

# Audited Project Financial Statements

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Project Number: 39229-022  
Grant Number: 3287, 3288  
Period covered: 1 January 2020 to 31 December 2020

## Mongolia: Agriculture and Rural Development Project - Additional Financing

Prepared by: Project Implementation Unit of the Agriculture and Rural Development Project

For the Asian Development Bank  
Date accepted by ADB: 5 July 2021

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the executing agency.



**BAKER TILLY DALAIVAN AUDIT**

## **AUDITOR'S REPORT**

**/Revised/**

**Additional Financing of Agriculture and  
Rural Development Project  
Loan number 3287-MON/3288-MON (SF)**

Financial statement as of  
December 31, 2020



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"BAKER TILLY DALAIVAN AUDIT" LLC  
CERTIFIED ACCOUNTING, AUDITING  
& APPRAISAL



**Agriculture and Rural Development Project**  
**Хөдөө аж ахуй, хөдөөгийн хөгжлийн төсөл**

BAKER TILLY  
DALAIVAN AUDIT LLC

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25 May, 2021

#01-2021/061

**PIU Management Responsibility Letter**  
**for preparation and approval of the financial statements**  
**as of December 31, 2020**

We, the signed as PIU Management of "Additional Financing of the Agriculture and Rural Development Project (Loan 3288 MON (SF) and 3287 MON)", are responsible for preparing the financial statements in accordance with International Public Sector Accounting Standards (IPSAS), monitoring project operations are held for intended purposes, safeguarding project assets and preventing and detecting fraud and other violations.

At the end of the reporting period, the management is responsible for assessing the project unit's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the project unit or to cease operations, or has no realistic alternative but to do so.

The management is responsible for regular monitoring of potential contingent liabilities that may arise in the future as a result of the past events from legal or assumed constructive obligations and for disclosing contingent liabilities arising from such legal or constructive obligations in the financial statements.

We confirm we fulfilled our responsibilities as mentioned above, and the financial statements as of December 31, 2020 have been prepared fairly under International Public Sector Accounting Standards (IPSAS).

Also, we comply with the following ADB's requirements:

- (vii) That project financial statements are free from material misstatements including omissions and errors, and are fairly presented;
- (viii) That the executing agency has utilized the proceeds of the loan only for the purposes of the project;
- (ix) That the executing agency was in compliance with the financial covenants of the loan agreement (where applicable);
- (x) That the advance (imprest account) fund procedure has been operated in accordance with the ADB's Loan Disbursement Handbook;
- (xi) That adequate supporting documentation has been maintained to authenticate claims stated on the statement of expenditures (SOE) for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and
- (xii) That effective internal control, including over the procurement process, was maintained.

We authorized and approved the audited financial statements "Additional Financing of the Agriculture and Rural Development Project (Loan 3288 MON (SF) and 3287 MON)", as of December 31, 2020.

  
J. Tuvshinsanaa  
Project Coordinator

  
Z. Ariuntsetseg  
Accountant





**BAKER TILLY  
DALAIVAN AUDIT**

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**INDEPENDENT AUDITOR'S REPORT**

**To: J.TUVSHINSANAA  
PROJECT COORDINATOR**

**ADDITIONAL FINANCING OF THE AGRICULTURE AND RURAL DEVELOPMENT  
PROJECT (LOAN NUMBER 3288 MON (SF) AND 3287 (MON))**

**Unqualified Opinion**

We have audited the financial statements of **Additional financing of the Agriculture and Rural Development Project (Loan Number 3288 MON (SF) and 3287 (MON))**, that comprises the statement of financial position as of December 31, 2020, and the statement of financial performance, statement of changes in net assets/equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements were presented fairly, in all material respects, the financial position of **Additional financing of the Agriculture and Rural Development Project (Loan Number 3288 MON (SF) and 3287 (MON))**, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

**Basis of Opinion**

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the project unit in accordance with the International Ethics Standards Board for Accountants' Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have determined that there are no key audit matters to communicate in our report.

**Other information**

Management is responsible for the other information. The other information comprises the information included in the Project's Annual Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT**  
(Continued)

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility for the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project unit's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Use of the report**

This report is prepared solely for the uses of PIU and ADB. We do not assume responsibility to any other person for the content of this report.


**May 25, 2021**

**The Government of Mongolia  
Asian Development Bank  
Loan 3287-MON, 3288-MON (SF)  
Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF FINANCIAL POSITION  
as at December 31, 2020**

		In USD	
Items	Note	2019.12.31	2020.12.31
<b>ASSETS</b>			
<b>CASH AND CASH EQUIVALENTS</b>	4.1	<b>8,314,774.86</b>	<b>3,780,854.04</b>
<b>RECEIVABLES:</b>		<b>34,851,777.44</b>	<b>32,915,606.94</b>
Sub-loans from the additional financing of the project	4.2, 4.14	30,502,935.61	32,838,117.24
Interest receivable	4.3	36,824.08	77,489.70
Other receivable	4.4	4,312,017.75	-
<b>PREPAID EXPENSES</b>		<b>2,620.31</b>	<b>7,261.03</b>
Prepaid expenses	4.5	2,620.31	7,261.03
<b>INVENTORIES</b>		<b>2,752.92</b>	<b>1,951.69</b>
Supplies	4.6	2,752.92	1,951.69
<b>TOTAL CURRENT ASSETS</b>		<b>43,171,925.53</b>	<b>36,705,673.70</b>
<b>FIXED ASSETS</b>			
<b>VEHICLES</b>		<b>6,333.39</b>	<b>4,417.46</b>
Vehicles	4.7	72,145.52	72,145.52
Accumulated depreciation	4.7	(72,145.52)	(72,145.52)
Computer and spare parts	4.7	36,965.58	36,965.58
Accumulated depreciation	4.7	(30,632.19)	(32,548.12)
Other fixed assets	4.7	1,361.98	1,361.98
Accumulated depreciation	4.7	(1,361.98)	(1,361.98)
<b>INTANGIBLE ASSETS</b>		<b>-</b>	<b>-</b>
Software	4.7	6,559.04	6,559.04
Accumulated amortization	4.7	(6,559.04)	(6,559.04)
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,333.39</b>	<b>4,417.46</b>
<b>TOTAL ASSETS</b>		<b>43,178,258.92</b>	<b>36,710,091.16</b>

"BAKER TILLY DALAIVAN AUDIT" LLC  
CERTIFIED ACCOUNTING, AUDITING  
& APPRAISAL



Additional financing of the agriculture and rural development project Loan number 3288 MON (SF) and 3287 MON as at December 31, 2020

In USD			
Items	Note	2019.12.31	2020.12.31
<b>LIABILITIES AND NET ASSETS/EQUITY</b>			
<b>LIABILITIES:</b>			
<b>SHORT TERM LIABILITIES</b>			
Account payable	4.10	63,199.39	998.42
<b>Unearned revenue</b>			
Unearned VCI loan interest income	4.11	3,156.46	2,840.10
<b>LONG TERM LIABILITIES</b>			
ADB Loan	4.8	38,547,559.16	41,574,143.31
ADB Loan interest and commitment charges	4.9	1,740,757.26	2,296,375.77
Long-term liabilities			
<b>TOTAL LIABILITIES</b>		<b>40,354,672.27</b>	<b>43,874,357.60</b>
<b>NET ASSETS/EQUITY:</b>			
Government contribution	4.12	452,800.14	498,608.95
Revolving fund accounts	4.12	7,382,781.56	7,382,781.56
Accumulated surplus/(deficit)	4.12	(5,011,995.05)	(15,045,656.95)
Current period		(2,841,433.27)	(10,037,941.05)
Previous period		(2,170,561.78)	(5,007,715.90)
<b>TOTAL NET ASSETS/EQUITY</b>		<b>2,823,586.65</b>	<b>(7,164,266.44)</b>
<b>TOTAL LIABILITIES AND NET ASSETS/EQUITY</b>		<b><u>43,178,258.92</u></b>	<b><u>36,710,091.16</u></b>

Prepared and reviewed by

J. Batsaikhan  
Project Director



J. Tuvshinsanaa  
Project Coordinator

Z. Arunpsetseg  
Project Accountant




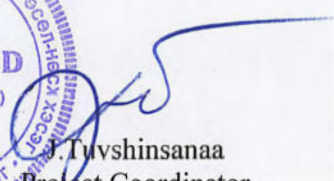
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF FINANCIAL PERFORMANCE**  
**as at December 31, 2020**

		<b>In USD</b>	
<b>Items</b>	<b>Note</b>	<b>2019.12.31</b>	<b>2020.12.31</b>
<b>OPERATING REVENUE</b>			
VCI sub-loan interest income	4.13	1,205,556.31	1,422,560.44
Deposit interest income	4.13	765,640.26	53,699.42
Bank interest income (for ADB accounts)	4.13	2,640.95	1,151.61
Bank interest income (for Revolving fund accounts)	4.13	53,115.03	103,292.32
Bid income		-	1,437.69
Other income	4.13	967.60	
<b>TOTAL OPERATING REVENUE</b>		<b>2,027,920.15</b>	<b>1,582,141.48</b>
<b>OPERATING EXPENSES</b>			
<b>ADB financing</b>		<b>(4,304,844.28)</b>	<b>(2,985,435.81)</b>
Consulting services	4.13	(189,728.62)	(178,028.17)
Training	4.13	(495,223.58)	(262,942.87)
Work		-	(425,625.12)
Equipment	4.13	(909,620.24)	(33,647.92)
Materials	4.13	(480,859.02)	(8,194.34)
Marketing and Brand Development	4.13	(126,473.73)	(69,234.52)
Audit expense	4.13	(7,600.00)	(6,691.78)
Project Management expenses	4.13	(93,830.87)	(98,731.81)
Bank charges	4.13	(406.98)	(184.34)
ADB Loan interest expense-OCR	4.13	(938,743.35)	(378,447.28)
ADB Loan interest expense-ADF	4.13	(39,694.65)	(177,171.23)
State bank's interest income transfer to the Treasury	4.13	(2,620.50)	(1,151.61)
Foreign currency gain/(loss)	4.15	(1,020,042.74)	(1,345,384.83)
<b>GOM financing</b>		<b>(564,509.14)</b>	<b>(8,634,646.72)</b>
Consulting services	4.13	(647.58)	-
Project Management expenses	4.13	(46,737.08)	(44,416.98)
Depreciation expense	4.13	(1,997.23)	(1,915.93)
Bidding expenses	4.13		(1,197.86)
Closing of some Government accounts	4.13	(268,578.71)	(8,410,430.69)
Foreign currency gain/(loss)	4.15	(246,548.54)	(176,685.26)
<b>TOTAL OPERATING EXPENSES</b>		<b>(4,869,353.42)</b>	<b>(11,620,082.53)</b>
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(2,841,433.27)</b>	<b>(10,037,941.05)</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
 Project Director

  
**J. Tuvshinsanaa**  
 Project Coordinator

  
**Z. Ariuntsetseg**  
 Project Accountant

**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**  
**AUDITED STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
**as at December 31, 2020**

In USD

Items	Government contribution	The remaining balance of sub-loan provided in the 1 <sup>st</sup> phase of the project	Revolving fund accounts	Accumulated surplus/(deficit)	Total
Balance at December 31, 2018	452,800.14	117,307.03	7,272,775.38	(2,177,862.63)	5,665,019.92
Changes in accounting policies		(7,300.85)		7,300.85	
Restated balance	452,800.14	110,006.18	7,272,775.38	(2,170,561.78)	5,665,019.92
Amounts collected for the period		(110,006.18)	110,006.18		
VAT exemptions					
Unrecognized gain/(losses) in the statement of financial performance					
Foreign currency gain/(loss)					
Net surplus/(deficit) for the period				(2,841,433.27)	(2,841,433.27)
Balance at December 31, 2019	452,800.14	-	7,382,781.56	(5,011,995.05)	2,823,586.65
Changes in accounting policies				4,279.15	4,279.15
Restated balance	452,800.14		7,382,781.56	(5,007,715.90)	2,827,865.80
Amounts collected for the period					
VAT exemptions					
Unrecognized gain/(losses) in the statement of financial performance					
Foreign currency gain/(loss)					
Net surplus/(deficit) for the period	45,808.81			(10,037,941.05)	(9,992,132.24)
Balance at December 31, 2020	498,608.95	-	7,382,781.56	(15,045,656.95)	(7,164,266.44)

Prepared and reviewed by:

J. Batsaikhan  
Project Director

J. Tuvshinsanaa  
Project Coordinator

Z. Ariuntsetseg  
Project Accountant



**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF CASH FLOWS**  
**as at December 31, 2020**

	<b>In USD</b>	
<b>Items</b>	<b>2019.12.31</b>	<b>2020.12.31</b>
<b>CASH INFLOWS FROM OPERATING ACTIVITIES</b>		
Government contribution	-	45,808.81
Received from ADB (OCR)	5,668,179.72	730,440.67
Received from ADB (ADF) VCI	2,603,370.79	6,079,795.98
Received from ADB (ADF)	1,200,059.78	1,012,086.82
Bank interest income (ADB fund)	2,640.95	1,151.61
Received from VCI loan interest income	1,186,837.12	1,380,565.86
Refund of the previous year's Treasury account outstanding	-	4,279,718.52
Bidding income	-	1,437.69
<b>Total cash inflows from operating activities</b>	<b>10,661,088.36</b>	<b>13,531,005.96</b>
<b>CASH OUTFLOWS FROM OPERATING ACTIVITIES</b>		
<b>Payments financed from ADB Loan</b>	<b>(876,569.93)</b>	<b>(615,527.02)</b>
Training	(455,575.60)	(259,031.56)
Consulting services	(189,728.62)	(178,028.17)
Marketing and brand development	(126,473.73)	(72,471.98)
Audit expense	(7,600.00)	(6,691.78)
PMU staff expenses	(58,658.83)	(57,474.85)
Postage and communication costs	(1,946.80)	(1,741.99)
LAN, Anti-virus software and PC maintenance expenses	(3,349.97)	(1,132.21)
Advertising expense	(2,520.39)	(1,174.34)
Office supplies	(4,308.08)	(2,835.36)
Site visit expenses	(6,863.59)	(13,651.28)
Fuel expenses	(5,176.86)	(4,221.38)
Car repair and garage expenses	(7,404.29)	(10,819.90)
Car insurance and car taxes	(1,309.38)	(1,170.40)
Other expenses	(2,626.31)	(3,742.87)
Bank charges	(406.98)	(184.34)
State bank's interest income transfer to the Treasury	(2,620.50)	(1,151.61)
<b>Payments financed from GOM financing</b>	<b>(4,627,981.12)</b>	<b>(13,430,352.00)</b>
Training		
Consulting services	(647.58)	-
Social insurance contributions	(7,327.91)	(7,131.75)
Office rent	(39,310.56)	(37,273.80)
Transfer to the Treasury	(4,312,017.75)	-
Closing of some Government accounts	(268,578.71)	(8,410,430.69)
VCI sub-loan repayment & interest payment	-	(4,974,306.47)
Advertising expense	(75.46)	-



Items	In USD	
	2019.12.31	2020.12.31
Bank charges	(23.15)	(11.43)
Bidding expense	-	(1,197.86)
<b>Total cash outflows from operating activities</b>	<b>(5,504,551.05)</b>	<b>(14,045,879.02)</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>5,156,537.31</u></b>	<b><u>(514,873.06)</u></b>
<b>CASH INFLOWS FROM INVESTING ACTIVITIES</b>		
VCI sub-loan repayments (1 <sup>st</sup> phase of the project)	110,006.18	-
VCI sub-loan repayments (additional financing)	957,320.72	3,537,294.17
Deposit bank interest income	765,640.26	53,699.42
Interest income received	53,115.03	103,292.32
Other income	967.60	-
Purchase of equipment (output 3)	(31,828.07)	(309,825.67)
Purchase of equipment (output 2)	(30,620.72)	(33,647.92)
Purchase of equipment (PMU)	-	-
Purchase of materials (output 2)	(45,083.18)	(8,194.34)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b><u>1,779,517.82</u></b>	<b><u>3,342,617.98</u></b>
<b>CASH OUTFLOWS FROM FINANCING ACTIVITIES</b>		
VCI funding	(9,711,544.20)	(7,148,250.83)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(9,711,544.20)</b>	<b>(7,148,250.83)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b><u>(2,775,489.07)</u></b>	<b><u>(4,320,505.91)</u></b>
Foreign currency gain/(loss)	(265,180.84)	(213,414.91)
Cash and cash equivalents at the beginning of the year	11,355,444.77	8,314,774.86
Cash and cash equivalents at the end of the year	8,314,774.86	3,780,854.04

Prepared and reviewed by:

J. Batsaikhan  
Project Director

J. Tuvshinsanaa  
Project Coordinator

Z. Ariuntsetseg  
Project Accountant





**BAKER TILLY  
DALAIVAN AUDIT**

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**INDEPENDENT AUDITOR'S REPORT**

**To: J.TUVSHINSANAA  
PROJECT COORDINATOR**

**ADDITIONAL FINANCING OF THE AGRICULTURE AND RURAL DEVELOPMENT  
PROJECT (LOAN NUMBER 3288 MON (SF) AND 3287 (MON))**

We have audited the Statement of Sources and Uses of Funds and the Statement of Expenditures for the year ended December 31, 2020 of **Additional financing of the Agriculture and Rural Development Project**, which was prepared within the loan agreement **Loan Number 3288 MON (SF) and 3287 (MON)** framework to support withdrawals.

We conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in those statements.

An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, (i) the Statement of Sources and Uses of Funds and the Statement of Expenditures are prepared in accordance with the ADB Loan Disbursement Handbook and receipts and expenditures are supported by the primary documents, classified in accordance with expense category as stated in the loan agreement and present fairly; (ii) the proceeds of the loan were used only for the purposes of the project.

  
  
**BAKER TILLY DALAIVAN AUDIT LLC**  
**ULAANBAATAR**  
**MONGOLIA**

**May 25, 2021**

**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF PROJECT SOURCES AND USES OF FUNDS**  
**as at December 31, 2020**

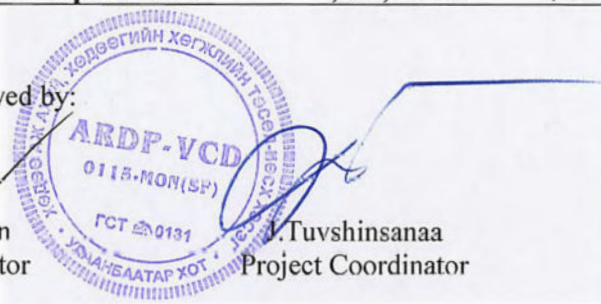
	<b>In USD</b>		
	<b>Cumulative to Dec 31, 2019</b>	<b>For the reporting period 2020</b>	<b>Cumulative to Dec 31, 2020</b>
<b>SOURCES</b>	<b>53,955,131.41</b>	<b>17,961,286.68</b>	<b>71,916,418.09</b>
<b>ADB loan funds</b>	<b>40,300,928.95</b>	<b>8,557,660.74</b>	<b>48,858,589.69</b>
ADB ADF Fund (VCI)	2,672,575.33	6,256,967.21	8,929,542.54
ADB OCR Fund (VCI)	33,891,112.05	1,108,887.95	35,000,000.00
ADB ADF Fund (Other)	3,724,629.04	1,190,653.97	4,915,283.01
Bank Interest earned	12,612.53	1,151.61	13,764.14
<b>Government funds</b>	<b>13,654,202.46</b>	<b>5,122,469.73</b>	<b>18,776,672.19</b>
GOM Funds	452,800.14	45,808.81	498,608.95
Revolving Fund	7,382,781.56	-	7,382,781.56
Deposit Interest earned	2,106,717.20	53,699.42	2,160,416.62
Bank Interest earned	177,332.13	103,292.32	280,624.45
Other income	2,456.76	1,809.15	4,265.91
Revolving Fund: 39229-033	1,012,120.62	3,537,294.17	4,549,414.79
VCI Loan interest income	2,519,994.05	1,380,565.86	3,900,559.91
Bidding income	-	<b>1,437.69</b>	<b>1,437.69</b>
Refund of the previous year's Treasury account outstanding	-	<b>4,279,718.52</b>	<b>4,279,718.52</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>53,955,131.41</b>	<b>17,961,286.68</b>	<b>71,916,418.09</b>
<b>USES OF FUNDS</b>			
<b>ADB loan funds</b>	<b>39,511,210.31</b>	<b>8,920,469.47</b>	<b>48,431,679.78</b>
Works		425,625.12	425,625.12
Consulting services	708,605.89	178,028.17	886,634.06
Equipment	893,803.79	96,415.62	990,219.41
Materials	480,859.02	8,194.34	489,053.36
ADF VCI Loans	2,108,972.28	6,560,311.25	8,669,283.53
OCR VCI Loans	32,214,050.44	587,939.58	32,801,990.02
Training	794,593.26	260,840.71	1,055,433.97
Project management expenses	392,917.80	97,967.58	490,885.38
Audit expense	17,981.51	6,691.78	24,673.29
Bank charges	501.04	184.34	685.38
Marketing & Brand development	135,145.92	72,471.98	207,617.90
Financial Charges	1,740,757.26	555,618.51	2,296,375.77
Transfer to ADB and GOM Imp.Account	2,620.50	1,151.61	3,772.11
Foreign exchange difference (Loss)	20,401.60	69,028.88	89,430.48
<b>Government funds</b>	<b>6,129,146.24</b>	<b>13,573,540.17</b>	<b>19,702,686.41</b>

Additional financing of the agriculture and rural development project Loan number 3288 MON (SF) and 3287 MON as at December 31, 2020

Training	9,858.15	-	9,858.15
Consulting services	1,216.27	-	1,216.27
Project management expenses	170,832.74	44,405.55	215,238.29
Bank charges	159.01	11.43	170.44
Equipment	110,098.01	-	110,098.01
Marketing & Brand development	6,081.16	-	6,081.16
Local Taxes and Duties	12,647.70	-	12,647.70
Transfer of Gov't Funds to Treasury	4,580,596.46	13,384,737.16	17,965,333.62
Foreign exchange difference (Loss)	1,237,656.74	144,386.03	1,382,042.77
Bidding expense	-	1,197.86	1,197.86
<b>TOTAL USES OF FUNDS</b>	<b>45,640,356.55</b>	<b>22,495,207.50</b>	<b>68,135,564.05</b>
<b>Surplus of receipts over expenditure</b>	<b>8,314,774.86</b>	<b>(4,533,920.82)</b>	<b>3,780,854.04</b>

Prepared and reviewed by:

J. Batsaikhan  
Project Director



J. Tuvshinsanaa  
Project Coordinator

Z. Ariuntsatseg  
Project Accountant

**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**  
**AUDITED ADF STATEMENT OF EXPENDITURES (ADF SOEs)**  
**as at December 31, 2020**

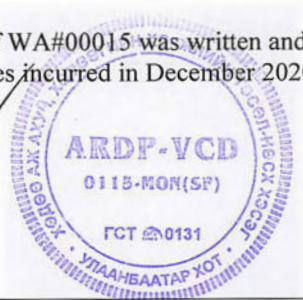
	Civil works	Equipment and materials	Consulting services	Value chain investment	Training	Marketing, brand development	Project management	Additional advance	Interest	Total (USD)
WA A0015*		8,194.34	78,269.60		208,012.88	40,681.17	40,672.30			375,830.29
WA A0016	36,035.53	33,647.92	60,355.39		63,452.73	28,343.00	41,641.09			263,535.66
WA A0017	180,932.89		44,770.57		89,012.08	28,052.90	29,952.43			372,720.87
B0011		62,767.70								62,767.70
B0012	38,279.61									38,279.61
B0013	35,052.30									35,052.30
B0014	42,467.54									42,467.54
C0026				4,597,299.15						4,597,299.15
C0027				912,496.83						912,496.83
C0030				570,000.00						570,000.00
The expenses incurred not yet claimed to ADB	92,797.25		10,203.42		11,369.47	7,456.76	6,608.71			128,435.61
CAP									177,171.23	177,171.23
Total (USD)	425,625.12	104,609.96	193,598.98	6,079,795.98	371,847.16	104,533.83	118,874.53	-	177,171.23	7,576,056.79
Total reflected in LFIS	332,827.87	104,609.96	183,395.56	6,079,795.98	360,477.69	97,077.07	112,265.82	-	177,171.23	7,447,621.18
Difference**	92,797.25	-	10,203.42	-	11,369.47	7,456.76	6,608.71	-	-	128,435.61

\* On May 14, 2020, 375,830.29USD of WA#00015 was written and of which, 202,976.03USD was belonged to the year 2020.

\*\* 128,435.61USD is related to expenses incurred in December 2020 and it was not claimed at the end of the reporting period.

Prepared and reviewed by:

J. Batsaikhan  
Project Director



J. Tuvshinsanaa  
Project Coordinator

Z. Arvantsetseg  
Project Accountant




**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON**  
**Agriculture and Rural Development Project-Additional Financing**  
**AUDITED OCR STATEMENT OF EXPENDITURES (OCR SOEs)**  
**for the year 2020**

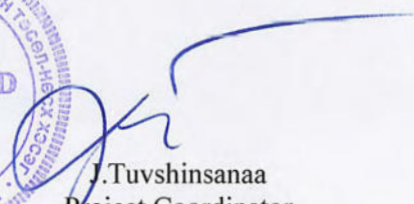
In USD


No	Name of PPEs contract	SOE record	Total disbursement	Difference
1	Leader Cashmere LLC	263,790.33	263,790.33	-
2	Batseju LLC	320,486.96	320,486.96	-
3	Erdenet Makh Market LLC	3,662.29	3,662.29	-
	<b>Total</b>	<b>587,939.58</b>	<b>587,939.58</b>	<b>-</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
 Project Director



  
**J. Tuvshinsanaa**  
 Project Coordinator

  
**Z. Ariuntsetseg**  
 Project Accountant


**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3288-MON**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED ADF STATEMENT OF EXPENDITURES (VCI-ADF SOEs)**  
**for the year 2020**


In USD

№	Name of PPEs contract	SOE record	Total disbursement	Difference
1	Trust Trade LLC	292,662.94	292,662.94	-
2	Leader Cashmere LLC	978,661.77	978,661.77	-
3	Ulemj Cashmere LLC	1,242,452.10	1,242,452.10	-
4	Global Nomadic Products LLC	709,972.63	709,972.63	-
5	Erdenet Makh Market LLC	1,900,516.23	1,900,516.23	-
6	Durvun Ulzii LLC	1,078,374.08	1,078,374.08	-
7	Batseju LLC	110,354.01	110,354.01	-
8	Darkhan Tsaskhan Suu LLC	247,317.49	247,317.49	-
	<b>Total</b>	<b>6,560,311.25</b>	<b>6,560,311.25</b>	<b>-</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
 Project Director

  
**J. Tuvshinsanaa**  
 Project Coordinator

  
**Z. Ariuntsetseg**  
 Project Accountant





**BAKER TILLY  
DALAIVAN AUDIT**

Audit assurance, property and business  
valuation advisory services

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**INDEPENDENT AUDITOR'S REPORT**

**To: J.TUVSHINSANAA  
PROJECT COORDINATOR**

**ADDITIONAL FINANCING OF THE AGRICULTURE AND RURAL DEVELOPMENT  
PROJECT (LOAN NUMBER 3288 MON (SF) AND 3287 (MON))**

We have audited the Imprest Account Statement for the year ended December 31, 2020 of **Additional financing of the Agriculture and Rural Development Project**, that was prepared within the loan agreement **Loan Number 3288 MON (SF) and 3287 (MON)** framework to support withdrawals.

We have conducted our audit in accordance with generally accepted auditing standards, on a test basis examined evidence documents that support the amounts and disclosures in Imprest Account Statement.

An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Imprest Account Statement was prepared in accordance with the ADB Loan Disbursement Handbook, cash replenishment and liquidation of the Imprest Account are presented fairly.

  
**BAKER TILLY DALAIVAN AUDIT LLC**  
**ULAANBAATAR**  
**MONGOLIA**


**May 25, 2021**


**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED IMPREST ACCOUNT STATEMENT (BOM - 3430403015)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	-	193,164.97
Add:		
Total amount deposited current year	2,603,370.79	6,079,795.98
From sub account	-	-
Bank interest earned	-	-
Deduct:		
Total amount withdrawn	-	-
Transferred to sub-account (USD)	2,410,205.82	6,267,648.33
Transfer to ADB	-	-
Bank charges	-	-
<b>Ending balance</b>	<b>193,164.97</b>	<b>5,312.62</b>
<b>Part B - Account reconciliation</b>		
<b>Amount advanced by the ADB</b>	-	-
<b>Balance of Imprest Account at the end of the year</b>	<b>193,164.97</b>	<b>5,312.62</b>
Add:		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Transfer to ADB	-	-
Deduct:		
Interest earned	-	-
<b>Total advance transferred to Imprest account.</b>	<b>193,164.97</b>	<b>5,312.62</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
 Project Director

  
**J. Tuvshinsanaa**  
 Project Coordinator

  
**Z. Ariuntsetseg**  
 Project Accountant




**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON**  
**Agriculture and Rural Development Project-Additional Financing**

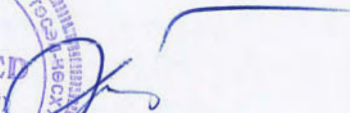
**AUDITED IMPREST ACCOUNT STATEMENT (BOM - 3430403014)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>1,939,901.09</b>	<b>3,005.32</b>
<b>Add:</b>		
Total amount deposited current year	5,668,179.72	730,440.67
From sub account	-	-
Bank interest earned	-	-
<b>Deduct:</b>		
Total amount withdrawn		
VCI Loan transferred	7,605,075.49	587,939.58
Transfer to ADB	-	-
Bank charges	-	-
<b>Ending balance</b>	<b>3,005.32</b>	<b>145,506.41</b>
<b>Part B - Account reconciliation</b>		
<b>Amount advanced by the ADB</b>		
<b>Balance of Imprest Account at the end of the year</b>	<b>3,005.32</b>	<b>145,506.41</b>
<b>Add:</b>		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Transfer to ADB	-	-
<b>Deduct:</b>		
Interest earned	-	-
<b>Total advance transferred to Imprest account.</b>	<b>3,005.32</b>	<b>145,506.41</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
 Project Director



  
**Tuvshinsanaa**  
 Project Coordinator

  
**Z. Arimsetseg**  
 Project Accountant


**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**AUDITED IMPREST ACCOUNT STATEMENT**  
**(State bank 106000037032)**  
**as at December 31, 2020**


	2019.12.31 USD	2020.12.31 USD
<b>Part A - Account transactions</b>		
<b>Beginning balance</b>	<b>59,851.06</b>	<b>292,686.15</b>
<b>Add:</b>		
Total amount deposited current year	1,200,059.78	1,012,086.82
Bank interest earned	2,618.77	1,151.61
Other income	-	7,439.67
<b>Deduct:</b>		
Total amount withdrawn	102,423.64	7,771.31
Transferred to sub-account (USD)	-	-
Transferred to Treasury account (MNT)	545,777.65	-
Transferred to sub-account (MNT)	318,616.42	1,014,233.72
Transfer to ADB	-	-
Bank charges	406.98	184.34
Closing of account	2,618.77	1,151.61
<b>Ending balance</b>	<b>292,686.15</b>	<b>290,023.27</b>
<b>Part B - Account reconciliation</b>		
<b>Amount advanced by the ADB</b>	<b>473,576.11</b>	<b>473,576.11</b>
<b>Balance of Imprest Account at the end of the year</b>	<b>292,686.15</b>	<b>290,023.27</b>
<b>Add:</b>		
Liquidation of balance of imprest account	-	-
Amount claimed and not yet credited	173,189.80	128,435.61
Bank Charges	501.04	685.38
Ending balance of MNT Account No.100900011912 at Treasury	292,676.04	42,207.46
Ending balance of USD Account No.106000037041 State Bank	-	-
Ending balance of MNT Account No.104900067747 State Bank	1,55	72.21
Ending balance of MNT Account No. 100900011809 Treasury	10,239.22	16,572.26
Ending balance of USD Petty cash	-	-
Ending balance of MNT Petty cash	7.94	129.66
Transfer to ADB	-	-
Interest income allocation	2,620.50	1,151.61
Foreign exchange difference (Loss)	6,929.34	17,165.58
<b>Deduct:</b>		
Bank interest earned	12,612.53	13,764.14
ADF VCI remaining at No.100900011912	292,662.94	-
Foreign exchange difference (Gain)	-	(71.40)
Other income	-	9,174.19
<b>Total advance transferred to Imprest account.</b>	<b>473,576.11</b>	<b>473,576.11</b>

