement as well as environmental and social performance measures on the investments; (h) organize stakeholder mobilization and gender awareness workshops; and (i) prepare and submit required reports for this Component. The Project Coordinator, supported by consultants, shall be responsible for implementation of the Value Chain Development Component and shall report to the Project Director.	

- 4 GA, Schedule 4 Para 4 The PMU for Rural Infrastructure and Services Development Component shall be established within MOFA and shall (a) assist in evaluating investment proposals; (b) forecast forward funding requirements for this Component and arrange funds flow; (c) monitor compliance with the relevant covenants provided for in this Grant Agreement; (d) organize stakeholder mobilization and gender awareness workshops; and (e) prepare and submit required reports for this Component. A full-time Project Coordinator, supported by consultants, shall be responsible for implementation of the Rural Infrastructure and Services Development Component and shall report to the Project Director. In addition, MOFA shall establish a working group to oversee the implementation of this Component and shall provide technical experts from MOFA in relevant fields (including, but not limited to, civil engineering and participatory planning, etc.) to assist the implementation of the Project.
- 5 GA, Schedule 4 Para 5 An Advisory Board shall be established comprising two representatives of MOF (including the chairperson), two representatives from MOFALI and one representative from MNET (formerly, "a representative from each of MOFA, MNE and the Recipient's Ministry of Industry and Trade"). The Advisory Board shall (a) monitor the overall implementation of the Project; and (b) ensure coordination across different Components. The Advisory Board shall meet as required but at least once every six months to review the progress of this Project and shall receive and review reports produced by each PMU. The Project Director (formerly Project Manager) shall serve as the secretary to the Advisory Board and shall be responsible for implementing the decisions of the Advisory Board. Representatives of ADB may attend all meetings as an observer and representatives of Participating Enterprises, civil society and private sector may be invited to join meetings as observers as necessary.
- 6 GA, Schedule 4 Para 6 The Recipient shall ensure that Participating Enterprises use the proceeds of VCD loans exclusively for the purpose outlined in the investment plan endorsed by the Advisory Board and that the recommendations of the PMU for the Value Chain Development Component are followed, in case of deviations from the relevant investment plan.
- 7 GA, Schedule 4 Para 7 The Recipient shall ensure that adequate budgetary allocations for counterpart funds are made, approved, and released, in a timely manner, for proper Project implementation.
- 8 GA, Schedule 4 Para 8 The Recipient shall provide adequate office and other facilities necessary for timely and effective Project implementation.
- 9 GA, Schedule 4 Para 9 Except as ADB may otherwise agree, the Recipient shall ensure that each Participating Bank is selected by the MOF in accordance with the following criteria, as agreed with ADB from

time to time:

- (a) the Participating Bank is financially sound and meets the BOM's prudential requirements;
- (b) the Participating Bank has adequate staff for the management of funds made available under the Project;
- (c) the Participating Bank has an acceptable record of medium-sized corporate lending; and
- (d) the Participating Bank has at least 20 percent of its existing loan portfolio in rural areas.

10 GA, Schedule  
4 Para 10

Except as ADB may otherwise agree, the Recipient shall ensure that each Financing Agreement includes the following terms and conditions:

- (a) The Participating Bank shall ensure that each VCD loan shall carry interest at an appropriate rate, but not less than interest rate under ADB loans from its ordinary capital resources, and shall be made on terms whereby the Participating Bank shall obtain, by a written agreement with the Participating Enterprise in form acceptable to ADB, rights adequate to protect the interests of the Recipient, the Participating Bank and ADB.
- (b) The amortization schedule applicable to each VCD loan shall not extend beyond seven (7) years, including a grace period not exceeding three (3) years, from the date when such loan is approved.
- (c) The Participating Bank shall repay to the Recipient the funds from the Deposit Account equal to 50 percent of every principal repayment that the Participating Bank receives for a VCD loan after deducting interest payment on such loan.
- (d) In the event that a VCD loan is declared as a loss by a Participating Bank in its reporting to the BOM, the Participating Bank shall draw down from the Deposit Account an amount equal to 50 percent of the principal repayment outstanding on the loan declared as a loss.
- (e) The Deposit Account shall be operated by each Participating Bank in accordance with terms approved by ADB. The deposits into the Deposit Account shall be in Dollars and togrog, guaranteeing 50 percent each of the Dollar and togrog disbursement to a Participating Enterprise.
- (f) The Participating Bank shall ensure that in addition to any other provisions that a prudent lender would request, each loan agreement shall include provisions to the effect that:
  - (i) the Participating Enterprise shall carry out and operate the subproject with due diligence and efficiency and in accordance with sound administrative, financial, business and environmental practices, including maintenance of adequate accounts and records;
  - (ii) the proceeds of the project funds shall be used only for procurement in eligible source countries as specified by ADB, in accordance with procedures

acceptable to ADB;

- (iii) the Goods, Works and consulting services to be financed out of the proceeds of the VCD loan shall be used exclusively in the carrying out of the subproject in accordance with the investment plan;
- (iv) ADB, the Recipient and the Participating Bank shall each have the right to inspect such Goods and Works, the Participating Enterprise, the subproject and any relevant records and documents;
- (v) the Participating Enterprise shall take out and maintain with accredited insurers insurance against such risks and in such amounts as shall be consistent with sound business practice, and without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of Goods financed out of the proceeds of the loan to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods;
- (vi) ADB, the Recipient and the Participating Bank shall each be entitled to obtain all such information as each shall reasonably request relating to the VCD loan, the Goods, Works and consulting services financed out of the proceeds of the VCD loan, the subproject, the Participating Enterprise and other related matters; and
- (vii) the Participating Bank shall be entitled to suspend or terminate further access by the Participating Enterprise to the use of the proceeds of the loan upon failure by the Participating Enterprise to perform its obligations under its agreement with the Participating Bank.

- |    |                        |   |
|----|------------------------|---|
| 11 | GA, Schedule 4 Para 11 | Except as agreed with ADB, the Recipient shall not grant any debt amnesty or forgive VCD loan repayment obligations with respect to the loans.  |
| 12 | GA, Schedule 4 Para 12 | The Recipient shall ensure that within two (2) years of the first disbursement to each Participating Enterprise, such Participating Enterprise shall produce annual financial statements certified by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB in accordance with international accounting standards. |
| 13 | GA, Schedule 4 Para 13 | The Recipient shall ensure (i) that Project activities are carried out in accordance with the Recipient's applicable  |

environmental laws and regulations, ADB's *Environment Policy* (2002), the IEEs and summary IEE; and (ii) compliance with the EARP.

- 14 GA, Schedule 4 Para 14 The Recipient shall ensure that each of the IEEs prepared for the four (4) representative enterprises studied under the project preparatory technical assistance No. 4846 is reviewed and updated in accordance with the EARP at the stage of approval of the financing proposal of each such enterprise and submitted to, and approved by, MNE prior to commencement of civil works or procurement.
  
- 15 GA, Schedule 4 Para 15 The Recipient shall ensure that public consultation and information disclosure procedures are conducted in accordance with requirements of ADB and the Recipient for each investment plan classified as a category B project under ADB's *Environment Policy* (2002).
  
- 16 GA, Schedule 4 Para 16 The Recipient shall ensure that the Project shall not cause any land acquisition, resettlement or limits on access to land. In the event of (a) any involuntary resettlement, (b) land acquisition or (c) resettlement activities during Project implementation, the Recipient shall inform ADB, prepare necessary resettlement plans in accordance with ADB's *Involuntary Resettlement Policy* (1995) and the Recipient's applicable laws and regulations, disclose these resettlement plans to affected people and submit them to ADB for approval prior to award of civil works contracts. In the event of discrepancies between the Recipient's laws and regulations and ADB's *Involuntary Resettlement Policy*, ADB's *Involuntary Resettlement Policy* shall prevail.
  
- 17 GA, Schedule 4 Para 17 The Recipient shall ensure that the Project does not cause any negative impact on indigenous people. In the event of any unanticipated or unforeseen negative impact on the indigenous people, the Recipient shall ensure that the Project is implemented in accordance with AD B's *Policy on Indigenous People* (1998).
  
- 18 GA, Schedule 4 Para 18 The Recipient shall ensure that the EAs implement GAP in a timely manner during the entire Project period. The Recipient shall ensure that (a) adequate resources are allocated for this purpose; (b) gender-related indicators are included in the monitoring and evaluation system for the Project; and (c) sex-disaggregated data are collected and monitored.
  
- 19 GA, Schedule 4 Para 19 Consistent with ADB's and with the Recipient's commitment to good governance, accountability and transparency, the Recipient shall ensure that the proceeds of the Grant are



utilized effectively and efficiently to implement the Project and to achieve the Project objectives. The Recipient shall ensure that MOF and MOFALI (formerly MOFA) (a) undertake necessary measures to create and sustain a corruption-free environment; (b) ensure that the Recipient's Anticorruption Law and ADB's *Anticorruption Policy* (1998, as amended to date) are enforced and are complied with during Project implementation, and that relevant provisions of ADB's *Anticorruption Policy* are included in bidding documents for the Project; (c) facilitate ADB's exercise of its right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; (d) conduct periodic inspections of the activities of project contractors related to fund withdrawals and settlements; (e) ensure that the PMU for the Value Chain Development Component conducts spot audits; and (f) ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants and other service providers as they relate to the Project. The Recipient shall cooperate with any audit and investigation and extend necessary assistance, including access to all relevant books and records, as well as engagement of independent auditors and experts that may be needed for satisfactory completion of such audits and investigations. All external costs related to the audits and investigations, including the spot audit performed by the PMU for the Value Chain Development Component, shall be funded from the proceeds of the Grant.

