



Project Administration Memorandum

Project Number: 42322
Grant Number: 0137/0138-MON
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Mongolia: Food and Nutrition Social Welfare Program and Project

The project administration memorandum is an active document, progressively updated and revised as necessary, particularly following any changes in project or program costs, scope, or implementation arrangements. This document, however, may not reflect the latest project or program changes.

CURRENCY EQUIVALENTS

(as of 26 March 2009)

Currency Unit	–	togrog (MNT)
MNT1.00	=	\$0.000630
\$1.00	=	MNT1,587

ABBREVIATIONS

ADB	–	Asian Development Bank
EA	–	executing agency
EIRR	–	economic internal rate of return
FNSWPP	–	Food and Nutrition Social Welfare Program and Project
FSOU	–	food stamp operating unit
GDP	–	gross domestic product
IEC	–	information, education, and communication
LSC	–	livelihood support council
LSWO	–	Labor and Social Welfare Office
M&E	–	monitoring and evaluation
MDG	–	Millennium Development Goal
MOF	–	Ministry of Finance
MOFA	–	Ministry of Food and Agriculture
MSWL	–	Ministry of Social Welfare and Labor
NGO	–	nongovernment organization
NSO	–	National Statistics Office
PIU	–	program implementation unit
SSSDP	–	Social Security Sector Development Project
SWO	–	social welfare officer
TA	–	technical assistance

GLOSSARY

<i>aimag</i>	–	largest subnational political unit; province
<i>dzud</i>	–	harsh weather conditions that prevent or inhibit livestock from accessing forage, due to deep snow or ice
<i>ger</i>	–	traditional tent
<i>khoroо</i>	–	smallest administrative unit in Ulaanbaatar
<i>soum</i>	–	subnational administrative district below the aimag; district

NOTES

- (i) The fiscal year of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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Grant Processing History**Date(s)**

Approval of Project Preparatory Technical Assistance (PPTA)	N/R
Consultants' Submission of Draft Final Report	N/R
Grant Fact-Finding Mission	03-12 Sep 2008
Management Review Meeting	N/R
Grant Appraisal Mission	N/R
Staff Review Committee Meeting	03 Nov 2008
Grant Negotiations	13 Nov 2008
Board Circulation	19 Nov 2008
Board Consideration and Approval	10 Dec 2008
Grant Agreement and Signing	17 Dec 2008
Grant Effectiveness	09 Mar 2009

Project Implementation**Date(s)**

Grant Inception	23-26 Mar 2009
Initial Disbursement to the Imprest Account	
GrantReview Mission	
Grant Review Mission	
Grant Review Mission	
Midterm Review Mission	
Grant Review Mission	
Grant Review Mission	
Project Completion Review Mission	

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
Impact Vulnerability to food insecurity reduced through increased supply of and improved access to food by vulnerable and poor households	Daily calorie intake of lowest quintiles of income distribution increased from 1,728 in 2004 to at least 2,000 calories by 2015, data to be disaggregated by sex Percentage of under-weight newborn equal to or lower than 2004 levels (3.7%), data to be disaggregated by sex	National nutrition surveys – NSO National nutrition surveys – NSO	Assumption International food prices will stabilize and food can continue to be imported
Outcome Improved access to food by vulnerable and poor households through a targeted food stamp program and strengthened social welfare systems	At least 100,000 household beneficiaries of the food stamp program by 2011 Monthly per capita expenditure on food for lowest quintile in 2012 is equal to or greater than expenditure in 2006-2007 (\$14) at constant prices	Food stamp program data NSO Socio-Economic Household Survey	Assumptions International food prices stabilize Political and administrative stability Risks Food safety nets used as a political tool Resistance to change in existing social welfare systems
Outputs Component 1: Design and implementation of a targeted food stamp program 1.1. Innovative targeting approaches for food stamps pilot-tested by December 2009 1.2. A mechanism for delivering	Outreach targeting methodology adopted by Government for pilot testing by 2009 At least 70% of beneficiaries identified by outreach methods after 2 years of operation, data to be disaggregated by sex Subprogram to Food	Project documentation and/or ministerial order FSOU/food stamp program data Prime Minister's Decree	Risks Decision to expand or prolong the food stamp program will be based on recommendations from pilot approach Lack of coordination among ministries and levels of government Recommendations on the results from pilot-testing will not be turned into policy reforms

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>food stamps is established by June 2009</p> <p>Component 2: Capacity development and communication strategy</p> <p>2.1. Capacity development tools for national and local stakeholders and institutional strengthening designed and implemented by January 2010</p> <p>2.2. A communication strategy to ensure transparent implementation of the food stamp program developed and implemented by December 2009</p> <p>Component 3: Strengthening social welfare strategies and systems</p> <p>3.1. Effective food crisis response by 2010</p>	<p>II, including a food stamp program approved by the Government by 2009</p> <p>At least 70% of food stamps distributed to lowest two quintiles of income distribution, data to be disaggregated by sex</p> <p>At least 80% of beneficiaries receiving food stamps on time (on the dates specified) by 2011</p> <p>Capacity development tools designed, approved, and implemented by 2010</p> <p>At least 50% of <i>soums</i> and <i>khoroos</i> reached by 2010</p> <p>Communication strategy adopted by steering committee and reflected on television and radio channels, printed material and community outreach activities by December 2009</p> <p>Methodology to measure impact of food price increases developed by 2010</p> <p>Community grant</p>	<p>Food stamp module attached to NSO survey</p> <p>FSOU/food stamp program data</p> <p>PIU/FNSWPP documents</p> <p>FSOU/food stamp program data</p> <p>Steering Committee and PIU, minutes of Steering Committee meetings and FNSWPP documents</p> <p>PIU/FNSWPP documentation</p> <p>PIU/ FNSWPP</p>	

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p>3.2. A package of reform of social welfare strategies by October 2011</p> <p>3.3 An early warning and response system to respond to social shocks by October 2011</p>	<p>program established by 2010</p> <p>Policy notes produced for each group of reforms by October 2011</p> <p>Knowledge product on social welfare institutional reforms developed by October 2011</p> <p>Recommendations for social welfare reforms forwarded to cabinet by October 2011</p> <p>Early warning and response system developed and approved by Steering Committee by 2011</p>	<p>documentation</p> <p>PIU/FNSWPP document</p> <p>PIU/FNSWPP documentation</p> <p>PIU/FNSWPP documentation</p> <p>PIU/FNSWPP documentation</p>	
<p>Activities with Milestones</p> <p>Component 1:</p> <ol style="list-style-type: none"> 1. Install the FSOU (2009) 2. Pilot-test two targeting approaches and produce lessons learned (2009–2010) 3. Evaluate the pilot-test targeting mechanisms to refine the household assessment survey instruments (December 2009) 4. Expand coverage of beneficiaries using improved targeting tools and methodologies (from approaches 2 and 3) (2010–2011) 5. Implement all the operational activities involved in establishing the food stamp delivery mechanisms 6. Evaluate full food stamp delivery mechanisms and incorporate lessons into final food stamp program design (December 2009) 7. Expand capacity of final mechanisms to carry out an expansion of the coverage of the food stamp program 8. Undertake supporting activities to improve effectiveness of program expansion 9. Implement internal and external monitoring system (continuous) <p>Component 2:</p> <ol style="list-style-type: none"> 10. Undertake capacity development for the pilot-testing of the food stamp program (continuous) 11. Undertake capacity development for delivering the expanded food stamps program and other social welfare services (continuous) 12. Finalize and implement the communication strategy (2009–2011) 			<p>Inputs</p> <p>ADF: \$9 million program grant and \$3 million project grant</p> <p>Government: \$8 million for the program and \$330,000 for the project</p>

Activities with Milestones	
<p>Component 3:</p> <ol style="list-style-type: none"> 13. Provide technical analysis of capacity development needs to promote effective food crisis response (June 2009–December 2011) 14. Provide technical analysis of social welfare strategies and deliver a knowledge product on social welfare institutional reforms and capacity development (October 2011) 15. Provide technical analysis and support for establishing early detection, mitigation and response to social shocks (2009–2010) 	

ADF = Asian Development Fund, FNSWPP = Food and Nutrition Social Welfare Program and Project, FSOU = food stamp operating unit, NSO = National Statistics Office, PIU = program implementation unit.

I. PROJECT DESCRIPTION

A. Project Area and Location

1. The Project is located in Mongolia.

B. Impact and Outcome

2. The impact of the Program is reduced vulnerability to food insecurity through increased food supply and improved access to food by vulnerable and poor households. The outcome of the Program is improved access to food by vulnerable and poor households through a targeted food stamp program and strengthened social welfare systems.

C. Outputs

The Program Grant

1. Component 1: Design and Implementation of a Targeted Food Stamp Program

3. Component 1 will pilot the targeting and delivery mechanisms for delivering food stamps and test the overall design. The results of the pilot testing will be used to finalize the overall design (including the targeting and delivery mechanisms) to be used for expanding coverage until 2011 (or earlier if the assistance is no longer needed). A total of at least 100,000 beneficiaries (equal to about 4.5% of the population designated as the most poor) will receive a monthly cash equivalent of \$14 as food stamps. This amount is equivalent to monthly expenditures on food of the poorest quintile,¹ hence doubling their purchasing power on food. The food stamp program will be built on best international practices and lessons learned from implementation of pilot approaches. The outputs of component 1 are:

a. Output 1: Innovative Targeting Approaches for Food Stamps Pilot-Tested

4. **Approach 1.** From January 2009, the Government will start distributing food stamps as an emergency measure to approximately 30,000 disabled and elderly beneficiaries. Approach 1 will identify beneficiaries according to the definition of vulnerable groups as included in the social welfare laws.

5. **Approach 2.** Approach 2 will make use of and update existing MSWL lists of disabled and elderly beneficiaries in selected pilot areas. The updating process will involve adding beneficiaries and deleting recipients previously excluded from receiving benefits based on the results of an assessment of their socioeconomic status established through home visits. The pilot-testing process will be as follows: (i) the social worker updates the list, (ii) university students or NGO partners validate the list through home visitation and assessment of socioeconomic conditions,² (iii) the LSC further validates the list, and (iv) food stamps are provided to the persons on the validated list. Approach 2 will be administered in selected sample areas in and around Ulaanbaatar to initially reach 20,000 beneficiaries. It is envisaged

¹ National Statistics Office. 2007. *Household Expenditures July 2006–July 2007*. Ulaanbaatar.

² The criteria for the selection of NGOs (and other civil society groups) and identification of appropriate checks and balances will be outlined in the operational guidelines.

that approach 2 will be started immediately. The recipients of approach 2 will be different to the beneficiaries selected for the emergency measure of the Government (Approach 1).

6. **Approach 3.** Approach 3 will employ innovative³ targeting approaches for identifying beneficiaries. This approach will explicitly conduct outreach and target households in the poor areas or outskirts of the cities, identified through a household assessment as among the poorest and eligible for the assistance.⁴ The pilot-testing process will be as follows: (i) sample geographic areas in or around Ulaanbaatar not covered by approach 2 and considered as “pockets of poverty” are identified for piloting, (ii) a survey using the household assessment form⁵ is administered in all the households in the target area by contracted university students or NGO partners, (iii) the results of the survey are evaluated to determine eligibility, (iv) a list of eligible households is provided to the local LSC for validation, and (v) those found eligible will be provided with food stamps. Approach 3 will be administered in selected geographic areas with a sample size of 10,000 beneficiaries and will expand nationwide incrementally. It is envisaged that approach 3 will start during the first semester of 2009 to give time for the development of the household assessment survey instruments.

7. The pilot testing of both approach 2 and approach 3 will be concurrently evaluated by 30 June 2010, after which the household assessment survey instruments will be refined based on the results of the pilot testing. The refined survey instruments and best practices from the approaches will be incorporated into the final design to be used for scaling up to 50,000 beneficiaries in 2010 and a further 20,000 beneficiaries in 2011.

b. Output 2: A Mechanism for Delivering Food Stamps in Mongolia is Established

8. The mechanism for delivering food stamps involves five interconnected stages: (i) beneficiaries are identified, (ii) food stamps are distributed, (iii) beneficiaries receive the stamps, (iv) shopkeepers⁶ get paid with stamps, and (v) banks receive the stamps. In stage (i), beneficiaries are identified using the targeting methodologies outlined above (approach 2 or 3 during pilot testing and the refined outreach approach after pilot testing). Targeted beneficiaries will sign the terms and conditions for receiving the food stamps.⁷ The list and information about the beneficiaries will be kept in a central database. A printing company capable of printing on secure paper will be contracted to print the stamps. A contracted institution (bank or post office preferably) will be responsible for delivering the stamps to the beneficiaries in stage (ii). When beneficiaries receive the food stamps in stage (iii), they can then buy food from the contracted shopkeepers (food sellers) using the stamps. The shopkeepers who receive the stamps in stage (iv) will then submit the stamps to the contracted bank. In stage (v), the contracted bank will

³ The use of the term “innovative” is justified because the food stamp program represents the first attempt to select beneficiaries of social assistance through the use of a targeting mechanism which seeks to identify the poor and includes independent household assessment (use of civil society groups).

⁴ The main basis for eligibility will be the result of the household assessment which will identify poverty and not a category of vulnerability. Some households already receiving social welfare assistance will still be eligible for the food stamps. This methodology will assist in identifying particularly at-risk households such as households in the peri-urban areas headed by women.

⁵ The household assessment form will be developed using previous experiences in Mongolia with technical assistance from an international targeting expert.

⁶ The poverty and social assessment identified that wholesale market sellers are an important source of cheap foodstuffs for poor families. Efforts will be made by the Program to include these sellers in the food stamp program.

⁷ The terms and conditions include a provision that the food stamps will be used for food, excluding food items on a negative list (e.g., alcohol and cigarettes).

replace the shopkeeper's collected food stamps with cash and submit all of the collected stamps to the central bank for liquidation.

9. The five stages will be closely monitored during the pilot testing to identify and immediately resolve bottlenecks, issues, and problems in the system. The pilot testing will be evaluated together with the targeting approaches, and adjustments will be made in the final mechanism to be used for food stamp program expansion. The activities of component 1 are described in further detail in the Supplementary Appendix B of the RRP

D. Special Features

1. Important Features

The Program Grant

10. **Modeling a Targeting Strategy.** The Program will make use of an innovative targeting strategy which will (i) first utilize the existing MSWL lists of beneficiaries that focus on categories in the population (e.g., elderly persons and persons with a disability), (ii) update these lists through validation and verification by a contracted third party (e.g., an NGO), (iii) administer an improved proxy means test to the beneficiaries in the updated list, (iv) validate the LSC, and (v) deliver the food stamps to those identified as poor households based on the results of the proxy means test. Targeting poor households for the food stamp program is the most important feature of the Program because (i) it provides a major step towards solving the prevailing issues in the social welfare sector, and (ii) it will demonstrate to the Government the impact and effectiveness of targeting in making significant improvements in the social welfare sector. As registration of nomadic persons is effective in rural Mongolia (*soums* are the administrative anchors for rural households), the systematic household assessment will capture rural herders, albeit at a higher administrative cost. Through systematic household assessments within "pockets of poverty", the unregistered urban poor will also be captured by the food stamp program. The operational guidelines for the food stamp program will outline the procedures for outreach in greater detail. This strategy will be strongly reinforced through expert inputs to be provided through the Project grant.