"BAKER TILLY DALAIVAN AUDIT" LLC  
 CERTIFIED ACCOUNTING, AUDITING  
 & APPRAISAL

Prepared and reviewed by:

  
J. Batsaikhan  
Project Director



  
J. Tuvshinsanaa  
Project Coordinator


  
Z. Ariuntsetseg  
Project Accountant

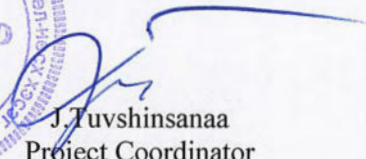
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED USD SUB-ACCOUNT STATEMENT**  
**(State bank 106000037041)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>29,275.72</b>	<b>-</b>
<b>Add:</b>		
Transferred from Imprest account (State bank 106000037032)	-	-
Bank interest earned	20.45	-
Transferred from Sub-account (State bank 104900067747)		
<b>Deduct:</b>		
Total amount withdrawn		
Transferred to MNT Sub-account at State bank (104900067747)	13,396.17	-
Consulting Services	15,900.00	-
Transferred to USD petty cash	-	-
Bank charge	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
Project Director

  
**J. Tuvshinsanaa**  
Project Coordinator

  
**Z. Ariuntsetseg**  
Project Accountant




**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED USD SUB-ACCOUNT STATEMENT**  
**(State bank 104900067747)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>709.63</b>	<b>1.55</b>
<b>Add:</b>		
Replenishment from Imprest Account (State bank)	9,156.07	-
Replenishment from Operational Account (State bank-USD)	2,173.19	-
Transferred from Sub-account at Treasury (100900011912 )	-	14,460.92
Bank interest earned	1.73	-
Foreign exchange difference (Gain)	-	4.53
<b>Deduct:</b>		
Transferred to cash on hand (MNT)	5,466.23	-
Transferred to MNT Sub-account at Treasury (100900011110)	-	-
Training (RID, VCI, PMU)	1,578.80	14,394.79
Project Management expenses		
PMU staff remuneration	4,725.09	-
Communication expenses	178.77	-
Advertisement expenses	-	-
Office supplies	87.72	-
Field trips	-	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Other expenses	-	-
Bank Charges	1.73	-
Foreign exchange difference (Loss)	0.73	-
<b>Ending balance</b>	<b>1.55</b>	<b>72.21</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
Project Director

  
**J. Tuvshinsanaa**  
Project Coordinator


  
**Z. Arimsetseg**  
Project Accountant

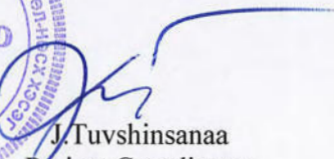
**The Government of Mongolia  
Asian Development Bank  
Loan 3288-MON (SF)  
Agriculture and Rural Development Project-Additional Financing**


**AUDITED CASH ON HAND (USD)  
as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	-	-
Add:		
Transferred from USD Sub-account at State bank (106000037041)	-	-
Other income	-	
Deduct:		
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	-	-
Training (PMU)	-	-
Consulting services (PMU)	-	-
<b>Ending balance</b>	-	-

Prepared and reviewed by:

  
J. Batsaikhan  
Project Director

  
J. Tuvshinsanaa  
Project Coordinator


  
Z. Ariuntsetseg  
Project Accountant

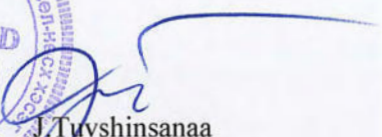
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED CASH ON HAND (MNT)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>8.25</b>	<b>7.94</b>
<b>Add:</b>		
Transferred from MNT Sub-account at State bank (104900067747)	5,466.23	-
Transferred from Sub-account (at Treasury 100900011809)	-	702.18
Other income	-	-
Foreign exchange difference (Gain)	1.79	0.18
<b>Deduct:</b>		
Marketing and Brand development expenses		
Training	4,290.99	-
Project Management expenses		
Communication expenses	39.45	71.20
Advertisement expenses	-	-
Office supplies	490.51	157.77
Field trips	233.29	3.06
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	85.67	222.46
Other expenses	328.42	126.15
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	<b>7.94</b>	<b>129.66</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
Project Director

  
**J. Tuvshinsanaa**  
Project Coordinator

  
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Project Accountant




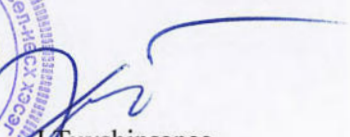
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF REVOLVING FUND ACCOUNT**  
**Ulaanbaatar City Bank - 2600066567 USD**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>38,738.27</b>	<b>77,093.60</b>
Add:		
Transferring funds from ARDP		
VCI Loan repayment	37,500.00	-
Loan repayment	-	
Bank interest earned	861.32	121.70
Other income	-	
Deduct:		
Transferred to the BOM Imprest Account		
Transferred to Operational Accounts	-	
Bank Charges	5.99	77,213.71
		1.59
<b>Ending balance</b>	<b>77,093.60</b>	<b>-</b>

Prepared and reviewed by:

  
J. Batsaikhan  
Project Director

  
J. Tuvshinsanaa  
Project Coordinator

  
Z. Ariuntsetseg  
Project Accountant







**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF REVOLVING FUND ACCOUNT**  
**Ulaanbaatar City Bank - 2600066556 MNT**  
**as at December 31, 2020**

	2019.12.31	2020.12.31
	USD	USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>33,378.55</b>	<b>105,287.96</b>
Add:		
Transferring funds from ARDP	-	
VCI Loan repayment	72,506.18	
VCI Loan interest income	3,068.61	495.36
Other income	-	
Foreign exchange difference (Gain)	-	
Deduct:		
Transferred to the BOM Imprest Account	-	
Transferred to Operational Accounts	-	
Transferred to the Treasury	-	104,873.79
Bank Charges	5.99	1.20
Foreign exchange difference (Loss)	3,659.39	908.33
<b>Ending balance</b>	<b>105,287.96</b>	<b>-</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
Project Director

  
**J. Tuvshinsanaa**  
Project Coordinator

  
**Z. Ariuntsetseg**  
Project Accountant




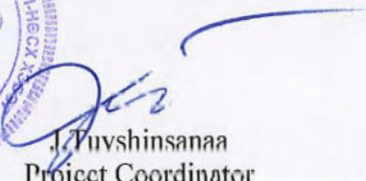
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF DEPOSIT ACCOUNT**  
**Ulaanbaatar City Bank - 2600095895 USD**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>1,700,000.00</b>	<b>1,793,500.00</b>
Add:		
From Revolving Fund account	-	-
Bank interest earned	93,500.00	16,067.79
Other income		
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at State bank	-	-
106000061113 USD		
Transferred to the Treasury		1,809,566.56
Bank Charges	-	1.23
<b>Ending balance</b>	<b>1,793,500.00</b>	<b>-</b>

Prepared and reviewed by:

  
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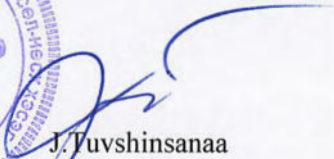
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF DEPOSIT ACCOUNT**  
**Ulaanbaatar City Bank - 2600095894 MNT**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	1,906,981.67	2,118,499.22
Add:		
From Revolving Fund account	-	
Bank interest earned	278,357.05	37,631.63
Foreign exchange difference (Gain)		
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at State bank	-	-
106000061113 USD		
Transferred to the Treasury	-	2,137,866.89
Bank Charges	-	0.84
Foreign exchange difference (Loss)	66,839.50	18,263.12
<b>Ending balance</b>	<b>2,118,499.22</b>	<b>-</b>

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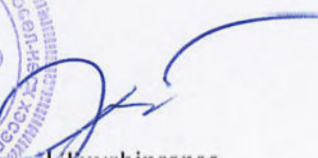
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**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF GOV'T ACCOUNT**  
**(State Bank: 104900062938 - USD)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>40,811.74</b>	<b>-</b>
Add:		
Income from BOM Imprest Account	-	-
Income from Imprest Account	-	-
Bank interest earned	173.31	-
Other income		
Deduct:		
Marketing and Brand development expenses	-	-
Training	-	-
Consulting Services	-	-
Project Management expenses	-	-
Closing of account	40,985.05	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>

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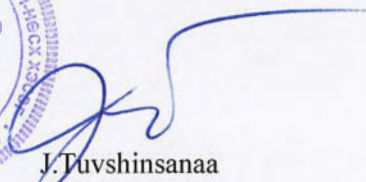
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**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project Additional Financing**

**AUDITED STATEMENT OF GOV' SUB-ACCOUNT**  
**(State Bank: 104900063340 - USD)**  
**as at December 31, 2020**

	2019.12.31	2020.12.31
	USD	USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>158.20</b>	<b>-</b>
Add:		
Income from Gov't Imprest Account (SB 104900062938)	-	-
Bank interest earned	0.32	-
Other income	-	-
Deduct:		
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	-	-
Training	-	-
Consulting Services	-	-
Equipment	-	-
Project Management expenses	-	-
Closing of account	158.52	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>

Prepared and reviewed by:

  
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Project Accountant




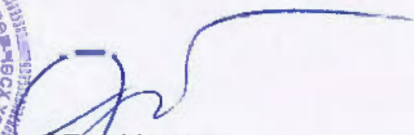
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**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF GOV'T SUB-ACCOUNT**  
**(State Bank: 104900063354 - MNT)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	11,146.11	-
<b>Add:</b>		
Income from Gov't Imprest Account (State bank)	-	-
Income from Gov't Sub-Account (State bank-USD)	-	-
Revenue from closing of ADB accounts	-	-
Bank interest earned	68.58	-
Other income	112.86	-
Foreign exchange gain/loss	32.61	-
<b>Deduct:</b>		
Transferred to cash on hand (MNT)		
Marketing and Brand development expenses	-	-
Training	-	-
Equipment	-	-
Project Management expenses		
PMU staff remuneration	-	-
Advertisement expenses	75.46	-
Other expenses	-	-
Bank Charges	-	-
Closing of account	11,284.70	-
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	-	-

Prepared and reviewed by

  
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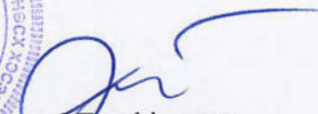
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF CASH ON HAND (MNT)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>1.94</b>	<b>1.88</b>
Add:		
Replenishment from Sub-Account (State bank - USD)	-	-
Replenishment from Sub-Account (State bank - MNT)	-	-
Other income	-	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Marketing and Brand development expenses	-	-
Training	-	-
Project Management expenses	-	-
Communication expenses	-	-
Advertisement expenses	-	-
Office supplies	-	-
Electricity expenses	-	-
Office rent expenses	-	-
Field trips	-	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Other expenses	-	-
Foreign exchange difference (Loss)	0.06	0.08
<b>Ending balance</b>	<b>1.88</b>	<b>1.80</b>

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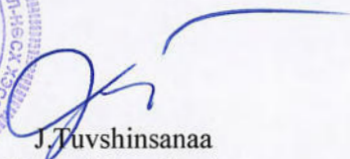
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF DEPOSIT ACCOUNT**  
**State Bank - 106000061113 USD**  
**as at December 31, 2020**

	2019.12.31	2020.12.31
	USD	USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>2,122,559.48</b>	<b>-</b>
Add:		
From Revolving Fund account	-	-
Bank interest earned	116,518.33	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at Ulaanbaatar city bank 2600095895 USD	-	-
Closing of account	2,239,075.60	-
Bank Charges	2.21	-
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>

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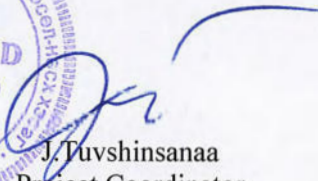
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF DEPOSIT ACCOUNT**  
**State bank - 106000061100 MNT**  
**as at December 31, 2020**

	2019.12.31	2020.12.31
	USD	USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>1,865,123.92</b>	-
Add:		
From Revolving Fund account	-	-
Bank interest earned	275,730.74	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Deposit account at Ulaanbaatar city bank 2600095894 MNT	-	-
Closing of account	2,089,456.59	-
Bank Charges	2.21	-
Foreign exchange difference (Loss)	51,395.86	-
<b>Ending balance</b>	-	-

Prepared and reviewed by:

  
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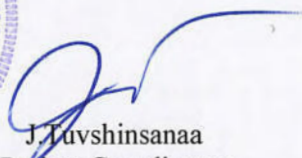
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF GOV' SUB-ACCOUNT**  
**(State Bank: 106000061192 - MNT)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>250,159.76</b>	<b>-</b>
Add:		
Income from Gov't Imprest Account (Chingis Khan Bank 5101000296)	-	-
Bank interest earned	1,534.14	
Other income	-	-
Foreign exchange difference (Gain)	719.54	-
Deduct:		
Transferred to Gov't MNT Sub-account	59,925.52	-
Project Management expenses		
Bank Charges	-	-
Closing of account	192,487.92	-
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	<b>-</b>	<b>-</b>

Prepared and reviewed by:

  
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**J. Tuvshinsanaa**  
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**Z. Ariuntsetseg**  
Project Accountant


**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF GOV' SUB-ACCOUNT**  
**(State bank: 340101938272 - MNT)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>31,208.30</b>	-
Add:		
Income from Gov't Imprest Account (Chingis Khan Bank 5101000296)	-	-
Bank interest earned	172.14	-
Other income	-	-
Foreign exchange difference (Gain)	73.93	-
Deduct:		
Transferred to Gov't MNT Sub-account	3,904.18	-
Project Management expenses		
Social security contributions	590.64	-
Office rent	3,297.03	-
Bank charge	-	-
Closing of account	23,662.52	-
Foreign exchange difference (Loss)	-	-
<b>Ending balance</b>	-	-

Prepared and reviewed by:

  
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 Project Accountant





**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF REVOLVING FUND ACCOUNT**  
**National Investment Bank -2999005481 MNT**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>594,375.71</b>	<b>921,838.99</b>
Add:		
Transferring funds from ARDP		
VCI Loan repayment	168,186.39	-
VCI Loan interest income	270,153.12	-
Bank interest income	26,026.18	17,044.17
Other income-fines	-	-
Foreign exchange difference (Gain)	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	105,530.94	217,059.44
Bank Charges	-	-
Foreign exchange difference (Loss)	31,371.47	31,210.69
<b>Ending balance</b>	<b>921,838.99</b>	<b>690,613.03</b>

Prepared and reviewed by:

  
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Project Accountant





**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**

**AUDITED STATEMENT OF REVOLVING FUND ACCOUNT**  
**Chinggis Khan Bank -5101000198 MNT**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	<b>731,055.37</b>	<b>2,236,247.63</b>
Add:		
Transferring funds from ARDP		
VCI Loan repayment	696,372.14	32,020.58
VCI Loan interest income	842,390.28	16,807.90
Bank interest income	22,744.57	85,631.09
Other income-fines	21.97	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	-	-
Transferred to Sub- account (at Treasury 100900011939)	-	7,465.84
Bank Charges	6.75	6.57
Foreign exchange difference (Loss)	56,329.95	93,551.94
<b>Ending balance</b>	<b>2,236,247.63</b>	<b>2,269,682.85</b>

Prepared and reviewed by:

  
**J. Batsaikhan**  
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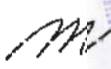
  
**Z. Ariuntsetseg**  
 Project Accountant

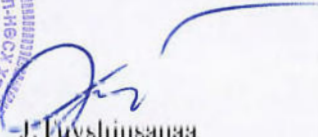
**The Government of Mongolia  
Asian Development Bank  
Loan 3287-MON, 3288-MON (SF)  
Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY  
(Treasury-100900011939)  
as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	-	270,524.39
Add:		
Transferred from MNT sub-account (BOM 3430403014)	7,605,075.52	587,939.58
Replenishment from Operational Account (National investment bank 2999005481)	105,552.03	217,059.44
Transferred from MNT sub-account (Chinggis Khan bank 5101000198)	-	7,465.96
VCI Sub-Loan interest income	74,293.72	1,363,757.96
VCI Sub-Loan principal repayment	92,762.19	3,505,273.59
Deduct:		
VCI Loans	7,601,672.10	587,939.58
VCI sub-loan repayment & interest payment (Ministry of Finance Mongolia)	-	4,974,306.47
Foreign exchange difference (Loss)	5,486.97	69,042.40
<b>Ending balance</b>	<b>270,524.39</b>	<b>320,732.47</b>

Prepared and reviewed by:

  
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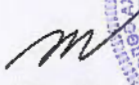
  
Z. Arlunzulzorig  
Project Accountant


**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY**  
**(Treasury-100900011912)**  
**as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	-	292,676.04
<b>Add:</b>		
Income from Gov't Imprest Account (State bank 106000037032)	575,797.66	733,098.59
Transferred from MNT sub-account (BOM 3430403015)	2,410,205.82	6,267,648.32
Foreign exchange difference (Gain)	-	49.34
<b>Deduct:</b>		
Transferred from MNT sub-account (State bank 104900067747)	1,579.19	14,467.38
VCI Loans	2,108,972.28	6,560,311.25
Marketing and Brand development expenses	119,128.41	69,836.55
Training	341,187.36	247,156.47
Works, Equipment & Materials	107,531.97	351,667.93
Project Management expenses		
PMU staff remuneration	-	-
Communication expenses (internet and handphone)	2,176.96	-
Advertisement expenses	454.25	91.41
Car insurance	1,309.38	1,042.06
Audit expense	-	6,691.78
Foreign exchange difference (Loss)	10,987.64	-
<b>Ending balance</b>	<b>292,676.04</b>	<b>42,207.46</b>

Prepared and reviewed by:

  
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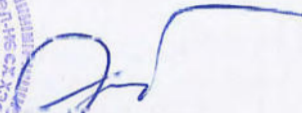
**The Government of Mongolia**  
**Asian Development Bank**  
**Loan 3287-MON, 3288-MON (SF)**  
**Agriculture and Rural Development Project-Additional Financing**


**AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY**  
**(Treasury-100900011809)**  
**as at December 31, 2020**

	2019.12.31	2020.12.31
	USD	USD
<b>Account transactions</b>		
<b>Beginning balance</b>	-	10,239.22
Add:		
Transferred from MNT sub-account (State bank 104900067747 )	4,193.73	
Transferred from MNT sub-account (State bank 106000037032 )	287,284.53	281,140.74
Other income	-	1,809.15
Deduct:		
Transferred from MNT sub-account (State bank 104900067747 )	594.00	-
Transferred to cash on hand (MNT)	-	702.18
Training	21,040.13	1,593.24
Consulting Services	173,828.62	178,028.17
Project Management expenses		
PMU staff remuneration	53,933.74	57,474.85
Communication expenses (internet and handphone)	2,901.59	2,803.00
Advertisement expenses	2,066.14	1,082.93
Office supplies	3,729.85	2,677.59
Field trips	6,630.30	13,651.22
Transportation expenses (fuel)	5,176.86	4,221.38
Transport repair, service & garage expenses	7,318.62	10,725.78
Other expenses	2,297.89	3,616.72
Foreign exchange difference (loss)	1,721.30	39.79
<b>Ending balance</b>	<b>10,239.22</b>	<b>16,572.26</b>

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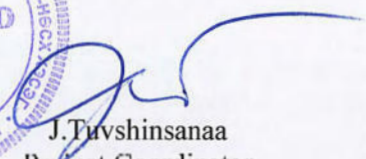
**The Government of Mongolia  
Asian Development Bank  
Loan 3287-MON, 3288-MON (SF)  
Agriculture and Rural Development Project-Additional Financing**

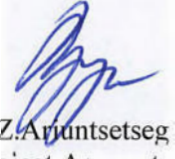
**AUDITED STATEMENT OF MNT SUB-ACCOUNT AT TREASURY  
(Treasury-100900011606 GOV)  
as at December 31, 2020**

	2019.12.31 USD	2020.12.31 USD
<b>Account transactions</b>		
<b>Beginning balance</b>	-	-
<b>Add:</b>		
Income from Revolving Fund Account	4,384,758.54	-
Refund of the previous year's Treasury account outstanding	-	4,279,718.52
Government contribution		45,808.81
Other income	832.77	-
Bidding income	-	1,437.69
<b>Deduct:</b>		
Transferred to Sub-Account for Social contributions (MNT)	-	-
Consulting services	647.58	-
Project Management expenses		
Social Security Contribution	6,737.27	7,131.75
Office rent expenses	36,013.53	37,273.80
Transfer to Treasury	4,312,017.75	4,280,909.74
Bidding cost	-	1,197.86
Foreign exchange difference (Loss)	30,175.18	451.87
<b>Ending balance</b>	-	-

Prepared and reviewed by:

  
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Project Director

  
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## 1. PROJECT BACKGROUND

On October 28, 2015, The Government of Mongolia (GoM) entered into two loan agreements (Loan Number 3287-MON and 3288-MON (SF)) with the Asian Development Bank (ADB) to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to Special Drawing Rights (SDR) 10,719,000 and \$35,000,000 from ADB's ordinary capital resources, respectively, for the purpose of funding the Additional Financing of the Agriculture and Rural Development Project (the Project). Each loan agreement went into effect on a date 90 days after the date of the loan agreement. Loan agreement is expected to be completed by June 30, 2021.

The objective of the Project is to increase value addition on Mongolian agricultural resources. The Project outputs comprise:

### Output 1. Financing of Value Chain Investments

This output comprises of: (a) preparation of value chain investment proposals; (b) due diligence of sub-projects; (c) provision of Sub-loans to Participating Enterprises to improve their value chains and/or to enhance their production and productivity; and (d) capacity development within Participating Banks and Participating Enterprises in the area of financial management, value chain development and social and environmental safeguards accordingly

### Output 2. Improvement of Production Capacity of Herders and Farmers

This output comprises: (a) capacity development of herders, farmers and primary processors of agricultural products; (b) provision of veterinary medical supplies, equipment, machinery, material and inputs for herders, farmers and primary processors of agricultural products; and (c) construction of livestock primary processing facility.

### Output 3. Improvement of Marketing and Technical Capacity of Participating Enterprises

This output comprises: (a) marketing and technical capacity development of the Participating Enterprises to enable them to produce and deliver high value and/or quality products to domestic and international markets; and (b) provision of equipment and capacity development of technical and research institutes dealing with food and agriculture products.

### Output 4. Development of Mongolian Product Brand(s)

This output comprises (a) brand development of export-oriented products, and (b) promotion and management of brand(s) developed and/or to be developed under the Project.

The Ministry of Finance, as the Executing Agency (EA) has overall accountability and responsibility for project planning, management, and implementation. Specifically, it has direct accountability and responsibility for implementation of output 1 and the project management. The Ministry of Food, Agriculture and Light Industry is the Implementing Agency (IA) that is responsible for the project outputs 2, 3 and 4.

The Project Management Unit (PMU)'s main duties are to assist the EA and IA in project planning and implementation, including consultant recruitment, procurement, and financial management as well as monitoring the project implementation. Under output 1, PMU (i) collaborates with the project participating banks (PPBs) to recruit and select project participating enterprises (PPEs); (ii) conducts training and provides advices to companies and cooperatives; (iii) conducts assessment and analysis PPEs' value chain investment proposals, as well as financial, business, environmental, and social due diligence for VCI proposals in consultation with relevant government agencies and ADB; (iv) submits and presents assessments of qualified sub-projects to ADB and Project Steering Committee for approval and financing, and (v) conducts monitoring and an assessment on the ongoing sub-projects.

The table shows the comparison between ADF loan proceeds and cumulative expenditures as of December 31, 2020.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2020 (USD)	Disbursement %
1	Works	722,692.00	425,625.12	58.89%
2	Equipment and Materials	1,906,573.59	1,479,272.77	77.59%
3	Consulting services	888,845.00	886,634.06	99.75%
4	Value Chain Investments	8,689,622.77	8,669,283.53	99.77%
5	Training	1,121,715.00	1,055,433.97	94.01%
6	Marketing and Brand Development	674,096.00	207,617.90	30.80%
7	Project Management	600,794.41	515,558.69	85.81%
8	Interest	207,275.00	246,375.77	118.86%
	<b>Total</b>	<b>14,811,613.77</b>	<b>13,485,801.81</b>	<b>91.05%</b>

The table shows the comparison between ADB OCR loan proceeds and cumulative expenditures as of December 31, 2020.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2020 (USD)	Disbursement %
1	Value Chain Investments	32,950,000	32,801,990.20	99.55%
2	Interest and commitment charges	2,050,000	2,050,000	100%
	<b>Total</b>	<b>35,000,000</b>	<b>34,851,990.20</b>	<b>99.58%</b>

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## 2. PROJECT IMPLEMENTATION PROGRESS

In 2020 the overall performance of the Project had effects of the following: (i) as this is a Project completion year, the PMU paid attention on use of loan proceeding as full as possible, that made PMU review the budget and make proposals on possible allocation between the budget lines; (ii) long delays in loan approval process by the Project Steering Committee (PSC) due to structural changes as well as new appointments that led to changes in the members of the PSC; (iii) Stricter restrictions and lockdowns due to Covid-19 especially at times which were crucial for the PPEs (such as harvesting, sale promoting festivals) affected the PPEs operation severely. The PMU took the affordable steps and actions to achieve the targets. The following were done for 2020 reporting period.

### Output 1. VCI financed. Under this output PMU has done the following:

#### **A. Work with project participating banks**

- (i) Maintained regular communication with 5 banks except NIB, which the Project stopped on-lending due to non-compliance since 2019 and received loan applications from 4 PPBs except TDB, whose NPL ratio was exceeded agreed limit. The PMU reviewed 10 proposals submitted by PPB before their processing and did follow up, which included some guidance and instructions to credit/customer relations officers to improve both completeness of application and proposals and back and forward communications with them. Some of these proposals were rejected since they lacked viability and feasibility. Full assessment of 8 subprojects were completed and approved by PSC. Among them, there were 3 PPEs which had received some coaching to improve the planning and a business proposal. The coaching was given to individual staff and management. 5 subprojects were the ones, which the PMU completed full assessment previous year but the PSC meeting was not called for 6 months the PMU had to update the assessments, so for some subprojects the valid time for Credit Committees' decision were expired, PPBs had to do the processing again and the PMU as well to repeat the process from the beginning to verify and review the previous data and information.
- (ii) As lockdowns and stricter restrictions due to Covid-19 affected the PPEs financial situations so that created problems for repayments the PPEs made requests to the PMU through the PPBs to make changes in the repayment schedule in accordance to the Government decision on Covid-19 impact mitigation measures. The PMU received the requests, did assessments and analysis for confirmation their requests and introduced the findings to PSC. The analysis and assessment included verification through site visits, verification of financial records. All together 10 requests were received and after due diligence 3 requests were turned down by the PMU, analysis and assessments of 7 were completed and introduced to PSC, which approved 6 requests and rejected request from one PPE. After approval by the PSC one PPE was not able to sign the amendment in the repayment schedule, as during the time the PPE's request was processed the PPB expected them to achieve certain sales but they were not able to achieve it due to the board closer and the PPB was not satisfied with this turning, so they did not make changes in the repayment schedule. Among the ones which got the changes in the repayment schedule there was a PPE which had second rescheduling as they did not achieve the expected recovery from the decline started in 2019.
- (iii) Information and reports on the compliance of prudential ratio of 5 PPBs which are working with the Project was received in the format the PMU developed and sent to ADB. The NPL ratio of TDB did not still meet the agreed limit and other PPBs stay compliant.
- (iv) The PMU sent reminder about 2 subprojects, which are far behind in the implementation to Golomt and Khan Banks. One PPE agreed to repay the loan in May 2021.

#### **Outcome:**

Full assessments of 5 subprojects were updated on the base of verification, confirmation and new data collection, after some of them were sent back to PPBs as the Credit Committee decisions were expired. The PMU worked together with PPBs and PPEs to improve proposals of 3 PPEs subprojects and complete due diligence. As result, financing of 8 subprojects were approved by PSC and financing of 7 of them was completed. 10 requests for rescheduling of repayment were received



through the PPBs and the PMU did analysis and assessment for confirmation. 5 of them have made changes in the loan contracts and rescheduling as approved by PSC. During the reporting period the PMU has worked with 4 PPBs which meet the prudential ratios. The PPBs have been involved in the monitoring of subprojects.

## **B. Work with participating enterprises**

- (i) Proposals of 8 PPE were reviewed before they applied through the PPBs. 2 of them applied through the PPB after they had made improvements in accordance to the PMU's advice and instructions and got approved for financing.
- (ii) Full assessments of 4 subprojects, which were completed to late 2019 were updated and full assessment of 2 subproject was completed, since the PSC was not called until 8 April 2020. Updating involved repeating the PMU assessment process again for confirmation by interviewing management, employees, where possible customers, review and verify market and sales data. Full assessment of 2 more subprojects was done and introduced to PSC for approval. Full assessment includes due diligence, including enquiries from customers, inspections agencies, physical observations, exploring distribution and sales, data collection and analysis as well as verification of information and evaluation of viability and feasibility of proposal based on sector analysis and other data. Assessments of 3 subprojects were cleared by ADB.
- (iii) Face to face meeting was held with 5 PPEs which shared outline of their proposal, ideas to have advice and guidance of the PMU consultants. This number is far lower than previous years, since most of the information about the project, financing, selection criteria are available in the website and also PMU informed the remaining financing to PPBs. The team from BEST program financed by USAID accompanied 4 enterprises, which are receiving assistance from the Program to share their plane with the PMU consultants. Advice by the PMU included required research, improvements needed in both enterprise and proposal they shared before they seek financing from ARDP in terms business plan viability, feasibility of implementation, social, gender and environment compliance. The due diligence was thoroughly explained and advice was given about complete application, including necessary permissions, certificates and basic documentation and public consultation.
- (iv) Implementation briefing was done the 7 project implementation teams, which includes a focal point person and management of the PPEs, whose project loan financing was approved. Briefing includes the PMU's consultants briefing on assessment findings and advice on overcoming weaknesses and strengthening good practice elements, areas where the enterprises need more attention and focus during implementation for development and risk averse actions, exchange of ideas about mitigation of impacts and implementation for success as well project reporting requirements, both external and internal monitoring. Minutes of briefing meetings are taken and records are sent to PPEs with the finalized implementation plan. The PPEs are reminded to inform about the changes in the implementation plan in timely manner to PMU in written and PMU's confirmation about such request for change. Frequency of reporting, monitoring, tools the PMU use monitoring are highlighted to PPEs.
- (v) Monitoring of implementation of 44 subprojects, including 7 subprojects, loan contracts of which were signed during from May to June period was done. It includes receiving quarterly performance progress report in the format the PMU developed, field visits to PPEs project sites both in UB and in the countryside, follow up social media, press and media, collect data from sector reports and Trade Associations bulletins and news and calls and spot visits. Spot visits were paid to 4 cashmere and wool PPEs and an intensive farm to monitor the implementation plan progress. Social, Gender and Environment monitoring covered performance of 41 PPEs. Planned visits were made to 19 locations in 10 provinces to monitor implementation progress of 21 subprojects, follow the investment and targets of the implementation. Monitoring visits to PPEs in UB were paid by November. One of the PPEs which had delays in implementation fully repaid the loan and stopped the implementation only focusing on sales of bee honey which the PPEs procures from small bee-farmers and households. The another PPE whose project site was in the area, where big road construction took place causing delay, then Covid-19 pandemic was the reason the PPE gave for the delay was not proactive enough to prioritize planning.