20 GA, Schedule  
4 Para 20

Within twelve (12) months of the Effective Date, the Recipient shall cause MOF and MOFALI (formerly MOFA) to ensure the establishment of a Project performance monitoring system acceptable to ADB and the Recipient.

21 GA, Schedule  
4 Para 21

The Recipient and ADB shall jointly undertake a mid-term review of the Project in the second year of the implementation of the Project to assess implementation progress and identify necessary changes in Project design, implementation schedule and/or implementation arrangements.

## 9. TECHNICAL ASSISTANCE FOR AGRICULTURAL MARKETING AND BRAND DEVELOPMENT

1. The proposed technical assistance (TA) will be directed to capitalizing on opportunities in niche markets to develop a premium brand for Mongolian agriculture products. The brand development will be primarily aimed at developing partnerships between Mongolian enterprises and external premium brands to develop a virtual vertically integrated value chain. The long-term ambition could be to provide an opportunity for Mongolian enterprises to develop their own indigenous consumer brands for the export market. A number of high-end brands (i) want to stay away from price discounted goods, and (ii) would be interested in building the idea of Mongolia as a premium and/or exclusive product source.<sup>1</sup> Enterprises selected for funding through the Project have inherent elements of performance, process, and origin to varying degrees. The TA will draw on and combine these to provide a platform for creating credible and compelling brands.

### A. Impact and Outcome

2. The TA will contribute to realizing the impact of the Project—agriculture and rural growth that sustains premium value differentiation for Mongolian products. The outcome will be the creation of a process for brand development and management that is sustainable and replicable by the institutions charged with managing that process, while providing a demonstration effect with two leading enterprises and involving other enterprises in the longer-term process.

### B. Outputs

3. The TA outputs will be a brand framework, content of business proposals, and an institutional framework for sustained brand management and development including a business plan for a brand management agency.

### C. Terms of Reference for Consulting Services

4. An international branding firm will be recruited through a lump-sum contract.<sup>2</sup> Services are expected to be provided by a team of two senior consultants supported by a team of up to five junior consultants and researchers altogether providing approximately 40 person-months of inputs including 6 person-months in Mongolia. The selection of consultants will follow the Asian Development Bank's (ADB) *Guidelines on the Use of Consultants* (2007, as amended from time to time) and other arrangements for the recruitment of domestic consultants acceptable to ADB.

5. The consultants will undertake the following tasks:

- (i) develop a brand framework;
- (ii) catalogue the supporting technical issues;
- (iii) using two enterprises, develop guidelines for enterprises preparing for brand development;
- (iv) develop the generic material and content for business to business proposals by Mongolian enterprises;

<sup>1</sup> For example, Loro Piana and Dunhill have developed Mongolia as a premium source of products. Furthermore, companies such as Burberry and Diesel are known for developing strong links with suppliers to improve their information technology and production capabilities.

<sup>2</sup> International branding companies do not operate against personnel schedules and specified individual inputs. They operate as entities that commit to deliverables. Therefore a lump sum remuneration contract to provide the defined TA outputs for the brand development component is proposed as the contracting method for consultants.

- (v) make proposals for two enterprises and develop generic guidelines;
- (vi) facilitate partnership agreements and use these deals to develop guidelines for other enterprises;
- (vii) facilitate the implementation of the partnership agreements;
- (viii) help the external enterprises define the brand based upon actual product development and feed this back into the proposals developed earlier;
- (ix) provide advice to the partners and their point agencies on the use of the brand; and
- (x) assist in the launch of the product brand.

6. The consultants will maintain a continuous strand of collated lessons to be used to refine the process for subsequent enterprises and feed it back into the generic process and proposal.

#### D. Cost Estimates

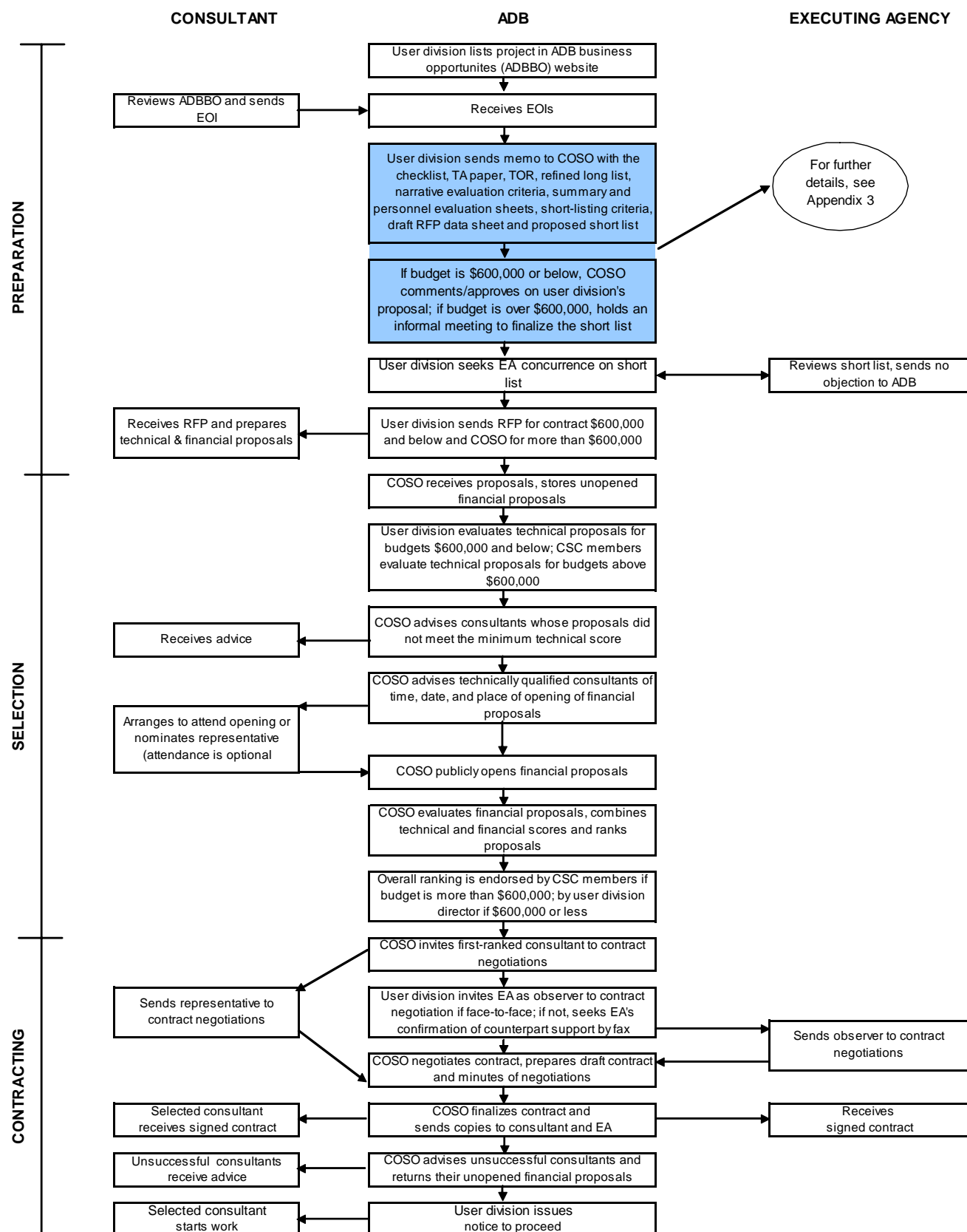
7. The estimated TA cost is \$2.20 million equivalent, of which \$2.00 million equivalent will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The cost estimates are in Table A11.

**Table A11: Cost Estimates and Financing Plan**  
(\$'000)

Item	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	1,183.0
b. International and Local Travel	140.0
c. Reports and Communication	175.0
2. Equipment	15.0
3. Training, Seminars, Conferences, and Workshops	200.0
4. Surveys and Study Tours	175.0
5. Contingencies	112.0
<b>Subtotal (A)</b>	<b>2,000.0</b>
<b>B. Government Financing</b>	
1. Remuneration and Per Diem of Counterpart Staff	117.0
2. Transport	25.
3. Surveys and Documents	35.
4. Contingencies	23.
<b>Subtotal (B)</b>	<b>200.0</b>
<b>Total</b>	<b>2,200.0</b>

a Financed by the Japan Special Fund, funded by the Government of Japan.  
Source: Asian Development Bank estimates.

