

Audited Project Financial Statements

Project Number: 39229-033
Loan Numbers: 3287 & 3288
Period covered: 1 January 2017 to 31 December 2017

Mongolia: Agriculture and Rural Development Project – Additional Financing

Prepared by the Ministry of Finance

For the Asian Development Bank
Date received by ADB: 30 June 2018

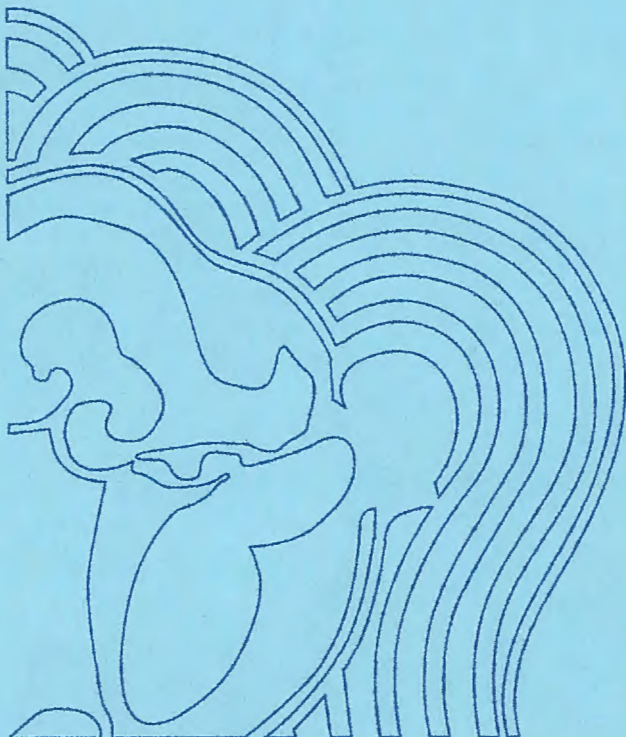
The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Ministry of Finance.



DALAIWAN AUDIT

AUDITOR'S REPORT **/Revised/**

**Agriculture and Rural Development
Project-Additional financing
Loan number 3287 MON, 3288 MON (SF)**



 an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITOR'S REPORT

TO: MR. J.TUVSHINSANAA
PROJECT DIRECTOR

Additional Financing of the Agriculture and Rural Development Project
Loan Number 3288 MON (SF) and 3287 MON

We have audited the accompanying financial statements of **Additional Financing of the Agriculture and Rural Development Project** Loan Number 3288 MON (SF) and 3287 MON, which comprise the balance sheet as at December 31, 2017, and the statement of project sources and uses of funds, statement of expenditures (Loan withdrawals) and imprest account statement for the year then ended. Management of the project is responsible for the preparation of these financial statements and our responsibility is to express an opinion thereon based on our audit.

We conducted our audit in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial 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.

Management of the project has prepared these financial statements in accordance with International Public Sector Accounting Standards on cash basis wherein revenues are recognized when cash is received and expenses are recognized when paid.

In our opinion, the financial statement and the report of project sources and uses of funds have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board (IPSASB); cash receipt and cash expenditure of **Additional Financing of the Agriculture and Rural Development Project** for the year ended December 31, 2017 present fairly, in all material respect; and spending incurred for the intended purpose stated in the Loan Agreement Number 3288 MON (SF) and 3287 MON.

The accounts' balances in the financial statements as of December 31, 2017 have been compared with the audited balances as of December 31, 2016.

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

BALANCE SHEET
as at December 31, 2017

		2017.12.31	2016.12.31
		USD	USD
ASSETS			
Cash and cash equivalents:	4.1	10,051,740.78	6,194,574.67
ADB loan funds		2,357,636.94	216,160.58
ADF VCI Imprest Account at BOM (USD)		-	-
OCR VCI Imprest Account at BOM (USD)		2,212,304.12	12,745.16
Imprest Account at State bank (USD)		141,213.71	192,176.48
Sub-account at State bank (USD)		2,567.26	7,423.18
Sub-account at State bank (MNT)		94.66	3,813.98
Sub-account at Treasury (MNT)		1,456.25	-
Petty cash (USD)		-	-
Petty cash (MNT)		0.94	1.78
Government funds		7,694,103.84	5,978,414.09
Revolving Fund Account at UBCB (USD)		100,517.59	116,024.49
Revolving Fund Account at UBCB (MNT)		404,689.84	398,393.87
Revolving Fund Account at Chinggis Khan bank (MNT)		251,668.02	-
Revolving Fund Account at National Investment bank (MNT)		234,322.32	-
Deposit Account at Capitron bank (USD)		-	461,250.00
Deposit Account at Capitron bank (MNT)		-	307,446.59
Deposit Account at UBCB (USD)		1,400,115.00	2,152,500.00
Deposit Account at UBCB (MNT)		1,236,027.74	1,434,750.74
Deposit Account at Chinggis Khan bank (USD)		1,992,543.19	461,250.00
Deposit Account at Chinggis Khan bank (MNT)		860,434.59	307,446.59
Deposit Account at National Investment bank (USD)		93.22	-
Deposit Account at National Investment bank (MNT)		857,782.65	-
Imprest Account at State bank (USD)		39,816.33	41,940.56
Sub-account at State bank (USD)		156.32	56.79
Sub-account at State bank (MNT)		11,452.18	1,451.91
Petty cash (MNT)		2.12	2.06
Operational account at Capitron bank (MNT)		-	272,501.24
Sub-account at Capitron bank (MNT)		-	23,399.25
Sub-account at Chinggis Khan bank (MNT)		293,653.93	-
Sub-account at Treasury (MNT)		10,828.80	-

		2017.12.31 USD	2016.12.31 USD
Cumulative project expenditures:		16,097,929.01	3,136,513.96
ADB Loan Funds	4.2		
Civil works		-	-
Equipment		10,948.04	10,948.04
Training		125,947.55	21,327.38
Consulting services		328,077.27	137,277.27
VCI Loans		14,431,742.11	2,181,423.33
Project management expenses		196,411.54	94,898.02
Audit expense		6,449.18	3,096.15
Bank charges		54.06	30.00
Marketing & Brand Development		8,672.19	-
Financial Charges		238,601.55	40,198.14
Foreign exchange difference (Loss)		1,256.30	1,115.96
Government Funds			
Equipment		110,098.01	-
Training		9,858.15	-
Project management expenses		74,532.17	24,515.88
Marketing & Brand Development		6,081.16	6,024.58
Local Taxes and Duties		11,609.33	4,851.00
Foreign exchange difference (Loss)		537,590.40	610,808.21
TOTAL ASSETS		26,149,669.79	9,331,088.63
FUNDS	4.3		
ADB loan funds		17,705,796.73	2,706,474.87
ADB ADF Fund (VCI)*		12,019.76	2,502.30
ADB OCR Fund (VCI)**		16,870,628.02	2,231,864.33
ADB ADF Fund (Other)		815,382.18	467,993.03
Bank Interest earned		7,766.77	4,115.21
Government funds		8,443,873.06	6,624,613.76
GOM Funds		451,761.77	445,003.44
Revolving Fund		6,869,364.52	6,162,168.54
Deposit Interest earned		558,951.47	-
Bank Interest earned		78,876.76	17,441.78
Other income		457.40	-
VCI loan interest income		484,461.14	-
TOTAL FUNDS		26,149,669.79	9,331,088.63

Prepared by:

Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:

Mr. J. Tuvshinsanaa
Project Director



DALAIVAN AUDIT

Audit assurance, property and business
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INDEPENDENT AUDITOR'S REPORT

TO: MR. J.TUVSHINSANAA
PROJECT DIRECTOR

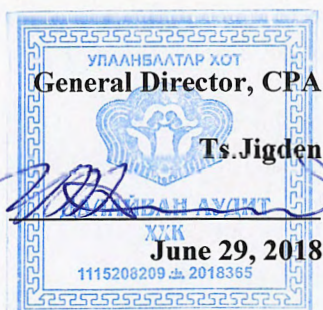
Additional Financing of the Agriculture and Rural Development Project
Loan Number 3288 MON (SF) and 3287 MON

We have audited the statement of project sources and uses of funds for the year ended December 31, 2017 of **Additional Financing of the Agriculture and Rural Development Project** Loan Number 3288 MON (SF) and 3287 MON.

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 the statement of sources and uses of the fund. 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 internal controls and procedures involved in the preparation of the statement of sources and uses of funds can be relied upon, and the applications for loan withdrawals sufficiently support it.

The accounts' balances in the financial statements as of December 31, 2017 have been compared with the audited balances as of December 31, 2016.