- PMU gave warning three times but PPEs did not address the issue properly so they were requested in consultation with the PPB to repay the loan. Note was sent by Khan Bank to this PPE, which faced serious delay in implementation due to PPBs decisions and import barriers both due to animal disease and Covid-19.
- (vi) Restriction measures implemented by the Government as well as actions taken by other countries for the prevention and containing Covid-19 pandemic had impacted the PPEs performances and operations badly since orders for export had been cancelled, uncertain delays or reduced orders had been made by many export buyers, order placement became uncertain leaving PPEs in excessive inventory, while most of the processing companies left short of or without basic raw materials such as chemicals, packaging materials that lead to stoppage on the top of stoppage due to lockdowns. During 2020 19 out of 44 PPEs experienced longer stoppages in planned operation time, among them 11 are the PPEs in wool and cashmere sectors, rest are the PPEs whose customers are corporate customers such as schools, kindergartens.
  - (vii) Measures taken by the Government for mitigation of impacts of Covid-19 was rescheduling of loan repayment for businesses, whose sales and operation were hit by the pandemic. The PMU received requests from the PPEs through the PPBs, who's Credit Committees endorsed the requests and made assessment of each PPE which was endorsed by the PPBs and introduced the assessment to the PSC who approved the requests. The PMU took affordable action to assist PPEs through this challenging time, by exchanging ideas mobilizing their resources to make new products for import substitution especially on specific segments of corporate market such as police, mining sector (winter and outfit uniforms), offer new services (to door delivery services, online sales and product bundling). This produced some outputs: 3 PPE marketed new products for import substitution and 2 PPEs introduced new services. 2 PPEs used the window time when Europe opened their boards to make some export. 2 PPEs in wheat seed production sector and one intensive farming had organized their harvesting well and had good stock for winter. 2 PPEs which received their loans at the end of 2019 and end of June 2020 had most of the earth work for their construction work before the freeze and completed frame construction. All PPEs in cashmere and wool sector, except 4 had achieved the raw fiber procurement targets, but achieved small volume of export and final goods sales due to low demand both in semi-processed and final goods, as well as decline in purchase by retailers who export on themselves affecting sharp decline Sales and revenues. Lockdowns during major festival times in the country also affected domestic sales except a few PPEs in food sector. During the reporting period a monitoring was done by the Internal Monitoring and Auditing Department of the MOFALI. The monitoring team visited PPEs and herder and farmer cooperatives where ARDP investments were made in Khovd, Uvurkhangai, Zavkhan, Arkhangai, Khuvsgul, Selenge, Darkhan-Uul and Orkhon aimags. The team consisting of auditors and sector experts had visited 13 PPEs in these regions and got familiarized with the subprojects plans, project implementation, inspected investments against the plan, examined the records and financial statements to verify the financing and use of funding. The team presented a written report on the findings, paid visit to the State Secretary of the MOFALI and reported they did not find any failure or misuse and implementation was on track. 8 PPEs, whose loan for financing was disbursed either at the end of 2019 or financing was spread over end of previous year and beginning of 2020 completed the investments at 60-85%. Their implementation is on track except some delays caused by the quarantine and lockdowns due to Covid-19 pandemic which caused delays in equipment order placement, delivery and installation or delay caused by the lowered demand in expected new products. Disbursement of a loan for a recipient who is receiving a second loan is pending.
  - (viii) The PMU paid attention to engage PPEs in TA8960 and tried to make inputs as they could afford. The PMU participated in meetings with the contractor, who conducted sea-buckthorn export market survey provided feedback with considerations for PPEs who made already export or were on the way of exporting and made input to the marketing and branding manual developed by the International Marketing and Branding expert. The PMU business advisor made her input in TOR for the Development of the MNF marketing strategy. The PMU distributed manuals and survey reports produced by TA to the PPEs.
  - (ix) The PMU helped 8 PPEs to participate in the introduction training seminar organized by the BEST program financed by USAID on company's governance. A PPE has expressed their

interest to participate in their program on company's governance improvement. The PMU planned to organize training on Strategic management to PPEs, but it was delayed due to restriction due to Covid-19 pandemic.

- (x) Face-to face meetings through which enterprises are provided with information and advice was made with 10 businesses was in first half of 2020 because of availability of financing as well as restrictions due to Covid-19.

**Outcome:**

- As of 31 December 2020, total of MNT106,757,100,000.00 or USD43,346,553.50 loans to 45 PPEs (a PPE received a second loan under AF) were approved, out of this amount MNT 106,257,100,000.00 or USD41,470,373.73 was disbursed in accordance to the on-lending agreement. Loan financing by sectors is as follows: wool & cashmere-16, leather-3, apparel-1, meat and meat products-7, dairy- 5, intensive farming-4, fodder making-1, canned vegetable -2, seed production -2, bee-farming/honey production- 2, berry -processing- 2. 22 of these PPEs are in the countryside, 23 – are in UB. In 2020 loan amount was at MNT 20,168,800,000.00 which makes 19.0% of total VCI loan financing.
- Monitoring 44 subprojects did not find any misuse of financing, a PPE, which is Ikh Aurag Ord LLC, which implemented one of the 2 subprojects which had delay, repaid MNT 198,952,000.00. As result the loan the PPE received was fully repaid. By the performance of subprojects, 10 PPEs implemented their subprojects with full success, 19 PPEs have implemented their subprojects 100% with elemental successes, rest of the subprojects are in on track except one which has serious delay.
- In order to improve effectiveness of the project, the PMU linked PPEs with other projects and TA. As a result 9 PPEs have received TA or other assistance. Out of them received 3 PPEs were awarded national ISO standard certificates as result of the TA piggy backed to ARDP. 4 PPEs introduced ISO in accordance to their implementation plan, 1 out of them was awarded International ISO standard, other were awarded ISO standard certificate by the National Agency of the Standardization and Metrology. 2PPE received MNF certification and other 2 PPEs were awarded bronze and silver rank international certificates of Sustainable Fiber.
- 8 PPEs which received financing in the reporting period (except one which loans at the end of the year) created 151 jobs, as the major opportunities were offered by construction work and primary processing.

**Output 2. Production capacity of herders and farmers improved:**

**Output 3. Enterprises' marketing and technical capacity improved:**

**Output 4. Mongolian product brand(s) developed.**

The TA project funded by JFPR is being implemented since 21 March 2017 to support the implementation of the above outputs.

The Technical Advisory Units (TAU) for food and light industry sectors have been established by decree of the State Secretary of MOFALI to provide the overall technical support and guidance.

The TA team has prepared detailed work plan for each sub-sectors encompassing investment, training and studies and obtained approval from the TAUs.

**Summary of Activities for each Outputs:**

**Output 2. Production capacity of herders and farmers improved:**

- In 2020, three training activities have been implemented with participation of 185 PPEs, suppliers, agriculture cooperatives, farmers and herders for milk, meat, and sea-buckthorn sub-sectors. Topics of these training activities included veterinary and hygiene requirements for meat and meat products, establishment, and maintenance of windbreaks in sea-buckthorn plantations, good management practices for milk processing.



- Technological training for improved handling of raw materials was delivered in 6 aimags (Khentii, Sukhbaatar, Zavkhan, Khuvsgul, Arkhangai, and Bayankhongor) and two districts in Ulaanbaatar with participation of 850 herders, cooperative members, local agriculture, and veterinary staff. The training content consisted of 6 modules with 336 hours duration.
  - Video content on primary processing of skin and hides was developed and broadcasted in Malchin TV, TV9 and MN25 channels.
  - Video training manual is prepared for veterinary and hygiene inspection prior and after slaughtering of livestock.
  - In sea-buckthorn sub-sector 2 standards were drafted and obtained approval from the State Agency for Standardization and Metrology namely: "MNS6849:2020: Technical requirements for windbreaks of orchards and fruit plantation" and "MNS6850:2020 Technical requirements for variety testing in fruit plantation and orchards".
  - A set of technical documents and manuals sub-sector (10 chapters, 45 sections, 623 sub sections and 6 appendices) are drafted and submitted to MOFALI and the purpose of this document is to document the technical requirements for protecting food safety surrounding meat industry.
  - Three studies have been completed in bee keeping sub-sector namely: "Study on Bee-pasture management and training", "Study on honey-bee pollination effect on the greenhouse plantation" and "Improving economic efficiency of the sub-sector".
  - Research study of the creation of gene funds for sea-buckthorn and other fruits is completed with selection of the 20 genetic materials from 6 aimags and 10 soums and 20,000 cuttings were collected for tests.
  - Geophysical explorations (worth of MNT102.1 million) have been undertaken in 82 pasture locations covering 4 aimags (Bayankhongor, Dornod, Umnugovi and Dornogovi).
- Construction works for creating 61 deep water well (worth of MNT1.6 billion MNT) in selected 12 aimags are ongoing. By 31 December 2020 in total MNT1.1 billion was disbursed for the completion of 45 deep wells located in Arkhangai, Bayankhongor, Zavkhan, Sukhbaatar, Khovd and Khentii and construction of the rest 16 deep wells is ongoing.

**Output 3. Enterprises' marketing and technical capacity improved:**

- PPEs for the purpose of improved technical and production capacity, development of the new and brand products both for export and domestic market were screened in line with criteria and 64 PPEs (35 for product development) representing 7 sub-sectors were selected by the TA as approved by TAU.
- There were 6 training events in 2020 with 357 participants covering topics of: good practice for mass manufacturing of children shoes developed under the TA, veterinary and hygiene conditions for meat processing, technical manual and technical upgrading training for garment industry, food safety requirements both in international and domestic markets for meat products.
- Following research studies have been completed and final reports submitted to MOFALI: (i) Trainings on International Standards (sea-buckthorn); (ii) Surveys and activities on diagnosis of Mongolian pasture animal milk's chemical and bio-chemical composition, and development of functional foods; and (iii) Study on cluster development including structure and value chain creation.
- Three research projects were completed in bee keeping sub-sector: (i) Technology development and extension to beekeeping practice on protein-based feed; (ii) Research, production and extension of herbal based medicine for bees against mites; and (iii) Research on the determination of biological characteristics of Mongolian honey and antioxidant properties.
- For knitting sub-sector, the production manuals were translated for producers on the following topics of "Final knitting process in Mongolia", "Processing technology for knitting industry", "Quality control and certification" and "Coloring techniques for wool and cashmere products". Draft manuals were discussed among producers and main users, and are ready for printing.
- The following studies, trials and contracts are at a final stage: (i) "Corporate social responsibility and ethics"; (ii) "Production of video and online content for marketing and promotion of the Mongolian bee honey"; (iii) "Technical test and specifications for the new equipment for bird control"; (iv) "Primary data compilation for raw materials used for the products to be certified by the MNF"; (v) "Quality of Mongolian pasture-raised livestock meat"; and (vi) "Study on the nutritional and health properties of sea-buckthorn products.
- In 2020, three standards have been reviewed and approved by the Mongolian Agency for Standardization and Metrology in the bee keeping sub-sector: "MNS6827:2020 Glossary and

description of the bee keeping industry”, “MNS6829:2020 Beehives and the technical specifications”, and “MNS6852: 2020 The Good Agriculture Practices (GAP) for bee keeping and the general requirements”.

- In 2020, the material and supplies worth of MNT 95.7 million for “Raw materials for Equipment for glued paper production shop to protect from insects at the sea-buckthorn fields” and Reagents for development of the “Honey analysis standards” were procured to the sectorial research institutes.

#### **Output 4. Mongolian product brand(s) developed.**

- 35 PPEs have been selected for the development of brand products both for domestic and international markets representing wool and cashmere, skin and hide, garments, meat, bee keeping and sea-buckthorn subsectors.
- Two standards have been reviewed and approved by the by the Mongolian Agency for Standardization and Metrology in dairy sub-sector namely: “MNS CAC 72:2020: The requirements for infant feeding milk and medical treatment milk” and “MNS6858:2020: Powder milk and products, the general technical requirements”.
- The preparation and duplication of the video training content on the manufacturing practice of school uniforms was completed during the reporting period.
- The following research projects and trials have been completed: “Technical documentation and human resources development plan for the certification body assigned to inspect production process of production qualified for the MNF”, “Technical documentation and human resources development plan for the accredited and internal laboratory for test of the MNF products”, “Implementation of good manufacturing practices for leather and hide enterprises to qualify for the certification by international standards”, “Obtain audit for the certification of ISO9001:2015 the international standard for a quality management system for leather and hide enterprises”, “Translation of the technical guidelines in meat sector from English to Mongolian”, “Preparation of checklists and standards for the implementation of good practices in bee keeping sub-sector”, “Preparation and implementation of video training content on management and practices in bee keeping sub-sector”, “Training for management system internal auditors in compliance with ISO19011 standard for trainers and advisors in bee keeping sub-sector”, “Improve skills of suppliers to develop honey product that meets the requirements of international market”, “Preparation and certification of health and safety procedures in bee keeping” and “Methodology for economic assessment of the use of bees for pollination of plans/combined and specialized farming of crops and bee keeping”.
- Ongoing contracted studies and research projects include: “Promote and support with research on the potential of Mongolian export of honey to European Union member countries”, “Capacity building for the laboratory’s internal auditors”, “Comparative and genetic assessment (combined of traditional and modern genetic and molecular analysis) of the Mongolian sea-buckthorn species”, “Phased training on the certification and quality control for MNF products” and “Study on the creation of nationwide database for garment industry and areas for specialization”.
- In total 6 PPEs (meat -1, bee keeping -1, hide and skins – 2, sea-buckthorn -2) have been certified for the international quality standard ISO 9001:2015.
- By agreement signed between MUFALI and the Mongolian Wool and Cashmere Association the “MNF certification agency” was established in compliance with the requirements of MNS and ISO/IEC17065. The purpose of this agency is to provide product manufacturers with verification that their products are tested, inspected, and certified for the MNF standards.

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### **Project management activities.**

For the reporting period PMU's staffing comprises the following staff and consultants:

№	Title	Type	Selection Method	Contract Date		Funding Source
				Start	Completion	
1	Project Coordinator	PMU/National consultant	ICS	2016.01.07	2020.12.31	ADB
2	VCI Coordinator	National consultant	ICS	2016.03.01	2020.12.31	ADB
3	Business Advisor	National consultant	ICS	2016.08.22	2020.12.31	ADB
4	Financial Analyst	National consultant	ICS	2016.03.01	2020.12.31	ADB
5	Social/gender consultant	National consultant	ICS	2016.03.01	2020.12.31	ADB
6	Environment consultant	National consultant	ICS	2016.03.01	2020.12.31	ADB
7	Accountant	PMU	ICS	2019.03.01	2020.02.28	ADB
8	Admin assistant	PMU	ICS	2019.02.01	2020.01.31	ADB
9	Monitoring and evaluation specialist	PMU	ICS	2019.02.01	2020.01.31	ADB
10	Driver	PMU	ICS	2019.03.01	2020.02.28	ADB
11	Driver	PMU	ICS	2019.03.01	2020.02.28	ADB

PMU has implemented the following result-oriented activities:

- (i) PMU has done monitoring of 44 subprojects financed under the Additional financing based on quarterly reports received from PPEs, by fielding monitoring visits to all sub-project sites, where investments were made, receiving feedback or enquiries from the relevant Professional agencies, receiving field monitoring reports from the PPBs, which made it at request by the PMU and information collection via press, media, social media. No misuse or not for the purpose use of financing was found and there are no failures in the repayment of loans. All subprojects financed from 2017 to 2018, except 2, which were interrupted or changed scope of the project, have achieved 70-95% of implementation and those subprojects financed in 2019 have been implemented as planned and spending the loan financing for the purpose. Implementation of most of the PPEs subprojects have resulted in development of new products and services, which meet customers preferences and wants, moving to the next stage of processing, increased volume of animal origin raw materials and production of locally produced raw material based products for import substitute.
- (ii) During the reporting period, the PMU made presentations to participants of the Seminar organized by MNRM to Dairy sector businesses and Women Forum "Initiatives for Green Economy by Female Entrepreneurs" organized by Chamber of Commerce of Mongolia. Experience and information was shared with Small vegetable growers support project financed by ADD and BAS program of EBRD. The team from BEST program financed by USAID accompanied 4 enterprises, which are receiving assistance from the Program to share their plan with the PMU consultants. Advice by the PMU included required research, improvements needed in both enterprise and proposal they shared before they seek financing from ARDP in terms business plan viability, feasibility of implementation, social, gender and environment compliance. The due diligence was thoroughly explained and advice was given about complete application, including necessary permissions, certificates and basic documentation and public consultation.
- (iii) During the reporting period related information of the project activities was submitted to the Light Industry Policy Coordination Department, Livestock Policy Coordination Department, Crop Production Policy Coordination Department and Foreign Relations Division of MOFALL.
- (iv) PMU participated in the portfolio meeting organized by the MNRM, and made presentations on the project performance to MOF's monitoring working group, cooperating with the Executing and Implementation Agencies to provide prompt and without delay project activities.
- (v) PMU achieved reallocation of the remaining loan proceeds and got approval by ADB on 7 September 2020. Also changes to the Loan Agreement (L3288) was approved by ADB on 24 January 2020 and changes to the PAM on 20 October 2020.