## RECRUITING CONSULTING FIRMS FOR TECHNICAL ASSISTANCE USING QCBS



## 10. PROJECT PERFORMANCE REPORT

### PROJECT PERFORMANCE REPORT

As of 30 Jun 2008

SERIAL NO : 5  
 DIVISION : EAEE  
 DEPARTMENT : EARD  
 PROJECT NO : 38662  
 STATUS : ACTIVE

#### BASIC DATA

NAME	PROJECT AT RISK	LAST:	CURR:	TI
		: No	No	Targeted Intervention
2395: HENAN SUSTAINABLE AGRIC & PRODUCTIVITY IMPRVMT	Impact and Outcome	: S	S	
	Implementation Progress (IP)	: S	S	
	Potential Problem (PP)	: No	No	
	Override	: No	No	

ECO, ENV, PSD

Subthemes: Developing rural areas; Natural resources conserve; and Public-private partnerships

LOAN NO(S)	APPROVAL	SIGNING	EFFECTIVITY	ORIGINAL	REVISED	ACTUAL	PHYSICAL COMPLETION	ELAPSED LOAN PERIOD
2395-PRC	13 Dec 07	19 May 08	-	30 Jun 13	-	-	ORIG: Dec 12 REV:	ORIG: 10% REV: 0%

PROJECT PROGRESS:

LAST: ACTUAL DAYS (last 12 months): 0

REVIEW MISSIONS: NEXT: PLANNED DAYS: 0

EXECUTING Sanmenxia Municipal Government

AGENCIES:

#### FINANCING PLAN (LOAN)

	TOTAL	COUNTERPART	CURRENT VALUE OF	BALANCE
PROJECT COST	135.9	FUNDS ADEQUATE	BANK LOAN:	AVAILABLE FOR
ADB	66.7		APPROVED : 66.700	COMMITMENT:
Agro-enterprises	31.5		NET : -	66.700
Farmers	13.4			
Sanmenxia Municipal Govt	24.0			

#### LOAN UTILIZATION

CUMULATIVE CONTRACT AWARDS				2008 CONTRACT AWARDS					
	ADB	OTHERS	CUMULATIVE		1Q	2Q	3Q	4Q	TOTAL
Dec 07	0.000	0.000	CONTRACTS TO NET	PROJ	0.000	0.000	0.000	0.500	0.500
30 Jun 08	0.000	0.000	BANK LOAN(S): 0%	ACTUAL	0.000	0.000	0.000	0.000	0.000
Proj 08	0.500								
CUMULATIVE DISBURSEMENTS				2008 DISBURSEMENTS					
	ADB	OTHERS	CUMULATIVE		1Q	2Q	3Q	4Q	TOTAL
Dec 07	0.000	0.000	DISBURSEMENTS	PROJ	0.000	0.000	4.000	0.000	4.000
30 Jun 08	0.000	0.000	TO NET BANK	ACTUAL	0.000	0.000	0.000	0.000	0.000
Proj 08	4.000		LOAN(S): 0%						

	AUDITED PROJECT ACCOUNTS / DELAY	AGENCY FINANCIAL STATEMENTS / DELAY	SECTOR COVENANTS	ENVIRONMENTAL COVENANTS	SOCIAL COVENANTS	FINANCIAL COVENANTS	ECONOMIC COVENANTS
COMPLIANCE WITH COVENANTS:	S / 0 mos.	NR / - mos.					

MAJOR ISSUES/PROBLEMS (IP, Impact and Outcome, Covenants)

**COVENANTS****Project and EA Accounts**

EA	FY End	FY	Months Due After FY	Due	Date Received	Months Delayed	Acceptable Y / N	Auditor's Opinion (Q, U or A)	Status of Compliance	Rating
<b>Submission of Audited Project Accounts (APA):</b>										
Sanmenxia Municipal Government	Dec	09	6	30/06/10	-	0	-	-	NYD	S
<b>Submission of Agency Financial Statements (AFS):</b>					Not Required					

**Overall Compliance and Rating:** NYD S

**Findings/Actions Taken or To be Taken and other Remarks:**

**Project Specific Covenants**

**NOTE:** To edit a specific covenant click on the section name shown in green below.

**Sector**

**Environmental**

**Social**

**Financial**

**Economic**

**Others**

**Overall Rating**

**Problems/Remarks/Issues with Covenants**

## IMPLEMENTATION PROGRESS

### Project Outputs

Description	Indicators / Targets	Status
<p>1.4. Around 12.55 million m<sup>3</sup> of water saved per year on production bases.</p> <p>1.5. Average rate of application of inorganic fertilizers reduced by 30%, and of agro-chemicals by 40%.</p> <p>1.6. Use of organic fertilizers increased on average by 30%.</p> <p>1.7. 2,000 pilot biogas units installed and operational.</p>		
1. Increased Farm Productivity		
1.1. Fruit tree crop productivity increased.		
1.2. Area under fruit tree crops and high-value vegetables expanded.		
1.3. Improved crop and farm practices adopted by male and female, non-poor and poor farmers.		
1.4. Water-saving irrigation technologies introduced in fruit tree production.		
1.5. Fertilizer and agrochemical application rates reduced and more appropriate products introduced.		
1.6. Use of organic fertilizers increased.		
1.7. Use of biogas for rural energy and as a source of organic fertilizer increased.		
<p>2.1. Processing capacity and product range increased:</p> <p>Apple concentrate – 100,000 t</p> <p>Fruit pulp, sugar and pectin – 81,000 t</p> <p>Animal feed – 40,000 t</p>		
2.2. Agro-enterprises have entered new markets and achieved increased share in existing markets, compared with 2006.		
2. Expanded Processing Capacity		
2.1. Expansion of agro-enterprise processing capacity.		
2.2. Introduction of new, market- specific processed products.		
3. Improved Agribusiness Support Services		
3.1. Fruit tree cultivation training materials and guidelines improved and/or developed.		
3.2. Improved capacity in the extension services of local agriculture bureaus.		

3.3. Cadre of lead farmers trained to deliver training and advice to farmers.

3.4. Quality of and access to fruit sector market information improved in project area.

3.5. Farmers' organizations supported.

3.6. Fruit tree crop farmers trained and provided with advice.

3.7. Capacity of Sanmenxia Municipality rural energy office strengthened

4.1. Eight additional technical staff permanently assigned to work with PMO, of which at least 20% will be women.

20 PMO, IA and agro-enterprise staff trained in project financial management, ADB procedures, project monitoring and reporting, and gender awareness.

All China Women's Federation represented in Project Leading Group.

Participation by 20 PMO and IA staff in international study tours.

4.2. PPMS effective in delivery of monitoring information.

4. Strengthened Project Management

4.1. Project management capacity strengthened and project management operational and effective.

4.2. Project Performance Monitoring System (PPMS) established.

#### Key Project Inputs

Loan Categories	Allocation	ADB Financing	Disbursement as of
01A Farm Civil Works - Amusi	1120000	32%	
01B Farm Civil Works - Yuancun	620000	56%	

#### Implementation Progress

Loans Not Yet Effective	As of : 30/06/2008	IP Rating
	6.5 months after loan approval	Satisfactory
	1.3 months after loan signing	

#### Design Changes

#### Recent Development (Date: )

#### Problems with IP

#### Description

#### Action Taken/Proposed



## **11. SUGGESTED OUTLINE FOR QUARTERLY PROGRESS REPORT**

### **A. Introduction and Basic Data**

Provide the following:

- ADB loan number, project title, borrower, executing agency, implementing agency(ies);
- total estimated project cost and financing plan;
- status of project financing including availability of counterpart funds;
- dates of approval, signing, and effectiveness of ADB loan;
- original and revised (if applicable) ADB loan closing date and elapsed loan period based on original and revised (if applicable) loan closing dates; and
- date of last ADB review mission.

### **B. Utilization of Funds (ADB Loan and Counterpart Funds)**

Provide the following:

- cumulative contract awards financed by the ADB loan and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- cumulative disbursements from the ADB loan and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- reestimated costs to completion, need for reallocation within ADB loan categories, and whether an overall project cost overrun is likely.

### **C. Project Purpose**

Provide the following:

- status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
- an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- an assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
- other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

### **D. Implementation Progress**

Provide the following:

- assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO or PIU;

- information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;
- progress or achievements in implementation since the last progress report;
- assessment of the progress of each project component, such as,
  - recruitment of consultants and their performance;
  - procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
  - the performance of suppliers, manufacturers, and contractors for goods and works contracts;
- assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress including examples are also shown this appendix pages; and
- an assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

#### **E. Compliance with Covenants**

Provide the following:

- the borrower's compliance with policy loan covenants such as sector reform initiatives and EA reforms, and the reasons for any noncompliance or delay in compliance;
- the borrower's and EA's compliance with financial loan covenants including the EA's financial management, and the provision of audited project accounts or audited agency financial statements; and
- the borrower's and EA's compliance with project-specific loan covenants associated with implementation, environment, and social dimensions.

#### **F. Major Project Issues and Problems**

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds).

## 12. FRAMEWORK AND GUIDELINES IN CALCULATING PROJECT PROGRESS

1. To ensure that all implementation activities are reflected in measuring implementation progress against the project implementation schedule, the term "physical completion" in the PPR has been changed to "project progress."

2. Physical and precommencement activities are considered in calculating project implementation progress. These activities, which may include recruitment of consultants, capacity building, detailed design, preparation of bid and prequalification documents, etc., could constitute a significant proportion of overall implementation and therefore should be counted.

3. Each activity in the implementation schedule will be weighted according to its overall contribution (using time as a reference) to progress of project implementation. These weights will then be used to calculate the percentage of project progress along the entire time span of the project. This is to provide a holistic view of the pace of implementation.

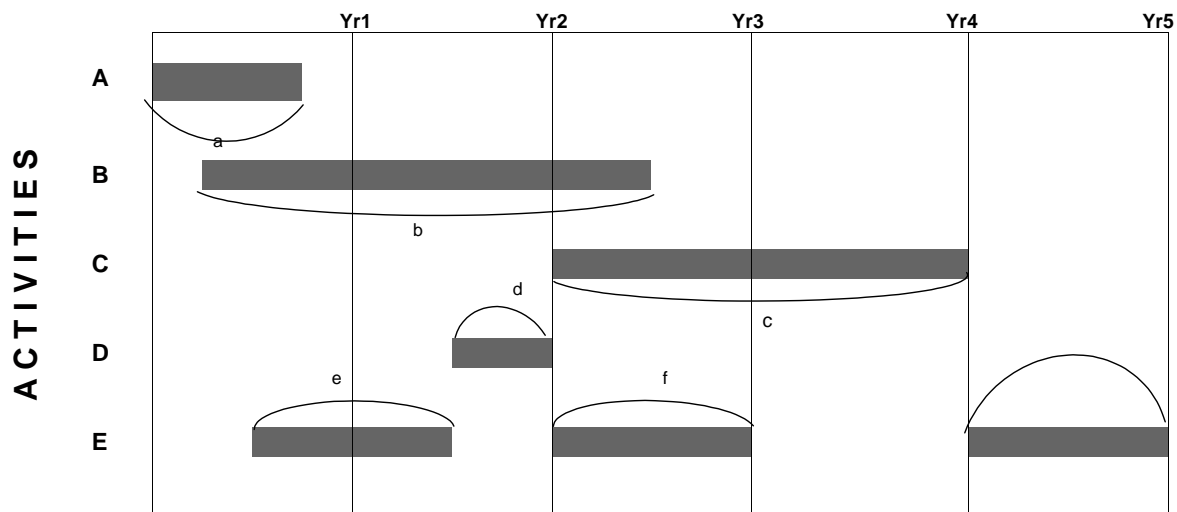
4. Corresponding weights for each activity should be assigned to ensure that "project progress" measures the percentage of achievement (nonfinancial except when the project has credit components) for all events during the entire duration of the implementation schedule. To avoid disproportionate assignment of weights, to the extent possible these should be evenly distributed along the implementation schedule. When activities are concurrent, avoid "double counting."