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

STATEMENT OF PROJECT SOURCES AND USES OF FUNDS
as at December 31, 2017

	Cumulative to Dec 31, 2017	For the reporting period 2017	Cumulative to Dec 31, 2016
	USD	USD	USD
SOURCES	26,149,669.79	16,818,581.16	9,331,088.63
ADB loan funds	17,705,796.73	14,999,321.86	2,706,474.87
ADB ADF Fund (VCI)	12,019.76	9,517.46	2,502.30
ADB OCR Fund (VCI)	16,870,628.02	14,638,763.69	2,231,864.33
ADB ADF Fund (Other)	815,382.18	347,389.15	467,993.03
Bank Interest earned	7,766.77	3,651.56	4,115.21
Government funds	8,443,873.06	1,819,259.30	6,624,613.76
GOM Funds	451,761.77	6,758.33	445,003.44
Revolving Fund	6,869,364.52	707,195.98	6,162,168.54
Deposit Interest earned	558,951.47	558,951.47	-
Bank Interest earned	78,876.76	61,434.98	17,441.78
Other income	457.40	457.40	-
VCI Loan interest income	484,461.14	484,461.14	-
TOTAL SOURCES OF FUNDS	26,149,669.79	16,818,581.16	9,331,088.63
USES OF FUNDS			
ADB loan funds	15,348,159.79	12,857,845.50	2,490,314.29
Civil works	-	-	-
Consulting services	328,077.27	190,800.00	137,277.27
Equipment	10,948.04	-	10,948.04
VCI Loans	14,431,742.11	12,250,318.78	2,181,423.33
Training	125,947.55	104,620.17	21,327.38
Project management expenses	196,411.54	101,513.52	94,898.02
Audit expense	6,449.18	3,353.03	3,096.15
Bank charges	54.06	24.06	30.00
Marketing & Brand development	8,672.19	8,672.19	-
Financial Charges	238,601.55	198,403.41	40,198.14
Foreign exchange difference (Loss)	1,256.30	140.34	1,115.96
Government funds	749,769.22	103,569.55	646,199.67
Training	9,858.15	9,858.15	-
Project management expenses, of which:			
Rent expenses and Social security contributions	74,426.84	49,933.42	24,493.42
Bank charges	105.33	82.87	22.46
Equipment	110,098.01	110,098.01	-
Marketing & Brand development	6,081.16	56.58	6,024.58

Local Taxes and Duties	11,609.33	6,758.33	4,851.00
Foreign exchange difference (Loss)	537,590.40	(73,217.81)	610,808.21
TOTAL USES OF FUNDS	16,097,929.01	12,961,415.05	3,136,513.96
Surplus of receipts over expenditure	10,051,740.78	3,857,166.11	6,194,574.67

Prepared by:



Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:



Mr. J. Tuvshinsanaa
Project Director



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INDEPENDENT AUDITOR'S REPORT

TO: MR. J.TUVSHINSANAA
PROJECT DIRECTOR

Additional Financing of the Agriculture and Rural Development Project
Loan Number 3288 MON (SF) and 3287 MON

We have audited the statement of expenditures (Loan withdrawals) for the year ended December 31, 2017 of **Additional Financing of the Agriculture and Rural Development Project** Loan Number 3288 MON (SF) and 3287 MON.

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 the statement of expenditures. 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 statement of expenditures (Loan and grant withdrawals) is 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.

The accounts' balances in the financial statements as of December 31, 2017 have been compared with the audited balances as of December 31, 2016.

General Director, CPA
Ts. Jigden

June 29, 2018
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The Government of Mongolia
Asian Development Bank
Loan 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing
ADF STATEMENT OF EXPENDITURES (ADF SOEs)
as at December 31, 2017

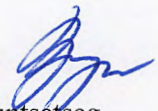
Expenses	WA A0004			WA A0005			Total		
	SOE record	Total expenditures	Difference	SOE record	Total expenditures	Difference	SOE record	Total expenditures	Difference
	USD	USD	USD	USD	USD	USD	USD	USD	USD
	A	B	C	D	E	F	J	H	I
Civil works	-	-	-	-	-	-	-	-	-
Project consultants	95,400.00	95,400.00	-	95,400.00	95,400.00	-	190,800.00	190,800.00	-
Project director	19,800.00	19,800.00	-	19,800.00	19,800.00	-	39,600.00	39,600.00	-
VCI coordinator	15,600.00	15,600.00	-	15,600.00	15,600.00	-	31,200.00	31,200.00	-
Business advisor	15,000.00	15,000.00	-	15,000.00	15,000.00	-	30,000.00	30,000.00	-
Financial analyst	15,000.00	15,000.00	-	15,000.00	15,000.00	-	30,000.00	30,000.00	-
Social gender specialist	15,000.00	15,000.00	-	15,000.00	15,000.00	-	30,000.00	30,000.00	-
Environment specialist	15,000.00	15,000.00	-	15,000.00	15,000.00	-	30,000.00	30,000.00	-
Training	17,481.61	17,481.61	-	26,474.46	26,474.46	-	43,956.07	43,956.07	-
Trainings for potential PPEs	2,538.59	2,538.59	-			-	2,538.59	2,538.59	-
Trainings for EA, IS, PPBs and Government guarantee fund	1,869.76	1,869.76	-			-	1,869.76	1,869.76	-
PSC roundtable meeting(Portfolio review 2016)	621.99	621.99	-			-	621.99	621.99	-
Kick-off meeting for technical assistance project: MOFALI, associations, Technical assistance project team, PMU	764.56	764.56	-			-	764.56	764.56	-
Workshop for PPBs	3,416.06	3,416.06	-			-	3,416.06	3,416.06	-
Expenses	A	B		D	E	F	J	H	
"Herders' conference-2017" National Conference organized by MOFALI	8,270.65	8,270.65	-			-	8,270.65	8,270.65	-

"Integrating SME's into Global value Chains: Risks, challenges and Opportunities" conference			-	164.02	164.02	-	164.02	164.02	-
"Asia Pacific Research Committee - 2017" conference			-	81.11	81.11	-	81.11	81.11	-
VCI introductory training for companies of Khentii, Sukhbaatar, Dornod aimags			-	4,400.50	4,400.50	-	4,400.50	4,400.50	-
Capacity building training for veterinarians and animal scientists			-	737.11	737.11	-	737.11	737.11	-
Training for improving qualifications to beekeepers			-	1,329.87	1,329.87	-	1,329.87	1,329.87	-
The Canada-Mongolian interministerial training workshop			-	19,761.85	19,761.85	-	19,761.85	19,761.85	-
Marketing&Brand Development			-	8,672.19	8,672.19	-	8,672.19	8,672.19	-
Made in Mongolia 2017-North America business forum and expo			-	4,520.37	4,520.37	-	4,520.37	4,520.37	-
Fashion World Tokyo -International Expo on wool and cashmere product			-	4,151.82	4,151.82	-	4,151.82	4,151.82	-
PMU staff salary	26,221.78	26,221.78	-	29,009.80	29,009.80	-	55,231.58	55,231.58	-
Accountant	9,303.76	9,303.76	-	9,427.45	9,427.45	-	18,731.21	18,731.21	-
Admin assistant	1,516.67	1,516.67	-	4,676.60	4,676.60	-	6,193.27	6,193.27	-
Project driver	3,692.20	3,692.20	-	3,741.28	3,741.28	-	7,433.48	7,433.48	-
Project driver	3,692.20	3,692.20	-	3,741.28	3,741.28	-	7,433.48	7,433.48	-
Monitoring&evaluation officer	4,918.37	4,918.37	-	7,423.19	7,423.19	-	12,341.56	12,341.56	-
Admin assistant	3,098.58	3,098.58	-				3,098.58	3,098.58	-
Site visits/assessment/monitoring field trip to provinces	4,780.63	4,780.63	-	4,434.91	4,434.91	-	9,215.54	9,215.54	-
Assessment trip to Tuv aimag, Guna province: Zurgan Khoshuu LLC	74.77	74.77	-			-	74.77	74.77	-
Seminar organized in Tuv aimag	40.08	40.08	-			-	40.08	40.08	-
Assessment trip to Tuv aimag, Sarlag Tolgoi Bagh: Mogol Noos LLC	71.94	71.94	-			-	71.94	71.94	-
Assessment trip to Tuv aimag: Mogol Noos LLC's Textile factory	42.44	42.44	-			-	42.44	42.44	-

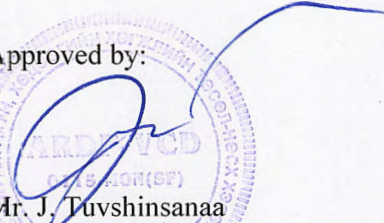
Monitoring trip to Orkhon aimag: Erdenet Khivs LLC	678.93	678.93	-			-	678.93	678.93	-
Monitoring trips to Darkhan Nekhii LLC, Darkhan Minj LLC, Erdenet Khivs LLC	865.54	865.54	-			-	865.54	865.54	-
Field trip to Tuv aimag, Erdenechandmani soum: Agropark LLC	77.96	77.96	-			-	77.96	77.96	-
Seminar organized by ADB for western 5 aimags	952.97	952.97	-			-	952.97	952.97	-
Field trip to Dornogovi aimag: assessment of potential entities	815.19	815.19	-			-	815.19	815.19	-
Field trip to Khentii aimag: Monmeat Trade LLC and Atarchandgani LLC	559.16	559.16	-			-	559.16	559.16	-
Field trip to Darkhan uul aimag: assessment of Darkhan Nekhii LLC and Darkhan Minj LLC	601.65	601.65	-			-	601.65	601.65	-
Assessment trip to Tuv aimag: sub- project of Tumen Shuvuut LLC			-	42.22	42.22	-	42.22	42.22	-
Field trip to Khuvsgul aimag: meeting with VCI beneficiaries			-	1,083.17	1,083.17	-	1,083.17	1,083.17	-
Field trip to Uvs aimag: meeting with VCI beneficiaries			-	571.63	571.63	-	571.63	571.63	-
Assessment trip to Khovd aimag: sub- project of Mongolian Cattle LLC			-	897.88	897.88	-	897.88	897.88	-
Assessment trip to Darkhan Uul aimag: sub-project of Darkhan Nekhii JSC			-	421.05	421.05	-	421.05	421.05	-
Field trip to Tuv aimag: visit to Od Tani LLC			-	92.15	92.15	-	92.15	92.15	-
Assessment trip to Tuv aimag: sub- project of Zurgaаn Khoshuu LLC			-	135.98	135.98	-	135.98	135.98	-
Assessment trip to Choir: sub-project of Choir Khaikhan LLC			-	401.45	401.45	-	401.45	401.45	-
Monitoring trip to Uvurkhangai aimag and Tuv aimag: sub-projects of Noos Ireedui LLC, Mogol Noos LLC			-	789.38	789.38	-	789.38	789.38	-
Operational expenses	16,815.91	16,815.91	-	22,697.86	22,697.86	-	39,513.77	39,513.77	-