11. **Increasing the Capacity of the Livelihood Support Councils.** The program, especially during its final stages, will make use of the LSCs in validating beneficiary selection and identification, as well as in serving as a venue for raising appeals and grievances related to beneficiary selection. Training and other capacity-development activities will be provided to the LSCs. Expert inputs will be provided through the Project as necessary.

12. **Partnering with Civil Society Organizations and the Private Sector.** The Program recognizes the potential contributions that civil society organizations and the private sector can provide. It will outsource different functions within the safety net to universities, NGOs, and the private sector to gain efficiency and augment the capacity of local social workers in areas where civil society organizations have particular expertise and resources (e.g., targeting and verification of beneficiary eligibility, actual delivery, monitoring, community mobilization, and advocacy).

The Capacity Development Project

Social Expenditure and Fiscal Sustainability Analysis of Social Welfare Programs. The study and resulting capacity within MSWL and MOF to undertake social expenditure and fiscal

sustainability analysis is expected to have longer-term policy implications in Mongolia. Having a study and the capacity within the Government to undertake social expenditure and fiscal sustainability analysis is expected to inform policy makers on the risks and implications of universal assistance in relation to Mongolia's fiscal balance and sustainability. It will also further emphasize the need for focusing and targeting any further social welfare assistance.

13. **Early Warning, Mitigation, and Response System for Social Shocks.** The need for this system is recognized by the Government as a priority and is acknowledgement of Mongolia's susceptibility to food price shocks. The establishment of an early warning, mitigation, and response system is consistent with, and supportive of, the objectives and activities of the proposed Food II Program. Close coordination and collaboration will be undertaken with the MOFA and all relevant agencies in establishing these systems in order to consolidate and avoid duplication of efforts.

14. **Medium- to Long-Term Institutional Reform and Capacity Development.** The Project builds on the gains of the ADB-supported SSSDP and takes advantage of the experiences and lessons gained from the targeted food safety program in component 1. It also maximizes the results of the broad range of expert technical inputs from components 2 and 3 by consolidating them into specific proposals for medium- to long-term social welfare institutional reforms and capacity development in the social welfare sector for policy discussion with the highest levels of Government. This important feature strongly binds all the FNSWPP inputs, fills potential gaps in implementation, and promotes sustainability of FNSWPP impacts.

2. Poverty Reduction and Social Impact

15. The Program will protect at least 100,000 poor and vulnerable households from the risk of malnutrition and from sliding deeper into poverty by providing a targeted safety net using food stamps. In the longer term the Program will contribute to mitigating the impact of the food price increases and reaching nonincome MDGs. Transparent and more effective systems and capacities will reduce opportunities for corruption. Increased knowledge on rights and benefits among poor and unregistered people and improved civil registration will promote the rights of migrants and unregistered populations, and contribute to poverty reduction and reducing social problems in urban areas. The training and awareness-raising activities of the community grants program that accompanies the safety nets will improve knowledge and practices in proper nutrition and promote household food security and self-sufficiency among poor and vulnerable populations. The summary poverty reduction and social strategy is in Appendix 10 of the RRP, and the poverty and social assessment is in Supplementary Appendix G of the RRP.

3. Gender Impact

16. Because women are the most likely users of the food stamps,⁸ they will (i) increase their ability to balance the household budget and provide adequate nutritional intake for their families, (ii) gain increased awareness on benefits and rights through appropriate IEC materials and strategies, (iii) participate in household economic activities, and (iv) be involved in community concerns and activities. Community-based activities that promote food security (e.g., kitchen gardens, small vegetable farming, and nutritional meals training) will involve parents, especially mothers, in (i) identifying and prioritizing their needs, (ii) planning community projects that respond to their needs, (iii) participating in training activities related to these projects, and (iv)

⁸ This was confirmed by the rapid qualitative assessments during consultation. Women are generally the ones claiming and budgeting benefits received from the Government.

implementing these activities together with their peers. A gender action plan has been prepared for the Project with the intention of maximizing opportunities for gender impact in design and implementation and providing adequate data for M&E of the FNSWPP. The gender action plan is in Appendix 11 of the RRP.

4. Institutional Impact

17. Government institutions, particularly MSWL, the provincial and district *soum* and *khoro* governors, local social workers, and LSCs will gain increased capacities for (i) delivering services; (ii) generating and analyzing data in aid of policy and program development; and (iii) establishing packages and mechanisms for anticipating, mitigating, and responding to food crises and similar situations. The FNSWPP will also promote (i) better ways of identifying and targeting beneficiaries, which is a crucial factor in ensuring program effectiveness and efficiency; (ii) more accurate and reliable data through improved data management, analysis, and evaluation; (iii) improved M&E, which feeds back into more effective program planning; (iv) stronger participation of the community, local government, and LSCs; and (v) more effective coordination and communication strategies among stakeholders. Government ministries will be better equipped with analytical tools and methodologies to develop and implement more focused and responsive policies and programs. Civil society organizations will play a more active role in delivering social welfare services. Established early detection, mitigation, and response mechanisms and packages improve the preparedness of government agencies for rapid deployment in the event of another food crisis or similar emergency.

5. Economic and Financial Impacts

18. The FNSWPP will improve food security for at least 100,000 households, preventing them from sliding deeper into poverty. In order to assess the economic viability and efficiency of the investment under the Project, economic benefits and costs were identified and an economic internal rate of return (EIRR) over 20 years was estimated.

19. The quantified economic benefits are cost savings consisting of reduction in out-of-pocket household expenses resulting from avoided health costs. These may occur, based on the assumption that poor households are more vulnerable to illness than nonpoor because of their poor living conditions. The analysis does not attempt to quantify all economic gains and only provides conservative estimates based on benefit streams that can be quantified.

20. Economic costs were calculated based on the annual program cost disbursements and incremental recurrent costs. It is assumed that for each MNT1.0 spent on investment, an additional MNT0.10 per year is spent on maintenance and operation of the new health facilities. The cost of administration of the FNSWPP—including MSWL's cost of administering the grant, the cost of consultants, and M&E of the grants—are also included as components of the recurrent cost. The estimated total economic cost of the FNSWPP at constant 2008 prices is \$18.4 million for 20 years, including both capital and incremental recurrent costs. Financial costs are converted into economic values based on a standard conversion factor, using domestic price numeraire in all program economic cost conversions.

21. The FNSWPP yields an EIRR of 16.9% and a net present value of MNT11.7 billion. The net present value calculation discounts the cost and benefit streams at 12% in real terms. The actual EIRR is likely to be somewhat higher, reflecting positive externalities and longer-term intergenerational social benefits that come with improved targeting of social protection services.

These benefits may be reflected in education outcomes and quality of life, to which it is difficult to assign monetary values.

22. The main investment of the FNSWPP, the food stamp program, is expected to have a cost of \$9.0 million from ADB resources in 2009, which is equivalent to 0.17% of Government expenditure in 2009. The cost of the program will be financed by ADB, with the Government providing matching expenditure of about \$10 million in 2009 to cover the 100,000 beneficiaries during the Program period. The fiscal burden generated by the new FNSWPP is around 0.32% of Government expenditure. The investment plan for the Project is about 0.06% of the annual budget of the social protection sector, while FNSWPP recurrent costs are about 0.06% of the 2009 budget of MSWL, decreasing to 0.01% in 2011. The Government is committed to assuming all recurrent costs generated by the FNSWPP. The economic and financial analysis is in Supplementary Appendix H of the RRP.

6. Sustainability Impact

23. The FNSWPP has built-in features to ensure sustainability, namely (i) its support to the Government's subprogram that is a major component of the second National Plan for Food II Program helps promote longer-term food security and nutrition among the poor and vulnerable populations; (ii) improved MSWL capacity in targeting and delivering safety nets helps guarantee sustained social protection for poor households; (iii) strengthened community-based approaches for promoting household food security (e.g., community vegetable gardens) provides better access of poor households to food in the medium term; (iv) increased awareness among the public on their rights and the benefits offered by MSWL; and (v) continuous policy discussion with the highest levels of government on social welfare institutional reforms and capacity development ensures that all institutional reforms are sustained and that capacities gained are embedded within the government system, thus ensuring sustainability of impact.

7. Social Safeguards

24. **Land Acquisition and Resettlement.** The FNSWPP is designed to initiate a response to the soaring food prices through the food stamp program. Therefore, it will not trigger any resettlement issues.

25. **Ethnic Minority Issues.** The FNSWPP will implement a national food stamp program targeting the poorest and most vulnerable. The poverty and social assessment has confirmed that no negative impacts on indigenous peoples will occur.

8. Environmental Aspect

26. The FNSWPP is classified as category C, in accordance with ADB's *Environment Policy* (2002). The short-term food subsidy offered to the vulnerable segment of the population will increase demand for the subsidized items that will be met by increased domestic production, greater imports, higher prices faced by the nonsubsidized population in case of inelastic supply response, or some combination of these effects. The environmental impact of the adjustment will then be that of an estimated increase in domestic production, food imports, and price increases faced by the nonsubsidized segment of the Mongolian population. The (most relevant) first category (environmental impacts of greater domestic production attributable to the grant) will be small and the dominant indirect impacts of the grant will be the positive impacts on the vulnerable group's physical and mental health. These positive impacts will comfortably

outweigh any possible negative indirect environmental impacts, such as those briefly analyzed above. There is no need to conduct either an initial environmental examination or a strategic environmental assessment for the proposed FNSWPP. The environmental assessment is attached in Supplementary Appendix I of the RRP.

II. COST ESTIMATES AND FINANCING PLAN

A. Detailed Cost Estimates

The Program Grant

1. Program Cost

27. Program implementation will involve short-term adjustment costs to fund the food stamp program and this will be financed by counterpart funds. The support needed for the social protection system reform will require incremental costs estimated at \$5.0 million equivalent related to sustained staff development, improved targeting mechanisms, salaries of additional social work staff at *soum* and *khoro* level, TA for social protection system improvement, management information system development, M&E, supervision, and advocacy.

2. Financing Plan

28. The Government has requested a grant of \$9.0 million from ADB's Special Funds resources. The counterpart funds generated from the grant proceeds will be allocated to MSWL for the implementation of the Program. The terms and conditions for the grant will be as set forth in the draft Grant Agreement. The Government has allocated MNT80 million in its 2008 amended budget and plans to allocate at least MNT10 billion in the 2009 budget to fund food safety net program-related activities. Indicative program budget requirements for 2010 and 2011 have been discussed with the Government for inclusion in the Government budget for these years.

The Capacity Development Project

1. Project Costs

29. The total project cost is estimated at \$3.33 million equivalent, including physical and price contingencies, taxes, and duties. A summary of cost estimates is in Table 1.

Table 1: Project Costs
(\$ '000)

Item	Amounts ^{a, b}
A. Base Cost	
1. Capacity Development and Communication Strategy	923.1
2. Strengthening Social Welfare Strategies and Systems	1,900.8
3. Project Management	348.4
4. Taxes and Duties ^c	32.4
Subtotal (A)	3,204.8
B. Contingencies	
1. Physical ^d	4.2
2. Price ^e	121.0
Subtotal (B)	125.2
Total	3,330.0

^a Numbers may not sum precisely because of rounding.

^b In 2008 prices.

^c Taxes and duties are computed at 10% of equipment and materials costs.

^d Physical contingency is estimated at 5% of equipment and vehicles.

^e Computed based on foreign exchange inflation rate of 0.7% in 2009, 1.4% in 2010, 0.4% in 2011, and local currency inflation rate at 9.5% in 2009, 9% in 2010, and 8% in 2011.

Source: Asian Development Bank estimates.

2. Financing Plan

30. The Government has requested a grant of \$3.0 million from ADB's Special Funds resources, representing 90% of the total Project cost. The Government will contribute the equivalent of \$0.33 million as counterpart funds for components 2 and 3. The summary financing plan is in Table 2 and the detailed project cost estimates and financing plan are in **Appendix 1**.

Table 2: Financing Plan
(\$ '000)

Source	Total	%
A. Asian Development Bank	3,000	90
B. Government of Mongolia	330	10
Total	3,330	100

Source: Asian Development Bank estimates.

B. Allocation of Grant Proceeds

31. The following provisions will apply to the withdrawal of Grant proceeds from the Grant Account.

(a) Withdrawals from the Grant Account shall be made for the financing of the cost of Eligible Items.

(b) No withdrawals from the Grant Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other grants or loans made by ADB.

(c) An application for withdrawal from the Grant Account shall be submitted to ADB by the Recipient and shall be in a form satisfactory to ADB.

(d) Such withdrawal application shall be accompanied by a certificate of the Recipient confirming that with respect to the year during which the proceeds of the Grant are expected to be disbursed, the value of the Eligible Imports is expected to be equal to or greater than the amount of the Grant expected to be disbursed during such year.

(e) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Recipient during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in Attachment 1 to this Schedule; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans or grants made by ADB.

(f) The Recipient shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Recipient has certified the value of Eligible Imports in its withdrawal application.

(g) Prior to submitting the application to ADB for withdrawal from the Grant Account, the Recipient shall nominate an account (the Deposit Account) at the Bank of Mongolia into which all withdrawals from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(h) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Recipient shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(i) Throughout the Program implementation period, the Recipient shall submit trade statistics and any other information as ADB may require from time to time to assess the Recipient's compliance with the formula for determining Eligible Imports.

32. The Grant proceeds shall be disbursed in a single tranche upon effectiveness of this Grant Agreement, provided that sufficient progress has been achieved by the Recipient in the carrying out of the Program and that there has been no action by the Recipient which materially reverses the objectives of the Program.

Table 3: Allocation and Withdrawal of Grant Proceeds

CATEGORY				ADB FINANCING
Number	Item	Amount Allocated [\$] Category Subcategory		Percentage and Basis for Withdrawal from the Grant Account
1	Equipment and Vehicle	79,000		100 percent of total expenditure*
2	Materials	217,000		100 percent of total expenditure*
3	Consulting Services	1,275,000		100 percent of total expenditure*
4	Community Grants	150,000		100 percent of total expenditure*
5	Staff Development and Workshops	600,000		69 percent of total expenditure*
6	Surveys and Studies	260,000		100 percent of total expenditure*
7	Monitoring and Evaluation System	50,000		100 percent of total expenditure*
8	PIU Costs	272,000		100 percent of total expenditure*
9	Unallocated	97,000		
	Total	3,000,000		

* Exclusive of taxes and duties imposed within the territory of the Recipient.