5. Once all activities are identified and corresponding weights assigned, project progress should be calculated using the following steps:

- (i) Determine the actual percentage progress (nonfinancial) of each activity.
- (ii) Multiply these percentages by the assigned weight of each activity to arrive at the weighted progress.
- (iii) Add up the resulting weighted progress of all activities to determine the project progress.

The following pages provide an illustration of this calculation using a generic sample implementation schedule and a specific example in the education sector.

### Implementation Schedule with Activities and Weights



1. Sum of all weights should equal 100 percent ( $a+b+c+d+e+f+g+h = 100\%$ )
2. When calculating the percentage of "project progress," all completed activities should be counted as accomplished, regardless of when they were scheduled to be completed. For example, when calculating the percentage of "project progress" after year 3, if activity D is completed in year 3 rather than in year 2, it should still be included in the computation.
3. Total weight of each activity is as follows: Activity A— $a$ ; Activity B— $b$ ; Activity C— $c$ ; Activity D— $d+e$ ; and Activity E— $f+g+h$
4. Project progress of a project is the summation of the actual percentage of progress for each activity multiplied by the total weight of each activity.

### 13. PROJECT COMPLETION REPORT FORMAT

#### A. General Guidelines for Preparing Project Completion Report

CONTENTS  
BASIC DATA  
MAP<sup>15</sup>

- I. PROJECT DESCRIPTION
- II. EVALUATION OF DESIGN AND IMPLEMENTATION
  - A. Relevance of Design and Formulation
  - B. Project Outputs
  - C. Project Costs
  - D. Disbursements
  - E. Project Schedule
  - F. Implementation Arrangements
  - G. Conditions and Covenants
  - H. Consultant Recruitment and Procurement
  - I. Performance of Consultants, Contractors, and Suppliers
  - J. Performance of the Recipient and the Executing Agency
  - K. Performance of the Asian Development Bank
- III. EVALUATION OF PERFORMANCE
  - A. Relevance
  - B. Efficacy in Achievement of Purposes
  - C. Efficiency in Achievement of Outputs and Purpose
  - D. Preliminary Assessment of Sustainability
- IV. EVALUATION OF SOCIAL DIMENSIONS AND SOCIAL SAFEGUARDS IMPACTS
  - A. Social Dimensions (e.g. poverty reduction, gender equity, community and participatory mass organizations)
  - B. Ethnic Groups Development Impacts
- V. OVERALL ASSESSMENT AND RECOMMENDATIONS
  - A. Overall Assessment
  - B. Lessons Learned
  - C. Recommendations

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<sup>15</sup> A revised map showing the impact of the project is to be included. Do not use the map in the Report and Recommendation of the President (RRP).

## BASIC DATA

## A. Grant Identification

1. Country
2. Grant Number
3. Project Title
4. Recipient
5. Executing Agency
6. Amount of Grant
7. Project Completion Report Number (to be provided by ADB)

## B. Grant Data

1. Appraisal
  - Date Started
  - Date Completed
2. Grant Negotiations
  - Date Started
  - Date Completed
3. Date of Board Approval
4. Date of Grant Agreement
5. Date of Grant Effectiveness
  - In Grant Agreement
  - Actual
  - Number of Extensions
6. Closing Date
  - In Grant Agreement
  - Actual
  - Number of Extensions
7. Terms of Grant
  - No Interest
  - No repayment
  - Grace Period (number of years)

## 8. Disbursements

## a. Dates

Initial Disbursement	Final Disbursement	Time Interval
Effective Date	Original Closing Date	Time Interval

Category	Component	Original Allocation	Last Revised Allocation	Net Amount Disbursed	Undisbursed Balance
<b>Total</b>					
C.	Project Data				
1.	Project Cost (\$ million)				
<b>Cost</b>		<b>Appraisal Estimate</b>		<b>Actual</b>	
Foreign Exchange Cost					
<b>Total</b>					
2.	Financing Plan (\$ million)				
		<b>Appraisal Estimate</b>		<b>Actual</b>	
<b>Cost</b>		<b>Foreign</b>	<b>Total</b>	<b>Foreign</b>	<b>Total</b>
Implementation Costs					
ADB-Financed					
Government					
<b>Total</b>					
3.	Cost Breakdown by Project Component (\$ million)				
		<b>Appraisal Estimate</b>		<b>Actual</b>	
<b>Cost</b>		<b>Foreign</b>	<b>Total<sup>a</sup></b>	<b>Foreign</b>	<b>Total</b>
<b>TOTAL PROJECT COST</b>					

Note:

## 4. Project Schedule

Item	Appraisal Estimate	Actual
Date of Contract with Consultants		
Equipment and Supplies		
Dates		
First Procurement		
Last Procurement		
Completion of Equipment Installation		
Start of Operations		
Other Milestones		
Start of Program		
Completion of Program		

## D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members <sup>a</sup>
Fact-Finding				
Appraisal				
Inception				
Review				
Review				
Review				
Review				
Midterm Review				
Review				
Review				
Review				
Review				
Completion Review <sup>b</sup>				

Note:

<sup>a</sup> May use reference letters in table, e.g., a - engineer, b - financial analyst, c - counsel, d - economist, e - procurement consultant or specialist, f - control officer, g - assistant project analyst.

<sup>b</sup> The project {grant} completion report was prepared by {name}, {designation}.



## **B. Suggested Topics for Project Completion Reports to be Prepared by Borrowers**

### **I. PROJECT DESCRIPTION**

- A. Objectives
- B. Components
- C. Implementation methods
- D. Description and justification of changes in components (or subproject appraisal criteria) or implementation methods

### **II. PROJECT IMPLEMENTATION**

- A. Compare original and actual implementation schedules. Indicate delays, length and causes of delays, and remedial action taken.
- B. Compare cost estimates made during appraisal and actual costs. The costs financed by cofinanciers must be compiled correctly with reference to audited project accounts. Indicate factors that contributed to any significant overruns or underruns.
- C. State problems or difficulties in recruiting consultants, with reference to ADB procedures. Assess the consultant's work and the working relationship between the executing agency (EA) and the consultant. Use of a logical framework is strongly recommended.
- D. State problems or difficulties encountered in procuring goods and services (including civil works) with reference to ADB procedures. Assess the supplier's or contractor's performance under the contract.
- E. Give the extent of compliance of the borrower and EA with Grant covenants, with reasons for noncompliance or delays in compliance and the remedial actions taken.
- F. State reasons for any delays in Grant utilization. Evaluate the appropriateness of the disbursement methods used. Justify the reallocation of Grant proceeds.
- G. State problems or difficulties with subproject appraisal. Evaluate the EA's performance and capacity to appraise subprojects.

### **III. INITIAL OPERATIONS**

- A. Describe initial operations of the project and transitional problems encountered from project completion to initial operations.
- B. Describe measures taken to ensure continued smooth operation of the project relative to management, staffing, funding, and maintenance of project facilities.
- C. Analyze the prospects of the project benefits being realized.

### **IV. EVALUATION OF THE ASIAN DEVELOPMENT BANK'S PERFORMANCE**

- A. Assess ADB's performance in supervising project implementation. Include comments on the adequacy of the consultants' terms of reference and appropriateness of specifications in tender documents. Evaluate the effectiveness and timeliness of assistance extended by ADB to solve implementation problems.
- B. Comment on problems encountered with ADB's procedures. Note the measures taken to resolve these problems and suggest changes in procedures and requirements.

## 14. FINANCIAL REPORTING AND AUDITING REQUIREMENTS

1. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by the ADB* (the Booklet) provides guidelines to ensure timely compliance with the grant covenants and the quality of financial information as required by ADB.

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

3. The following are the main requirements:

- (i) ADB requires the EA to maintain separate project accounts and records exclusively for the Project to ensure that the grant funds were used only for the objectives set out in the Grant Agreements.

The first set of project accounts to be submitted to ADB covers the fiscal year ending 31 December 2006. As stipulated in the Grant or Project Agreements, they are to be submitted up to six months after the end of the fiscal year. For this grant, the deadline is by 30 June 2007. A sample report format with explanatory notes is attached as Annex A.

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

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

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

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

- (iv) The external auditor's opinion is also required on whether
  - the proceeds of the ADB's grant have been utilized only for the project as stated in the Grant Agreement;
  - the financial information contains data specifically agreed upon between the Recipient or EA and ADB to be included in the financial statements;
  - the financial information complies with relevant regulations and statutory requirements; and

- compliance has been met with all the financial covenants contained in the Grant or Project Agreements.
- (v) The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
- (vi) Actions on deficiencies disclosed by the external auditor in its report are to be resolved by the Recipient or Executing Agency within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by the Recipient or EA.
4. Compliance with these ADB requirements will be monitored by review missions and during normal project supervision, and followed up regularly with all concerned, including the external auditor.