Communication expenses	1,984.66	1,984.66	-	1,027.88	1,027.88	-	3,012.54	3,012.54	-
Advertisement expenses	2,294.02	2,294.02	-	385.53	385.53	-	2,679.55	2,679.55	-
Office supplies	3,123.47	3,123.47	-	4,981.44	4,981.44	-	8,104.91	8,104.91	-
transportation expenses	4,118.16	4,118.16	-	4,173.54	4,173.54	-	8,291.70	8,291.70	-
car repair and garage expenses	3,394.61	3,394.61	-	5,563.40	5,563.40	-	8,958.01	8,958.01	-
Car insurance and car taxes	145.99	145.99	-	1,446.34	1,446.34	-	1,592.33	1,592.33	-
Audit expenses			-	3,353.03	3,353.03	-	3,353.03	3,353.03	-
Other expenses	1,755.00	1,755.00	-	1,766.70	1,766.70	-	3,521.70	3,521.70	-
Total	160,699.93	160,699.93	-	186,689.22	186,689.22	-	347,389.15	347,389.15	-

Prepared by:


Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:


Mr. J. Tuvshinsanaa
Project Director

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

OCR STATEMENT OF EXPENDITURES (OCR SOEs)
as at December 31, 2017

№	Name of PPEs contract	SOE record	Total disbursement	Difference
		USD	USD	USD
1	Noos Ireedui LLC	986,944.79	1,002,667.27	(15,722.48)
2	Denimon LLC			-
3	Gobi JSC	1,570,130.71	1,595,143.61	(25,012.90)
4	Khan Brand LLC	159,287.93	161,825.46	(2,537.53)
5	Mongolian Cattle LLC	124,068.49	126,044.95	(1,976.46)
6	Russkie Kolbasy LLC			-
7	Davshilt Trade LLC	27,215.02	27,648.57	(433.55)
8	Monmeat Trade LLC	160,088.37	162,638.65	(2,550.28)
9	Sor Cashmere LLC	2,112,619.74	2,076,312.01	36,307.73
10	Khanbogd Cashmere LLC	2,213,685.47	2,238,909.52	(25,224.05)
11	Zurgaаn Khoshuu LLC	738,295.32	761,877.16	(23,581.84)
12	Mogol Noos LLC	1,043,976.65	1,029,794.84	14,181.81
13	Darkhan Nekhii JSC	1,712,570.23	1,131,809.84	580,760.39
14	Tumen Shuvuut LLC	1,252,103.24	1,229,040.08	23,063.16
15	Bayalag Ulzii LLC	546,218.49	553,139.70	(6,921.21)
16	Ikh Ulam Undrakh LLC		153,467.12	(153,467.12)
17	Yanmal LLC	1,026,694.05		1,026,694.05
18	Mongol Textile LLC	821,355.24		821,355.24
19	Choirkhairkhan LLC	616,016.43		616,016.43
	Total	15,111,270.17	12,250,318.78	2,860,951.39

Prepared by:



Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:




Mr. J. Tuvshinsanaa
Project Director

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

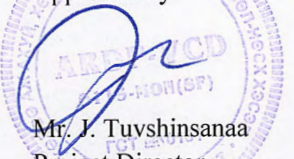
ADF WITHDRAWALS
as at December 31, 2017

Number of WA	Application Type	Claimed date	Credited date	Amount claimed (in USD)	Amount credited (in USD)	Difference
WAs up to December 31, 2016 (before deducting transfer charges)				467,993.03	467,993.03	-
WAs up to December 31, 2016 (after deducting transfer charges)				467,993.03	467,963.03	30.00
WAs for the reporting period 2017:						
WA A0004	Initial advance for the Operational Imprest account	2017.06.14	2017.07.07	160,699.93	160,699.93	-
WA A0005	Replenishment of the Operational Imprest account	2017.12.13	2017.12.21	186,689.22	186,689.22	-
Total amount of WAs				347,389.15	347,389.15	-
Transfer charge:						
	Transfer charge for WA A0004				10.00	
	Transfer charge for WA A0005				10.00	
Total transfer charges				-	20.00	-
Total amount of WAs after deducting transfer charges				347,389.15	347,369.15	20.00
WAs up to December 31, 2017 (before deducting transfer charges)				815,382.18	815,382.18	-
WAs up to December 31, 2017 (after deducting transfer charges)				815,382.18	815,332.18	50.00

Prepared by:


Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:


Mr. J. Tuvshinsanaa
Project Director



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

OCR WITHDRAWALS
as at December 31, 2017

Number of WA	Application Type	Claimed date	Credited date	Amount claimed (in USD)	Amount credited (in USD)	Difference
WAs up to December 31, 2016				2,194,168.49	2,194,168.49	-
WAs for the reporting period 2017:						
C0004	VCI: Initial advance	2017.01.11	2017.01.30	5,071,783.62	5,071,783.62	-
C0006	VCI: Initial advance	2017.02.15	2017.03.02	3,407,120.41	3,407,120.41	-
C0009	VCI: Additional advance	2017.05.17	2017.06.20	4,168,300.42	4,168,300.42	-
C0011	VCI: Additional advance	2017.12.13	2017.12.21	2,464,065.72	1,802,673.29	661,392.43
Total advance				15,111,270.17	14,449,877.74	661,392.43
C0007	VCI: Liquidation	2017.02.16			5,084,271.21	
C0008	VCI: Liquidation	2017.05.01			2,669,938.86	
C0010	VCI: Liquidation	2017.10.16			4,244,347.12	
Total disbursement					11,998,557.19	
Total amount of WAs for the reporting period 2017				15,111,270.17	2,451,320.55	
WAs cumulative to December 31, 2017				17,305,438.66	4,645,489.04	

Prepared by:

Mrs. Z. Ariuntsetseg
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa
Project Director





DALAIVAN AUDIT

Audit assurance, property and business
valuation advisory services

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INDEPENDENT AUDITOR'S REPORT

TO: MR. J.TUVSHINSANAA
PROJECT DIRECTOR

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, 2017 of **Additional Financing of the Agriculture and Rural Development Project**, which was prepared under 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 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 present fairly.

The accounts' balances in the financial statements as of December 31, 2017 have been compared with the audited balances as of December 31, 2016.

General Director, CPA

Ts.Jigden

June 29, 2018


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

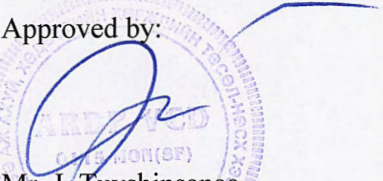
IMPREST ACCOUNT STATEMENT (BOM - 3430403015)
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Part A - Account transactions		
Beginning balance	-	-
Add:		
Total amount deposited current year	-	-
From sub account	-	-
Bank interest earned	-	-
Deduct:		
Total amount withdrawn	-	-
Transferred to sub-account (USD)	-	-
Transfer to ADB	-	-
Bank charges	-	-
Ending balance	-	-
Part B - Account reconciliation		
Amount advanced by the ADB	-	-
Balance of Imprest Account at the end of the year	-	-
Add:		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge:		
Previous year	-	-
Current year	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Transfer to ADB	-	-
Deduct:		
Interest earned:		
Previous year	-	-
Current year	-	-
Total advance transferred to Imprest account.	-	-

Prepared by:


Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:



Mr. J. Tuvshinsanaa
Project Director

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


IMPREST ACCOUNT STATEMENT (BOM - 3430403014)
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Part A - Account transactions		
Beginning balance	12,745.16	-
Add:		
Total amount deposited current year	14,449,877.74	2,194,168.49
From sub account	-	-
Bank interest earned	-	-
Deduct:		
Total amount withdrawn	-	-
VCI Loan transferred	12,250,318.78	2,181,423.33
Transfer to ADB	-	-
Bank charges	-	-
Ending balance	2,212,304.12	12,745.16
Part B - Account reconciliation		
Amount advanced by the ADB		
Balance of Imprest Account at the end of the year	2,212,304.12	12,745.16
Add:		
Liquidation of balance of imprest account	-	-
Amount withdrawn and not yet claimed	-	-
Amount claimed and not yet credited	-	-
Bank charge:		
Previous year	-	-
Current year	-	-
Foreign exchange loss	-	-
Balance of Sub-account	-	-
Transfer to ADB	-	-
Deduct:		
Interest earned:		
Previous year	-	-
Current year	-	-
Total advance transferred to Imprest account.	2,212,304.12	12,745.16

Prepared by:


Mrs. Z. Ariuntsereg
Project Accountant

Approved by:


Mr. J. Tuvshinsanaa
Project Director

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

IMPREST ACCOUNT STATEMENT (State bank 106000037032)
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Part A - Account transactions		
Beginning balance	192,176.48	-
Add:		
Total amount deposited current year	347,389.15	467,993.03
Bank interest earned	3,242.27	3,735.99
Deduct:		
Total amount withdrawn	67,858.33	27,803.12
Transferred to sub-account (USD)	299,173.49	229,585.72
Transferred to sub-account (MNT)	34,542.37	22,133.70
Transfer to ADB	-	-
Bank charges	20.00	30.00
Ending balance	141,213.71	192,176.48
Part B - Account reconciliation		
Amount advanced by the ADB	228,295.07	228,295.07
Balance of Imprest Account at the end of the year	141,213.71	192,176.48
Add:		
Liquidation of balance of imprest account	-	-
Amount claimed and not yet credited	89,418.66	27,848.90
Bank Charges	54.06	30.00
Ending balance of USD Account No. 106000037041 State Bank	2,567.26	7,423.18
Ending balance of MNT Account No. 104900067747 State Bank	94.66	3,813.98
Ending balance of MNT Account No. 100900011110 Treasury	1,456.25	-
Ending balance of USD Petty cash	-	-
Ending balance of MNT Petty cash	0.94	1.78
Transfer to ADB	-	-
Foreign exchange difference (Loss)	1,256.30	1,115.96
Deduct:		
Bank interest earned	7,766.77	4,115.21
Total advance transferred to Imprest account.	228,295.07	228,295.07

Prepared by:

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Project Accountant

Approved by:


Mr. J. Tuvshinsanaa
Project Director

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

USD SUB-ACCOUNT STATEMENT (State bank 106000037041)
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	7,423.18	-
Add:		
Transferred from Imprest account (State bank 106000037032)	299,173.49	229,585.72
Bank interest earned	314.63	314.73
Transferred from Sub-account (State bank 104900067747)	5,865.96	
Deduct:		
Total amount withdrawn	-	-
Transferred to MNT Sub-account at State bank (104900067747)	103,900.00	85,200.00
Consulting Services	184,934.04	137,277.27
Transferred to USD petty cash	21,375.96	
Bank charge	-	-
Ending balance	2,567.26	7,423.18