II. IMPLEMENTATION ARRANGEMENTS

A. Executing and Implementing Agencies

33. The Program will have the Ministry of Finance (MOF) as the Executing Agency (EA) with overall responsibility for the implementation and coordination of activities with other partners. MSWL will be the Implementing Agency (IA) for the Program and will be the primary responsible unit for delivering the expected results of the Program. A program implementation unit (PIU) with contracted staff will be established within MSWL to facilitate administrative, financial, and procurement matters, and serve as the secretariat to the Steering Committee.

34. The Project will have the same EA, IA, steering committee, and PIU as that of the Program. The PIU will facilitate all administrative, financial, and procurement matters related to the Project. Further details on implementation arrangements are described in **Appendix 2**.

B. Program Management Organization

35. A multisectoral Steering Committee composed of senior level officials of (i) MOF; (ii) MSWL, with such official serving as the vice chair; (iii) Ministry of Health; (iv) MOFA; (v) National Statistics Office (NSO); (vi) Mongolian Employers Federation; (vii) Association of Elderly Persons; (viii) the agencies responsible for the distribution of food stamps; (ix) UNICEF; (x) an NGO engaged in food security programs; and (xi) ADB as observer, shall be established and shall meet quarterly to provide policy and strategic guidance to the Program. The Steering Committee shall be chaired by the head of the subprogram to the Food II Plan of the Recipient.

An English language version of the minutes of Steering Committee meetings shall be forwarded to ADB on a quarterly basis.

36. MSWL will be the Implementing Agency (IA) for the Program and will be the primary responsible unit for delivering the expected results of the Program. A program implementation unit (PIU) with contracted staff will be established within MSWL to facilitate administrative, financial, and procurement matters, and serve as the secretariat to the Steering Committee. The PIU will closely consult with relevant ministries, agencies, and international partners. It will be headed by a qualified program manager selected on a competitive basis. The PIU will comprise four staff, including an administration and finance officer, secretary, and driver for the entire implementation period of the FNSWPP. MSWL will organize a local structure to ensure effective food stamp implementation locally.

37. The PIU will submit consolidated quarterly progress reports to ADB (in English) and to the Steering Committee and MSWL on all aspects of program implementation. The reports will include details on overall implementation progress, including summary financial information (receipts and disbursements), problems encountered during the reporting period, measures taken or proposed to be taken to remedy these problems, and the proposed program of activities for the following quarter. The reports will also include an assessment of the implementation of the food stamp program, following monitoring indicators included in the operations guidelines of the program. A pilot testing completion report will be submitted to ADB within 1 month of completion of approach 2 and approach 3. Within 3 months of completion of the FNSWPP, the PIU will prepare and submit to ADB, in a format acceptable to ADB, an FNSWPP completion report on (i) the utilization and impact of the grants, including a statement of expenditures; (ii) performance of the FNSWPP; (iii) economic and social benefits generated; and (iv) details about implementation, costs, and other information requested by ADB.

38. A food stamp operating unit (FSOU) will be immediately established within the PIU to (i) carefully but rapidly provide the technical requirements of operating a food stamp program; (ii) augment the capacity of the Government to immediately undertake setting-up activities necessary for delivering food stamps, such as ensuring proper targeting of the poor, quality printing and reproduction of the stamps, timely and orderly delivery of the stamps to the beneficiaries, and proper contracting with the major operators in the system (post office, banks, printers, and shopkeepers); (iii) provide TA to the MSWL office and LSWO personnel at the districts and *aimags* as well as *soums* and *khoroos*; (iv) provide troubleshooting assistance in case problems arise in the system; and (v) provide technical support to consultants to be deployed through the Project. The Government has agreed to immediately start the selection and hiring process for the national experts who will become part of the FSOU. It is envisaged that the FSOU will be in place before the end of November 2008.

39. Safeguards to prevent leakage and corrupt behavior surrounding the implementation of the food stamp program will be implemented. The grants will address these issues through various means: (i) providing detailed implementation guidelines (i.e., food stamp operational guidelines); (ii) carrying out capacity-development measures at various levels; (iii) implementing a communication campaign to inform the public and ensure transparent implementation; (iv) signing contracts with printers, food stamp distributors, and shopkeepers, which include sanctions for misbehavior; (v) strengthening targeting strategies to minimize food stamps being distributed to ineligible beneficiaries; (vi) implementing independent M&E; and (vii) broadening the scope of the audit to include auditing of food stamp program operations. The grants will utilize existing effective delivery mechanisms and institutions and will enhance their capacity as appropriate. Local governments, particularly at the *aimag* and *soum* or *khoroos* levels, and the

soum or *khoro* LSCs, will be involved in the preparation and implementation of the food stamp program. Intersector coordination will be assured by the Steering Committee at the central level. Implementation arrangements are discussed in further detail in **Appendix 2**.

IV. IMPLEMENTATION SCHEDULE

40. **Period of Implementation – Program Grant.** The duration of component 1 is 36 months. It will be completed by 31 December 2011. The grants implementation schedule is in Appendix 5. A detailed implementation schedule is in Supplementary Appendix C of the RRP.

41. **Period of Implementation – Project Grant.** The project duration is 36 months. It will be completed by 31 December 2011 and closed on 30 June 2012. More details on the time frame are provided in the implementation schedule (**Appendix 3**) and Supplementary Appendix C of the RRP.

V. COST ESTIMATES AND FINANCING PLAN DURING IMPLEMENTATION

42. To be updated during the implementation of the Project with reference to the *Guidance for the Financial Governance and Management of Investment Projects financed by Asian Development Bank*.

VI. CONSULTANT RECRUITMENT

The Program

43. The FSOU will consist of seven national consultants, to be headed by a team leader and to be complemented by intermittent assistance from an international targeting specialist (2 person-months). The FSOU will be lodged within the PIU and will establish and coordinate the implementation of the food stamp program. A total of 254 person-months of consulting inputs will be provided by these consultants over 3 years. The Government will hire the seven national consultants and the international targeting specialist before starting the Program indicatively from October 2008 to prepare for the implementation of component 1 (21 person-months of national and 2 person-months of international consulting services). All of the consultants mentioned will be hired and financed by the Government under the Program.

The Project

44. The Project will require a total of 43 person-months of international and 76 person-months of national consulting services financed under the project grant, divided into six consultant packages as follows:

- (i) Package 1: Communication strategy; national IEC development specialist (4 person-months).
- (ii) Package 2: External monitoring; national poverty specialist (3 person-months) and national food and nutrition specialist (3 person-months).
- (iii) Package 3: Household food security; national community development specialist (6 person-months).
- (iv) Package 4: Monitoring and evaluation; national economist (5 person-months), international poverty impact analyst (3 person-months), national food and nutrition specialist (2 person-months), international qualitative assessment specialist (2 person-months), international social welfare specialist (3 person-

- months), international poverty monitoring and evaluation specialist (3 person-months), national social welfare specialist (6 person-months), national social researcher-analyst (30 person-months), international social sector monitoring and evaluation specialist (2 person-months), national monitoring and evaluation specialist (3 person-months), international food and nutrition specialist (2 person-months), international preparedness specialist (1 person-month), international institutional capacity building specialist (2 person-months), international safety net specialist (1 person-month), national safety net specialist (2 person-months), and international monitoring and evaluation specialist (2 person-months).
- (v) Package 5: Institutional development; international institutional capacity development specialist (2 person-months), international social welfare and safety nets specialist (1 person-months), national social welfare specialist (4 person-months), international social safety net targeting specialist (12 person-months), international macro-fiscal policy and public financial management specialist (2 person-months), national macro-fiscal policy and public finance management specialist (2 person-months), international civil registration expert (1 person-months), national civil registration expert (2 person-months), international social welfare specialist (2 person-months), national social welfare specialist (4 person-months), and international development communication specialist (2 person-months).
 - (vi) Package 6: National household survey data collection and management.

45. The Government requested advance contracting for the recruitment of consultants. The consultants will be selected and engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). The entities for packages 1, 2, and 3 will be hired through consultant qualification selection using biodata proposal. Quality- and cost-based selection procedure using a quality-cost ratio of 80:20 will be applied for the recruitment of the entities for packages 4 and 5. The NSO is the only national organization in Mongolia with the necessary competence to meet the requirements under package 6, and it will be hired through single source selection. The outline terms of reference for consultants are in **Appendix 4**.

VII. PROCUREMENT

The Program

46. All procurement to be financed under the Program grant will be carried out in accordance with ADB's *Procurement Guidelines* (2007, as amended from time to time). In accordance with the simplified disbursement and procurement procedure for program loans, the grant proceeds may be utilized to procure goods and services (excluding local duties and taxes) other than (i) those specified in the list of ineligible items (Appendix 6) produced in and procured from ADB member countries, (ii) those financed by other multilateral and bilateral official sources, and (iii) imports from non-ADB member countries. All procurements under the Program (component 1) will be made through normal commercial practices for the private sector or the Government's prescribed procurement procedures acceptable to ADB, with due consideration given to economy and efficiency. ADB reserves the right to audit the use of the grant proceeds and verify the accuracy of the Government certification. The procurement plan is attached in **Appendix 5**.

The Project

47. All procurement to be financed under the project grant will be carried out in accordance with ADB's *Procurement Guidelines*. Procurement under the Project will include one vehicle for the PIU and FSOU. MSWL, in charge of procurement activities of goods and consultant services, is currently implementing two ADB loans⁹ and has had previous experience with several TA and grant projects. Key PIU staff will undergo procurement training as needed. The salient features of procurement procedures and the ADB standard documents are available in the ADB website (<http://www.adb.org/Procurement/prequalification-bid-documents.asp>)

VII. DISBURSEMENT PROCEDURES

The Program

48. **Counterpart Funds.** Counterpart funds will be used to finance the short-term adjustment costs under component 1.

49. **Monitoring and Tranching.** Funding of component 1 will be released to the Government in a single payment of \$9 million following grant effectiveness, including satisfaction of all policy actions in the policy matrix as confirmed in the development policy letter (**Appendix 6**).

The Project

50. The project grant will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time). To expedite project implementation through timely release of grant proceeds, the Government will establish an imprest account at a commercial bank acceptable to ADB, which will be administered by MSWL. Disbursements from the imprest account will be supported by an appropriate withdrawal application and related documentation. Such documentation will demonstrate, among other things, that the goods and/or services are (i) procured from ADB member countries, and (ii) eligible for ADB financing. The initial and maximum amount to be deposited in the imprest account will not exceed 10% of the Project grant amount or equivalent of 6 months' estimated expenditure, whichever is lower. ADB's statement of expenditures procedure may be used to reimburse, liquidate, or replenish eligible expenditures that do not exceed \$50,000 per individual payment.

51. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's *Loan Disbursement Handbook* and detailed arrangements agreed upon between the Government and ADB. The handbook and the reports are available electronically in the Loan Financial Information Services Web System (<http://lfis.adb.org>). To obtain access to the LFIS website, a request form for LFIS Web access must be filled out and submitted to ADB.

⁹ Loan 1836-MON: Social Security Development Project and Loan 1837-MON: Social Security Development Program.

IX. PROJECT MONITORING AND EVALUATION

The Program

52. The implementation of the food assistance safety nets will be monitored and evaluated by MSWL, with the participation of MOF, supported by independent external monitoring to be funded under the Project. Monitoring will include operational performance and outcome indicators of the food safety net program as per the operational guidelines, and indicators of the design and monitoring framework. Impact evaluation is conditional on the feasibility of collecting data on the food stamp program through the national socioeconomic household survey, the likely sample size, and cost considerations. The monitoring of households¹⁰ affected by soaring food prices will be assessed on a regular basis by government mechanisms and supported by consultants hired under the Project. The Government monitoring capacity and systems (especially those of MSWL) will be supported during implementation of the Program to ensure full monitoring capacity of the Government after the Program.

53. The major risks and mitigation measures considered in the design of FNSWPP in **Appendix 7**.

53. The Government shall ensure that (i) the pilot testing of Approach 2 and Approach 3 are concurrently evaluated by 30 June 2010, and (ii) the household assessment survey instruments are refined based on the results of such pilot testing. The Recipient shall ensure that the refined survey instruments and lessons learned from Approach 2 and Approach 3 are incorporated in the final design and are applied to about 50,000 beneficiaries in 2010 and an additional 20,000 beneficiaries in 2011. The Recipient and ADB shall also undertake a midterm review of the Program within eighteen (18) months of commencement of Program implementation. Such midterm review shall focus on (i) Program impacts, (ii) implementation progress, (iii) and the need for any adjustments in Program targeting approaches and implementation arrangements to ensure full achievement of the expected Program outcome and outputs.

54. ADB will conduct review missions jointly with the Government at least twice a year to identify issues and constraints, determine necessary remedial actions and adjustments, and advise on actions required to keep the Program on course. The joint review missions will review coordination and collaboration with other ongoing programs related to food security and nutrition. To encourage a policy dialogue approach to the review process, the central government, local governments, and ADB will also conduct a joint midterm review of the Program within 18 months of commencement of Program implementation.

The Project

55. The PIU will monitor the Project along the program performance monitoring and evaluation system described in para. 52. Performance indicators are set out in the design and monitoring framework.

56. Reviews as described in para. 54 will also cover Project activities.

¹⁰ Where relevant, data will be disaggregated by sex, thereby facilitating gender analysis of impacts and supporting changes in program design and implementation. The Gender Action Plan in Appendix 11 outlines indicators to be tracked.

X. REPORTING REQUIREMENTS

57. **Progress Reports.** The PIU shall submit consolidated quarterly progress reports to ADB and to the Steering Committee and MSWL on all aspects of Project implementation. The outline of the report is in **Appendix 8**. The reports shall include details on overall implementation progress, including summary financial information (receipts and disbursements), problems encountered during the reporting period, measures taken or proposed to be taken to remedy these problems, and the proposed program of activities for the following quarter. On the basis of the information provided in the progress report, the ADB will prepare and regularly update information system for the project performance report (PPR). The updated PPR for the Project is in **Appendix 9**. Detailed reporting requirements for external monitoring are, or will be, specified in the relevant terms of reference for external monitoring service. The outline of the project completion report is in **Appendix 10**.

58. In addition, the PIU, in coordination with the IAs, will need to prepare and submit to ADB, before 15 December, the annual projections for contract awards and disbursements respectively for the following year. The projections for contract awards and disbursements by years are in **Appendixes 11 and 12, respectively**.

59. The reports shall also include an assessment of the implementation of FSP, following monitoring indicators included in the operational guidelines for FSP. A pilot testing completion report shall be submitted to ADB within one (1) month of completion of Approach 2 and Approach 3. Within three (3) months of completion of the Project and the Program, PIU shall prepare and submit to ADB, in a format acceptable to ADB, a completion report on the Project and the Program, including (i) the utilization and impact of the Project and Program grants, including a statement of expenditures; (ii) performance of the Program and the Project; (iii) economic and social benefits generated; and (iv) details about implementation, costs, and other information requested by ADB.