## **ANNEX A: SAMPLE FORM OF AUDITOR'S OPINION**

### **Imprest Account**

We have examined the Statement of Imprest Account of Grant No 0046-VIE for the period 1 January to 31 December 2006, pursuant to the Agreement signed between the Government and the Asian Development Bank on 24 July 2006.

Our examination was made in accordance with generally accepted auditing standards emphasizing on the adequacy and completeness of the supporting documents of the Imprest Account and other auditing procedures as we considered necessary in the circumstances;

In our opinion, the Statement of Imprest Account and supporting documents and information submitted with them (can/ cannot) be fairly relied on to support the applications for reimbursement/payment in accordance with ADB's requirements as set out in the Grant Agreement.

### **STATEMENT OF EXPENDITURE**

We have also examined the Statements of Expenditure submitted to ADB during the period in support of applications for liquidation of the Imprest, pursuant to the above-mentioned Grant Agreement. Our examination was made in accordance with generally accepted auditing standards, and, accordingly included such tests of the accounting records, verification of assets and other such auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statement of Expenditures submitted, together with the internal control and procedures involved in their preparation, (can/cannot) be relied on to support the applications for liquidations in accordance with the requirements of the above mentioned Grant Agreement.

## SAMPLE AUDIT LETTER

### ASIAN DEVELOPMENT BANK

**Regional Department**  
Sector Division / Regional or Resident Mission

[Date]<sup>1</sup>

[The Borrower]  
Dear Sir or Madam:

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

This letter is to ensure your timely compliance with the loan covenants and the quality of financial information as required by ADB. ADB's *Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by the ADB* (the Booklet) is enclosed to guide you.

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

For this particular loan, the requirements are stipulated in sections \_\_\_\_\_<sup>2</sup> and \_\_\_\_\_<sup>3</sup> of the Loan Agreement of \_\_\_\_\_ between ADB and [the Borrower] and sections \_\_\_\_\_<sup>4</sup> and \_\_\_\_\_<sup>5</sup> of the Project Agreement<sup>6</sup> of \_\_\_\_\_ between ADB and [name of the EA]<sup>7</sup>. Copies of the Loan/Project Agreements are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

The following are the main requirements:

- ADB requires the EA to maintain separate project accounts and records exclusively for the Project to ensure that the loan funds were used only for the objectives set out in the Loan or Project Agreements. The project accounts comprise the following: Listed are standard accounts required from nonrevenue-earning entities. Try to identify specific titles of financial statements expected to be submitted by the Borrower and EAs. For revenue-earning entities, the submissions consist of the entities' audited financial statements. For nonrevenue-earning entities, the submissions consist of audited project accounts.

The first set of project accounts to be submitted to ADB covers the fiscal year ending \_\_\_\_\_. As stipulated in the Loan or Project Agreements, they are to be submitted up to \_\_\_\_\_ months after the end of the fiscal year. For

this loan, the deadline is by \_\_\_\_\_. A sample report format with explanatory notes, is attached as Annex A.

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

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

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

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

- The external auditor's opinion is also required on whether

- the proceeds of the ADB's loan have been utilized only for the project as stated in the Loan Agreement;
- the financial information contains data specifically agreed upon between [name of the Borrower or EA] and ADB to be included in the financial statements;
- the financial information complies with relevant regulations and statutory requirements;
- compliance has been met with all the financial covenants contained in the Loan or Project Agreements;
- Imprest Account/ Second Generation Imprest Account(s) funds have been correctly accounted for; and
- documents and controls on the use of the Statement of Expenditures (SOE) procedure are adequate.

- The Auditor's Report is to clearly state the reasons for any opinions that are qualified, adverse, or disclaimers.
- Actions on deficiencies disclosed by the external auditor in its report are to be resolved by [name of Borrower or Executing Agency] within a reasonable time. The external auditor is to comment in the subsequent Auditor's Report on the adequacy of the corrective measures taken by [name of Borrower or EA].

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

auditor.

Yours sincerely,

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

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

1. The audit letter, with the loan and project agreements, is sent to the borrower when the auditor has been appointed or when the agreements are sent by the program department to the Ministry of Finance or other authority of the borrower.
2. Specify section no. in the loan agreement on maintaining project accounts and records.
3. Specify section no. in the loan agreement on the audit requirements.
4. Specify section no. in the project agreement on maintaining project accounts and records.
5. Specify section no. in the project agreement on the audit requirements.
6. If there is a project agreement.
7. When more than one project agreement, provide similar information.

## 15. SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country/Project Title: Mongolia: Agriculture and Rural Development Project

Lending/Financing  
Modality:

Loan

Department/  
Division:

East Asia Department/  
Mongolia Resident Mission

### I. POVERTY ANALYSIS AND STRATEGY

#### A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

The agriculture sector is important to growth and poverty reduction in Mongolia. Agriculture accounted for 20% of gross domestic product (GDP), 40% of employment, 14% of export earnings, and 25% of GDP growth in 2007. Livestock production, which accounts for 80% of agricultural output, is an important source of income, jobs, food security, and savings for rural households. The country had 40 million head of livestock in 2007, and the number continues to increase with the higher domestic demand for meat and other products of animal origin and increasing demand for raw materials from the People's Republic of China. But productivity is low and production risky. Little value is added with less than 10% of production processed beyond the most basic stage. The country mostly exports raw fibers and animal carcasses. Growth has come mostly from higher livestock numbers and brought associated problems of desertification, pollution, and breed dilution. The results are a stagnant rural economy, low and uncertain rural incomes, and threats to the environment. Market orientation, efficiency, and sustainability of agriculture and rural development are objectives of the country strategy and program.<sup>a</sup> Coordinated development of agriculture value chains is in line with the Asian Development Bank's (ADB) strategy for Mongolia. ADB's strategy targets increased market orientation. The ADB-funded Agriculture Sector Development Project<sup>b</sup> has laid the foundation for production improvements by building up rural infrastructure and support services, inducing changes in production methods and planning, and changing mindsets of producers from centralist approaches to increased business awareness. However, achievements need to be channeled toward greater market orientation by aligning production with specific supply chains and markets.

#### B. Poverty Analysis

**Targeting Classification:** General intervention

##### 1. Key Issues

Low agriculture growth will put overall growth at risk. Low and unstable agricultural incomes and limited rural income opportunities are a cause of poverty and vulnerability. Agriculture accounts for a fifth of GDP. Agricultural and agroprocessed exports account for about a fourth of foreign exchange earnings. Agriculture is the source of employment for almost half of the labor force and the most important source of household income in rural areas. The rural population comprises 43% of Mongolia's 2.5 million population. In 2003, rural poverty was estimated to be 43%. The natural calamities of 2000–2001 demonstrate the vulnerability of the livelihoods of poor herder households to natural shocks. Vulnerability also manifests in the form of noticeable seasonal consumption variations that reflect agricultural production cycles. Agriculture and rural development, therefore, is crucial in broadening and sustaining growth and providing opportunities for the poor who have not yet benefited from the transition to a market-based economy.

Two main groups were identified based on assets and vulnerability: herders and changers; more than 40% are poor. Herd size is the major distinguishing factor between the three groups of herders. The bulk of households with 100 or fewer head of livestock are poor. Those in the second group, considered middle class, own 100 to 500. Those in the third, wealthy herder households, have more than 500 livestock. The first consists of families that were in poverty following the transition and moved to herding because of lack of alternative income opportunities. Most were rural nonfarm agricultural workers or industrial or periurban workers. They rear small herds on common areas near urban areas, and their stationary herd management is a major source of land degradation. The poor herders do not have basic infrastructure for herding (i.e., fences, winter shelters, wells), their children tend to drop out from school, and they live in extended families. The second group has more herding experience but is vulnerable to bad weather and changes in demand. They do not have basic infrastructure for herding (i.e., winter shelters, wells), transportation to move around, and equipment for hay making. The third group has access to winter shelters and owns wells and fences; their problems are related to limited pasture for herding and limited access to low interest lending. The bulk of agricultural raw materials producers have small herds and have difficulty establishing stable trading relations with changers and processors. Collaborative arrangements between these herders could substantially improve their income. For all these groups, improved marketing and distribution, improved access to market information, and availability of risk-sharing arrangements would provide important income-increasing advantages. The changers are grouped into small, medium, and wealthy changers. The small changers are those with a subsistence income, without a source for running a business or space for storing cashmere. The medium changers have enough income for living and small savings. They buy cashmere using two sources: (i) their own savings, and (ii) money from wealthy changers. Few of them have their own facility to store cashmere. Wealthy changers have their own funding to buy cashmere, their own storage, and



access to bank loans. The major portion of the small and medium changers is made up of single women with children. The Project identifies a third special group of families as poor. They originated from workers families of the former state farms and engaged in crop production: wheat, potatoes, or other vegetables. This group is specific to *aimags* of the Khangai region. Many of those families have only subsistence production on small amounts of land and few cows for milking. Although they have more diversified income sources, they still face many constraints such as limited pasture, lack of equipment for hay making, and inability to compete with imported crops. Additional income opportunities may be created for them as some project proposals are targeted with investment to create berry bush plantations in that region. Enterprise selection should pay careful attention to proposals of enterprises for developing local basic agriculture raw material processing (A Japan Fund for Poverty Reduction [JFPR] project is envisaged with a view to supplement the Project by addressing some of the problems of poor herders and changers. Activities may include training for herders (setting up groups or cooperatives among herders), mitigation measures for smaller changers including business reorientation, and provision of lower interest rate loans to herders and changers.