- (vi) The PSC has discussed and approved the subloan threshold and sectors to be covered for subloans to be financed from the Revolving fund from 2021.
- (vii) Administered procurements for Outputs 2 and 3.
- (viii) Environment, and Social and Gender monitoring reports for 2019 was submitted to ADB and disclosed on ADB website. The report covered performances of 37 PPEs, which received loans for period between 2016 and 2019 in terms of environment, social and gender safeguard compliances, implementation of planned activities and actions and their outputs and outcomes.
- (ix) PMU fed the information to the Transparent Accounts (according to the Law on Glass accounts) at the MOF and submitted consolidated Statements to MOF and MOFALI in timely manner. The PMU also participated in the survey conducted upon request by MOF on "Improvement of regulating legislation and systems of the Law on Glass accounts" which was conducted by the NGO "Research Institute of Mongolian economy and analysis".
- (x) Refed the project information, including profile, scope, outputs, contracts executed under the project, financing and related documents to updated integrated MOF's ODAMIS system using from November 2020.
- (xi) Provided full support to the Mongolian National Audit Office, Dalaivan Audit LLC, Financial Monitoring and Risk Management Department of MOF, and Monitoring, Evaluation and Internal Auditing Department of MOFALI in auditing activities on the Project performance for 2019.
- (xii) Completed first draft of Project Completion report.

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

The financial statements comprise the statement of financial position, statement of financial performance, cash flow statement, statement of changes in net assets/equity for the year ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared on an accrual basis and comply with International Public Sector Accounting Standards (IPSAS).

In addition, the following reports have been prepared in compliance with ADB Loan Disbursement Handbook.

- Statement of Sources and uses of funds
- Statement of Expenditures (cash basis)
- Imprest account statement
- Sub-account statement

#### b) Basis of measurement

The financial statements have been presented in USD. Cash balances denominated in currencies other than USD are translated into USD at year-end rates of exchange stated by the Bank of Mongolia. Transactions denominated in currencies other than USD are translated at Bank of Mongolia exchange rates at the dates of transaction.

#### c) Basis of the presentation

The balances of accounts in the financial statements as of December 31, 2020 have been compared to the balances of such accounts in the financial statements as of December 31, 2019.

#### d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash balances with banks.

#### e) Receivable

Receivable measured at the fair value plus transaction costs.

#### f) Prepaid expenses/prepayments

Payments for goods, works and services are recognized as prepaid expenses/prepayments, adjusted by the amount of goods, works and services received and recorded as expenses for the period.

#### g) Inventories

Inventories are assets in the form of materials or supplies to be consumed in the project implementation process and the rendering of services.

#### h) Tangible assets

Tangible assets are used for the project activities and are stated at historical cost less depreciation. Depreciation is charged on a straight-line basis and recognized in the statement of financial performance as an expense for the current period. The useful life of tangible assets.

- Vehicles -6 years
- Computer and spare parts - 5 years
- Other assets - 5 years



i) Intangible assets

Intangible assets are stated at historical cost less accumulated amortization. Amortization is provided over the estimated useful life using the straight-line method and recognized in the statement of financial performance as an expense for the current period. The useful life of Software is 5 years.

j) Liability

Liability is measured initially at fair value. Liability is categorized into either short term liability or long term liability depending on due date and nature of contractual obligation. Consequently, liability is measured at an amortised cost using the effective interest rate. Liability is derecognized when relevant obligation is expired or terminated.

k) Net assets/equity

Net assets are defined as the residual interest in the assets of the entity after deducting all its liabilities. The components of net assets/equity are disaggregated into contributed capital, accumulated surplus or deficit and any reserves.

l) Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners. Revenue is measured at the fair value of the consideration received or receivable.

m) Expenses

Expenses are recorded on an accrual basis. By accrual basis, expenses are recognized when transactions occur and the amount can be measured, regardless of when cash is exchanged. Expenses are recorded in the statement of financial performance based on the accepted budget, approvals for expenditure and resolutions by authorized entities, contracts and source documents.

n) Taxation

Article "17.1 of the Budget Law states that "a project unit to be implemented through loans and grants provided to Mongolia from international organizations and donor countries through the Government shall be a budgetary entity", so the project implementation unit has the status of a budgetary entity. Also according to Article 14.1 of the State and Local Property Law, the budgetary entity is a state organization and office with non-factory state owned enterprise status. Therefore, the project implementation unit does not apply to the taxpayers specified in Article 5.1 of the "Corporate Income Tax Law".

Article 13.1.3 of Value-added tax defines exemption from the tax including "goods received through humanitarian and grant aid or discounted loan from foreign governments or international or humanitarian organizations." Every year, the finance ministerial resolution defines goods, works and services supplied through loan and grant projects shall exempt from value-added tax and excise tax.

According to Personal Income Tax Law, project employees wages and salaries are subject to Personal Income Tax at 10% and transferred to tax authority.

o) Social insurance contributions

Under article 15 of the Social Insurance Law of Mongolia, the employer and the employee are obliged to pay 12.5% and 11.5% of social insurance contribution respectively. The employer's social insurance contributions are funded by the The Government of Mongolia.

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#### 4. ITEMS OF THE STATEMENT OF FINANCIAL POSITION

##### 4.1. Cash and cash equivalents

The balances of cash and cash equivalents as of December 31, 2020 are shown below:

	2019.12.31 (USD)	2020.12.31 (USD)
<b>Cash and equivalent</b>		
<b>ADB loan</b>	<b>1,062,305.58</b>	<b>820,556.36</b>
ADB (ADF) imprest account at BOM (USD)	193,164.97	5,312.62
ADB (OCR) imprest account at BOM (USD)	3,005.32	145,506.41
Imprest account at State Bank (USD)	292,686.15	290,023.27
Sub-account at Treasury ADF (MNT)	292,676.04	42,207.46
Sub-account at Treasury OCR (MNT)	270,524.39	320,732.47
Sub-account at State Bank (USD)	-	-
Sub-account at State Bank (MNT)	1.55	72.21
Sub-account at Treasury (MNT)	10,239.22	16,572.26
Petty cash (MNT)	7.94	129.66
<b>Government contribution</b>	<b>7,252,469.28</b>	<b>2,960,297.68</b>
Revolving fund account at UBC bank (USD)	77,093.60	-
Revolving fund account at UBC bank (MNT)	105,287.96	-
Revolving fund account at Chinggis Khan bank (MNT)	2,236,247.63	2,269,682.85
Revolving fund account at National Investment bank (MNT)	921,838.99	690,613.03
Deposit account at State bank (USD)	-	-
Deposit account at State bank (MNT)	-	-
Deposit account at UBC bank (USD)	1,793,500.00	-
Deposit account at UBC bank (MNT)	2,118,499.22	-
Imprest account at State Bank (USD)	-	-
Sub-account at State Bank (USD)	-	-
Sub-account at State Bank (MNT)	-	-
Petty cash (MNT)	1.88	1.80
Operational account at State bank (MNT)	-	-
Sub-account at State Bank (MNT)	-	-
Sub-account at Treasury (MNT) GOV	-	-
<b>Total</b>	<b>8,314,774.86</b>	<b>3,780,854.04</b>

As approved by Ministry of Finance, separate VCI and operational imprest accounts and sub-accounts used opened at the Bank of Mongolia and State Bank.

All transactions from Ordinary Capital Resource's (OCR) Imprest Account No.3430403014 and Special Funds resource's Imprest Account No.3430403015 at the Bank of Mongolia, USD Imprest Account No. 106000037032 at the State bank, and accounts at the Treasury and commercial banks were approved by the first signatures of MOF's General director of the Treasury department and the second signature of Project Director/Director, Financial Asset Management Division, Financial Policy Department. The transactions from the sub-accounts No. 100900011809, 100900011606 at the Treasury and Mo.104900067747 at the State bank were approved by the signatures of Project Coordinator and accountant.

The following transactions have been made according to the Minister of Finance's order "Centralization of the Onlending loan payments into the Treasury system accounts" dated 6 February 2020:



1. Closing of Nos. 2600066567, 2600095895 USD accounts, and Nos. 2600066556, 2600095894 MNT accounts at the Ulaanbaatar city bank, and centralization of funds into the Treasury account.
2. According to above order funds from MNT account 5101000198 at the Chinggis Khan bank and MNT account 2999005481 at the National Investment bank shall be centralized at the Treasury, but as of end of the reporting period accounts centralization has not been made due to insolvency of those banks.

During the audit, the following bank accounts have been confirmed by the relevant commercial banks.

Bank account	Balance as of Dec 31, 2020 per project record (USD)	Balance as of Dec 31, 2020 per positive bank confirmation (USD)
Imprest Account at State bank (USD)	290,023.27	290,023.27
Sub-account at State bank (USD)		
Sub-account at State bank (MNT)	72.21	72.21
Sub-account at Treasury (MNT) ADF	42,207.46	42,207.46
Sub-account at Treasury (MNT) OCR	320,732.47	320,732.47
Sub-account at Treasury (MNT)	16,572.26	16,572.26
Revolving Fund Account at UBC bank (USD)	-	-
Revolving Fund Account at UBC bank (MNT)	-	-
Revolving Fund Account at Chinggis Khan bank (MNT)	2,269,682.85	2,269,682.85
Revolving Fund Account at National Investment bank (MNT)	690,613.03	690,613.03
Deposit Account at UBC bank (USD)	-	-
Deposit Account at UBC bank (MNT)	-	-
<b>Total</b>	<b>3,629,903.55</b>	<b>3,629,903.55</b>

#### 4.2. VCI sub-loans

	2019.12.31 (USD)	2020.12.31 (USD)
<b>Additional financing: 39229-033 MON</b>	<b>30,502,935.61</b>	
Noos Ircegui LLC	1,097,486.03	855,410.22
Denlmon LLC	182,914.34	164,501.97
Gobi JSC	2,194,972.05	1,568,690.76
Khan Brand LLC	234,127.43	182,482.60
Mongolian Cattle LLC	97,173.24	71,284.18
Russkie Kolbasy LLC	109,748.60	85,541.04
Davshilt Trade LLC	141,941.53	100,017.20
Monmeat Trade LLC	373,145.25	290,839.48
Sor cashmere LLC	1,996,436.83	1,556,076.80
Khanbogd Cashmere LLC	1,755,561.98	1,345,816.76
Mogol Noos LLC	914,571.69	828,212.57
Zurgaun Khoshuu LLC	658,491.62	528,554.02
Bayalag Ulzii LLC	475,577.28	399,190.03
Darkhan Nekhii JSC	1,473,583.58	1,236,900.86
Tumen Shuvuut LLC	1,006,028.86	754,515.67
Ikhi Ulaan Undrakh LLC	137,185.75	117,893.07
Yannal LLC	1,164,000.12	893,294.91

Choir Khairkhan LLC	445,853.70	296,103.53
Nuudel Tejeel LLC	481,064.71	461,482.87
Jinst Murun LLC	121,866.68	82,689.67
GBT Trading LLC	1,682,811.91	1,425,976.18
Khurkh Gol LLC	660,524.00	516,658.04
Ikh Aurag Ord LLC	72,782.35	0.02
Ajigana LLC	2,194,972.05	2,000,343.91
Mongol textile LLC	701,171.63	555,651.08
Uguuj Mandal Uul LLC	490,820.11	348,012.89
Mihachi LLC	219,497.21	210,562.50
Munkhbumud LLC	350,463.87	259,146.31
Zavkhan Bayalag JSC	398,021.60	358,679.21
Best shoes LLC	512,160.15	449,200.04
Erdmeat LLC	804,823.09	772,062.57
Jivertyn Orgil LLC	1,243,817.50	1,193,187.60
Natural Textile Group LLC	2,633,966.46	2,526,750.21
Efes Khuns LLC	548,743.01	526,406.29
Trust Trade LLC	2,103,514.88	2,298,640.82
Jur Ur LLC	585,325.88	561,500.05
Jigd Khuch LLC	237,788.64	218,602.48
Global Nomadic Products LLC	-	701,875.06
Leader Cashmere LLC	-	1,228,281.35
Ulemj Cashmere LLC	-	1,228,281.35
Durvun Ulzii LLC	-	1,070,359.47
Erdenet Makh Market LLC	-	1,891,658.57
Batseju LLC	-	431,126.76
Darkhan Tsaskhan Suu LLC	-	245,656.27
<b>Total</b>	<b><u>30,502,935.61</u></b>	<b><u>32,838,117.24</u></b>

#### 4.3. VCI sub-loan interest receivables

	<b>2019.12.31</b>	<b>2020.12.31</b>
	<b>(USD)</b>	<b>(USD)</b>
Noos Ireedui LLC	12,448.20	9,726.80
Khan Brand LLC	278.44	2,499.60
Mongolian Cattle LLC	1,105.71	814.62
Russkie kolbasy LLC	304.44	1,245.80
Davshilt Trade LLC	4.24	1,142.97
Monmeat Trade LLC	276.03	3,513.98
Khanbogd Cashmere LLC	37.07	750.40
Mogol Noos LLC	-	-
Zurgan Khoshuu LLC	564.23	275.21
Darkhan Nekhii JSC	5,393.30	577.14
Tumen Shuvuut LLC	489.13	410.81
Yanmal LLC	442.48	348.75
Choir Khairkhan LLC	219.87	109.52
Nuudel Tejeel LLC	177.93	170.69
Jinst Murun LLC	60.10	30.58
GBT Trading LLC	829.88	527.42
Khurkh Gol LLC	488.61	191.09

Ikh Aurag Ord LLC	53.84	-
Ajigana LLC	811.84	7,402.86
Mongol textile LLC	345.78	205.51
Uguuj Mandal Uul LLC	186.80	137.55
Mihachi LLC	108.25	77.88
Munkhbumud LLC	172.83	95.85
Zavkhan Bayalag JSC	147.21	88.44
Best shoes LLC	190.78	170.47
Erdmeat LLC	297.67	285.56
Jivertyn Orgil LLC	460.04	441.32
Natural Textile Group LLC	9,417.33	934.55
Efes Khuns LLC	328.12	249.86
Trust trade LLC	778.01	850.18
Jur Ur LLC	288.65	207.68
Jigd Khuch LLC	117.27	80.85
Ikh Ulam Undrakh LLC	-	67.94
Sor Cashmere LLC	-	17,457.90
Denimon LLC	-	1,908.22
Gobi JSC	-	19,867.01
Bayalag Ulzii LLC	-	9.56
Leader Cashmere LLC	-	454.30
Ulemj Cashmere LLC	-	454.30
Global Nomadic Products LLC	-	259.60
Durvan Ulzii LLC	-	395.89
Batseju LLC	-	2,960.19
Darkhan Tsaskhan Suu LLC	-	90.86
<b>Total</b>	<b><u>36,824.08</u></b>	<b><u>77,489.70</u></b>

#### 4.4 Other receivable

VCI subloan repayments from original phase equal to USD 4,312,017.75 was allocated as a time-deposit at the State bank. After expiration of the contract the funds were allocated to the State budget. This deposit, recorded as a receivable in the previous year, was refunded to the project's Treasury account in the current year.