XI. AUDITING REQUIREMENTS

60. The Government, through the PIU, will (i) maintain separate financial accounts for the Project, and (ii) have such accounts and related financial statements audited annually by independent auditors acceptable to ADB in accordance with the provisions of the Grant Agreement and as specified in ADB's financial reporting and auditing standards.¹¹ The auditors should have qualifications, experience, and terms of reference acceptable to ADB. The use of the imprest accounts and statement of expenditures will also be part of the annual audit and a separate audit opinion will be submitted. The Government will submit to ADB certified copies (in English) of such audited accounts and financial statements, as well as the related reports of the auditors, within 6 months after the close of each fiscal year. The Government was advised that ADB requires timely submission of audited projects accounts and financial statements and that it will suspend disbursements of the proposed ADB grant in case of noncompliance with the requirement. A sample audit letter is in **Appendix 13**.

¹¹ ADB. 1989. *Financial Reporting and Auditing of Projects Financed by the Bank*. Manila.

61. For the purpose of complying with the requirements for the annual audited financial statements, the proceeds of this grant may be used to finance expenditures for preparation of financial statements, sector auditors, and translations of auditor's reports into English.

X. MAJOR GRANT COVENANTS

62. The matrix of grant covenants for the Project and Program Grants are summarized in **Appendixes 14 and 15, respectively**. ADB PIU will regularly monitor the status of compliance of the grant covenants.

XI. KEY PERSONS INVOLVED IN THE PROJECT

A. Asian Development Bank

Address	:	Asian Development Bank P.O. Box 789 0980 Manila Philippines
Facsimile	:	+63 2 636 2444 +63 2 636 2407
Telephone	:	+63 2 632 4444 +63 2 689 8888
Director, EASS	:	Ms. Amy Leung Tel. No.: +63 2 632 6730 Fax No.: +63 2 636 2407 Email: aleung@adb.org
Social Development Specialist, EASS	:	Ms. Wendy Walker Social Development Specialist Tel. No.: +63 2 632 6663 Fax No.: +63 2 636 2407
Project Analyst, EASS	:	Ms. Asela Maria Arago Tel. No.: +63 2 632 6863 Fax No.: +63 2 636 2407 Email: aarago@adb.org
Principal Counsel, OGC	:	Tel. No.: +63 2 632 5403 Fax No.: +63 2 636 2501 Email: vyou@adb.org
Financial Control Specialist, CTLA	:	Ms. Oksana Nazmieva Tel. No.: +63 2 632 4423 Email: onazmieva@adb.org
ADB websites Main		http://www.adb.org/

Procurement	http://www.adb.org/Procurement/prequalification-bid-documents.asp
Consulting Services	http://www.adb.org/Consulting/default.asp
Disbursements	http://lfis.adb.org/home.asp

B. MNRM Resident Mission

Country Director	:	Mr. Adrian Ruthenberg Tel. No.: +97611 329836 Fax No.: +97611 311795 Email: aruthenberg@adb.org
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Project Officer	:	
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C. Executing Agency

Contact Person	:	Ts.Zolzaya
Address	:	Room 409, Ministry of Finance building
Telephone No.	:	97611 260679
Facsimile	:	

D. Project Implementation Unit

Contact Person	:	T.Altantsetseg
Address	:	Room 405, National Social insurance Office building
Telephone No.	:	99093258
E-mail Address	:	taltaa@yahoo.com

E. Implementing Agencies

Contact Person	:	Sh.Munkhtseren
Address	:	Room 308, Ministry of social welfare and labor building
Telephone No.	:	97611 260272,(muugii_sh@yahoo.com)
Facsimile	:	

2.

Contact Person	:	T.Enkhtuya
Address	:	Room 3 , Ministry of social welfare and labor building
Telephone No.	:	97611 265808(enkhtuya@mswl.pmis.gov.mn)
Facsimile	:	

XII. ANTICORRUPTION

63. ADB's *Anticorruption Policy* (1998, as amended to date) was explained to and discussed with the Government and MOF (**Appendix 16**). Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the FNSWPP. To support these efforts, relevant provisions of the *Anticorruption Policy* are included in the grant regulations and bidding documents for the FNSWPP. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of MSWL and MOF and all contractors, suppliers, consultants, and other service providers as they relate to the FNSWPP.

64. In Transparency International's 2007 corruption perception index, Mongolia ranks 100th (93rd in 2006), which is typical of countries with high levels of corruption. However, efforts to promote governance and accountability and to combat corruption are accelerating in Mongolia. The Independent Authority Against Corruption (IAAC) was set up in 2006, and commenced investigations upon ratification of the Criminal Procedures Code Amendments in August 2007. The Anti-Corruption Law guarantees the independence and authority of the IAAC and investigations of senior, mid-ranking and junior officials have led to convictions. A sector risk assessment under the Governance and Anti-Corruption Program II guidelines was recently carried out for Mongolia by the Asia Foundation for national systems as well as the education and urban transport sectors in the areas of public finance management, procurement, and anticorruption. Regarding public finance management and procurement systems, the report identifies weaknesses, particularly in internal control and all stages of the procurement process, for both the national systems and in the two sectors and relevant line ministries. ADB will assist in putting mitigation measures in place to improve internal control and the procurement process. The World Bank is introducing program-based medium-term budgeting, and the International Monetary Fund is considering assistance for legal and budgetary reforms.

PROJECT COST ESTIMATES

Detailed Cost Estimates by Expenditure Category
(\$'000)

Item	Foreign Exchange	Local Currency	Total ^a	Taxes and Duties ^b
A. Base Costs				
1. Equipment and Vehicle	77.2	10.1	87.3	8.3
2. Staff Development and Workshops	00.0	869.5	869.5	
3. Consulting Services	1,010.0	265.0	1,275.0	
4. Materials	00.0	241.3	241.3	24.3
5. Surveys and Studies	00.0	260.0	260.0	
6. Community Grants	00.0	150.0	150.0	
7. Monitoring and Evaluation	00.0	50.0	50.0	
8. Program Implementation Unit Costs	00.0	272.0	272.0	
Subtotal (A)	1,087.2	2,117.9	3,205.1	32.6
B. Contingencies				
1. Physical ^c	3.7	0.5	4.2	
2. Price ^d	6.8	114.2	121.0	
Subtotal (B)	10.5	114.7	125.2	
Total	1,097.7	2,232.6	3,330.0	32.6

^a In 2008 prices.^b Taxes and duties are computed at 10% of equipment and materials cost.^c Physical contingency is estimated at 5% of equipment and vehicles cost.^d Computed based on foreign exchange inflation rate of 0.7% in 2009, 1.4% in 2010, 0.4% in 2011, and local currency inflation rate at 9.5% in 2009, 9% in 2010, and 8% in 2011.

Source: Asian Development Bank estimates.

Detailed Cost Estimates by Financier
(\$'000)

Item	Cost ^a	ADB		Government	
		\$	% of Cost Category	\$	% of Cost Category
A. Investment Costs					
1. Equipment and Vehicle	87.3	79.0	90	8.3 ^b	10
2. Staff Development and Workshops	869.5	600.0	69	269.5 ^e	31
3. Consulting Services	1,275.0	1,275.0	100	0.0	0
4. Materials	241.3	217.0	90	24.3 ^b	10
5. Surveys and Studies	260.0	260.0	100	0.0	0
6. Community Grants	150.0	150.0	100	0.0	0
7. Monitoring and Evaluation	50.0	50.0	100	0.0	0
8. Program Implementation Unit Costs	272.0	272.0	100	0.0	0
Total Base Cost	3,205.1	2,903.0	91	302.1	9
B. Contingencies	125.2	97.1	78	28.1	22
1. Physical ^c	4.2	4.2	100	0.0	0
2. Price ^d	121.0	92.9	77	28.1	23
Total Project Costs	3,330.0	3,000.0	90	330.0	10
% of Total Project Costs	100.0		90		10

^a In 2008 prices.

^b Taxes and duties are computed at 10% of equipment and materials cost.

^c Physical contingency is estimated at 5% of equipment and vehicles cost.

^d Computed, based on foreign exchange inflation rate of 0.7% in 2009, 1.4% in 2010, 0.4% in 2011, and local currency inflation rate at 9.5% in 2009, 9% in 2010, and 8% in 2011.

^e In-kind contribution

Source: Asian Development Bank estimates.

FOOD AND NUTRITION SOCIAL WELFARE PROGRAM AND PROJECT IMPLEMENTATION ARRANGEMENTS

1. The Ministry of Finance (MOF), the Executing Agency will provide oversight functions to the Food and Nutrition Social Welfare Program and Project (FNSWPP) implementation. The Ministry of Social Welfare and Labor (MSWL), the Implementing Agency, will have the overall responsibility for delivering the outputs of the FNSWPP and will have reporting functions to the Steering Committee through the MOF. A multisectoral Steering Committee composed of senior level officials of (i) MOF; (ii) MSWL, with such official serving as the vice chair; (iii) Ministry of Health; (iv) Ministry of Food and Agriculture; (v) National Statistics Office; (vi) Mongolian Employers Federation; (vii) Association of Elderly Persons; (viii) the agencies responsible for the distribution of food stamps; (ix) UNICEF; (x) an non-government organization (NGO) engaged in food security programs; and (xi) ADB as observer, shall be established and shall meet quarterly to provide policy and strategic guidance to the Program. The Steering Committee shall be chaired by the head of the subprogram to the Food II Plan of the Recipient. An English language version of the minutes of Steering Committee meetings shall be forwarded to ADB on a quarterly basis.
2. The program implementation unit (PIU) will report to MSWL and to the Steering Committee through the MSWL, coordinate overall FNSWPP implementation with the Labor and Social Welfare Office (LSWO), and provide secretariat support to the Steering Committee through the MSWL. As envisaged in its design, the FNSWPP will work with and through the existing government structures. LSWO, being MSWL's implementing arm for social welfare services, will be the main channel for food stamp program implementation.
3. The food stamps operating unit (FSOU), working under the PIU, will provide support to MSWL and LSWO in the day-to-day management of the food stamp program, coordinate and provide technical support for program implementation at all levels. The FSOU will also provide capacity development to and coordinate targeting issues and grievance systems with the LSCs and the focal persons to be designated in each food stamp program area.
4. The NGO implementing the community food security small grant program will report to the PIU and coordinate implementation of the study on best practices. The NGO will conduct outreach to beneficiaries of the food stamp program, community groups, and other local NGOs and implement the small grants program. The NGO will coordinate with the consultants responsible for the communication strategy to ensure that community food security issues and awareness about the grant program are included in the information campaign.
5. As part of the communication strategy, the NGO will inform food stamp program beneficiaries and community organizations about community food security grants. Small groups will propose projects and these will be assessed by the NGO and the livelihood support council (LSC). The criteria for assessment will include: community involvement, design of a sustainability plan, and identification of at least 10% in-kind contribution. The selection of beneficiaries will be made by the NGO and the LSC and sent to the PIU for endorsement. The NGO will provide technical assistance to the beneficiaries and will be responsible for monitoring the grants. Quarterly reports will be provided to the PIU, including financial accounting for the grant monies. Auditing of the grant program will be included in the overall FNSWPP financial audit. The NGO will provide expertise in community development and food security and will ensure that the team has expertise in gender and development capacity. The NGO will form partnerships with other community organizations and NGOs to ensure that best practices for community food security are mainstreamed across Mongolia.

6. The terms of reference of the key stakeholders in the FNSWPP are as follows.

1. Steering Committee

- (i) Provide strategic orientation and overall guidance to the FNSWPP,
- (ii) oversee implementation,
- (iii) approve annual work plans and monitoring and evaluation (M&E) reports, and
- (iv) provide support in developing and promoting a policy and draft legislative agenda that extends the results and recommendations of the FNSWPP into the broader social welfare agenda.

2. Ministry of Finance

- (i) Be responsible for the overall implementation,
- (ii) delegate implementation responsibility to MSWL, and
- (iii) communicate with ADB.

3. Ministry of Social Welfare and Labor and Labor and Social Welfare Office

- (i) Communicate with ADB according to functions delegated by MOF;
- (ii) determine implementation arrangements to be followed within the MSWL to run the food stamp program, including the selection and hiring of staff of the FSOU, and the reporting arrangements;
- (iii) develop an operational guidelines detailing activities and procedures to be followed by all program participants (including registry of beneficiaries, printing of stamps, distribution, use and cashing of stamps, among others) following the policy guidelines of the Steering Committee (the operational guidelines will be approved by the Steering Committee);
- (iv) develop strategies for implementation of the two pilot approaches;
- (v) prepare and sign contracts with program participants;
- (vi) prepare a set of M&E indicators to follow up Program implementation and results; and
- (vii) prepare guidelines for complaints and a grievance resolution system including functions and responsibilities of local LSCs.

4. Program Implementation Unit

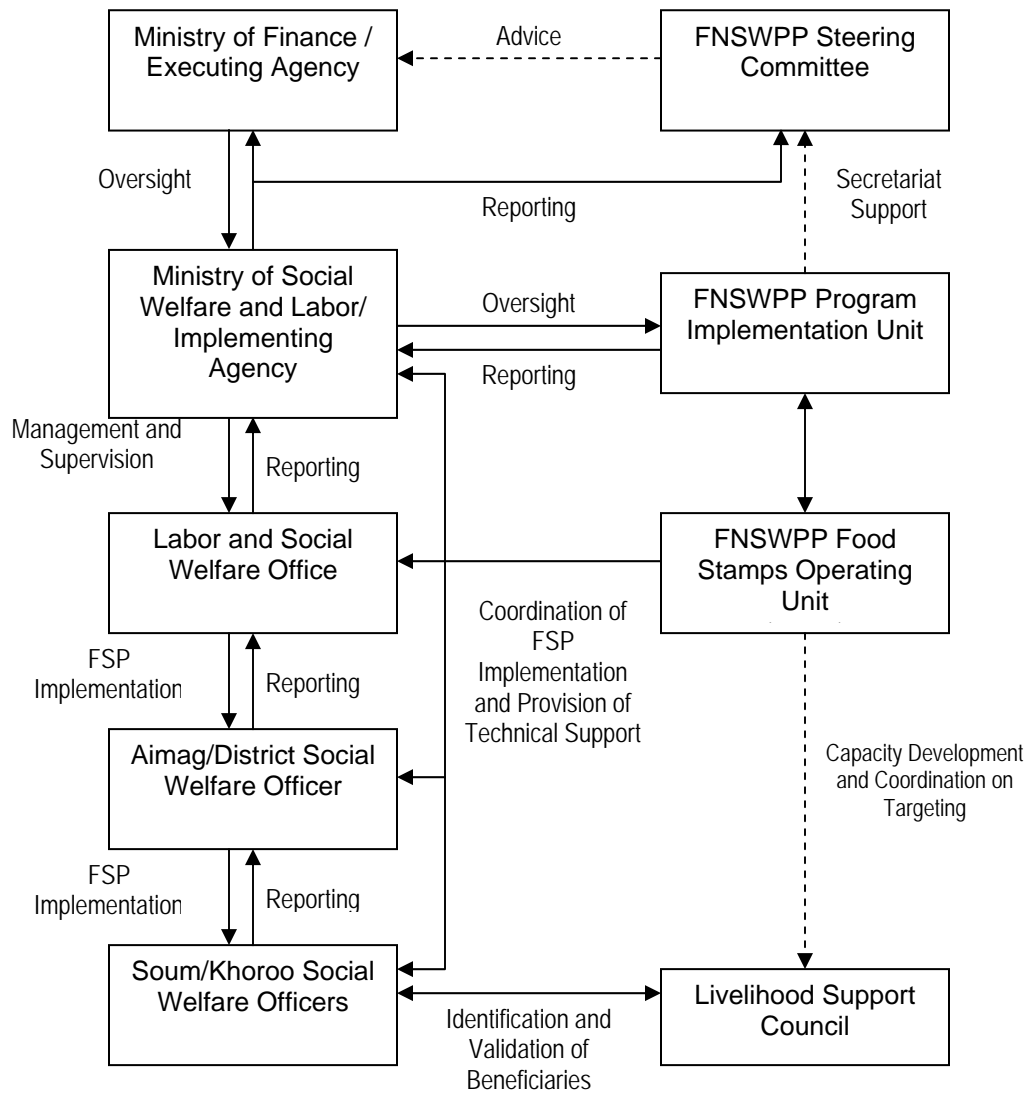
- (i) Report to MSWL and the Steering Committee;
- (ii) be responsible for day-to-day implementation and coordination of implementation under the guidance of MSWL and in coordination with LSWO;
- (iii) provide secretariat support to the Steering Committee through the MSWL; and
- (iv) communicate with ADB through MSWL on all administrative aspects in relation to procurement, disbursement, reporting, and supports ADB reviews.