## 2. Design Features

During project implementation, a participatory approach will be adopted to enable different stakeholders to be represented at the project steering committee and other project structures. To increase the exposure of the rural poor and vulnerable groups such as women and remote herders to the benefits of the Project, special care will be given to enhance their participation through intense dissemination activities and a focused awareness campaign by the project management units (PMUs).

## II. SOCIAL ANALYSIS AND STRATEGY

### A. Findings of Social Analysis

The Project is categorized as category C for involuntary resettlement. It will not require any land acquisition or demolition of fixed assets for its implementation. PMUs will monitor investments and, if adverse involuntary resettlement impacts are associated with project investments, further disbursements to the enterprise involved or the relevant rural infrastructure investment will be subject to compliance with ADB's *Involuntary Resettlement Policy* (1995). The Project is categorized as category B for indigenous peoples impact. It will have no adverse impact on indigenous peoples. The JFPR project is being designed to address issues related to socially disadvantaged groups, will specifically take into account issues of ethnic minorities and ensure that ethnic minorities benefit from the Project, and will not have any adverse impact on them.

### B. Consultation and Participation

A participatory process was adopted during project design to understand the needs and constraints of stakeholders. Five stakeholder groups were identified and consulted during project preparation. Primary stakeholders include herders and changers; secondary stakeholders include staff from the local governor's office, representatives of nongovernment organizations, and local residents. Consultation consisted of an extensive participatory rural appraisal conducted in Bayankhongor, Hovd, Selenge, and Sukhbaatar *aimags*. During each of the field trips, participatory workshops were organized to identify stakeholders' interests, understand linkages between the major project participants, and develop a participation strategy during project preparation and implementation.

What level of consultation and participation (C&P) is envisaged during the project implementation and monitoring?

☐ Information sharing    ☐ Consultation    ☒ Collaborative decision making    ☐ Empowerment

Was a C&P plan prepared? ☐ Yes    ☒ No

No C&P plan was prepared; PMU will develop it with assistance from the social and gender specialist consultant during the first year.

### C. Gender and Development

#### 1. Key Issues

Women entrepreneurs are involved in micro agricultural processing, and preparation and trading of agricultural raw materials. Women experience higher rates of poverty and unemployment in rural areas, and persistent gender wage gaps. Their business is usually of an informal nature. Women comprise nearly half of the economically active population, 54% of those in informal sector, 70% of service providers, 69% of retail traders, and 62% of food manufacturers; and yet 70% are referred to as unpaid family workers. Only 1/3 of entrepreneurs are female, and the share increases as the size of the enterprise decreases. In addition, they are involved in household production which contributed 47% of household income in 2006 (compared to 36.8% in 2003). In cashmere, the only industry studied from a gender perspective, women participate on a par with men but men dominate in sales. Therefore, rural women constitute a critical target for any sustainable intervention aimed at strengthening and/or developing viable supply chains and markets. Promoting women's entrepreneurship will contribute to improving raw material quality and certainty of supply, and reduce rural poverty, in particular gender income disparities.

**2. Key Actions**

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

☒ Gender plan    ☐ Other actions/measures    ☐ No action/measure

The strategy to promote gender equality and women's empowerment within the design and implementation of the Project will adopt a dual approach outlined in the project-specific gender action plan. This will involve (i) encouraging agricultural enterprises to adopt socially and gender-responsive policies, strategies, and programs; and reflect them in the value-chain development; and (ii) facilitating informed participation of women and women's groups in the identification, selection, and implementation of rural infrastructure and support services development projects. One international and two full-time national social development consultants with demonstrated experience in gender and development and women's economic empowerment will be engaged under the Project. They will work directly with PMUs at the Ministry of Finance and Ministry of Food and Agriculture. The Project will establish and maintain a sex-disaggregated database and promote annual consultations with relevant stakeholders and local communities to monitor its social, gender, participatory, and related impacts.

**III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS**

Issue	Significant/ Limited/ No Impact	Strategy to Address Issue	Plan or Other Measures Included in Design
<b><u>Involuntary Resettlement</u></b>	No Impact	No land acquisition or demolition of fixed assets is expected due to implementation of the Project. The Project will not likely require any resettlement.	<input type="checkbox"/> Full Plan <input type="checkbox"/> Short Plan <input type="checkbox"/> Resettlement Framework <input checked="" type="checkbox"/> No Action
<b><u>Indigenous Peoples</u></b>	Limited	The Project is not likely to have any adverse or significant impact on indigenous people. Associated JFPR projects are being proposed to increase the access of especially disadvantaged communities to project benefits and mitigate negative impacts on indigenous groups.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input type="checkbox"/> Indigenous Peoples Framework <input checked="" type="checkbox"/> No Action
<b>Labor</b> <input checked="" type="checkbox"/> Employment opportunities <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Core labor standards	Limited	The Project is expected to increase employment opportunities. All enterprises will be required to comply with national labor legislation.	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action
<b><u>Affordability</u></b>	Limited	Chain captains working directly with the herders will result in downsizing of changers, especially smaller ones. Furthermore, the investment proposals tend to work with the herders who have capacity to supply substantial volume of raw material resulting in exclusion of poor and mid-size herders from the project activities. JFPR projects should be designed to implement mitigation plans for these groups.	<input checked="" type="checkbox"/> Action <input type="checkbox"/> No Action
<b>Other Risks and/or Vulnerabilities</b> <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others			<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action

**IV. MONITORING AND EVALUATION**

Are social indicators included in the design and monitoring framework to facilitate monitoring of social development activities and/or social impacts during project implementation? ☒ Yes ☐ No

A project performance management system will be developed to include various indicators including increases in farm incomes, reduced poverty, and gender and social development.

<sup>a</sup> ADB. 2005. *Mongolia: Country Strategy and Program 2006–2008*. Manila.

<sup>b</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Mongolia for the Agriculture Sector Development Project*. Manila.

## 16. ENVIRONMENTAL ASSESSMENT

1. An initial environmental examination (IEE) was conducted taking into consideration the nature of the project components and the range of possible specific interventions proposed. Due to the potentially extensive and varied scope of the Project, the assessment was not carried out on a specific site but rather on the type of intervention, potential impacts, and broad corresponding mitigation measures. At the time of preparation of the IEE, the individual supply chain investment subprojects and rural infrastructure investments of the Project had not been selected. Individual sample IEEs of representative value-chain investment plans likely to be financed under the Project were prepared. The summary IEE and four IEEs of representative subprojects are included as Supplementary Appendix H.

2. For the Asian Development Bank (ADB) environmental assessment purposes, the overall Project is categorized as B and the rural investments of the second component as C.

### A. Description of the Project

3. The Project has three components: (i) value-chain development, (ii) rural infrastructure and services development, and (iii) project management. Environmental assessment was carried out for the first two components.

#### 1. Component 1: Value-Chain Development

4. This component will develop value chains to deliver premium value products to niche markets. A competitive process was established under the project preparatory technical assistance (TA) to select bankable proposals. Through the credit line, funding is expected to be provided to 15 selected agroindustrial enterprises at the top of the supply chain in the wool and cashmere, leather, meat, and fruit and herb industries. The selected enterprises will use the investment to carry out a range of activities that will strengthen the quality and reliability of the supply of inputs to their operations and improve their own production processes. Examples of the bankable proposals of four representative enterprises are presented in Appendix 5 and Supplementary Appendix B. The requests for external financing range from \$1.45 million to \$1.71 million per enterprise. The enterprises featured in Appendix 5 and Supplementary Appendix C record an annual turnover of \$1.5 million–\$2.0 million and employ between 70 and 200 people. Based on the proposals of these enterprises, possible project activities include investing in improved technology processing equipment to produce higher value, purer extracts of seabuckthorn; investing in improved genetics; training and increasing sources of supply of seabuckthorn; expanding and developing an existing meat processing and canning facility; providing training for herders and farmers in improved husbandry, quality standards, and veterinary care; investing in new or upgraded production facilities for leather processing; providing veterinary services to herders; and improving processing technology for an existing herbal medicine business based on the highly valued Mongolian indigenous herbs.

#### 2. Component 2: Rural Infrastructure and Services Development

5. Rural infrastructure and services development investments will support the value chains of the agroenterprises selected under component 1, and build upon investment priorities identified in the ADB-funded Agriculture Sector Strategy Study. Infrastructure investments will be targeted to four priority areas identified in the Agriculture Sector Strategy Study and by the Ministry of Food and Agriculture (MoFA) as being underserved in current government and

international aid-financed programs: (i) development of livestock testing and veterinary extension centers, (ii) establishment of new wells and accompanying water management infrastructure, (iii) support to agricultural producer (herder) marketing cooperatives, and (iv) development of fodder supply and storage facilities to foster fodder market development. The scope and nature of the indicative investments are based on similar investments undertaken under the ADB-supported Agriculture Sector Development Program. Actual selection of the investments will be coordinated and supervised by MoFA agriculture and livestock experts and the project working group. Where available, informal herder groups like those established under the Agriculture Sector Development Program, local community councils established under the World Bank's Sustainable Livelihoods Project, or other local organizations and nongovernment organizations will be used as agents for local input into investment selection and implementation.

## **B. Description of the Environment**

6. **Physical Resources.** Mongolia's elevated continental position in northern Asia between the People's Republic of China and the Russian Federation gives it a climate of warm summers and extremely cold winters. Altitude ranges from 518 meters to 4,374 meters. Rainfall is low at about 200 millimeters per year in the capital and less in the south of the country, and falls mainly in summer. The country is subject to drought, strong winds, dust storms, and severe winters.

7. Soils of the grasslands are fragile with overgrazing and cultivation of unsuitable land leading to extensive land degradation due mainly to wind erosion of the valuable topsoil when the protective vegetation cover is reduced. This causes desertification as well as dust and sand storms. Mongolia is well endowed with minerals which are the country's main export.