Prepared by:


Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:


Mr. J. Tuvshinsanaa
Project Director

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

USD SUB-ACCOUNT STATEMENT (State bank 104900067747)
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	3,813.98	-
Add:		
Replenishment from Imprest Account (State bank)	34,453.52	21,963.18
Replenishment from Operational Account (State bank-USD)	103,626.96	84,778.62
Bank interest earned	94.66	64.49
Foreign exchange difference (Gain)	209.32	
Deduct:		
Transferred to MNT Sub-account at State bank (106000037041)	5,865.96	
Transferred to cash on hand (MNT)	34,233.96	14,758.24
Transferred to MNT Sub-account at Treasury (100900011110)	1,452.01	-
Training (RID, VCI, PMU)	24,897.41	14,517.48
Consulting Services	-	-
Project Management expenses		
PMU staff remuneration	56,535.04	54,535.61
Communication expenses	1,790.12	1,252.21
Advertisement expenses	124.11	3,436.80
Office supplies	976.77	1,927.85
Field trips	1,650.93	745.13
Transportation expenses (fuel)	8,284.12	6,923.77
Transport repair, service & garage expenses	6,064.66	4,283.48
Car insurance	-	-
Audit expenses	-	-
Other expenses	225.18	96.77
Bank Charges	4.06	-
Foreign exchange difference (Loss)	-	514.97
Ending balance	94.66	3,813.98

Prepared by:

Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:

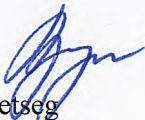
Mr. J. Tuvshinsanaa
Project Director

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

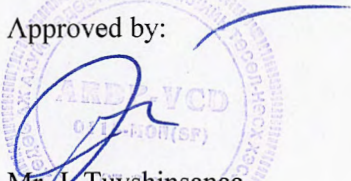
CASH ON HAND (USD)
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	-	-
Add:		
Transferred from USD Sub-account at State bank (106000037041)	21,375.96	-
Other income	-	-
Deduct:		
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	6,390.00	-
Training (PMU)	9,120.00	-
Consulting services (PMU)	5,865.96	-
Ending balance	-	-

Prepared by:


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Mr. J. Tuvshinsanaa
Project Director

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


CASH ON HAND (MNT)
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	1.78	-
Add:		
Transferred from MNT Sub-account at State bank (104900067747)	34,233.96	14,758.24
Other income		-
Foreign exchange difference (Gain)	7.99	
Deduct:		
Marketing and Brand development expenses	2,282.19	-
Training	9,442.26	241.33
Project Management expenses		
Communication expenses	181.95	150.30
Advertisement expenses		-
Office supplies	7,135.60	6,169.79
Field trips	8,303.00	2,040.01
Transportation expenses (fuel)		-
Transport repair, service & garage expenses	3,528.71	3,249.12
Other expenses	3,369.08	2,896.82
Foreign exchange difference (Loss)	-	9.09
		-
Ending balance	0.94	1.78

Prepared by:


Mrs. Z. Ariuntsereg
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Approved by:


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Project Director

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

STATEMENT OF REVOLVING FUND ACCOUNT
UBC Bank - 2600066567 USD
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	116,024.49	3,075,295.01
Add:		
Transferring funds from ARDP	-	-
VCI Loan repayment	150,000.00	112,500.00
Loan repayment	-	-
Bank interest earned	1,046.52	3,235.88
Other income	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	166,546.32	3,075,000.00
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	7.10	6.40
Ending balance	100,517.59	116,024.49

Prepared by:

Mrs. Z. Ariuntsetseg
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Approved by:

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Project Director

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

STATEMENT OF REVOLVING FUND ACCOUNT

UBC Bank - 2600066556 MNT

as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	398,393.87	2,564,835.23
Add:		
Transferring funds from ARDP	-	-
VCI Loan repayment	557,195.98	409,538.30
VCI Loan interest income	11,140.59	11,560.76
Other income	456.95	-
Foreign exchange difference (Gain)	16,080.15	
Deduct:		
Transferred to the BOM Imprest Account	-	-
Transferred to Operational Accounts	578,570.98	2,539,377.22
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	6.72	5.68
Foreign exchange difference (Loss)		48,157.52
Ending balance	404,689.84	398,393.87

Prepared by:

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Approved by:

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Project Director

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

STATEMENT OF DEPOSIT ACCOUNT
Capitron Bank - 3000016832 USD
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	461,250.00	-
Add:		
From Revolving Fund account	-	461,250.00
Bank interest earned	33,602.21	-
Other income	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Other transfer	494,850.53	
Bank Charges	1.68	-
Ending balance	-	461,250.00

Prepared by:

Mrs. Z. Ariuntssetseg
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa
Project Director




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

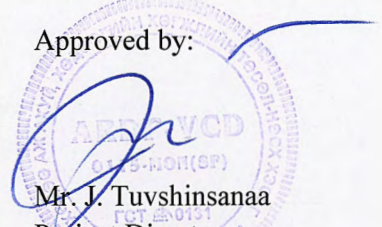
STATEMENT OF DEPOSIT ACCOUNT
Capitron Bank - 3000016831 MNT
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	307,446.59	-
Add:		
From Revolving Fund account	-	380,906.58
Bank interest earned	51,409.38	-
Other income	-	-
Foreign exchange difference (Gain)	9,328.53	
Khasax нь		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Other transfer	368,183.69	
Bank Charges	0.81	-
Foreign exchange difference (Loss)	-	73,459.99
Ending balance	0.00	307,446.59

Prepared by:


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Approved by:


Mr. J. Tuvshinsanaa
Project Director

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


STATEMENT OF DEPOSIT ACCOUNT

Ulaanbaatar City Bank - 2600084962 USD

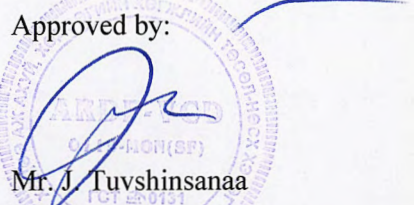
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	2,152,500.00	-
Add:		
From Revolving Fund account	-	2,152,500.00
Bank interest earned	155,916.84	-
Other income	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Other transfer	908,301.34	-
Bank Charges	0.50	-
Ending balance	1,400,115.00	2,152,500.00

Prepared by:


Mrs. Z. Ariuntsatseg
Project Accountant

Approved by:


Mr. J. Tuvshinsanaa
Project Director

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

STATEMENT OF DEPOSIT ACCOUNT
Ulaanbaatar City Bank - 2600084961 MNT
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	1,434,750.74	-
Add:		
From Revolving Fund account	-	1,777,564.06
Bank interest earned	234,373.87	-
Foreign exchange difference (Gain)	38,307.93	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Other transfer	471,404.68	
Bank Charges	0.12	-
Foreign exchange difference (Loss)	-	342,813.32
Ending balance	1,236,027.74	1,434,750.74

Prepared by:

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Project Accountant



Approved by:

Mr. J. Tuvshinsanaa
Project Director



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

STATEMENT OF DEPOSIT ACCOUNT
Chinggis Khan Bank - 3201000008 USD
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	461,250.00	-
Add:		
From Revolving Fund account	1,498,083.19	461,250.00
Bank interest earned	33,210.00	-
Other income	-	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
Ending balance	1,992,543.19	461,250.00

Prepared by:

Mrs. Z. Ariuntsetseg
Project Accountant



Approved by:

Mr. J. Tuvshinsanaa
Project Director




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

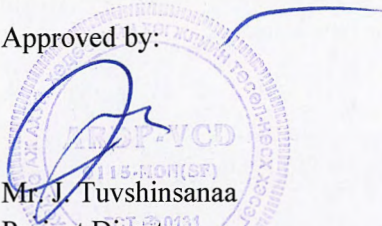
STATEMENT OF DEPOSIT ACCOUNT
Chinggis Khan Bank - 3910010001 MNT
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	307,446.59	-
Add:		
From Revolving Fund account	497,434.85	380,906.58
Bank interest earned	49,960.53	-
Other income	-	-
Foreign exchange difference (Gain)	5,592.62	-
Deduct:		
Transferred to the BOM Imprest Account	-	-
VCI Investments - Transfer to Golomt bank	-	-
VCI Investments - Transfer to Khan bank	-	-
VCI Investments - Transfer to Khas bank	-	-
VCI Investments - Transfer to TDB	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	-	73,459.99
Ending balance	860,434.59	307,446.59

Prepared by:


Mrs. Z. Ariuntsetseg
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Approved by:



Mr. J. Tuvshinsanaa
Project Director

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

STATEMENT OF GOV'T ACCOUNT (State Bank: 104900062938 - USD)
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	41,940.56	48,292.52
Add:		
Income from BOM Imprest Account	-	-
Income from Imprest Account	-	-
Bank interest earned	1,375.77	1,887.19
Other income	-	-
Deduct:		
Transferred to Gov't USD Sub-account at SB (104900063340)	3,500.00	4,950.00
Transferred to Gov't MNT Sub-account at SB (104900063354)	-	-
Marketing and Brand development expenses	-	3,284.22
Training	-	-
Consulting Services	-	-
Project Management expenses	-	4.93
PMU staff remuneration	-	-
Communication expenses	-	-
Advertisement expenses	-	-
Other expenses	-	-
Field trips	-	-
Car taxes	-	-
Bank Charges	-	4.93
Ending balance	39,816.33	41,940.56

Prepared by:


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Project Accountant

Approved by:


Mr. J. Tuvshinsanaa
Project Director

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

STATEMENT OF GOV' SUB-ACCOUNT (State Bank: 104900063340 - USD)
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	56.79	24.17
Add:		
Income from Gov't Imprest Account (SB 104900062938)	75,500.00	4,950.00
Bank interest earned	149.53	2.97
Other income	-	-
Deduct:		
Transferred to Gov't MNT Sub-account at SB (104900063354)	-	1,370.35
Transferred to cash on hand (MNT)	-	-
Marketing and Brand development expenses	-	-
Training	-	-
Consulting Services	-	-
Equipment	72,000.00	
Project Management expenses		3,550.00
PMU staff remuneration	-	-
Communication expenses	-	-
Advertisement expenses	-	-
Office supplies	-	-
Field trips	3,500.00	3,550.00
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Car insurance	-	-
Audit expenses	-	-
Other expenses	-	-
Bank Charges	50.00	-
Ending balance	156.32	56.79

Prepared by:

Mrs. Z. Ariuntsetseg
Project Accountant

Approved by:

Mr. J. Tuvshinsanaa
Project Director

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

STATEMENT OF GOV'T SUB-ACCOUNT (State Bank: 104900063354 - MNT)
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	1,451.91	4,455.42
Add:		
Income from Gov't Imprest Account (State bank)	-	-
Income from Gov't Sub-Account (State bank-USD)	-	1,364.47
Revenue from closing of ADB accounts	59,172.09	-
Bank interest earned	1,216.61	50.62
Other income	-	-
Foreign exchange gain/loss	-	-
Deduct:		
Transferred to cash on hand (MNT)	3,431.78	-
Marketing and Brand development expenses	56.58	2,740.36
Training	8,274.74	-
Equipment	38,098.01	
Project Management expenses		1,382.04
PMU staff remuneration	-	-
Communication expenses	-	-
Advertisement expenses	-	-
Office supplies	-	-
Electricity expenses	-	-
Office rent expenses	-	-
Field trips		1,382.04
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Car insurance	-	-
Audit expenses	-	-
Other expenses	-	-
Bank Charges	-	-
Foreign exchange difference (Loss)	527.32	296.20
Ending balance	11,452.18	1,451.91

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

CASH ON HAND (MNT)
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	2.06	2.56
Add:		
Replenishment from Sub-Account (State bank - USD)	-	-
Replenishment from Sub-Account (State bank - MNT)	3,431.78	-
Other income	-	-
Foreign exchange difference (Gain)	0.07	-
Deduct:		
Marketing and Brand development expenses	-	-
Training	1,583.41	-
Project Management expenses	-	-
Communication expenses	-	-
Advertisement expenses	-	-
Office supplies	-	-
Electricity expenses	-	-
Office rent expenses	-	-
Field trips	1,848.38	-
Transportation expenses (fuel)	-	-
Transport repair, service & garage expenses	-	-
Other expenses	-	-
Foreign exchange difference (Loss)	-	0.50
Ending balance	2.12	2.06

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

STATEMENT OF GOV'T ACCOUNT (Capitron Bank: 3000016760 - MNT)
as at December 31, 2017

	2017.12.31 USD	2016.12.31 USD
Account transactions		
Beginning balance	272,501.24	387,377.77
Add:		
Transferring funds from ARDP	-	-
Income from Gov't Imprest Account	-	-
Income from Revolving Fund Account (UBC bank)	-	-
Bank interest earned	44,497.96	-
Other income	-	-
Foreign exchange difference (Gain)	4,698.96	-
Deduct:		
Transferred to Sub-Account for Social contributions (MNT)	321,697.71	48,656.88
Project Management expenses	-	-
Bank Charges	0.45	-
Foreign exchange difference (Loss)	-	66,219.65
Ending balance	0.00	272,501.24

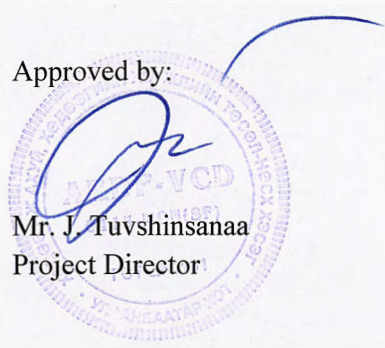
Prepared by:

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Approved by:

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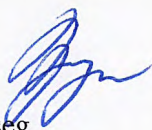
The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

STATEMENT OF GOV'T SUB-ACCOUNT (Capitron Bank: 3000016761 - MNT)
as at December 31, 2017

	2017.12.31	2016.12.31
	USD	USD
Account transactions		
Beginning balance	23,399.25	-
Add:		
Income from Capitron bank Account	30,481.85	48,656.88
Bank interest earned	683.59	704.36
Other income	-	-
Foreign exchange difference (Gain)	852.82	-
Deduct:		
Transferred to Capitron Bank Account (MNT)	10,823.98	-
Project Management expenses		19,566.83
Social Security Contribution	6,215.04	6,002.85
Office rent expenses	38,370.00	13,558.53
Bank Charges	8.49	5.45
Foreign exchange difference (Loss)	-	6,395.16
Ending balance	-	23,399.25

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Approved 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

STATEMENT OF GOV'T ACCOUNT (Chinggis Khan Bank : 5101000296 - MNT)
as at December 31, 2017

	2017.12.31 USD
Account transactions	
Beginning balance	-
Add:	
From Revolving Fund account	291,215.86
Bank interest earned	-
Other income	-
Foreign exchange difference (Gain)	2,438.07
Deduct:	
Social insurance contributions	-
Bank charge	-
Foreign exchange difference (Loss)	-
Ending balance	293,653.93

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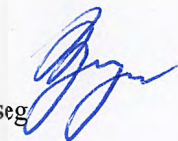
The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

STATEMENT OF GOV' SUB-ACCOUNT (Treasury: 100900011087 - MNT)
as at December 31, 2017

	2017.12.31 USD
Account transactions	
Beginning balance	-
Add:	
Income from Gov't Account at Capitron Bank	10,828.98
Bank interest earned	-
Other income	-
Foreign exchange difference (Gain)	-
Deduct:	
Social insurance contributions	-
Office rent expense	-
Bank charge	-
Foreign exchange difference (Loss)	0.18
Ending balance	10,828.80

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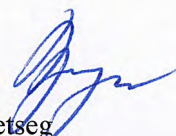


The Government of Mongolia
Asian Development Bank
Loan 3287-MON, 3288-MON (SF)
Agriculture and Rural Development Project-Additional Financing

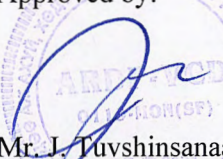
MNT SUB-ACCOUNT AT TREASURY (Treasury-100900011110)
as at December 31, 2017

	2017.12.31
	USD
<hr/>	
Account transactions	
Beginning balance	-
Add:	
Transferred from MNT sub-account (State bank 104900067747)	1,457.06
Deduct:	-
Foreign exchange difference (Loss)	0.81
Ending balance	1,456.25

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

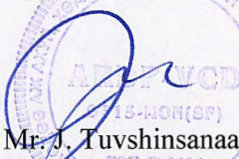
STATEMENT OF DEPOSIT ACCOUNT
National Investment Bank - 2999005484 USD
as at December 31, 2017

	2017.12.31 USD
Account transactions	
Beginning balance	-
Add:	
From Revolving Fund account	995,475.00
Bank interest earned	478.64
Other income	-
Foreign exchange difference (Gain)	-
Deduct:	
Transferred to the BOM Imprest Account	-
VCI Investments - Transfer to Golomt bank	-
VCI Investments - Transfer to Khan bank	-
VCI Investments - Transfer to Khas bank	-
VCI Investments - Transfer to TDB	-
Other transfer	995,860.00
Bank Charges	0.42
Foreign exchange difference (Loss)	-
Ending balance	93.22

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

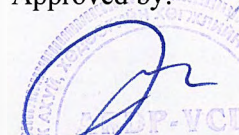
STATEMENT OF DEPOSIT ACCOUNT
National Investment Bank- 2999005483 MNT
as at December 31, 2017

	2017.12.31 USD
Account transactions	
Beginning balance	-
Add:	
From Revolving Fund account	861,552.41
Bank interest earned	-
Other income	-
Foreign exchange difference (Gain)	
Deduct:	
Transferred to the BOM Imprest Account	-
VCI Investments - Transfer to Golomt bank	-
VCI Investments - Transfer to Khan bank	-
VCI Investments - Transfer to Khas bank	-
VCI Investments - Transfer to TDB	-
Other transfer	
Bank Charges	
Foreign exchange difference (Loss)	3,769.76
Ending balance	857,782.65

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

STATEMENT OF REVOLVING FUND ACCOUNT
National Investment Bank -2999005481 MNT
as at December 31, 2017

	2017.12.31
	USD
Account transactions	
Beginning balance	-
Add:	
Transferring funds from ARDP	-
VCI Loan repayment	
VCI Loan interest income	234,501.56
Other income	0.45
Foreign exchange difference (Gain)	
Deduct:	
Transferred to the BOM Imprest Account	-
Transferred to Operational Accounts	-
VCI Investments - Transfer to Golomt bank	-
VCI Investments - Transfer to Khan bank	-
VCI Investments - Transfer to Khas bank	-
VCI Investments - Transfer to TDB	-
Bank Charges	0.41
Foreign exchange difference (Loss)	179.28
Ending balance	234,322.32

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

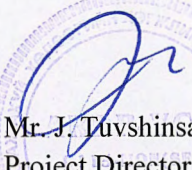
STATEMENT OF REVOLVING FUND ACCOUNT
Chinggis Khan Bank -5101000198 MNT
as at December 31, 2017

	2017.12.31
	USD
Account transactions	
Beginning balance	-
Add:	
Transferring funds from ARDP	-
VCI Loan repayment	
VCI Loan interest income	249,959.58
Bank interest income	1,324.41
Foreign exchange difference (Gain)	390.20
Deduct:	
Transferred to the BOM Imprest Account	-
Transferred to Operational Accounts	-
VCI Investments - Transfer to Golomt bank	-
VCI Investments - Transfer to Khan bank	-
VCI Investments - Transfer to Khas bank	-
VCI Investments - Transfer to TDB	-
Bank Charges	6.17
Foreign exchange difference (Loss)	-
Ending balance	251,668.02

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NOTES TO THE FINANCIAL STATEMENTS

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. The Project is expected to be completed by December 31, 2020.