5. Food Stamp Operating Unit

- (i) Be responsible for day-to-day operation of the food stamp program to ensure MSWL responsibilities;
- (ii) prepare strategy, instruments, instructions, and manuals on targeting;

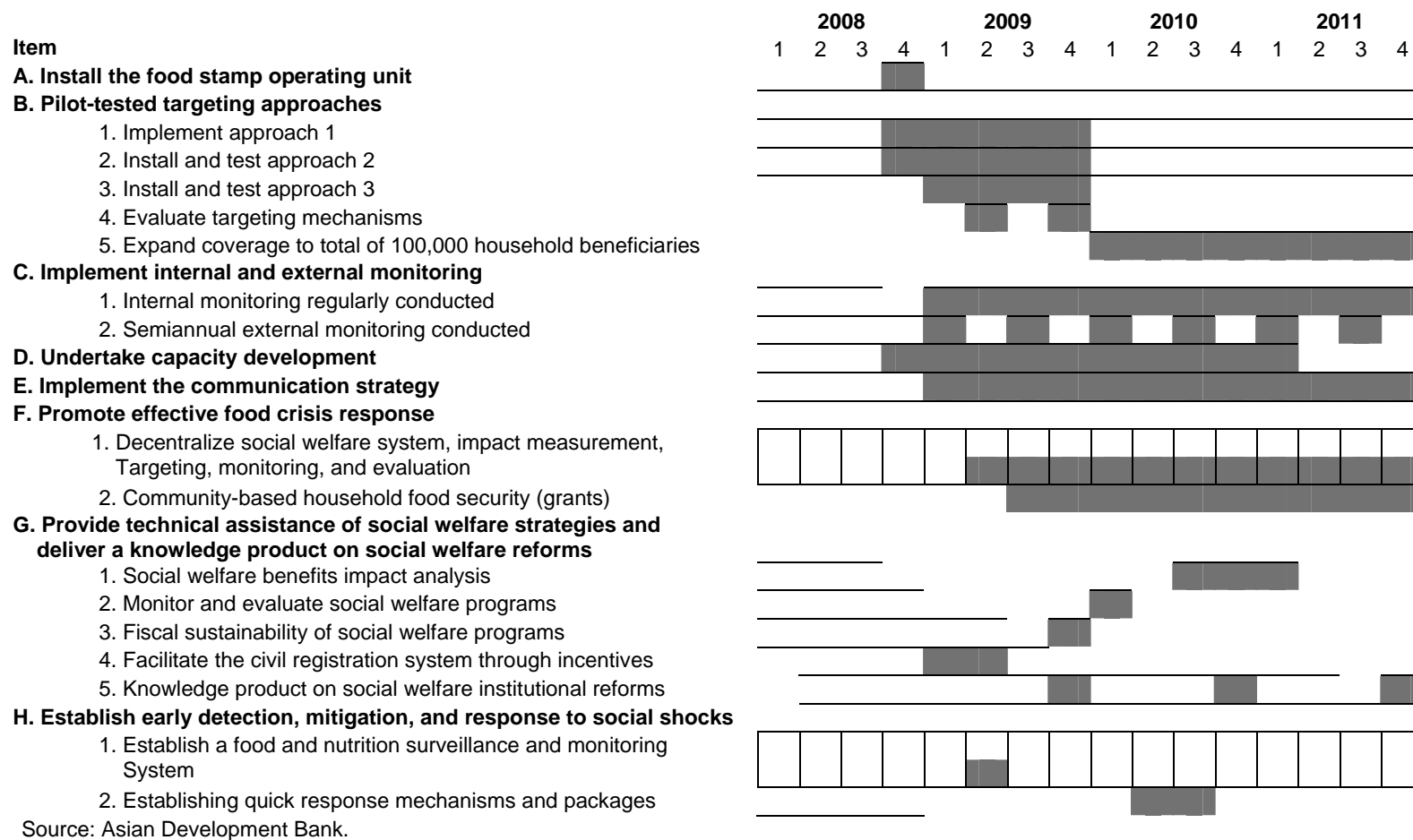
- (iii) prepare and implement training program for contractors, validators, surveyors, social welfare officers, and LSCs in pilot areas;
- (iv) monitor implementation of the food stamp program and contractor performance;
- (v) assess options for the printing of stamps, use of stamps by shopkeepers, and redemption of stamps with banks, and prepare contract arrangements with printing office, shopkeepers, and banks;
- (vi) prepare and manage the management information system for the food stamp program, including data entry application, instructions on use of proxy means test questionnaire, computer routines for proxy means test calculations, payroll data reconciling payments of cashed stamps with banks, auditing routines, reports, and monitoring indicators;
- (vii) develop and manage the operation of the food stamp program grievance system, manuals, and operation procedures in collaboration with the LSCs; and
- (viii) develop M&E indicators and undertake regular M&E of food stamp program, regularly produce summary tables on the indicators (using the management information system), liaise with MOF and consultants on external monitoring and evaluation of FNSWPP.

Implementation Arrangements



FNSWPP = Food and Nutrition Social Welfare Program and Project, FSP = food stamp program.
Source: Asian Development Bank.

FOOD AND NUTRITION SOCIAL WELFARE PROGRAM AND PROJECT IMPLEMENTATION SCHEDULE



Source: Asian Development Bank.

PROGRAM IMPLEMENTATION SCHEDULE

Items	2008			2009												2010												2011											
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Component 1: Design and Implementation of a Targeted Food Stamp Program																																							
Output 1: Targeting beneficiaries for Food Stamps																																							
1. Install the Food Stamp Program Operations Unit (FSOU)																																							
1.1. Seven FSOU technical persons hired																																							
1.2. FSOU Office established and office equipment procured																																							
1.3. FSOU personnel oriented & trained by key MOSWL and MOF officers on the program and their specific roles and functions																																							
1.4. FSOU & key MOSWL & MOF staff undergo study tour on targeting methodologies																																							
1.5. FSOU coordinates and provides technical leadership in pilot-testing																																							
1.6. FSOU coordinates and provides technical leadership and guidance in evaluating pilot-testing & implementing the final FSP design																																							
2. Pilot-test two targeting approaches and produce lessons learned																																							
2.1. Approach 2																																							
2.1.1. Pilot areas are identified by MOSWL																																							
2.1.2. MOSWL list of elderly and disabled beneficiaries in pilot areas examined and cleaned by MOSWL																																							
2.1.3. Contracted university/NGO undertakes home visits for validation of eligibility																																							
2.1.4. Validated lists are submitted to the LSCs for further validation																																							
2.1.5. Final list is submitted to PIU/MOSWL for approval and processing																																							
2.1.6. Food stamps are delivered to validated beneficiaries																																							
2.2. Approach 3																																							
2.2.1. Household Assessment Survey (HAS) is developed and field-tested																																							
2.2.2. Pilot areas are identified																																							

Items		2008			2009											2010												2011																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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5.1.7.	Contract with shopkeepers signed;																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																

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11.3. Provide capacity building soum/khoroo & aimag/district SWOs, LSCs, key MOSWL/LSWO officers on principles and application of improved targeting tools and methodologies;																																								
11.3.1. Training of trainers on improved targeting tools and methodologies																																								
11.3.2. Training of key implementers (soum/khoroo & aimag/district SWOs, LSCs, key MOSWL/LSWO officers) on improved targeting tools and methodologies																																								
11.4. Undertake capacity building for key MOSWL officers on social welfare benefits impact analysis																																								
11.5. Undertake capacity building on Monitoring and Evaluation for the Implementation, Monitoring and Evaluation Department (IMED) and other officials of MOSWL/LSWO to improve M&E systems and strategies																																								
11.5.1. Training of Trainers on M&E and social welfare benefits impact analysis																																								
11.5.2. Training of local social workers on M&E and social welfare benefits impact analysis																																								
11.6. Undertake training and capacity building for MOSWL in costing of social welfare programs/reforms.																																								
11.7. Undertake capacity building on civil registration																																								
11.7.1. Training of trainers and resource persons on incentive-based civil registration																																								

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Items	2008			2009												2010												2011											
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Output 2: Communication Strategy developed and implemented																																							
12. Finalize and Implement the Communication Strategy																																							
12.1. Finalize a comprehensive communication strategy to ensure transparent implementation of food stamp program and clear understanding of the rationale of the targeting mechanisms for the pilot-testing																																							
12.2. Implement the public communication strategy in the Food Stamp pilot areas																																							
12.3. Monitor and evaluate impact of communication strategy on people's understanding and satisfaction with the food stamp program																																							
12.4. Finalize the design of the communication strategy for scaled-up FSP implementation based on the evaluation of the communication strategy during pilot-testing																																							
12.5. Implement a communication strategy for the scaling-up / regular implementation of the food stamp program																																							
Component 3: Strengthening Social Welfare Strategies and Systems																																							
Output 1: Effective Food Crisis Response																																							
13. Provide technical analysis for institutional reform and capacity building to promote effective food crisis response																																							
13.1. Strengthening the decentralized social welfare institutional structure under the Food Stamp Program																																							
13.2. Measuring and analyzing impacts of the soaring food prices and the Food Stamp Program on the poor																																							
13.2.1. National social impact assessment of soaring food prices																																							
13.2.2. Baseline Study, monitoring and evaluation and impact assessment for Food Stamp Pilots																																							
13.3. Targeting mechanism for the food assistance and current social welfare programs																																							
13.4. External monitoring and evaluation of the implementation of the food assistance safety-nets																																							

Items	2008			2009												2010												2011												
	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	
13.5. Community based approaches to ensuring household food security																																								
Output 2: A Package of Reform of Social Welfare Strategies																																								
14. Provide technical analysis of social welfare strategies and deliver a knowledge product on social welfare institutional reforms and capacity building																																								
14.1. Social welfare benefits impact analysis																																								
14.1.1. Develop survey design																																								
14.1.2. Undertake survey and impact assessments with local university																																								
14.1.3. Analyze and validate results																																								
14.2. Monitoring and evaluation of social welfare programs																																								
14.3. Social expenditure analysis and fiscal sustainability of social welfare programs:																																								
14.4. Facilitating the civil registration system through incentives																																								
14.5. Knowledge Product on Social Welfare Institutional Reforms and Capacity Building																																								
Output 3: An Early Warning and Response Systems to Social Shocks																																								
15. Provide technical analysis and support for establishing early detection, mitigation and response to social shocks																																								
15.1. Technical analysis and support for establishing a Food and Nutrition Surveillance and Monitoring System																																								
15.2. Technical analysis and support for establishing Quick Response Mechanisms and Packages																																								

Abbreviations: ADB = Asian Development Bank; FNSWDP = Food and Nutrition Social Welfare Development Program; FSOU = food stamps operating unit; HAS = household assessment survey; HH = household; IEC = information, education and communication; IMED: = Implementation Monitoring and Evaluation Department; IMF = International Monetary Fund; LSCs = Livelihood Support Councils; LSWO = Labour and Social Welfare Office; M&E = monitoring and evaluation; MOF = Ministry of Finance; MOSWL = Ministry of Social Welfare and Labour; NGO = non-government organization; NSO = National Statistics Office; PIU = program implementation unit; PM = person month; SWO = social welfare officer; SSSDP = Social Security Sector Development Program

FOOD AND NUTRITION SOCIAL WELFARE PROGRAM AND PROJECT (FNSWPP)

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS REVISED (19 DECEMBER 2008)

A. BACKGROUND AND RATIONALE

Soaring food prices in Mongolia create a serious threat to nutritional welfare and could reverse recent gains in poverty reduction and human development in the country. Inflation reduces real incomes and expenditures and will have strong social and poverty impacts. Higher food prices are not merely short-term phenomena that the market will automatically correct. Rising inflation has strong implications for macroeconomic stability, poverty incidence, and inequality. There is ample reason for the Government to intervene in the short-term by establishing targeted subsidy programs to alleviate the impact of inflation on the poor. While the needed response is urgent, it also presents an opportunity for introducing innovative safety nets that are well targeted towards the poor. At the same time, there is an opportunity to improve targeting mechanisms; strengthen systems, capacities, and strategies for effective social welfare service delivery; and establish early detection, mitigation, and rapid response mechanisms for food crises and similar emergencies. The grant is in direct support of Government plans to provide targeted assistance to the poor and supports the Country Partnership Strategy (CPS) pillar of inclusive social development (in preparation). The design is in line with the development agenda of inclusive economic growth in ADB's Strategy 2020 and responds directly to the President's pledge at the ADB Annual Meeting in Madrid to assist developing member countries (DMCs) in tackling soaring food prices.

B. GENERAL INFORMATION

The consultants will perform their tasks under the direction of the Ministry of Social Welfare and Labor (MSWL). The Program Implementation Unit (PIU) supported by the international targeting specialist will be responsible for coordinating the work of the consultants and linking to the different stakeholders involved in the implementation of the FNSWPP. The proposed consultancy services will consist of six consultancy packages as detailed below.

C. CONSULTING PACKAGES

1. Consulting Package 1: Communication Strategy

Objective: Undertaking a communication strategy to disseminate information on the food stamp program

Level of Effort: 4 person-months (PM) national Information, Education, and Communication (IEC) specialist

Tasks:

- (i) Design the communication plan for the program centered on poor households and vulnerable populations; social workers and local government; and national stakeholders in 2 stages: (a) for the pilot areas during the pilot-testing phase, and (b) for the whole of Mongolia during the final implementation after the pilot-testing;

- (ii) Develop and pilot-test the IEC materials and media for the communication plan;
- (iii) Implement the communication plan in collaboration with the PIU/MSWL and the Steering Committee/Ministry of Finance (MOF);
- (iv) Provide technical assistance to MSWL in the conduct of awareness raising activities on social benefits;
- (v) Make recommendations and undertake measures for institutionalizing the communication strategy; and

Outputs:

- (i) Communication plan,
- (ii) IEC materials and media, and
- (iii) Report and recommendations on institutionalizing the communication strategy.