8. The failure of many wells in grazing areas has led to the reduction in the area available for grazing and intensification of grazing with consequent increased land degradation on many areas with a water supply. The Tuul River at Ulaanbaatar is heavily polluted by existing industries and urban wastewater with inadequate treatment in industrial wastewater treatment plants and the city central wastewater treatment plant. The leather processing industry is identified as a problem because of the discharge of waste chromium used in tanning processes.

9. **Ecological Resources.** The country is on an elevated plateau mainly of undulating grasslands with some forests and mountains. The grasslands are extensively grazed by domestic animals where water is available. Mongolia has a wide variety of wildlife species, and fishes are abundant in rivers and lakes. The country has more than 10 million hectares of forest or about 7% of the country area; this is currently subject to over-exploitation and fire damage. More than 20 million hectares or over 13% of the country are in protected areas.

## **E. Forecasting Environmental Impacts and Mitigation Measures**

10. The Project is expected to result in an overall increase in efficiency, productivity, and profitability in the agriculture sector and raise the economic return in the sector through improved quality and access to markets. Environmental and health benefits will accrue from improving practices and equipment, including reduced waste, and moving to safer usage of chemicals and other inputs. In addition, the technical assistance (TA) will be provided to create premium value differentiation of agriculture products. The output of the TA will be brand awareness among key stakeholders through a brand development initiative. The TA will first identify a premium brand image for Mongolian agriculture and, on the basis of this brand image,

provide expert advice to agricultural enterprises and participants in value chains on investments to realize the premium value. Brand development will provide a market incentive for the agricultural industry to progress to a more sustainable basis.

## 1. Component 1: Value-Chain Development

11. The Project will strengthen the supply chains in four subsectors: leather, wool and cashmere, meat, and fruits and herbs. Bankable proposals were prepared for four subprojects; these are the most advanced in their planning and most likely to be funded under the Project. Environmental assessments were completed for these as representative proposals. Individual IEE reports are attached to the summary IEE in Supplementary Appendix H. They include detailed tables identifying potential environmental impacts for each subproject activity, and required mitigation and enhancement measures. The four proposals are Mongol Shevro (leather), Khatan Suikh Impex (meat), Monos Pharma (pharmaceutical factory and plantation), and Uvs Khuns (seabuckthorn plantation and processing). A summary of the specific potential environmental impacts based on the four IEEs follows.

12. **Leather Subsector.** The leather factory has existing pollution issues relating to wastewater containing chromium and other contaminants. Increased pollution as a result of increased production is partially offset in the proposal by equipment upgrades to reduce water and chemical use per unit of production. Mitigation measures are proposed to reduce pollution by at least the same amount as the additional pollution caused by the increased production. This is to be achieved by requiring a specialist cleaner production assessment as part of the detailed design and equipment selection. The supply chain activities may encourage herders to increase their herd size, thus, adding to the existing unsustainable pasture use and land degradation. As a mitigation measure for this, the training and awareness-raising proposed by the company to undertake with herders will include awareness of the benefits of maintaining a smaller healthier herd and improving returns by focusing on quality, not quantity.

13. **Meat Subsector.** No significant negative impact is identified as a result of increased production as the process is relatively benign producing little solid waste and wastewater which is disposed of to the sewerage system after pretreatment to reduce fat and oil content. The number of livestock around the *aimag* centers will increase with corresponding land degradation and waste issues. However, this will be more than offset by the benefits of reduced livestock numbers in the Ulaanbaatar area.

14. **Pharmaceutical Subsector.** The proposed factory is expected to have little significant environmental impact. This is due to the location of the plant in an area adjacent to existing industry with no vegetation or habitat conservation issues, the relatively small scale of the operation, and the low amount of waste produced. The plant will be a small modern facility designed and operated to a high degree of cleanliness required by good manufacturing practice standards. This will be complemented by consultancy and training for establishing good management practices and quality management systems in accordance with World Health Organization standards. The impact of the proposed plantation cannot be fully assessed at this stage as the sites have not been selected. However, an analysis is presented of the typical impacts to be expected together with exclusion criteria for site selection to ensure that environmentally sensitive areas are avoided and suitable mitigation measures incorporated. Site selection and development should follow these criteria and mitigation measures.

15. **Seabuckthorn Plantation and Processing.** The proposed factory upgrade is expected to have little significant environmental impact. The plant will be a small modern facility designed

and operated to the high standard of cleanliness required for the target market. The impact of the proposed plantation area is expected to be low as (i) this was the site of a former irrigation area with water supply infrastructure already in place, (ii) water use will be a small proportion of the available resource, (iii) the area has little existing vegetation, (iv) no environmentally sensitive areas will be affected, (v) the site is well drained, (vi) no chemicals are to be used, and (vii) little waste will be produced. With the incorporation of mitigation measures based on general good practice, no significant or unacceptable environmental impacts are anticipated. For all subprojects under this component, Government approval is required through the Ministry of Nature and Environment (MNE) before the project proceeds. Khan Bank will ensure that required approvals are in place before issuing the loan. The environment specialist within the project management unit (PMU) will ensure that all environmental actions and mitigation measures are implemented, review the process to ensure that government processes have operated correctly, and monitor project performance throughout implementation.

## 2. Component 2: Rural Infrastructure and Services Development

16. The environmental assessment of this component is based on a review of similar infrastructure investments carried out under the Agriculture Sector Development Program and a review of potential sites for project investments. The scale and nature of activities in the rural infrastructure and services development component are such that no significant environmental impact is expected; this component is categorized as C under the ADB environmental assessment criteria.

17. During project implementation, PMU environment specialist will review the selected investments to ensure that they do not differ significantly from those anticipated during the project preparatory TA in terms of type, scale, and environmental sensitivity of location. In addition, PMU will be guided by an exclusion list that states that project activities not be located in environmentally sensitive locations including protected areas or their buffer zones; or cultural heritage sites, wetlands, sensitive habitats, or areas with significant biodiversity. The Project will not fund (i) major civil works including major earthworks, dams, irrigation or drainage works; (ii) major land clearance; (iii) activities producing significant liquid, gaseous, or solid wastes; (iv) activities involving displacement or relocation of people or effects on livelihoods, influx of workers, intensification of land use with significant environmental degradation, roads, or significant heavy vehicle traffic, forestry or extractive industry (quarries); or (v) any activities that would warrant classification as category A or B under ADB environmental requirements.

18. The summary of impacts and mitigation measures proposed is as follows:

- (i) **Develop livestock testing and veterinary extension centers.** The program will have a generally positive benefit in improving the health of livestock and quality of animal products. Improved animal health will result in improved resource use efficiency in terms of the amount of land, feed, and other inputs required per unit of product with corresponding reduction in land degradation. Improving the quality of skins and fibers will result in reduced wastage due to damaged materials. Some potential for minor impacts is associated with disposal of waste. As a safeguard measure, training will be provided on safe handling of supplies and waste disposal. Veterinary laboratories will be required to have a specialist incinerator meeting international standards for veterinary medical waste.
- (ii) **Support herder marketing cooperatives.** Due largely to their small scale and spread over the project areas, none of these investments is expected to have

any significant negative environmental impact. A positive benefit will be improved ability of herders to add value and improve the quality of their produce, improve their linkage to the market, and improve the efficiency of production. By increasing the return to herders per animal, these activities will reduce the need for herders to simply maximize their herd size, thus, contributing to improved sustainability. It will provide support to herders located in more remote parts of the country reducing the incentive for a larger number of animals to be located near the main centers, and reducing this current source of land degradation in these areas. Waste from veterinary supplies will be returned to the *aimag* veterinary center, if possible, for disposal in a purpose built incinerator in coordination with the veterinary centers subcomponent.

- (iii) **Develop fodder supply and storage facilities to foster fodder market development.** Given the scale and nature of these activities, no significant negative environmental impact is expected. Fodder production will reduce pressure on grazing land by providing secure feed for winter and spring when feed is most scarce. Construction activity is budgeted at \$92,000 which, when spread across the project areas, will only be for minor building works from which no significant environmental impacts are expected. Cultivation, if any, should be on a small scale but still may result in soil erosion. As a safeguard for this, cultivation will be planned on land with soil of low erosion potential, and employ soil conservation techniques including minimum tillage cultivation techniques. Sites selected for cultivation will be flat with established wind breaks against prevailing winds; they will not be located adjacent to waterways. These aspects will be included in a training program together with safe use of fertilizers; herbicides; and pesticides, if these are used.

## **F. Institutional Requirements and Environmental Monitoring Plan**

19. As the selection of individual subprojects to be financed under components 1 and 2 is not yet finalized, appropriate procedures and capacity must be in place to ensure that ADB environmental requirements are met during implementation.

20. The institutional and monitoring arrangements for the environmental aspects will be integrated with that for implementation of the entire Project. A separate PMU is to be established for each of the value-chain development and rural infrastructure and services development components in the Ministry of Finance and MoFA. A national environment specialist will be appointed to PMUs to ensure compliance with ADB environmental requirements as part of project monitoring and evaluation. Additional local specialists should be involved in developing training and extension programs such as in sustainable pasture management, industrial pollution control, and cleaner production. An international environment specialist could be involved for a few weeks per year to provide guidance in establishing the Project and conducting regular reviews.

### **1. Component 1: Value-Chain Development**

21. The following environmental assessment and review procedure for environmental assessment and approval of subprojects under the value-chain development component is based on MNE procedures and ADB guidelines:

- (i) The advisory board selects investment proposals.