#### 4.5 Prepaid expenses

	<b>2019.12.31</b>	<b>2020.12.31</b>
	<b>(USD)</b>	<b>(USD)</b>
Installment payment for Financial Software	2,176.96	2,176.96
Installment payment for Garage (car parking)	443.35	-
Advance payment for Vehicles insurance contract (period until June 2021)	-	480.35
Installment payment for "Quality assurance and monitoring of MNF products" consulting service	-	3,237.46
Installment payment for "Analysis, evaluation and formulation of initial data of raw materials for MNF products" consulting service contract.	-	1,366.26
<b>Total</b>	<b><u>2,620.31</u></b>	<b><u>7,261.03</u></b>

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#### 4.6 Inventories

	2019.12.31 (USD)	2020.12.31 (USD)
Stationeries	411.56	389.37
Fuel	1,774.12	1,298.67
Other supply materials	396.76	263.65
Spare parts	170.48	-
<b>Total</b>	<b><u>2,752.92</u></b>	<b><u>1,951.69</u></b>

#### 4.7 Fixed assets, and Intangible assets

Non-current asset depreciation of USD 1,915.93 was additionally recorded for the reporting period, and no other transactions were recorded for non-current assets and intangible assets accounts.

#### 4.8 ADB Loan

In the reporting period, the PMU received the total financing of 8,000,890.62 USD from ADB. Loan repayment principal and interest of USD 4,974,306.47, received in the reporting period, was transferred to the Ministry of Finance and this amount was deducted from the outstanding balance of ADB financing.

WA Number	Date	2018.12.31 (USD)	2019.12.31 (USD)	2020.12.31 (USD)
<b>ADF Financing</b>				
A0001	2016.03.14	228,295.07	228,295.07	228,295.07
A0002	2016.08.26	137,477.47	137,477.47	137,477.47
A0003	2016.12.21	102,220.49	102,220.49	102,220.49
A0004	2017.07.15	160,699.93	160,699.93	160,699.93
A0005	2017.12.22	186,689.22	186,689.22	186,689.22
A0006	2018.04.30	154,111.24	154,111.24	154,111.24
A0007	2018.07.18	111,205.55	111,205.55	111,205.55
A0008	2018.11.14	142,227.86	142,227.86	142,227.86
A0009	2018.12.21	81,894.53	81,894.53	81,894.53
A0010	2019.02.18		146,558.58	146,558.58
A0011	2019.05.03		166,446.78	166,446.78
A0012	2019.05.03		245,281.04	245,281.04
A0013	2019.10.07		335,107.80	335,107.80
A0014	2019.12.20		306,665.58	306,665.58
C0022	2019.09.26		2,603,370.79	2,603,370.79
A0015	2020.05.29			375,830.29
A0016	2020.09.23			263,535.66
A0017	2020.12.16			372,720.87
C0026	2020.04.07			4,597,299.15
C0027	2020.06.04			912,496.83
C0030	2020.09.30			570,000.00
<b>Total</b>		<b>1,304,821.36</b>	<b>5,108,251.93</b>	<b>12,200,134.73</b>
<b>Direct Payments</b>				
B0001	2019.02.11		40,974.10	40,974.10
B0002	2019.03.11		192,893.83	192,893.83



B0003	2019.03.26		63,896.37	63,896.37
B0004	2019.04.16		81,862.94	81,862.94
B0005	2019.04.16		158,385.83	158,385.83
B0006	2019.04.17		287,174.66	287,174.66
B0007	2019.05.17		234,474.77	234,474.77
B0008	2019.05.24		71,415.09	71,415.09
B0009	2019.06.17		45,755.07	45,755.07
B0010	2019.10.24		42,915.24	42,915.24
B0011	2020.02.04			62,767.70
B0012	2020.09.21			38,279.61
B0013	2020.10.23			35,052.30
B0014	2020.10.23			42,467.54
<b>Total</b>			<b>1,219,747.90</b>	<b>1,398,315.05</b>
OCR Financing				
C0001	2016.12.21	1,905,824.94	1,905,824.94	1,905,824.94
C0002	2016.12.21	288,343.55	288,343.55	288,343.55
C0004	2017.01.31	5,071,783.62	5,071,783.62	5,071,783.62
C0006	2017.03.03	3,407,120.41	3,407,120.41	3,407,120.41
C0009	2017.06.21	4,168,300.42	4,168,300.42	4,168,300.42
C0011	2017.12.28	1,802,673.29	1,802,673.29	1,802,673.29
C0012	2018.04.18	6,501,673.64	6,501,673.64	6,501,673.64
C0015	2018.10.19	2,389,276.92	2,389,276.92	2,389,276.92
C0016	2018.11.01	1,016,382.82	1,016,382.82	1,016,382.82
C0019	2019.05.23		5,585,361.52	5,585,361.52
C0021	2019.09.30		82,818.20	82,818.20
C0025	2020.04.07			264,447.30
C0031	2020.10.23			465,993.37
<b>Total</b>		<b>26,551,379.61</b>	<b>32,219,559.33</b>	<b>32,950,000.00</b>
<b>Total</b>		<b>27,856,200.97</b>	<b>38,547,559.16</b>	<b>46,548,449.78</b>

ADB source	Total loan proceeds (USD)	Total amounts received as of Dec 31, 2020 (USD)	Total amounts received %
ADF financing	14,811,613.77	13,598,449.78	91.81%
OCR financing	35,000,000.00	32,950,000.00	94.14%

#### 4.9 Interest and commitment charges

ADR computed the interest and commitment charges in accordance with the pertinent clauses of Loan Agreement (Ordinary Operations) Number 3287-MON and Loan Agreement (Special Operations) Number 3288 –MON (SF) and a total of 555,618.51 USD was accumulated in 2020.

№	Expenditure items	2019.12.31 (USD)	For the period amount (USD)	2020.12.31 (USD)
1	Interest for ADF Loan	69,204.54	177,171.23	246,375.77
2	Interest for OCR Loan	1,560,003.14	377,611.48	1,937,614.62
3	Commitment charge	111,549.58	835.80	112,385.38
	<b>Total</b>	<b>1,740,757.26</b>	<b>555,618.51</b>	<b>2,296,375.77</b>

#### 4.10 Account payable

	2019.12.31 (USD)	2020.12.31 (USD)
Payment on acceptance (60%) to the Gool LLC for the supply of "Beehive boxes for selected cooperatives" (G0007-2)	63,199.39	-
Payment on acceptance for the development of the Video presentation in the milk sector.	-	998.42
<b>Total</b>	<b><u>63,199.39</u></b>	<b><u>998.42</u></b>

#### 4.11 Un-earned revenue

	2019.12.31 (USD)	2020.12.31 (USD)
<b>VCI loan interest prepayment</b>		
Sor Cashmere LLC	246.14	-
Mogol Noos LLC	2,910.32	2,803.97
Erdenet Makh Market LLC	-	36.13
<b>Total</b>	<b><u>3,156.46</u></b>	<b><u>2,840.10</u></b>

#### 4.12 Net assets/equity

	2019.12.31 (USD)	2020.12.31 (USD)
GOM funding (initial phase)	-	-
GOM funding (additional funding)	452,800.14	498,608.95
Revolving Fund account	7,382,781.56	7,382,781.56
Accumulated surplus/(deficit)	(5,011,995.05)	(15,045,656.95)
Current period	(2,841,433.27)	(10,037,941.05)
Previous period	(2,170,561.78)	(5,007,715.90)
<b>Total</b>	<b><u>2,823,586.65</u></b>	<b><u>(7,164,266.44)</u></b>

Due to the cancellation of PMU staff capacity building trainings USD 4,279.15 was refunded during the reporting period, and previous year's Accumulated surplus/(deficit) were updated.

#### 4.13 Revenue and expenses

	2019.12.31 (USD)	2020.12.31 (USD)
<b>Revenue:</b>		
VCI sub-loan interest income	1,205,556.31	1,422,560.44
Deposit interest income	765,640.26	53,699.42
Bank interest income (for ADB accounts)	2,640.95	1,151.61
Bank interest income (for Revolving fund accounts)	53,115.03	103,292.32
Other income	967.60	-
Bidding income	-	1,437.69
<b>Total</b>	<b><u>2,027,920.15</u></b>	<b><u>1,582,141.48</u></b>

**Expenses:**

<b>ADB Financing</b>	<b>(4,304,844.28)</b>	<b>(2,985,435.81)</b>
Consulting services	(189,728.62)	(178,028.17)
Training	(495,223.58)	(262,942.87)
Work	-	(425,625.12)
Equipment	(909,620.24)	(33,647.92)
Materials	(480,859.02)	(8,194.34)
Marketing and Brand Development	(126,473.73)	(69,234.52)
Audit expense	(7,600.00)	(6,691.78)
PMU staff salaries	(58,658.83)	(57,474.85)
Communications and postage costs	(1,946.80)	(1,741.99)
LAN, Anti-virus software maintenance expenses	(1,173.01)	(1,132.21)
Advertising expenses	(2,520.39)	(1,174.34)
Office supplies	(4,661.99)	(2,857.55)
Site visit expenses	(6,863.59)	(13,654.28)
Fuel expenses	(7,551.79)	(4,696.83)
Car repair and garage expenses	(6,790.46)	(11,433.73)
Car insurance and car taxes	(1,309.38)	(690.05)
Other expenses	(2,354.63)	(3,875.97)
Bank charges	(406.98)	(184.34)
ADB Loan interest expense-OCR	(938,743.35)	(378,447.28)
ADB Loan interest expense-ADF	(39,694.65)	(177,171.23)
State bank's interest income transfer to the Treasury	(2,620.50)	(1,151.61)
Foreign currency gain/(loss)	(1,020,042.74)	(1,345,384.83)
<b>GOM Financing</b>	<b>(564,509.14)</b>	<b>(8,634,646.72)</b>
Consulting services	(647.58)	-
Advertising expenses	(75.46)	-
Social insurance contributions	(7,327.91)	(7,131.75)
Office rent expense	(39,310.56)	(37,273.80)
Bank charges	(23.15)	(11.43)
Closing of some Government accounts	(268,578.71)	(8,410,430.69)
Bidding expense	-	(1,197.86)
Depreciation expense	(1,997.23)	(1,915.93)
VAT exemptions	-	-
Foreign currency gain/(loss)	(246,548.54)	(176,685.26)
<b>Total expenses</b>	<b><u>(4,869,353.42)</u></b>	<b><u>(11,620,244.81)</u></b>

**VCI sub-loan interest income**

	<b>2019.12.31</b>	<b>2020.12.31</b>
	<b>(USD)</b>	<b>(USD)</b>
Noos Ireedui LLC	50,632.49	43,594.70
Denimon LLC	8,438.74	7,636.13
Gobi JSC	101,264.97	83,981.31
Khan Brand LLC	12,552.82	9,300.03
Mongolian Cattle LLC	4,881.60	3,634.29
Russkie Kolbasy LLC	5,879.08	4,359.47
Davshilt Trade LLC	7,655.96	5,474.71

Monmeat Trade LLC	17,215.06	14,822.20
Sor Cashmere LLC	92,105.57	79,303.11
Khanbogd Cashmere LLC	88,264.48	69,964.10
Mogol Noos LLC	42,193.74	39,948.09
Zurgaаn Khoshuu LLC	30,379.48	27,480.38
Bayalag Ulzii LLC	21,940.74	20,293.76
Darkhan Nekhii JSC	69,103.65	59,087.79
Tumen Shuvuut LLC	49,937.71	39,702.11
Ikh Ulam Undrakh LLC	6,329.05	5,911.34
Yanmal LLC	57,980.24	46,341.39
Choirkhairkhan LLC	23,752.78	16,843.34
Nuudel Tejeel LLC	22,193.89	21,062.08
Jinst Murun LLC	6,345.50	4,628.98
GBT Trading LLC	77,636.49	71,565.16
Khurkh Gol LLC	32,943.19	26,503.43
Ikh Aurag Ord LLC	5,632.11	1,246.45
Ajigana LLC	101,264.97	95,322.06
Mongol Textile LLC	33,638.23	28,283.08
Uguuj Mandal Uul LLC	23,590.34	18,947.58
Mihachi LLC	10,126.50	9,610.07
Munkhbumuud LLC	13,611.10	13,897.51
Zavkhan Bayalag JSC	15,458.13	17,250.89
Best Shoes LLC	20,639.45	21,553.83
Erdmeat LLC	19,940.55	35,236.94
Jivertyn Orgil LLC	31,492.90	54,457.09
Natural Textile Group LLC	65,962.16	115,320.89
Efes Khuns LLC	8,833.93	24,025.19
Trust trade LLC	18,499.70	104,157.24
Jur Ur LLC	5,147.74	25,626.86
Jigd Khuch LLC	2,091.27	10,362.48
Leader Cashmere LLC	-	29,840.77
Ulemj Cashmere LLC	-	29,840.77
Global Nomadic Products LLC	-	17,051.87
Durvun Ulzii LLC	-	23,371.98
Batseju LLC	-	2,959.99
Darkhan Tsaskhan Suu LLC	-	5,297.75
Erdenet Makh Market LLC	-	37,461.27

**Total**

**1,205,556.31**

**1,422,560.44**

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#### 4.14 VCI Loan repayment

	2019.12.31 (USD)	2020.12.31 (USD)
<b>VCI Loan repayment (Original phase)</b>	<b>110,006.18</b>	-
Altai Cashmere LLC	72,506.18	-
Vitafit Invest LLC	37,500.00	-
<b>VCI Loan repayment (Additional financing)</b>	<b>957,320.72</b>	<b>3,537,294.15</b>
Khan Brand LLC	59,818.92	42,579.06
Mongolian Cattle LLC	17,674.85	22,346.00
Russkie Kolbasy LLC	28,040.73	19,957.94
Davshilt Trade LLC	42,043.34	36,420.38
Khanbogd Cashmere LLC	224,060.29	342,034.05
Darkhan Nekhii JSC	26,491.34	181,049.41
Tumen Shuvuut LLC	92,680.75	212,965.03
Yanmal LLC	118,183.64	225,863.98
Choirkhaikhan LLC	105,022.85	133,020.68
Jinst Murun LLC	21,164.74	34,607.01
Khurkh Gol LLC	72,360.14	118,314.57
Ikh Aurag Ord LLC	67,866.96	71,057.33
Mongol Textile LLC	30,676.81	118,314.57
Uguuj Mandal Uul LLC	21,411.95	124,225.09
Best shoes LLC	29,823.42	42,593.24
Noos Iroodui LLC	-	199,579.39
Denimon LLC	-	11,250.15
Gobi JSC	-	542,855.94
Monmeat Trade LLC	-	67,856.99
Sor Cashmere LLC	-	363,054.86
Mogol Noos LLC	-	49,130.22
Zurgan Khoshuu LLC	-	103,405.36
Bayalag Ulzii LLC	-	57,002.35
Ikh Ulam Undrakh LLC	-	13,697.85
GBT Trading LLC	-	188,521.87
Ajigana LLC	-	105,184.86
Munkhbumud LLC	-	77,762.07
Zavkhan Bayalag JSC	-	23,142.71
Jigd Khuch LLC	-	9,501.19
<b>Total</b>	<b><u>1,067,326.90</u></b>	<b><u>3,537,294.15</u></b>

#### 4.15. Foreign currency gain/loss

In the reporting period, the following currency exchange rate losses were recorded from converting MNT to USD:

- USD 213,414.91 from cash balances in MNT and currency exchange operations;
- USD 1,276,787.63 from VCI loan and interest receivables issued in MNT; and
- USD 32,299.23 from other receivables.

On the other hand USD 431.69 currency exchange rate gain was recorded from other payables.

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#### **4.16. Contingent liabilities**

At the end of 2020, the PMU did not have any legal or constructive obligation as a result of past events.