Miscellaneous:

- (i) Local consulting firm will be supported by 5 person-months of a development communication specialist hired separately
- (ii) Reach and impact of communication strategy to be monitored and evaluated by external evaluators

Procurement Method: Consultant's Qualification Selection (CQS)/ National

2. Consulting Package 2: External Monitoring and Evaluation

Objective: External monitoring and evaluation (M&E) of the implementation of the food stamp program

Level of Effort: 3 PM national poverty specialist and 3 PM national food and nutrition specialist (Mongolian entity)

Tasks:

- (i) Undertake semi-annual external M&E of the implementation of FNSWPP, including implementation of the communication strategy;
- (ii) Undertake annual external evaluations of the FNSWPP—including reach and impacts of the communication strategy;
- (iii) Undertake final evaluation upon Program completion;
- (iv) Regularly determine and consolidate progress in implementation, necessary program adjustments if any, best practices, lessons learned, outcomes and impact;
- (v) Provide feedback and recommendations to all program stakeholders to improve program implementation coordination with MSWL and the food stamp operating unit;
- (vi) Report annually to the Steering Committee; and
- (vii) Submit reports to MOF and ADB.

Outputs: Standardized reports will be developed and produced on a timely basis and will cover progress on the food stamp program:

- (i) M&E framework, indicators and implementation strategy (1 month after contract signing);
- (ii) Semi-annual M&E reports & recommendations;
- (iii) Annual evaluation reports and recommendations; and
- (iv) Final evaluation report, conclusions and recommendations.

Miscellaneous:

- (i) Local consulting firm will be supported by 3 PM of international M&E specialist hired separately

Procurement Method: Consultant's Qualification Selection (CQS)/ National

3. Consulting Package 3: Household Food Security

Objective: Supporting the implementation of community-based approaches to ensuring household food security

Level of Effort: 6 PM national community development specialist (Mongolian entity)

Tasks:

- (i) Undertake a review of current relevant community based approaches in Mongolia (done by nongovernment organizations [NGOs] and/or international organizations) and international best practices suitable for Mongolia for promoting household food security;
- (ii) Consolidate success stories and best practices in promoting household food security and self-sufficiency from the pilot-testing and finalize the design for formal implementation;
- (iii) Design IEC on community-based approaches to be carried out as the same time as the awareness program on food stamps and benefits;
- (iv) Provide technical assistance to MSWL and small grant beneficiaries;
- (v) Follow implementation arrangements to select small grant beneficiaries as described in the project document (RRP);
- (vi) Conduct monitoring of and outreach to beneficiaries of the food stamp program, community groups and NGOs in implementing the small grant program;
- (vii) Coordinate with the consultants responsible for the communication strategy to ensure that community food security issues and awareness about the grant program are included in the information campaign; and
- (viii) Report quarterly (in writing) to the PIU of the FNSWPP, including financial accounting for the grant monies.

Outputs:

- (i) Report on current community-based approaches and international best practice for promoting household food security, and
- (ii) Recommendations for incorporating appropriate best practices into food safety programs.

Miscellaneous:

- (i) A fund will be established to provide small community grants for household food security projects
- (ii) The NGO will ensure that the team has expertise in gender and development capacity

Procurement Method: Consultant's Qualification Selection (CQS)/ National

4. Consulting Package 4: Monitoring and Evaluation

Objective 1: Measuring and analyzing impacts of the soaring food prices and the food stamp program on the poor (social impact assessment of soaring food prices; baseline study, monitoring and evaluation and impact assessment for food stamp pilots)

Level of Effort: 5 PM national economist, 3 PM international poverty impact analyst, 2 PM national food and nutrition specialist, and 2 PM international qualitative assessment specialist

Tasks:

- (i) Undertake a quantitative study on the impact of soaring food prices on poor households using NSO Household Socio-Economic Survey, NSO Macroeconomic Data, local government poverty data, data from NGOs and international organizations, and through quantitative data gathering methods—using samples from both urban, peri-urban/*ger* district; *aimag* centers, *soum* centers, and *khoroos* levels;
- (ii) Undertake a qualitative study on the impact of soaring food prices on poor households using key informant interviews and focus group discussions (FGDs) as well as consultations and review of literature—using samples from both urban, peri-urban/*ger* district; *aimag* centers, *soum* centers, and *khoroos* levels;
- (iii) Design and undertake a baseline study on the food stamp program pilots within the first 2 months of food stamp implementation;
- (iv) Undertake an evaluation of the food stamp program using as appropriate NSO household surveys, operational information and qualitative methods;
- (v) Undertake validation and dissemination workshops and seminars on the results of the studies conducted;
- (vi) Prepare a framework and indicators for the food stamp program final evaluation; and

Outputs:

- (i) Research design for the quantitative and qualitative studies,
- (ii) Quantitative study on the impact of soaring food prices on poor households in Mongolia,
- (iii) Qualitative study on the impact of soaring food prices on poor households in Mongolia,
- (iv) Baseline study for the food stamp program pilots,
- (v) Evaluation of the food stamp program pilots,
- (vi) Training design and materials on benefits impact assessment, and
- (vii) Final evaluation framework and indicators for food stamp program.

Objective 2: Social welfare benefits impact analysis

Level of Effort: 3 PM international social welfare specialist, 3 PM international poverty monitoring and evaluation specialist, 6 PM national social welfare specialist, and 30 PM national social researcher-analyst

Tasks:

- (i) Undertake a comprehensive assessment of current social welfare programs in Mongolia, focusing on current beneficiary identification and targeting systems, errors of inclusion and exclusion, amount of assistance relative to beneficiary income and expenditure and poverty threshold; aggregate assistance relative to gross domestic product (GDP), and percentages of poor households reached by the assistance—for each type of welfare assistance;
- (ii) From the comprehensive assessment, select at least three sample types of social welfare assistance, in consultation with MSWL, to be subjected to benefits impact analysis;
- (iii) Design and undertake a study to determine impact of selected types of assistance focusing on both quantitative (e.g. economic and poverty impacts) and qualitative (e.g. behavioral and nutrition impacts) aspects;
- (iv) Design and undertake dissemination workshops to validate and disseminate findings from the studies;
- (v) Provide technical assistance in undertaking benefits analysis for other types of assistance; and
- (vi) Provide specific recommendations on how benefits impacts analysis should be integrated into processes of social welfare policy and program development.

Outputs:

- (i) Comprehensive assessment of current social welfare programs in Mongolia;
- (ii) Report on benefits impact analysis of at least three selected types of assistance;
- (iii) Design and documentation of dissemination workshops;
- (iv) Training design, materials and documentation of training workshops conducted;
- (v) Reports and recommendations on the activity and on how benefits impacts analysis should be integrated into processes of social welfare policy and program development; and
- (vi) Identification of social benefits impact indicators to be adopted for MSWL's M&E systems.

Objective 3: Monitoring and evaluation of social welfare programs

Level of Effort: 2 PM international social sector monitoring and evaluation specialist and 3 PM national monitoring and evaluation specialist

Tasks:

- (i) Undertake an assessment of the current M&E strategies, procedures and capacities within the MSWL;
- (ii) Provide specific and realistic recommendations on how these strategies, procedures and capacities can be improved to facilitate maximum use of M&E results for policy adjustments and for program development and management;

- (iii) Provide coaching and mentoring to relevant MSWL staff for undertaking program M&E; and
- (iv) Submit a report and recommendations from the inputs provided.
- (v) Conduct trainings as outlined in Supplementary Appendix D of the RRP.

Outputs:

- (i) Assessment of current M&E strategies, procedures and capacities within the MSWL; and
- (ii) Report and recommendations from technical inputs provided.

Objective 4: Food and Nutrition Surveillance and Monitoring System

Level of Effort: 2 PM international food and nutrition specialist

Tasks:

- (i) Evaluate the implementation of the nutrition monitoring system to determine weaknesses and areas for improvement and national early warning system in the disaster assistance agency;
- (ii) Develop and propose and improve design to (a) include surveillance of prices and availability basic foods in food insecure areas; (b) include data on nutrition status of specific vulnerable sectors (e.g. those covered by the food stamp program) other than women and children; (c) include “red flag” indicators or indicators that imply need for emergency intervention; (d) ensure completeness, accuracy, regularity and reliability of data from the system; (e) increase capacities and resources allocated for this system;
- (iii) Undertake pilot-testing of the improved design;
- (iv) Develop the final design based on the results of pilot-testing; and
- (v) Conduct trainings as specified in Supplementary Appendix D of the RRP.

Outputs:

- (i) Report on the current status of the nutrition monitoring system and early warning system from disaster assistance agency,
- (ii) Pilot-testing design of the food and nutrition surveillance and monitoring system,
- (iii) Pilot-testing report and final design, and
- (iv) Final report and recommendations.

Miscellaneous:

- (i) In close collaboration with UNICEF

Objective 5: Quick Response Mechanisms and Packages

Level of Effort: 1 PM international disaster preparedness specialist, 2 PM international institutional capacity building specialist, 1 PM international safety net specialist, and 2 PM national safety net specialist

Tasks:

- (i) Develop the design of quick response mechanisms and packages, using experiences of government agencies, NGOs and international organizations in Mongolia, as well as international best practice and the findings from the implementation of food stamp program (building on the National database on poor and vulnerable populations initiated under the FNSWPP); specifically to: (a) develop safety net packages of assistance for vulnerable populations that can be quickly and easily delivered to respond to food and nutrition-related shocks and other emergencies; (b) establish mechanisms that are strongly linked from the community and livelihood support councils to the soum/khoroo and aimag/district local government units to national government ministries, NGOs, donors and multilateral organizations that can be immediately and efficiently activated in times of food and nutrition-related shocks and other emergencies; (c) clearly identify and/or establish a fund and resource pool that can be immediately mobilized to support these mechanisms and packages in times of crises; (d) design a system and propose institutionalization of a quick identification system of potential beneficiaries to respond to social shocks (e.g. existing data base); and (e) design regular capacity building and preparedness drills, audit and replenishment of stocks and resources to ensure maximum preparedness for emergencies; and
- (ii) Provide technical assistance, coaching and mentoring inputs in operationalizing the quick response mechanisms and packages.
- (iii) Conduct trainings as specified in Supplementary Appendix D of the RRP.

Outputs:

- (i) Proposed design of quick response mechanisms and packages to be approved by the Steering Committee, and
- (ii) Final report and recommendations on the activity and in sustaining the quick response mechanisms and packages.

Miscellaneous:

- (ii) In close collaboration with UNICEF

Objective 6: The selected firm will also provide 2 PM international M&E specialist in support of the local entity recruited to implement the external monitoring and evaluation of the food stamp assistance program.

Procurement Method: Quality and Cost-Based Selection (QCBS)/ International

5. Consulting Package 5: Institutional Development

Objective 1: Strengthening the decentralized social welfare institutional structure under the food stamp program

Level of Effort: 2 PM international institutional capacity development specialist, 1 PM international social welfare and safety nets specialist, and 4 PM national social welfare specialist

Tasks:

- (i) Undertake a comprehensive institutional capacity assessment of the MSWL, its attached agencies and local structures focusing on structural and systemic weaknesses as well as training and capacity building needs of local and national institutional structures in relation to delivering targeted safety nets; and
- (ii) Provide recommendations for medium- to long-term institutional reform and capacity building at MSWL for integration into the Institutional Reform and Capacity Building Program.

Outputs:

- (i) Institutional Capacity Assessment, and
- (ii) Report and recommendations for medium- to long-term institutional reform and capacity building at MSWL.

Objective 2: Social expenditure analysis and fiscal sustainability of social welfare programs

Level of Effort: 2 PM international macro-fiscal policy and public financial management specialist and 2 PM national macro-fiscal policy and public finance management specialist

Tasks:

- (i) Summarize and review recent International Monetary Fund (IMF) analysis on short-term macroeconomic developments (internal and external balance) and fiscal and debt sustainability scenarios with particular emphasis on developments in social welfare expenditure;
- (ii) Building on recent IMF analysis, undertake an analysis of the macroeconomic and fiscal effects of the food stamp program;
- (iii) Carry out a fiscal sustainability analysis of the present social welfare system, long-term social welfare reforms with particular focus on adequate fiscal rules based on IMF recommendations;
- (iv) Provide analysis of fiscal sustainability impacts of adoption of targeting for selected welfare benefits; and
- (v) Review the functioning of the Medium Term Expenditure Framework and program budgeting in line ministries and provide advice on improvements to support the development and implementation of financially sustainable social welfare reforms.
- (vi) Conduct trainings as specified in Supplementary Appendix D of the RRP.

Outputs:

- (i) Report and recommendations on social expenditure and fiscal sustainability analysis of the present social welfare system, food stamp programs, and long-term social welfare reforms; and
- (ii) Report and recommendations on technical assistance provided and on strengthening capacities within MSWL for undertaking and incorporating social expenditure and fiscal sustainability in regular social welfare policy and program development cycles.

Objective 3: Facilitating the civil registration system through incentives

Level of Effort: 1 PM international civil registration expert and 2 PM national civil registration expert

Tasks:

- (i) Undertake a comprehensive study to determine current processes of deregistration from sites of origin and re-registration in resettlement sites, the extent of unregistered populations in urban centers in Mongolia, including migration patterns, potentials, incentives, and options for return, integration or resettlement, livelihood and potential sources of income and access to welfare services, if any;
- (ii) Using experiences of NGOs and international organizations, and the government-initiated incentive for civil registration in 2009 as case studies, recommend strategies for improving the civil registration systems and incentives and/or for facilitating durable solutions for unregistered persons and migrants and mitigating adverse impacts of rural to urban migration;
- (iii) Develop IEC on incentive-based Civil Registration System to be used by the FNSWPP and MSWL; and
- (iv) Provide advice and recommendations to government on scaling up and sustaining incentive-based civil registration system.
- (v) Conduct trainings as specified in Supplementary Appendix D of the RRP.

Outputs:

- (i) Report and recommendations on the comprehensive study on in-migration in Mongolia,
- (ii) Pilot-testing design of incentive-based program for civil registration, and
- (iii) Pilot-testing report and final design of incentive-based program for civil registration.

Objective 4: Knowledge Product on Social Welfare Institutional Reforms and Capacity Building

Level of Effort: 2 PM international social welfare specialist and 4 PM national social welfare specialist

Tasks:

- (i) Undertake an analysis of (a) experiences, lessons, best practices gained from components 1 to 3 of FNSWPP; (b) the gaps in technical assistance, capacity building and consultant inputs in Components 2 & 3; and (c) the lessons learned and gaps of Social Security Sector Development Project (SSSDP) in facilitating reforms in the social welfare sector;
- (ii) Consolidate results of the analyses into a package of capacity building tools and strategies to facilitate medium- to long-term institutional reform and capacity development for MSWL, and other relevant ministries, as a follow-up program to SSSDP and FNSWPP; and
- (iii) Design and undertake consultations and dissemination workshops to validate findings and recommendations with MSWL and the Steering Committee.