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: (a) preparation of value chain investment proposals; (b) due diligence of Subprojects; (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 of Participating Banks and Participating Enterprises in financial management, value chain development and social and environmental safeguards.

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. For output 1, PMU is responsible for: (i) collaborate with the project participating banks (PPBs) to recruit and select project participating enterprises (PPEs), and (ii) conduct assessment and analysis PPEs' value chain investment proposals, conduct financial, business, environmental, and social due diligence for VCI proposals and in consultation with relevant government agencies and ADB. (iv) introduce the qualified sub-projects which have been assessed to ADB and Project Steering Committee for approval and finance, and (v) conduct 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, 2017.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2017 (USD)	Disbursement %
1	Works	234,465	0	0
2	Equipment and Materials	2,536,033	10,948	0.4
3	Consulting services	843,000	328,077	38.9
4	Value Chain Investments	8,300,000	0	0
5	Training	1,072,441	125,947	11.7
6	Marketing and Brand Development	502,332	8,672	1.7
7	Project Management	767,837	202,915	26.4
8	Financing Charges	743,842	12,020	1.6
	Total	15,000,000	688,579	4.6

The table shows the comparison between ADB OCR loan proceeds and cumulative expenditures as of December 31, 2017.

No.	Item	Total Amount Allocated for ADB Financing (USD)	Total expenditures cumulative to Dec 31, 2017 (USD)	Disbursement %
1	Value Chain Investments	32,950,000	14,431,742	43.8
2	Interest and commitment charges	2,050,000	226,582	11.1
	Total	35,000,000	14,658,324	41.9

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& APPRAISAL

2. PROJECT IMPLEMENTATION PROGRESS

Output 1: VCIs financed. Under this output PMU:

- In order to involve companies from the countryside, PMU conducted training seminars in east 3 aimags (Khentii, Sukhbaatar, and Dornod). Altogether 183 participants from private companies, cooperatives, PPBs as well as from Local governments were involved. PMU is planning to conduct such training in other aimags in 2018.
- Training sessions for 65 credit officers of PPBs' were provided by PMU staff. PMU also disseminated information through donor-funded projects' meeting organized by MOFALI and USAID funded REACH project beneficiaries.
- PMU had a more individual approach to assist PPB's staff in recruitment, selection of Such mode of assistance involved meetings with loan processing officers, focal points, and communication which included emails and calls where PMU discussed, shared views and comments to PPEs on specific aspects of proposal assessment such as VCD potential, sector-specific risk assessment etc. Altogether 6 credit officers of PPBs were invited for face-to-face meetings and have discussions over 3 proposals by enterprises.
- PMU has continued improvement of the BP format to make it more user-friendly to applicants and updated guideline for referral of BPs was delivered to PPBs reflecting on the proposals received for assessment. Comments on individual BP review and common aspects of weak BPs were shared by PMU with all PPBs to improve their understanding of value chain in general and knowledge of sector development issues and any commonly observed weakness and incompleteness. The other practices for increasing efficiency and productivity of cooperation of the Project and PPB have been used with PPBs on case basis too.
- Continued face to face meetings with enterprises which approaches PMU in two ways, as referred by PPBs for preliminary discussions to make the proposals better or receiving information or through hearsay. 18 enterprises' representatives had meetings with PMU consultants, so that cumulatively since the project start, 315 representatives of SMEs had face-to-face meetings. Out of this 105 meetings were held in 2017. Interview, discussion, questioning, brainstorming, problem tree drawing, explanation and review feedback are the tools and techniques used at these meetings. The explanation is given about how they can use ARDP selection criteria for a realistic self-assessment against and approaching PPB, who will make a selection first. Discussions are built around potential risks, sector-specific common failures which often overlooked by them or they need give proper attention when they seek financing. Social, gender and environment safeguard compliance are the areas attention of enterprises were drawn to. As most of the attendees are seeking financing for start-up business, advice is aimed at providing them some tips and tools to help them to plan their business with focus on sustainability, value chain development, plan for inclusive growth, pro-poor supply chain development in line with the project, see their business big picture using value chain approach. Ideas for brainstorming and problem tree analysis are thrown for their thoughts to help them assess opportunities and potentials. PMU can clearly see that quite a large number of attendees are not necessarily with serious plan for meat business or with clear understanding of meat value chain but approaches PMU because meat supply is higher this year and the Government promotes meat export, another group of visitors are the ones with business idea which needs more supporting evidence, innovations in order to get materialized into business with proved value propositions but they have not been taking any steps to make it happen and still have to develop it into a business proposal. PMU provides them questions to lead them to put the idea into a real business model and find the right way. All findings, key points of discussions have been shared with PPBs through meetings, emails and PMU believes that this contributes to increased awareness and understanding of PPB staff on value chain and the project financing.
- During the reporting period, VCI team reviewed 3 more BPs approved by PPBs' Credit Committees, made an assessment of 2 BPs and submitted to ADB and PSC. Out of them 1 was endorsed by PSC (Choirkhairkhan LLC) and submitted to ADB, 1 was returned (Mongol Textile) for clarification by PSC, checklists, draft assessment reports of this subproject have been completed and are pending to be sent to ADB. Endorsement by PSC (Yanmal LLC) after ADB approval was achieved with repeated presentation. Rest of the BPs were returned with comments and advice for improvement to PPEs.
- PMU has paid 3 more field visits to PPEs. Visits included visits to PPEs, whose BP supported by PPBs and their Credit Committee approved the loan and visits for monitoring of PPEs. During these visits consultants conducted verification of statements, information and data provided in the BP with financial

records, other primary documents, data and information through interviews with management and employees and factory tour, made clarification on unclear items in the BP, in most cases discussed the areas where improvement can be achieved to relate to investment loan purpose. Environment and Social/gender consultants met relevant Local Government officers to consult and receive information on the enterprise and make required inquiries from relevant agencies and spent considerable time to verify information provided by these enterprises that lacked documentation.

- Had an implementation briefing meeting with each PPE, whose loan was approved and endorsed (altogether 16 sub-projects on implementation). The PPEs key staff (finance, human resource, production, environment & safety) and company management were invited to the meeting. VCI team drew attention to the issues they found critical and needed attention during their fact-finding visits and the company's assessment and provided advice on implementation. They also were explained the reporting and monitoring system the PMU will use and the tools the PMU will use for monitoring of implementation. A reminder note, which includes recommendations by PMU consultants and specific actions and consideration for management was produced and delivered.
- VCI team continued monitoring of subprojects both financed by the original project and financed by the additional financing using tools developed such as quarterly progress reports by PPEs, media coverage, Facebook, and industry news. Except for Bornuur Foods LLC, which has no problem with loan repayment, but a serious setback in implementation, all subprojects have been implemented as planned or with some changes in response to changing business environment and market. Changes have been made in the plan of 3 PPEs. All of them reported to PMU and PMU team had discussions with the management and in some cases with major shareholders drew their attention to issues and further actions to make sure implementation of the subprojects and advised on potential risks with changes in the plan. Minutes are taken and delivered to this PPE management. Implementation of activities included due to the change will be closely monitored.

The problem of Bornuur Foods LLC has been discussed with the PPB several times, the PPB will take action to get the loan repaid in nearest future. Altogether 2 visits were made into the operations in the countryside. Letter for corrective action was sent to the Monmeat LLC to improve hygiene and sanitation in slaughtering operation in Khentii aimag. Follow up is made with all PPEs. Three spot visits were paid by PMU, two of them were subprojects, which made changes in the implementation plan, and one was the company which raised additional financing after ARDP loan investment. The companies' performances were found satisfactory. 1 visit was made by VCI coordinator and M&E specialist to visit a newly opened meat store by Monmeat LLC and found the location, offered products, facilities highly satisfactory. PMU team members interviewed customers and they were very satisfied with service.

Outcome: During the reporting quarter one subproject was approved by ADB and PSC, one subproject was endorsed by PSC for submission to ADB and another one was returned for clarification by PSC. For this quarter disbursement amounted to MNT 7.5 billion (equal to USD 3,144,503.54).

Output 2: Production capacity of herders and farmers improved;

Output 3: Enterprises' marketing and technical capacity improved; and

Output 4: Mongolian product brand(s) developed;

- TA8960 team, financed by JFPR, is responsible for the implementation of activities under outputs 2, 3 and 4 of the Project.
- TA team has submitted a 2nd Progress report to ADB in mid-November 2017. According to the contract submission date of 3rd Progress report to ADB is February 15, 2018.

Project Management activities

- During the reporting quarter, PMU provided all support for smooth implementation of project activities, including project planning, project fund management, monitoring of project activities, including ADB Inception mission to review the overall performance of the project and TA progress. The PMU provided all support to the mission and MOU on the Inception highlighted the excellent support of the PMU during the mission.
- PMU is communicating with other donors, international projects and agencies with plans for projects and interventions in the sectors covered by additional financing. It included meetings, information

- exchange and discussions about possible cooperation to achieve synergies with agencies and international projects who approached the PMU. PMU had visits and missions of OECC, World Bank, and EBRD projects. PMU made contact with British Embassy in Ulaanbaatar for possible cooperation.
- PMU runs marketing and project promotion by distributing collaterals, such as project leaflet, project brochure, including information packages for PPBs' staff, potential PPEs, sector players and other stakeholders. Project leaflet is being distributed to attendants of training seminars, relevant Departments of the EA, IA, some Trade Associations and Local Administration and Departments.
 - PMU did monitoring of the existing project through a collection of implementation reports, receipt of financial statements, receipt of repayment statements from banks and confirming them with the enterprise statements, implementation performance reports.
 - PMU participated in a quarterly Portfolio meeting organized by the MNRM on October 12, 2017 and made a presentation on project performance for 3rd quarter 2017. ADB representative and MNRM were satisfied with the project performance.
 - PMU responded to requests from local administration of different provinces to consider some businesses for ARDP financing.
 - The PMU have good relations and conducted information sharing and other meetings with representatives of the World Bank, JICA, UNDP, USAID, Japan Fund for Joint Crediting Mechanism (JCM), IFAD, CBI (Center for Promotion of Imports from Developing countries) under the Netherlands Enterprise Agency, Sustainable Fiber Association, an international NGO which promote environmentally friendly fiber production, EUMC (World University Service of Canada), as well as with Embassies of China, France and UK.