#### **4.17. Events after the reporting date**

The auditor's report, including the financial statements as of December 31, 2020, was prepared by May 25, 2021. There were not events that occurred after the reporting date and which would have affected the financial statements for the year-end.

#### **4.18. Translation of the report**

These financial statements have been prepared in Mongolian and English languages, and the report in the Mongolian language prevails in case of misunderstanding between those versions.

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## 5. CUMULATIVE PROJECT EXPENDITURES (cash basis)

### *ADB funded expenses:*

Expenditure items	2019.12.31 (USD)	2020.12.31 (USD)
a. Training	455,575.60	260,840.71
b. Consulting services	189,728.62	178,028.17
Marketing and Brand Development	126,473.73	72,471.98
c. VCI loans (ADB OCR financing)	7,601,672.10	587,939.58
d. VCI loans (ADB ADF financing)	2,108,972.28	6,560,311.25
e. Project management expenses	94,164.50	97,967.58
Audit expense	7,600.00	6,691.78
Bank charges	406.98	184.34
f. Equipment	62,448.79	33,647.92
Equipment-direct payment	783,972.06	62,767.70
g. Materials	45,083.18	8,194.34
Materials-direct Payment	435,775.84	-
h. Works	-	309,825.67
Works-direct Payment	-	115,799.45
<b>Total</b>	<b>11,911,873.68</b>	<b>8,294,670.47</b>

### *Training (ADF financing):*

In the reporting period, the following training and surveys were conducted.

№	Title	Output	2020 Amount (USD)
1	VCI training for potential PPEs, PPB, GCGF	1	1,593.24
2	Capacity building training for herders and farmers		
-	Training;	2	23,077.80
-	Research and studies	2	60,700.00
3	Marketing and Technical Capacity building training of Participating Enterprises		
-	Training;	3	25,308.19
-	Research and studies	3	114,990.33
4	Development of Mongolian Product Brand(s)		
-	Training;	4	1,213.15
-	Research and studies;	4	36,012.68
-	Marketing and brand development activities	4	72,471.98
5	PMU trainings	1	(2,143.56)
	<b>Total</b>		<b>333,312.69</b>

During the reporting period USD 5,296.11 was paid for PMU staff capacity building trainings. Due to cancellation of some trainings USD 2,470.00 (payment was made during the previous reporting period or 2019) and USD 4,969.67 (payment was made during the reporting period or 2020) were refunded respectively.

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***Consulting services (ADF financing):***

In the reporting period, a total of USD 178,028.17 was paid for the following project national consultants as remuneration.

<b>Contract No</b>	<b>Title</b>	<b>2019 Amount (USD)</b>	<b>2020 Amount (USD)</b>
NC/006-16	Project Coordinator	39,377.66	37,947.73
NC/001-16	VCI Coordinator	31,024.80	29,866.91
NC/007-16	Business consultant	29,831.54	28,722.22
NC/002-16	Financial analyst	29,831.54	28,722.22
NC/003-16	Gender/social consultant	29,831.54	26,387.10
NC/004-16	Environmental consultant	29,831.54	26,381.99
<b>Total</b>		<b>189,728.62</b>	<b>178,028.17</b>

***VCI loans OCR VCI Loans (ADB OCR financing):***

The unpaid loan balance as of December 31, 2019 amounting to 292,662.94 USD (equals to 800,000,000 MNT) was issued in 2020.

In the reporting period of 2020, the total of 8 sub-projects of VCI contracts amounted 19,868,800.00 thousand MNT were approved by ADB and Project Steering Committee, USD 7,148,250.83 (equals to 20,168,800.00 thousand MNT) was disbursed to PPEs under the on-lending agreements between MOF and PPBs.

The detailed information on VCI contracts awarded in the period of 2020 is shown on the next page:

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**Detailed information on VCI contracts awarded in 2019**

No	Name of Project participating entities (PPEs)	Sector	Contract No, date	Loan period	Total loan approved (MNT '000)	PSC approval date	Loan amount transferred (USD)	Loan amount transferred (MNT '000)	Balance as of Dec 31, 2019 (MNT '000)	PBBs
1	Munkhbumud LLC	Wool, cashmere	No.110/GB/76-03-011/2018.12.20	60 months		2018.12.20	363,883.60	958,000.00		Golomt
2	Zavkhan Bayalag JSC	Berries	No.108/154/78/395-11/2018.12.20	84 months		2018.12.20	413,262.38	1,088,000.00		Khan
3	Best Shoes LLC	Skin, hide	No.109/BBG-18/17/2018.12.20	84 months		2018.12.20	562,158.38	1,480,000.00		UBCB
4	Erdmeat LLC	Meat	No.57/154/78/395-12/2019.06.05	84 months	2,200,000.00	2019.06.05	829,018.75	2,200,000.00		Khan
5	Jivertyn Orgil LLC	Sea buckthorn	No.58/TDBM/176/2019/2019.06.05	84 months	3,400,000.00	209.06.05	1,281,843.44	3,400,000.00		TDB
6	Natural Textile Group LLC	Wool, cashmere	No.56/GB/76-03-012/2019.06.05	84 months	7,200,000.00	2019.06.05	2,713,809.73	7,200,000.00		Golomt
7	Efes Khuns LLC	Meat	No.74/GB/76-03-013/2019.07.31	84 months	1,500,000.00	2019.07.31	561,412.48	1,500,000.00		Golomt
8	Trust Trade LLC	Meat	No.100/BBG-19/02/2019.10.06	84 months	6,550,000.00	2019.10.06	2,146,299.22	5,750,000.00	800,000.00	UBCB
9	Jur Ur LLC	Dairy	No.101/GB/76-03-015/2019.10.06	84 months	1,600,000.00	2019.10.06	597,231.09	1,600,000.00		Golomt
10	Jigd Khuch LLC	Dairy	No.99/GB/76-03-014/2019.10.06	84 months	650,000.00	2019.10.06	242,625.13	650,000.00		Golomt
<b>Total</b>					<b>23,100,000.00</b>		<b>9,711,544.20</b>	<b>25,826,000.00</b>	<b>800,000.00</b>	

BAKER TILLY DALAIWAN AUDIT LLC  
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## Detailed information on VCI contracts awarded in 2020

No	Name of project participating entities (PPEs)	Sector	Contract No., date	Loan period	Total loan approved in 2020 (MNT '000)	PSC approved date	Loan amount transferred in 2020		Balance as at Dec 31, 2020 (MNT '000)	PPBs
							USD	MNT '000		
1	Trust Trade LLC	Meat	No.100/BBF-15/02 2019.10.06	84 months		2019.10.06	292,662.94	800,000.00		UBCB
2	Leader Cashmere LLC	Wool, cashmere	No.73/395-15 2020.05.29	84 months	3,500,000.00	2020.02.12	1,242,452.10	3,500,000.00		Khan
3	Durvun Ulzii LLC	Canned vegetable	No.176/76-03-16 2020.05.29	72 months	3,050,000.00	2020.02.12	1,078,374.08	3,050,000.00		Golomt
4	Erdenei Makh Market LLC	Meat	No.73/395-16 2020.05.29	84 months	5,390,300.00	2020.02.12	1,904,178.52	5,390,300.00		Khan
5	Global Nomadic Products LLC	Dairy	No.73/395-14 2020.05.29	84 months	2,000,000.00	2020.02.12	709,972.63	2,000,000.00		Khan
6	Ulemj Cashmere LLC	Wool, cashmere	No.73/395-14 2020.05.29	84 months	3,500,000.00	2020.02.12	1,242,452.10	3,500,000.00		Khan
7	Darkhan Tsaskhan Suu LLC	Dairy	No.176/76-03-17 2020.06.18	84 months	700,000.00	2020.05.27	247,317.49	700,000.00		Golomt
8	Batseju LLC	Wool, cashmere	No.73/395-17 2020.05.29	84 months	1,228,500.00	2020.05.27	430,840.97	1,228,500.00		Khan
9	Jinst Murun LLC	Wool, cashmere	No.176/76-03-17 2020.12.30	84 months	500,000.00	2020.12.28	-	-	500,000.00	Golomt
Total					19,868,800.00		7,148,250.83	20,168,800.00	500,000.00	

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**Project management expenses (ADF financing):**

In the reporting period, a total of 104,843.70 USD was disbursed to finance the following project management expenses.

Expenditure items	2019 Amount (USD)	2020 Amount (USD)
PMU staff salaries	58,658.83	57,474.85
Communications and postage costs	1,946.80	1,741.99
LAN, Anti-virus software and PC maintenance expenses	3,349.97	1,132.21
Advertising expenses	2,520.39	1,174.34
Office supplies	4,308.08	2,835.36
Site visit expenses	6,863.59	13,654.28
Fuel expenses	5,176.86	4,221.38
Car repair and garage expenses	7,404.29	10,819.90
Car insurance and car taxes	1,309.38	1,170.40
Other expenses	2,626.31	3,742.87
<b>Subtotal</b>	<b>94,164.50</b>	<b>97,967.58</b>
Audit fee for financial statements	7,600.00	6,691.78
Bank charges	406.98	184.34
<b>Total</b>	<b>102,171.48</b>	<b>104,843.70</b>

**Equipment and materials:**

Items	2020 Amount (USD)
Procurement of "Beehive boxes" for selected cooperatives" (Output 2)	62,767.70
Procurement of "Reagents for quality and safety assurance of bee-related products" (Output 3)	8,194.34
Procurement of "Row materials for Equipment for glued paper production shop to protect from insects at the seabuckthorn fields" (Output 3)	30,048.31
Procurement of "Reagents for development of the honey analysis standards" (Output 3)	3,599.61
Hydro-geological exploration for creating livestock water points (Output 2)	36,095.53
Construction of the livestock water points in selected aimags (Output 2)	389,529.59
<b>Нийт</b>	<b>530,235.08</b>

**Expenses financed by Government of Mongolia:**

Items	2019 Amount (USD)	2020 Amount (USD)
Office rent expense	39,310.56	37,273.80
Social security contributions	7,327.91	7,131.75
Site visit expenses	-	-
Consulting services	647.58	-
Advertising expenses	75.46	-
Bank charges	23.15	11.43
<b>Total</b>	<b>47,384.66</b>	<b>44,416.98</b>

**Government financing-cash basis:**



Additional financing of the agriculture and rural development project Loan number 3288 MON (SF) and 3287 MON as at December 31, 2020

	<b>2019.12.31</b>	<b>For the period</b>	<b>2020.12.31</b>
	<b>(USD)</b>	<b>(USD)</b>	<b>(USD)</b>
Government Funds	452,800.14	45,808.81	498,608.95
Revolving Fund	7,382,781.56	-	7,382,781.56
Bank Interest earned	177,332.13	103,292.32	280,624.45
Deposit Interest earned	2,106,717.20	53,699.42	2,160,416.62
Other income	2,456.76	1,809.15	4,265.91
VCI sub-loan interest income	2,519,994.05	1,380,565.86	3,900,559.91
VCI sub-loan repayment income	1,012,120.62	3,537,294.17	4,549,414.79
<b>Total</b>	<b>13,654,202.46</b>	<b>5,122,469.73</b>	<b>18,776,672.19</b>

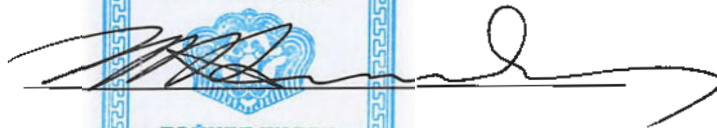
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**The Statement of outstanding loan balances of VCI Loan contracts - Additional financing**

Project Participating Bank	PPEs	Loans approved in 2020	Total loans issued by bank	Balance of financing used	Loan balance as of 31 Dec 2019	Loan repayment in 2020	Loan balance as of 31 Dec 2020
		MNT'000	MNT'000	MNT'000	MNT'000	MNT'000	MNT'000
<b>Khan bank</b>	Khan Brand LLC				639,992.00	120,006.00	519,986.00
	Russkie Kolbasy LLC				300,000.00	56,250.00	243,750.00
	Khanbogd Cashmere LLC				4,798,863.77	963,945.47	3,834,918.30
	Monmeat Trade LLC				1,020,000.00	191,250.00	828,750.00
	Zurgaan Khoshuu LLC				1,800,000.00	293,880.00	1,506,120.00
	Bayalag Ulzii LLC				1,300,000.00	162,504.00	1,137,496.00
	Uguuj Mandal Uul LLC				1,341,666.60	350,000.40	991,666.20
	Yanmal LLC				3,181,817.60	636,364.80	2,545,452.79
	Zavkhan Bayalag JSC				1,088,000.00	65,940.00	1,022,060.00
	Erdmeat LLC				2,200,000.00	-	2,200,000.00
	Leader Cashmere LLC	3,500,000.00	3,500,000.00		-	-	3,500,000.00
	Erdenet Makh Market LLC	5,390,300.00	5,390,300.00		-	-	5,390,300.00
	Global Nomadic Products LLC	2,000,000.00	2,000,000.00		-	-	2,000,000.00
	Ulemj Cashmere LLC	3,500,000.00	3,500,000.00		-	-	3,500,000.00
	Batseju LLC	1,228,500.00	1,228,500.00		-	-	1,228,500.00
<b>Xac bank</b>	Tumen Shuvuut LLC				2,750,000.00	600,000.00	2,150,000.00
<b>Golomt Bank</b>	Noos Ireeduie LLC				3,000,000.00	562,500.00	2,437,500.00
	Mongolian Cattle LLC				265,625.00	62,500.00	203,125.00
	Darkhan Nekhii JSC				4,028,070.18	503,508.78	3,524,561.40
	Choir Khaikhan LLC				1,218,750.00	375,000.00	843,749.98
	GBT Trading LLC				4,600,000.00	536,666.67	4,063,333.35
	Ikh Aurag Ord LLC				198,952.00	198,952.00	0.02
	Jinst Murun LLC				333,125.00	97,500.00	235,625.02
	Khurkh Gol LLC				1,805,555.56	333,333.33	1,472,222.24
	Mihachi LLC				600,000.00	-	600,000.00
	Mongol Textile LLC				1,916,666.67	333,333.33	1,583,333.32
	Munkhbumud LLC				958,000.00	219,560.00	738,440.00
	Natural Textile Group LLC				7,200,000.00	-	7,200,000.00
	Efes Khuns LLC				1,500,000.00	-	1,500,000.00

	Jigd Khuch LLC				650,000.00	27,090.00	622,910.00
	Jur Ur LLC				1,600,000.00	-	1,600,000.00
	Durvun Ulzii LLC	3,050,000.00	3,050,000.00		-	-	3,050,000.00
	Darkhan Tsaskhan Suu LLC	700,000.00	700,000.00		-	-	700,000.00
	Jinst Murun LLC	500,000.00	-	500,000.00	-	-	-
<b>Trade and Development bank</b>	Sor Cashmere LLC				5,457,300.00	1,023,243.75	4,434,056.25
	Davshilt Trade LLC				388,000.00	103,000.00	285,000.00
	Denimon LLC				500,000.00	31,250.00	468,750.00
	Mogol Noos LLC				2,500,000.00	140,000.00	2,360,000.00
	Gobi JSC				6,000,000.00	1,530,000.00	4,470,000.00
	Ajigana LLC				6,000,000.00	300,000.00	5,700,000.00
	Jivertyn Orgil LLC				3,400,000.00	-	3,400,000.00
<b>UB City bank</b>	Nuudel Tejeel LLC				1,315,000.00	-	1,315,000.00
	Best Shoes LLC				1,400,000.00	120,000.00	1,280,000.00
	Trust Trade LLC		800,000.00		5,750,000.00	-	6,550,000.00
<b>NI bank</b>	Ikh Ulam Undrakh LLC				375,000.00	39,062.50	335,937.50
<b>Total</b>		<b>19,868,800.00</b>	<b>20,168,800.00</b>	<b>500,000.00</b>	<b>83,380,384.37</b>	<b>9,976,641.03</b>	<b>93,572,543.37</b>

  
**BAKER TILLY DALAIVAN AUDIT LLC**  
**ULAANBAATAR**  
**MONGOLIA**

May 25, 2021