Outputs:

- (i) Report on analysis undertaken;

- (ii) Design of the Institutional Reform and Capacity Building Program with specific reform and capacity building agenda for the short, medium and long term; and
- (iii) Design and documentation of dissemination workshops undertaken.

Objective 5: The selected firm will also provide 2 PM international development communication specialist in support of the local entity undertaking the communication strategy to disseminate information on the food stamp program.

Procurement Method: Quality and Cost-Based Selection (QCBS)/ International

6. Consulting Package 6: National Household Survey Data Collection and Management (NSO–single source selection)

Objective: Assistance to social welfare program evaluation

Tasks:

- (i) Complement household surveys instruments with questions related to social welfare programs as suggested by evaluation specialist hired under the Food and Nutrition Social Welfare Project,
- (ii) Collect data related to social welfare programs through existing household surveys at least once a year over the period 2009-2011, and
- (iii) Process and make raw and processed data available to the PIU of the FNSWPP in a timely manner.

Outputs:

- (i) Revised survey instruments, and
- (ii) Data set (raw and processed) available in electronic format on a yearly based (2009-2011).

Procurement Method: Single-Source Selection (SSS) Outline Terms of Reference

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
Component 2: Capacity Building and Communication Strategy				
Output 1: Capacity Building activities implemented				
10. UNDERTAKE CAPACITY BUILDING FOR THE PILOT-TESTING OF THE FOOD STAMP PROGRAM¹²				
10.1. Training of validators for Approach 1 on tools & methodologies to be used	FSOU	<ul style="list-style-type: none"> i. Under the leadership of the Targeting Specialist and in close collaboration with MOWSL, develop the validation tools and methodologies for verifying eligibility of target beneficiaries from MOSWL list. ii. Develop a guide for validators on the tools and methodologies as well as training orientation materials on these iii. Undertake training of university students and/or NGO staff who will undertake the validation iv. Provide monitoring, coaching and supervision during the conduct of the validation activities 	<ul style="list-style-type: none"> i. Validation tools and methodologies ii. Guide for validators iii. Training-orientation materials iv. Training documentation v. At least 50 students or NGO staff (10 for each of the 5 pilot areas) trained on the validation tools and methodologies 	
10.2. Training of surveyors for Approach 2 on tools and methodologies, esp. on the Household Assessment Survey (HAS)	FSOU	<ul style="list-style-type: none"> i. Under the leadership of the targeting specialist and In close collaboration with MOWSL, develop the Household Assessment Survey instrument and methodologies for verifying eligibility of target beneficiaries ii. Develop a guide for validators on the HAS and survey methodologies as well training orientation materials on these iii. Undertake training of university students and/or NGO staff who will undertake the HAS survey iv. Provide monitoring, coaching and supervision during the conduct of the HAS Survey 	<ul style="list-style-type: none"> i. HAS Survey instrument and methodology ii. Guide for HAS surveyors iii. Training-orientation materials iv. Training documentation v. At least 50 students or NGO staff (10 for each of the 5 pilot areas) trained on the HAS instrument and methodology 	
10.3. Training of LSCs				
10.3.1. Training of local SWOs for orienting the LSCs on their roles in Approach 1	FSOU	<ul style="list-style-type: none"> i. Prepare training-orientation materials on the role of LSCs in Approach 1; ii. Undertake training of local SWOs 	Training design, materials and documentation	
10.3.2. Orientation-training for LSCs in Approach 1		<ul style="list-style-type: none"> i. Prepare training-orientation materials on policies & 	<ul style="list-style-type: none"> i. Training-orientation materials on the role of 	

¹² Activities 1 to 9 are under the Program Grant (Component 1) of FNSWDP

Activity	Consultancy Service Required	Outline Terms of Reference Tasks	Outputs
<i>pilot areas on their role in the pilot-testing</i>	Local SWOs	<ul style="list-style-type: none"> procedures for shopkeepers; ii. In collaboration with the soum/khoroo and aimag/district governors, undertake training-orientation of the LSCs to provide them with skills and clear understanding of their role in the food stamp pilot-testing in Approach 1 	<ul style="list-style-type: none"> the LSCs in the food stamp pilot-testing; i. At least 100 LSC members (5 per pilot area of Approach 1 and Approach 2) have skills and clear understanding of their roles in the pilot-testing;
10.3.3. <i>Training of local SWOs for orienting the LSCs on their roles in Approach 2</i>	FSOU	<ul style="list-style-type: none"> i. Prepare training-orientation materials on the role of LSCs in Approach 1; ii. Undertake training of local SWOs 	<ul style="list-style-type: none"> Training design, materials and documentation
10.3.4. <i>Orientation-training for LSCs in Approach 2 pilot areas on their role in the pilot-testing</i>	Local SWOs	<ul style="list-style-type: none"> i. Prepare training-orientation materials on policies & procedures for shopkeepers; ii. In collaboration with the soum/khoroo and aimag/district governors of the target areas, undertake training-orientation of the LSCs to provide them with skills and clear understanding of their role in the food stamp pilot-testing in Approach 2 	<ul style="list-style-type: none"> i. Training-orientation materials on the role of the LSCs in the food stamp pilot-testing; ii. At least 100 LSC members (5 per pilot area of Approach 1 and Approach 2) have skills and clear understanding of their roles in the pilot-testing;
10.4. Orientation-training for shopkeepers/food store owners	FSOU	<ul style="list-style-type: none"> i. Prepare training-orientation materials on policies and procedures for shopkeepers; ii. In collaboration with the soum/khoroo and aimag/district SWOs of the target areas, undertake a training orientation for shopkeepers on the policies and procedures for shopkeepers and their role in the food stamp program 	<ul style="list-style-type: none"> i. Training-orientation materials on policies and procedures for shopkeeper; ii. At least 100 shopkeepers (10 per pilot area of Approach 1 and Approach 2) have skills and clear understanding of their roles in the pilot-testing;
10.5. Training of key implementers (soum/khoroo and aimag/district SWOs involved, key MOSWL & LSWO officers) for Approach 1 & Approach 2	FSOU	<ul style="list-style-type: none"> i. Prepare a clear and comprehensive briefing guide and training materials for all key implementers of the pilot-testing; ii. Undertake a training of the key implementers on their role in the food stamp pilot-testing; iii. Provide coaching, monitoring and supervision during the conduct of the pilot-testing 	<ul style="list-style-type: none"> i. Briefing guide and training materials on the food stamp pilot-testing; ii. All soum/khoroo and aimag/district SWOs and key MOSWL/LSWO officers have clear understanding and improved skills to carry out their role in the food stamp pilot
11. UNDERTAKE CAPACITY BUILDING FOR DELIVERING THE EXPANDED FOOD STAMPS PROGRAM AND OTHER SOCIAL WELFARE SERVICES			
11.1. Intensive training of key implementers of the expanded food stamp program			

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
11.1.1. <i>Training of trainers to strengthen decentralized social welfare structures in delivering safety nets and other social welfare services</i>	Specialists under Component 3, Output 1, Activity 13.1	Train trainers who will undertake intensive training and capacity building activities to strengthen local structures, LSWO & MOSWL capacity to immediately deliver food safety nets;	i. Training Guide for trainers ii. Design, materials and documentation on intensive training and capacity building for delivering safety nets & other social welfare programs	
11.1.2. <i>Intensive training and capacity building activities to strengthen local structures (soum/khoroo & aimag/district SWOs and LSCs) and LSWO/MOSWL capacity to effectively deliver safety nets and other social welfare services;</i>	Pool of Trainers	Undertake training of key implementers ((soum/khoroo & aimag/district SWOs and LSCs) to strengthen their capacity to implement safety nets and other social welfare programs and services	Documentation of training activities conducted	
11.1.3. <i>Follow-up training and skills enhancement for soum/khoroo & aimag/district SWOs and LSCs and LSWO/MOSWL key officers based on emerging needs from experience of providing safety nets;</i>	Specialists under Component 3, Output 1, Activity 13.1	Undertake follow-up training and skills enhancement based on emerging needs from experience of providing safety nets;	Design, materials and documentation on follow-up training and skills enhancement based on emerging training and capacity building needs;	
11.2. Training for government agencies (MOSWL, MOF, NSO, NEMA) and local government representatives (soum/khoroo & aimag/district governors and SWOs) on the impact studies				
11.2.1. <i>Training on National Impact Studies</i>	Specialists under Component 3, Output 1, Activity 13.2	Design and implement a training program for government agencies and local government representatives on the national impact studies	Report on studies conducted Design, presentation materials and documentation of the training conducted	
11.2.2. <i>Training on baseline & impact methodology</i>	Specialists under Component 3, Output 1, Activity 13.2	Design and implement a training program for government agencies and local government representatives on the baseline and impact methodology	Report on studies conducted Design, presentation materials and documentation of the training conducted	
11.3. Capacity building on principles and application of improved targeting tools and methodologies;				
11.3.1. <i>Training of trainers on improved targeting tools and methodologies</i>	Social Safety Net Targeting Specialist under Component 3, Output 1, Activity 13.3	Design and conduct training for selected trainers on the principles and application of these targeting tools and methodologies;	i. Training guide for trainers ii. Training design, materials and documentation	
11.3.2. <i>Training of key implementers (soum/khoroo &</i>	Pool of trainers	Undertake training of soum/khoroo & aimag/district	Training documentation	

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
<i>aimag/district SWOs, LSCs, key MOSWL/LSWO officers) on improved targeting tools and methodologies</i>		SWOs, LSCs, key MOSWL/LSWO officers on improved targeting tools and methodologies		
11.4. Capacity building for key MOSWL officers on social welfare benefits impact analysis	Specialists under Component 3, Output 2, Activity 14.1	Design and undertake training workshops and demonstration exercises for MOSWL officers on Social Welfare Benefits impacts analysis;		Training design, materials and documentation
11.5. Capacity building on Monitoring and Evaluation for the Implementation, Monitoring and Evaluation Department (IMED) and other officials of MOSWL/LSWO to improve M&E systems and strategies				
11.5.1. Training of Trainers on M&E and social welfare benefits impact analysis	Specialist under M&E of social welfare programs, Component 3, Output 2, Activity 14.2	Design and conduct seminar workshops for Implementation, Monitoring and Evaluation Department (IMED) and other officials of MOSWL/SWLO to present these recommendations; initiate improvements in this area; formulate an annual M&E Plan;		Training guide for trainers Training design, materials and documentation on M&E Training Workshops conducted;
11.5.2. Training of local social workers on M&E and social welfare benefits impact analysis	Pool of Trainers	Undertake training for IMED & MOSWL/LSWO staff		Documentation of training conducted
11.6. Training and capacity building for MOSWL in costing of social welfare programs/reforms.	Macro-fiscal policy & public financial management Specialist under Component 3, Output 2, Activity 14.3	Provide advice, training and capacity building for MOSWL in costing of social welfare programs/reforms.		Training designs, modules and materials, and documentation of training activities undertaken;
11.7. Capacity building on civil registration				
11.7.1. Training of trainers and resource persons on incentive-based civil registration	Specialists on Civil Registration under Component 3, Output 2, Activity 14.4	Design and undertake training of trainers on incentive-based civil registration based on the findings and recommendations of the study/pilot-testing.	i. Training guide for trainers ii. Training design, materials and documentation	
11.7.2. Training workshops for key government ministries, NGO implementing partners, local government units and livelihood support councils on the findings and recommendations of the study/pilot-testing of incentive-based civil registration	Pool of trainers	Undertake training of key implementers (local governments, LSCs, soum/khoroo & aimag/district SWOs) on incentive-based civil registration		Documentation of training conducted
11.8. Capacity building for soum/khoroo and aimag/district implementers and partner				

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
government agencies (MOSWL, MOH, MOFA NEMA) for sustaining the Food and Nutrition Surveillance and Monitoring System				
11.8.1. <i>Trainer's Training on sustaining the Food and Nutrition Surveillance and Monitoring System</i>	Food & Nutrition Monitoring Specialist under Component 3, Output 3, Activity 15.1	Design and undertake a training of trainers on the Food and Nutrition Surveillance and Monitoring System	i. Training guide for trainers, ii. Design and documentation of trainers training	
11.8.2. <i>Training for soum/khoroo and aimag/district implementers and partner government agencies (MOSWL, MOH, MOFA NEMA) on sustaining the Food and Nutrition Surveillance and Monitoring System</i>	Pool of Trainers	Undertake training for soum/khoroo and aimag/district implementers and representatives of partner government agencies (MOSWL, MOH, MOFA NEMA) on sustaining the Food and Nutrition Surveillance and Monitoring System	At least 1 implementer in each priority food insecure soums/khoroos and 3 key persons in priority food insecure aimags/districts, trained on sustaining the Food and Nutrition Surveillance and Monitoring System	
11.9. Capacity building for soum/khoroo and aimag/district implementers and partner government agencies (MOSWL, MOH, MOFA NEMA) for establishing and sustaining the Quick Response Mechanisms and Packages				
11.9.1. <i>Trainers' training on establishing and sustaining the Quick Response Mechanisms and Packages</i>	Specialists under Component 3, Output 3, Activity 15.2	Design and undertake a training of trainers on the Quick Response Mechanisms and Packages	i. Training guide for trainers, ii. Design and documentation of trainers training	
11.9.2. <i>Training for soum/khoroo and aimag/district governors and implementers and representatives of partner government agencies (MOSWL, MOH, MOFA NEMA) on establishing and sustaining the Quick Response Mechanisms and Packages</i>	Pool of Trainers	Undertake training for soum/khoroo and aimag/district governors and implementers and representatives of partner government agencies (MOSWL, MOH, MOFA NEMA) on establishing and sustaining the Quick Response Mechanisms and Packages	At least 1 implementer in each priority food insecure soums/khoroos and 3 key persons in priority food insecure aimags/districts, trained on establishing and sustaining the Quick Response Mechanisms and Packages	