Outcome: The Project has been recognized as one of the best performances and well known ADB financed the project in Mongolia and mostly approached by international projects and donors to share information and experience. The EA, IA, and ADB have highlighted the project performance satisfactory. An ADB journalist visited 6 different PPEs, in fact, finding a mission for press coverage.

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

#	Title	Type	Selection Method	Contract Date		Funding Source
				Start	Start	
1	Project Director	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	2017.03.01	2018.02.28	ADB
8	Admin assistant	PMU	ICS	2017.02.01	2018.01.31	ADB
9	Monitoring and evaluation specialist	PMU	ICS	2017.02.01	2018.01.31	ADB
10	Driver	PMU	ICS	2017.03.01	2018.02.28	ADB
11	Driver	PMU	ICS	2017.03.01	2018.02.28	ADB

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared on a cash basis. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than incurred.

b) Basis of measurement

The financial statements have been presented in U.S Dollar (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 rates at the dates of the transactions stated by the Bank of Mongolia. Any gains and losses are reflected in the statement of sources and use of funds.

c) Basis presentation

The accounts' balances in the financial statements as of December 31, 2017 have been compared with the audited balances as of December 31, 2016.

d) Imprest Account and Statement of Expenditures

In accordance to the Loan Agreement, the borrower will establish three project imprest accounts: (i) for ADF loan proceeds designed for all expenditure categories except VCI (ADF operational imprest account) at a commercial bank, (ii) for ADF loan proceeds designated for VCI (ADF-VCI imprest account) at the Bank of Mongolia and (iii) for OCR loan proceeds designated for VCI (OCR-VCI imprest accounts) at the Bank of Mongolia. The currency of all the imprest accounts is in the U.S.Dollar.

After eligible expenditures are incurred and paid from the imprest accounts, the borrower requests liquidation and replenishment of the imprest accounts by submitting a withdrawal application and summary sheet if full documentation is required, or statement of expenditures (SOE) if SOE procedure is approved. The corresponding bank statement and the imprest account reconciliation statement are also required to be submitted with the withdrawal application. The withdrawal application must be prepared in the currency of the imprest accounts.

The borrower manages and conducts the liquidation and replenishment of the imprest accounts in accordance with ADB's Loan Disbursement Handbook. The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest accounts. The ceiling of the SOE procedure is the equivalent of \$500,000 per individual payment. The minimum value per withdrawal application is \$100,000 equivalent.

e) Procurement of Goods, Works and Consulting Services

All procurement financed from ADB Loan are carried out in accordance with ADB's Procurement Guidelines. Contracts for civil works valued at \$100,000 or less than \$5,000,000; and contracts for goods and related services valued at \$100,000 or less than \$2,000,000 will be procured through national competitive bidding procedures (NCB). The NCB will be undertaken in accordance with standard government procedures subject to modifications agreed with ADB. Contract packages for civil works and goods valued at less than \$100,000 will be awarded through shopping procedure. The selection and engagement of contractors for works, goods, and/or consulting services to be financed by ADB loan will be subject to ADB approval.

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4. ITEMS OF THE BALANCE SHEET

4.1. Cash and cash equivalents

The balances of cash and cash equivalents as of December 31, 2017 are shown below:

	Dec 31, 2017 (in USD)	Dec 31, 2016 (in USD)
Cash and cash equivalents		
ADB loan funds	2,357,636.94	216,160.58
ADF VCI Imprest Account at BOM (USD)	-	-
OCR VCI Imprest Account at BOM (USD)	2,212,304.12	12,745.16
Imprest Account at State bank (USD)	141,213.71	192,176.48
Sub-account at State bank (USD)	2,567.26	7,423.18
Sub-account at State bank (MNT)	94.66	3,813.98
Sub-account at Treasury (MNT)	1,456.25	-
Petty cash (USD)	-	-
Petty cash (MNT)	0.94	1.78
Government funds	7,694,103.84	5,978,414.09
Revolving Fund Account at UBC bank (USD)	100,517.59	116,024.49
Revolving Fund Account at UBCB (MNT)	404,689.84	398,393.87
Revolving Fund Account at Chinggis Khan bank (MNT)	251,668.02	-
Revolving Fund Account at National Investment bank (MNT)	234,322.32	-
Deposit Account at Capitron bank (USD)	-	461,250.00
Deposit Account at Capitron bank (MNT)	-	307,446.59
Deposit Account at UBC bank (USD)	1,400,115.00	2,152,500.00
Deposit Account at UBC bank (MNT)	1,236,027.74	1,434,750.74
Deposit Account at Chinggis Khan bank (USD)	1,992,543.19	461,250.00
Deposit Account at Chinggis Khan bank (MNT)	860,434.59	307,446.59
Deposit Account at National Investment bank (USD)	93.22	-
Deposit Account at National Investment bank (MNT)	857,782.65	-
Imprest Account at State bank (USD)	39,816.33	41,940.56
Sub-account at State bank (USD)	156.32	56.79
Sub-account at State bank (MNT)	11,452.18	1,451.91
Petty cash (MNT)	2.12	2.06
Operating account at Capitron bank (MNT)	-	272,501.24
Sub-account at Capitron bank (MNT)	-	23,399.25
Sub-account at Chinggis Khan bank (MNT)	293,653.93	-
Sub-account at Treasury (MNT)	10,828.80	-
Total	10,051,740.78	6,194,574.67

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. In the reporting period, there were no transactions in ADF VCI Imprest Account at BOM (3430403015 - USD).

All transactions from USD Imprest Account No.3430403014 at the Bank of Mongolia and USD Imprest Account No. 106000037032 at the State bank were approved by the first signatures of MOF's State secretary (or Director of Debt Management Division) and the second signature of Project Director. The transactions from the sub-accounts were approved by the signatures of Project Director and accountant.

On December 11, 2017 the Minister of Finance issued the Resolution #357 on "Transferring the MNT bank accounts of projects financed by foreign loan and grant to Treasury". According to this resolution, the ending balance of MNT 3,534,512.72 (equaling to USD 1,456.25) of MNT bank account No.104900067747 at State Bank as of December 18, 2017 was transferred to Treasury account No.100900011110 on the same day. The transactions from the Treasury account shall be approved by the signatures of Project Director and accountant.

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

Bank account	Balance as of Dec 31, 2017 per project record (in USD)	Balance as of Dec 31, 2017 per positive bank confirmation (USD)
Imprest Account at State bank (USD)	141,213.71	141,213.71
Sub-account at State bank (USD)	2,567.26	2,567.26
Sub-account at State bank (MNT)	94.66	94.66
Sub-account at Treasury (MNT)	1,456.25	1,456.25
Revolving Fund Account at UBC bank (USD)	100,517.59	100,517.59
Revolving Fund Account at UBCB (MNT)	404,689.84	404,689.84
Revolving Fund Account at Chinggis Khan bank (MNT)	251,668.02	251,668.02
Revolving Fund Account at National Investment bank (MNT)	234,322.32	234,322.32
Deposit Account at UBC bank (USD)	1,400,115.00	1,400,115.00
Deposit Account at UBC bank (MNT)	1,236,027.74	1,236,027.74
Deposit Account at Chinggis Khan bank (USD)	1,992,543.19	1,992,543.19
Deposit Account at Chinggis Khan bank (MNT)	860,434.59	860,434.59
Deposit Account at National Investment bank (USD)	93.22	93.22
Deposit Account at National Investment bank (MNT)	857,782.65	857,782.65
Imprest Account at State bank (USD)	39,816.33	39,816.33
Sub-account at State bank (USD)	156.32	156.32
Sub-account at State bank (MNT)	11,452.18	11,452.18
Sub-account at Chinggis Khan bank (MNT)	293,653.93	293,653.93
Sub-account at Treasury (MNT)	10,828.80	10,828.80
Total	7,839,433.60	7,839,433.60

4.2. Cumulative project expenditures

In the reporting period, the Project received the total funding of USD 14,449,877.74 at OCR VCI Imprest Account No.3430403014 at the Bank of Mongolia. Of the total, USD 12,250,318.78 was disbursed to VCI loan contractors under the on-lending agreements between MOF and PPBs.

The total amount of USD 347,389.15 was received at ADF VCI Imprest Account No.106000037032 at the Bank of Mongolia and disbursed a total of USD 408,982.97 for the project expenditures.

Expenditure items	Amount (USD)
a. Training	104,620.17
b. Consulting services	190,800.00
c. VCI loans (ADB OCR financing)	12,250,318.78
d. Project management expenses	101,513.52
e. Audit expense	3,353.03
f. Bank charges	24.06
g. Marketing & Brand Development	8,672.19
Total	12,659,301.75

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a. Training (ADF financing)

In the reporting period, the following pieces of training were organized.

#	Title	Output	Amount (USD)
1	VCI training for potential PPEs	1	7,852.29
2	VCI training for PPBs and Credit Guarantee Fund staff	1	3,416.06
3	VCI training, seminars and information workshops for relevant departments, divisions of the EAs and IAs.	1	1,386.55
4	Capacity building training for herders and farmers	2	14,376.59
5	PMU trainings	1	19,844.24
6	Size Mongolia research	3	57,744.44
Total			104,620.17

b. Consulting services (ADF financing)

In the reporting period, a total of USD 190,800.00 was paid for the following project national consultants as remuneration.

Contract No	Title	Amount (USD)
NC/006-16	Project Director	39,600.00
NC/001-16	VCI Coordinator	31,200.00
NC/007-16	Business consultant	30,000.00
NC/002-16	Financial analyst	30,000.00
NC/003-16	Gender/social consultant	30,000.00
NC/004-16	Environmental consultant	30,000.00
Total		190,800.00

c. VCI loans OCR VCI Loans (ADB OCR financing)

The unpaid loan balance as of December 31, 2016 amounting to USD 5,152,280.52 (equals to MNT 12,672,460.00 thousand) was issued in 2017.