- (ii) Selected companies are advised of the process including the requirement to comply with government and ADB requirements.
- (iii) PMU environment specialist categorizes the selected proposals according to ADB environmental requirements and provides recommendations to ADB for decision: (a) category A activities will not be funded, (b) category B activities will require environmental assessment in accordance with ADB (IEE) and government requirements, and (c) category C activities will require no further environmental assessment under ADB requirements (but may still require assessment under government requirements).
- (iv) Companies refer their proposals to MNE for initial assessment in parallel with preparing a detailed proposal. The MNE process is as follows: (a) An MNE expert carries out initial assessment and makes a recommendation to the MNE committee to be completed within 12 days. (b) The MNE committee determines whether (1) no further assessment is needed but may impose conditions, or (2) detailed environmental assessment is needed. (c) If detailed environmental assessment is needed, then the company arranges for this to be carried out by a consultant licensed for this. (d) MNE reviews the detailed environmental assessment and may request further information. (e) MNE approves with or without conditions, or rejects.
- (v) PMU environment specialist refers the subproject to ADB for review and approval at the following points together with recommendations: (a) categorization according to ADB environmental requirements, (b) MNE initial assessment, (c) detailed environmental assessment, and (d) MNE approval.
- (vi) The commercial bank confirms that approvals are in place and that PMU has no objection before granting the loan.

22. During implementation, companies should monitor and regularly report on the implementation of environmental requirements and outcomes as part of the overall reporting to Khan Bank and ADB. The companies will be required to report any environmental incidents, accidents, complaints, litigation, regulatory notices, or fines in their operation to PMU, Khan Bank, and MNE as soon as possible. Corrective actions will be developed and agreed upon between the company and State Specialized Inspection Agency or other applicable agency. This will be referred to PMU environment specialist and Khan Bank for review and concurrence. Khan Bank will report any environmental incidents that it becomes aware of to PMU and a similar procedure initiated. The environment specialist within PMU will be responsible for overseeing and reviewing this monitoring to ensure that it is satisfactorily carried out.

## **2. Component 2: Rural Infrastructure and Services Development**

23. These investments are confirmed as category C; therefore no formal procedure of approval is needed. However, the environment specialist within PMU will be responsible for overseeing and reviewing the component to ensure that it is satisfactorily carried out with no significant deviations from the original scope and nature of investments, and that the exclusion list is respected.

## **G. Public Consultation and Information Disclosure**

24. Major project-related documents have been accessible through the website of ADB's Mongolia Resident Mission in both English and Mongolian through out the project preparatory TA. Numerous consultations were held with industry, government officials, nongovernment organizations, herders, traders, suppliers, and others. For the IEE, meetings were held with



MoFA, MNE, State Specialized Inspection Agency, Khan Bank, World Bank Sustainable Livelihoods Project, Mongolian Cleaner Production and Energy Efficiency Center, University of Mongolia tannery research project, and representative enterprises in each major subsector to be supported by the Project. Local (*soum*) officials and community groups were consulted in group meetings in the field. All parties consulted are in favor of the Project. In terms of environmental impacts, the main concerns raised are on the need for sustainable pasture management and a sustainable harvesting system, and for upgrading equipment and processes used in the leather industry. One of the potential areas of investment, the seabuckthorn investment proposal, was seen to be in a position to bring positive environmental change as it can be used to control or reduce soil erosion.

## **H. Conclusion**

25. The Project will have overall environmental benefits and no major negative impacts. A full environmental impact assessment under ADB guidelines is not required. Notwithstanding, two issues associated with existing problems of industrial pollution and land degradation require particular attention; appropriate mitigating measures have been design.

## 17. GENDER ACTION PLAN

Activities	Indicators and Targets	Responsibility
A. General Activities		
1. Recruit social development specialist consultant to be based at PMUs	<ul style="list-style-type: none"><li>Social development specialist consultant recruited</li></ul>	MOF, MoFA, and PMUs in consultation with the gender specialist at MNRM of ADB
2. Undertake gender awareness and capacity development training at project onset for staff of MOF and MoFA, Executing Agencies, and PMUs	<ul style="list-style-type: none"><li>Gender sensitization training on gender aspects related to agricultural production, food security, and sustainable rural development sessions held</li></ul>	
3. Carry out annual consultation with MOF, MoFA, and PMUs on implementation of the Project's gender action plan	<ul style="list-style-type: none"><li>Annual capacity development training and consultations held</li></ul>	
B. Component-Specific Activities		
Component 1. Credit Line for Value-Chain Development		
1. Define gender-relevant indicators to be included in the monitoring criteria for project investment plans	<ul style="list-style-type: none"><li>At least 50% of agricultural enterprises adopt a corporate code of business conduct and ethics incorporating socially inclusive and/or gender sensitive provisions</li><li>Equal employment opportunities</li><li>Equal wages for work of equal value</li><li>Representation of women in managerial, technical, and administrative positions</li></ul>	MOF, MoFA, and PMUs in consultation with the gender specialist at the MNRM
2. Build capacity for managing the Project's agricultural enterprises for greater social and gender responsiveness of their organization and market development policies, strategies, and programs		MOF, MoFA, and PMUs in consultation with selected agricultural enterprises
3. Carry out annual assessment of social and gender performance of selected agriculture enterprises based on a set of indicators agreed upon at project onset, report on practices affecting local communities (i.e., code of conduct, unfair competition and market practices, dumping and price manipulations), and suggest corrective measures	<ul style="list-style-type: none"><li>Independent assessment submitted annually</li><li>Corrective action plan submitted</li><li>Task included in terms of reference for monitoring and evaluation consultant</li></ul>	
4. Select best agriculture company and local council that practice socially inclusive and gender-responsive approaches in supply chain development and carry out lateral learning training for representatives of other agricultural enterprises, women's businesses, nongovernment organizations, and relevant <i>aimag</i> stakeholders	50% of participants in lateral learning training are women.	

Activities	Indicators and Targets	Responsibility
Component 2. Rural Infrastructure and Services Development		
1. Carry out community consultations in selected <i>soums</i> in the project area (Bayankhongor, Hovd, Selenge, and Sukhbaatar <i>aimags</i> ) on the impact and outcome of the Project and on modalities adopted to ensure local communities' involvement in project design, implementation, and monitoring and evaluation	<ul style="list-style-type: none"> <li>Women make up 50% of participants in local community consultations for investment selection and implementation.</li> <li>Women make up 30% of informal herder groups and/or local community councils or other local organizations and/or nongovernment organizations used as agents for investment selection and implementation.</li> </ul>	MOF, MoFA, and PMUs in consultation with the gender specialist at the MNRM
2. Carry out community-based consultations in selected <i>soums</i> in the project area to identify priority investments for community-based supply chain-related infrastructure and support services [i.e., development of livestock testing and veterinary extension centers, wells and accompanying water management infrastructure, support to agricultural producer (herder) marketing cooperatives, and development of fodder supply and storage facilities]		
3. Support women's self-help groups and agribusinesses, and female producers through social mobilization to enhance the productivity of their enterprises and their ability to access the supply chain in selected <i>soums</i> in the project area <sup>a</sup>	Eligibility criteria for rural infrastructure and support service investments include demonstrated ability to address the needs and constraints identified by female stakeholders (i.e., self-help groups, producers, and agribusinesses) during local stakeholder consultations	
4. Develop a strategy to promote women producers' access to value-chain development in consultation with the Project's supply-chain development specialist	Strategy developed by supply chain consultant and adopted by agriculture enterprises	

Component 3. Project Management		
1. Maintain a project-specific, sex-disaggregated database and provide annual review and consultations on the social, gender, and participatory aspects and impacts of the Project	<ul style="list-style-type: none"> <li>Sex-disaggregated indicators are identified for collection during the Project.</li> <li>Sex-disaggregated baseline information available</li> <li>Sex-disaggregated end-line information available</li> <li>Number of recommendations to the Government and ADB</li> </ul>	MOF, MoFA, and PMUs
2. Ensure the collection of sex-disaggregated, end-line data and information		
3. Provide recommendations to improve the design of future ADB loans in agriculture with the focus on gender and development issues		

ADB = Asian Development Bank, MNRM = Mongolia Resident Mission; MoFA = Ministry of Food and Agriculture, MOF = Ministry of Finance, PMU = project management unit.

<sup>a</sup> Skills development training will include basic decision-making and problem-solving skills; technical and vocational skills in agriculture; land and water management; planning and management skills; social, interpersonal, and

communication skills; negotiation and facilitation skills; critical thinking (necessary for fostering innovation and change); food preservation and processing skills; marketing skills; leadership, business, income-generating, and entrepreneurial skills; awareness about social, political, and legal aspects related to agricultural production, food security, and sustainable rural development.  
Source: ADB estimates.

## 18. LIST OF ADB REFERENCE MATERIALS ISSUED TO PMU<sup>16</sup>

- A. **Project Related**  
Grant Agreement  
Report and Recommendation of the President to the Board of Directors
- B. **e-Handbook on Project Implementation.** May be downloaded from the following website:  
<http://www.adb.org/Documents/Handbooks/Project-Implementation/default.asp>
- C. **Consultancy.** May be downloaded from the following website:  
Guidelines on the Use of Consultants by ADB and Its Borrowers  
<http://www.adb.org/Documents/Guidelines/Consulting/>  
Consulting Services Operations Manual  
<http://www.adb.org/Documents/Manuals/Consulting-Services-Operations-Manual/default.asp>
- D. **Procurement.** May be downloaded from the following website:  
  
Guidelines on Procurement under ADB Loans  
<http://www.adb.org/Documents/Guidelines/Procurement/>
- E. **Disbursement**  
Disbursement Letter issued by Controller's Department  
Loan Disbursement Handbook  
[http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/)

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<sup>16</sup> The list is not exhaustive of all relevant documents.