In the reporting period 2017 total of 8 subprojects were approved by ADB and Project Steering Committee and VCI contracts amounted USD 9,251,045.65 (equals to MNT 21,975,000,000) were awarded and USD 7,098,038.26 (equals to MNT 17,140,600,000.00) was disbursed to PPEs under the on-lending agreements between MOF and PPBs.

The detailed information on VCI contracts awarded in 2016 and 2017 is shown on next page:

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Detailed information on VCI contracts awarded in 2016

#	Name of Project participating entities (PPEs)	Sector	Contract No	Total loan approved (MNT '000)	Loan amount transferred in 2016		Loan amount transferred in 2017		Balance as of Dec 31, 2017 (MNT '000)
					(USD)	(MNT'000)	(USD)	(MNT'000)	
1	Noos Ireedui LLC	Wool	ГБ 76-03-001	3,000,000.00	214,437.16	534,000.00	1,002,667.27	2,466,000.00	0.00
2	Mongolian Cattle LLC	Cattle farm	ГБ 76-03-002	375,000.00	26,101.90	65,000.00	126,044.95	310,000.00	0.00
3	Denimon LLC	Garment	179/tdbm/422/2016	500,000.00	200,783.86	500,000.00	-	-	0.00
4	Gobi JSC	Wool and cashmere	177/tdbm/423/2016	6,000,000.00	833,991.90	2,076,840.00	1,595,143.61	3,923,160.00	0.00
5	Khan Brand LLC	Diary	178/154/78/395-1	800,000.00	161,430.22	402,000.00	161,825.46	398,000.00	0.00
6	Monmeat Trade LLC	Meat processing	189/154/78/395-3	1,020,000.00	249,298.35	620,000.00	162,638.65	400,000.00	0.00
7	Sor cashmere LLC	Wool and cashmere	75/tdbm/143/2016	5,457,300.00	140,732.94	350,000.00	2,076,312.01	5,107,300.00	0.00
8	Davshilt Trade LLC	Meat processing	75/tdbm/143/2016	500,000.00	173,704.65	432,000.00	27,648.57	68,000.00	0.00
9	Russkie kolbasy LLC	Meat processing	78/395	450,000.00	180,942.35	450,000.00	-	-	0.00
	Total			18,102,300.00	2,181,423.33	5,429,840.00	5,152,280.52	12,672,460.00	0.00

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Detailed information on VCI contracts awarded in 2017

#	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, 2017 (MNT '000)	PBEs
1	Khanbogd Cashmere LLC	Cashmere	No.40/154/78/395-5 2017.04.18	84 months	5,400,000.00	2017.03.30	2,238,909.52	5,400,000.00	0.00	Khaan bank
2	Mogol Noos LLC	Wool	No.41/tdbm/64/2017 2017.04.18	84 months	2,500,000.00	2017.03.30	1,029,794.84	2,500,000.00	0.00	TDB
3	Zurgaаn Khoshuu LLC	Pig farm	No.39/154/78/395-6 2017.04.18	84 months	1,800,000.00	2017.03.30	761,877.16	1,800,000.00	0.00	Khaan bank
4	Bayalag Ulzii LLC	Wool	No.154/78/395-7/67 2017.06.20	84 months	1,300,000.00	2017.05.18	553,139.70	1,300,000.00	0.00	Khaan bank
5	Darkhan Nekhii JSC	Leather	No.82 2017.07.31	84 months	4,100,000.00	2017.07.21	1,131,809.84	2,765,600.00	1,334,400.00	Golomt bank
6	Tumen Shuvuut LLC	Egg	No.83 2017.07.31	84 months	3,000,000.00	2017.07.21	1,229,040.08	3,000,000.00	0.00	Xas bank
7	Ikh Ulam Undrakh LLC	Shoe maker	No.84 2017.07.31	84 months	375,000.00	2017.07.21	153,467.12	375,000.00	0.00	NIB
8	Yar.mal LLC	Wool product	No.2/154/78/395-8 2018.01.17		3,500,000.00	2017.12.26	0.00	0.00	3,500,000.00	Khaan bank
	Total				21,975,000.00		7,098,038.26	17,140,600.00	4,834,400.00	

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d. Project management expenses (ADF financing)

In the reporting period, a total of USD 104,890.61 was disbursed to finance the following project management expenses.

Expenditure items	Amount (USD)
PMU staff salaries	56,535.04
Communications and postage costs	1,972.07
LAN, Anti-virus software and PC maintenance expenses	1,141.08
Advertising expenses	735.50
Office supplies	8,111.82
Site visit expenses	9,953.93
Fuel expenses	8,284.12
Car repair and garage expenses	9,593.37
Car insurance and car taxes	1,592.33
Other expenses	3,594.26
Subtotal	101,513.52
Audit fee for FY2016 financial statements	3,353.03
Bank charges	24.06
Total	104,890.61

e. Interest and commitment charges

ADB 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 USD 198,403.41 was accumulated.

№	Expenditure items	Amount (USD)
1	Interest for ADF Loan	9,517.46
2	Interest for OCR Loan	147,871.68
3	Commitment charge	41,014.27
	Total	198,403.41

f. Foreign currency gain/loss (ADF Financing)

Foreign currency loss of USD 140.34 was recognized and reported as a result of transferring amounts in USD Imprest account to US and MNT subaccounts.

g. Marketing& Brand Development

In relation to Output 4, the representatives from MOFA were participated in the following activities by getting financed by ADB fund.

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Activities	Where/when	Participation purpose	Amount financed by ADB fund (USD)
Fashion World Tokyo -International Expo on wool and cashmere product	Japan, Tokyo 2017.10.09-10.13	Lead participants from local wool and cashmere factories, and deliver information about policy on wool and cashmere sector development and prospected cooperation on export wool and cashmere products to Japan	4,151.82
Made in Mongolia 2017-North America business forum and expo	USA, 2017.09.13-09.25	Lead participants from local apparel factories, and deliver information about policy on apparel and clothing sector development and prospected cooperation on export wool and cashmere products to the USA	4,520.37
Total			8,672.19

- Expenses financed by Government of Mongolia

Expenditure items	Amount (USD)
Office rent expense	38,370.00
Social security contributions	6,215.04
Site visit expenses	5,348.38
Total	49,933.42

4.3. ADB sources

a. ADB's source

In the reporting period, the Project received a total of USD 14,797,266.89 from ADB sources.

WAs for ADB sources	Date received	Amount (USD)
ADF financing		
A0004	2017.07.15	160,699.93
A0005	2017.12.22	186,689.22
	Total	347,389.15
OCR financing		
C0004	2017.01.31	5,071,783.62
C0006	2017.03.03	3,407,120.41
C0009	2017.06.21	4,168,300.42
C0011	2017.12.28	1,802,673.29
	Total	14,449,877.74
Total		14,797,266.89*

*It excludes total interest and commitment charges of USD 198,403.41 computed by ADB.

ADB sources	Total loan proceeds (in USD)	Total amounts received as of Dec 31, 2017 (in USD)	% of loan proceeds
ADF financing	15,000,000.00	815,382.18	5.43%
OCR financing	35,000,000.00	16,644,046.23	47.55%

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b. Government resources

	Balance as of Dec 31, 2017 (USD)	For the reporting period (USD)	Balance as of Dec 31, 2016 (USD)
Government Funds	451,761.77	6,758.33	445,003.44
Revolving Fund	6,869,364.52	707,195.98	6,162,168.54
Bank Interest earned	78,876.76	61,434.98	17,441.78
Deposit Interest earned	558,951.47	558,951.47	0.00
Other income	457.40	457.40	0.00
VCI Loan interest income	484,461.14	484,461.14	0.00
Total	8,443,873.06	1,819,259.3	6,624,613.76

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The Statement of outstanding loan balances of VCI Loan contracts

#	PPBs/PPEs	Currency	Ehzan bank		Xac bank		Golomt bank	Trader Development Bank		Total
			Erdenet Khivs LLC	Monmeat trade LLC	Altai Cashmere LLC	Vitafit Invest LLC	Bornuur Foods LLC	Mogol Noos LLC	Darkhan Minj LLC	
1	Loan amount released from Project	USD		--	-	1,500,000.00	-	-	-	1,500,000.00
		MNT '000	3,700,000.00	750,000.00	3,900,000.00	-	3,240,000.00	2,000,000.00	800,000.00	14,390,000.00
2	Guarantee 50%	USD				750,000.00				750,000.00
		MNT '000	1,850,000.00	375,000.00	1,950,000.00		1,620,000.00	1,000,000.00	400,000.00	7,155,000.00
3	Loan amount released from Bank	USD				750,000.00				750,000.00
		MNT '000	1,850,000.00	375,000.00	1,950,000.00		1,620,000.00	1,000,000.00	400,000.00	7,155,000.00
4	Unused fund of Project	USD				750,000.00				750,000.00
		MNT '000	1,850,000.00	375,000.00	1,950,000.00	-	1,620,000.00	1,000,000.00	400,000.00	7,155,000.00
5	Outstanding loan balances as of Dec 31, 2016	USD	-	-	-	337,500.00	-	-	-	337,500.00
		MNT '000	482,058.39	10,089.54	419,503.67	0.00	491,320.80	550,000.00	125,000.00	2,169,012.40
6	Loan repayment for the reporting period 2017	USD	-	-	-	150,000.00	-	-	-	150,000.00
		MNT '000	443,423.38	10,089.54	76,103.67	-	314,627.66	300,000.00	125,000.00	1,360,249.25
7	Outstanding loan balances as of Dec 31, 2017	USD	-	-	-	187,500.00	-	-	-	187,500.00
		MNT '000	38,670.01	0.00	343,400.00	0.00	176,693.14	250,000.00	0.00	808,763.14

*The amount includes the loan repayment from Jan 1, 2017 to the end of reporting period December 31, 2017.

	Currency	Total	Loan repayment (USD)
Loan repayment for the period from Jan 1, 2017 to Dec 31, 2017	USD	150,000.00	150,000.00
	MNT '000	1,360,249.25	557,195.98
Total			707,195.98

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