Output 2: Communication Strategy developed and implemented

12. FINALIZE AND IMPLEMENT THE COMMUNICATION STRATEGY

12.1. Undertaking a communication strategy to disseminate information on the Food Stamp Program	National Consulting Firm to provide at least: 1 IEC Development Specialist; National; 4	i. Design the communication plan for the program centered on poor households and vulnerable populations, social workers and local govt, national stakeholders in 2 stages: (1) for the pilot-areas during the pilot-testing phase; and (2) for the whole of Mongolia during the final implementation after	i. Communication Plan; ii. IEC Materials & Media; iii. Report and recommendations on institutionalizing the Communication Strategy
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Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
	PM	the pilot-testing		(Reach and Impact of Communication Strategy to be monitored and evaluated by External Evaluators)
	Individual Recruitment: 1 Development Communication Specialist; International; 5 PM	ii. Develop and pilot-test the information, education, and communication (IEC) materials and media for the communication plan; and iii. Implement the communication plan in collaboration with the PIU/MOSWL and the Steering Committee/MOF; iv. Provide technical assistance to MOSWL in the conduct of awareness raising activities on social benefits v. Make recommendations and undertake measures for institutionalizing the Communication Strategy		
Component 3: Strengthening Social Welfare Strategies and Systems				
Output 1: Effective Food Crisis Response				
13. PROVIDE TECHNICAL ANALYSIS OF CAPACITY BUILDING NEEDS TO PROMOTE EFFECTIVE FOOD CRISIS RESPONSE				
13.1. Strengthening the decentralized social welfare institutional structure under the Food Stamp Program	Institutional Capacity Development Specialist; International; 2 PM Social Welfare and Safety Nets Specialist; International; 2 PM Social Welfare Specialist; National; 4 PM	i. Undertake a comprehensive institutional capacity assessment of the MOSWL, its attached agencies and local structures focusing on structural and systemic weaknesses as well as training and capacity building needs of local and national institutional structures in relation to delivering targeted safety nets; ii. Provide recommendations for medium to long-term institutional reform and capacity building at MOSWL for integration into the Institutional Reform and Capacity Building Program.		i. Institutional Capacity Assessment ii. Report and recommendations for medium to long term institutional reform and capacity building at MOSWL
13.2. Measuring and analyzing impacts of the soaring food prices and the Food Stamp Program on the poor	Economist National; 3 PM in 2009,	i. Undertake a quantitative study on the impact of soaring food prices on poor households using NSO HH Socio-Economic Survey, NSO Macroeconomic Data, local government poverty data, data from		i. Research Design for the Quantitative and Qualitative Studies; ii. Quantitative Study on the Impact of Soaring

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
13.2.1. National social impact assessment of soaring food prices	2 PM in 2010	NGOs and international organizations, and through quantitative data-gathering methods - using samples from both urban, peri-urban/ger district; aimag centers, soum centers, and khoroo level	Food Prices on Poor Households in Mongolia	
13.2.2. Baseline Study, monitoring and evaluation and impact assessment for Food Stamp Pilots;	Poverty or HH Survey & Impact Specialist International; 2 PM in 2009, 2 PM in 2010	ii. Undertake a qualitative study on the impact of soaring food prices on poor households using key informant interviews and FGDs as well as consultations and review of literature – using samples from both urban, peri-urban/ger district; aimag centers, soum centers, and khoroo levels	iii. Qualitative Study on the Impact of Soaring Food Prices on Poor Households in Mongolia	
		iii. Design and undertake a baseline study on the Food Stamp Program pilots within the first 2 months of food stamp implementation;	iv. Baseline Study for the Food Stamp Program Pilots	
	Food & Nutrition Specialist; National; 1 PM in 2009, 1 PM in 2010	iv. Undertake an impact evaluation of the Food Stamp Program using the baseline study and impact indicators as bases;	v. Impact Evaluation of the Food Stamp Program Pilots;	
		v. Undertake validation and dissemination workshops and seminars on the results of the studies conducted	vi. Training design and materials on benefits impact assessment	
	Qualitative Specialist International; 2 PM 2009	vi. Prepare a framework and indicators for the FSP final evaluation	vii. Final evaluation framework and indicators for FSP	
13.3. Targeting mechanism for the food assistance and current social welfare programs	Social Safety Net Targeting Specialist International; 6 PM in 2009 4 PM in 2010 2 PM in 2011	i. Assess the performance of the targeting mechanisms pilot tested through the food stamp program and provide specific recommendations to further improve targeting tools and methodologies to decrease errors of inclusion and exclusion;	i. Design of the targeting for food stamp pilot	
		ii. Undertake pilot-testing of improved targeting tools and methodologies using existing safety nets/social welfare programs as case studies	ii. Assessment report on the targeting mechanism being used in the pilot-testing of the Food Stamp Program;	
		iii. Design and recommend strategies for incorporating improved/pilot-tested targeting tools and methodologies into on-going social safety nets and other social welfare programs;	iii. Pilot-Testing Design of the improved targeting tools and methodologies;	
		iv. Provide technical assistance to MOSWL in designing and implementing targeted safety nets and social welfare programs.	iv. Report and recommendations	
		v. Act as the team leader for all international inputs		

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
13.4. External monitoring and evaluation of the implementation of the food assistance safety-nets	<p>A National Entity to provide at least:</p> <ul style="list-style-type: none"> 1 Poverty Specialist; National 3 PM 1 National Food & Nutrition Specialist; 3 PM <p>Individual recruitment</p> <ul style="list-style-type: none"> 1 International M&E Specialist; 3 PM 	<p>vi. Support and improve daily operations of the FSOU</p> <p>vii. Provide technical assistance to FSOU for the final FSP evaluation</p> <p>i. Undertake semi-annual external M&E of the implementation of FNSPDP, including implementation of the Communication Strategy;</p> <p>ii. Undertake annual external evaluations of the FNSPDP – including reach and impacts of the Communication Strategy;</p> <p>iii. Undertake final evaluation upon program completion;</p> <p>iv. Regularly determine and consolidate progress in implementation, necessary program adjustments if any, best practices, lessons learned, outcomes and impact; and</p> <p>v. Provide feedback and recommendations to all program stakeholders to improve program implementation Coordination;</p> <p>vi. Submit reports to MOF and ADB</p>	<p>i. M&E framework, indicators and implementation strategy;</p> <p>ii. Semi-Annual M&E Reports & Recommendations;</p> <p>iii. ;</p> <p>iv. Annual Evaluation Reports and Recommendations;</p> <p>v. Final Evaluation Report, Conclusions and Recommendations</p>	
<p>13.5. Community based approaches to ensuring household food security</p> <p><i>(A fund to be created for small community grants)</i></p>	<p>A national NGO Community Development Specialist; National; 6 PM</p>	<p>i. Undertake a review of current relevant community based approaches in Mongolia (done by NGOs and/or international organizations) and international best practices suitable for Mongolia for promoting household food security;</p> <p>ii. Consolidate success stories and best practices in promoting household food security and self-sufficiency from the pilot-testing and finalize the design for formal implementation;</p> <p>iii. Design IEC on community based approaches to be carried out as the same time as the awareness program on food stamps and benefits</p> <p>iv. Provide technical assistance to MOSWL and local implementers in implementing the program;</p>	<p>Report on current community based approaches and international best practice for promoting household food security and recommendations for incorporating these into food safety programs</p>	

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
Output 2: A Package of Reform of Social Welfare Strategies				
14. PROVIDE TECHNICAL ANALYSIS OF SOCIAL WELFARE STRATEGIES AND DELIVER A KNOWLEDGE PRODUCT ON SOCIAL WELFARE INSTITUTIONAL REFORMS AND CAPACITY BUILDING				
14.1. Social welfare benefits impact analysis	<p>Social Welfare / Social Protection Specialist; International; 3 PM;</p> <p>Poverty /M&E Specialist; International; 3 PM;</p> <p>Local University to provide at least:</p> <p>(1)Social Welfare Specialist; National; 6 PM;</p> <p>(5)Social Researchers / Analysts; National; 6 PM</p>	<p>i. Undertake a comprehensive assessment of current social welfare programs in Mongolia, focusing on current beneficiary identification and targeting systems, errors of inclusion and exclusion, amount of assistance relative to beneficiary income and expenditure and poverty threshold; aggregate assistance relative to GDP, and percentages of poor households reached by the assistance --- for each type of welfare assistance;</p> <p>ii. From the comprehensive assessment, select at least 3 sample types of social welfare assistance, in consultation with MOSWL, to be subjected to benefits impact analysis;</p> <p>iii. Design and undertake a study to determine impact of selected types of assistance focusing on both quantitative (e.g. economic and poverty impacts) and qualitative (e.g. behavioral and nutrition impacts) aspects;</p> <p>iv. Design and undertake dissemination workshops to validate and disseminate findings from the studies;</p> <p>v. Provide technical assistance in undertaking benefits analysis for other types of assistance;</p> <p>vi. Provide specific recommendations on how benefits impacts analysis should be integrated into processes of social welfare policy and program development</p>		<p>i. Comprehensive assessment of current social welfare programs in Mongolia;</p> <p>ii. Report on benefits impact analysis of at least 3 selected types of assistance;</p> <p>iii. Design and documentation of dissemination workshops;</p> <p>iv. Training design, materials and documentation of training workshops conducted;</p> <p>v. Reports and recommendations on the activity and on how benefits impacts analysis should be integrated into processes of social welfare policy and program development</p> <p>vi.</p>
14.2. Monitoring and evaluation of social welfare programs	Social Sector M&E Specialist; International; 2 PM	<p>i. Undertake an assessment of the current M&E strategies, procedures and capacities within the MOSWL;</p>		<p>i. Assessment of current M&E strategies, procedures and capacities within the</p>

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
	M&E Specialist; National; 3 PM	<ul style="list-style-type: none"> ii. Provide specific and realistic recommendations on how these strategies, procedures and capacities can be improved to facilitate maximum use of M&E results for policy adjustments and for program development and management; and iii. Provide coaching and mentoring to relevant MOSWL staff for undertaking program M&E; iv. Submit a report and recommendations from the inputs provided. 	<p>MOSWL;</p> <ul style="list-style-type: none"> II. Report and recommendations from technical inputs provided 	
<p>14.3. Social expenditure analysis and fiscal sustainability of social welfare programs:</p> <p>Analysis and policy advice on macroeconomic balance and fiscal sustainability of social welfare programs and reforms".</p>	<p>Macro-fiscal policy & public financial management Specialist; International; 2 PM</p>	<ul style="list-style-type: none"> i. Summarize and review recent IMF analysis on short term macroeconomic developments (internal and external balance) and fiscal and debt sustainability scenarios with particular emphasis on developments in social welfare expenditure ii. Building on recent IMF analysis, undertake an analysis of the macroeconomic and fiscal effects of the Food Stamp Program; iii. Building on recent IMF analysis, carry out a fiscal sustainability analysis of the present social welfare system, long-term social welfare reforms with particular focus on adequate fiscal rules based on IMF recommendations. iv. Review the functioning of the Medium Term Expenditure Framework and Program Budgeting in Line Ministries and provide advice on improvements to support the development and implementation of financially sustainable social welfare reforms 	<ul style="list-style-type: none"> i. Report and recommendations on social expenditure and fiscal sustainability analysis of the present social welfare system, Food Stamps Program and long-term social welfare reforms; ii. Report and recommendations on technical assistance provided and on strengthening capacities within MOSWL for undertaking and incorporating social expenditure and fiscal sustainability in regular social welfare policy and program development cycles 	
<p>14.4. Facilitating the civil registration system through incentives</p>	<p>Civil Registration Expert; International; 2 PM</p> <p>Civil Registration Specialist; National; 2 PM</p>	<ul style="list-style-type: none"> i. Undertake a comprehensive study to determine current processes of de-registration from sites of origin and re-registration in resettlement sites, the extent of unregistered populations in urban centers in Mongolia, including migration patterns, potentials, incentives, and options for return, integration or resettlement, livelihood and potential 	<ul style="list-style-type: none"> i. Report and recommendations on the comprehensive study on in-migration in Mongolia; ii. Pilot-testing design of incentive-based program for civil registration; iii. Pilot-testing report and final design of incentive-based program for civil 	

Activity	Consultancy Service Required	Outline Terms of Reference Tasks	Outputs
14.5. Knowledge Product on Social Welfare Institutional Reforms and Capacity Building	Social Welfare Specialist; International; 3 PM	<p>sources of income and access to welfare services, if any;</p> <p>ii. Using experiences of NGOs and international organizations, and the government-initiated incentive for civil registration in 2009 as case studies, recommend strategies for improving the civil registration systems and incentives and/or for facilitating durable solutions for unregistered persons and migrants and mitigating adverse impacts of rural to urban migration;</p> <p>iii. Develop IEC on Incentive-based Civil Registration System</p> <p>iv. Provide advice and recommendations to government on scaling up and sustaining incentive-based civil registration system</p>	registration
	Social Welfare Specialist; National; 4 PM	<p>i. Undertake an analysis of (a) experiences, lessons, best practices gained from Components 1 to 3 of FNSPDP; (b) the gaps in technical assistance, capacity-building and consultant inputs in Components 2 & 3; and (c) the lessons learned and gaps of SSSDP in facilitating reforms in the social welfare sector</p> <p>ii. Consolidate results of the analyses into a package of capacity building tools and strategies to facilitate medium to long-term institutional reform and capacity development for MOSWL, and other relevant ministries, as a follow-up program to SSSDP and FNSPDP;</p> <p>iii. Design and undertake consultations and dissemination workshops to validate findings and recommendations with MOSWL and the Steering committee</p>	<p>i. Report on Analysis undertaken</p> <p>ii. Design of the Institutional Reform and Capacity Building Program with specific reform and capacity building agenda for the short, medium and long term;</p> <p>iii. Design and documentation of dissemination workshops undertaken</p>

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
Output 3 - An Early Warning and Response Systems to Social Shocks				
15. PROVIDE TECHNICAL ANALYSIS AND SUPPORT FOR ESTABLISHING EARLY DETECTION, MITIGATION AND RESPONSE TO SOCIAL SHOCKS				
15.1. Food and Nutrition Surveillance and Monitoring System - in collaboration with UNICEF	Food & Nutrition Monitoring Specialist; International; 2 PM	<ul style="list-style-type: none"> i. Evaluate the implementation of the Nutrition Monitoring System to determine weaknesses and areas for improvement and national early warning system in the disaster assistance agency; ii. Develop and propose and improved design to (a) include surveillance of prices and availability basic foods in food insecure areas; (b) include data on nutrition status of specific vulnerable sectors (e.g. those covered by the Food Stamp Program) other than women and children; (c) include "red flag" indicators or indicators that imply need for emergency intervention; (d) ensure completeness, accuracy, regularity and reliability of data from the system; (e) increase capacities and resources allocated for this system; iii. Undertake pilot-testing of the improved design; iv. Develop the final design based on the results of pilot-testing; 	<ul style="list-style-type: none"> i. Report on the current status of the Nutrition Monitoring System and early warning system from disaster assistance agency; ii. Pilot-testing design of the Food and Nutrition Surveillance and Monitoring System; iii. Pilot-testing report and final design; iv. Final Report and Recommendations 	
15.2. Quick Response Mechanisms and Packages - in collaboration with NEMA	<p>Disaster Preparedness Specialist; International; 1 PM</p> <p>Institutional Capacity Building Specialist; International; 2 PM</p> <p>Safety net specialist; International; 1 PM</p>	<ul style="list-style-type: none"> i. Develop the design of Quick Response Mechanisms and Packages, using experiences of government agencies, NGOs and international organizations in Mongolia, as well as international best practice and the findings from the implementation of Food Stamp Program (building on the National Database on Poor and Vulnerable populations initiated under the FNSPDP); specifically to: (a) develop safety net packages of assistance for vulnerable populations that can be quickly and easily delivered to respond to food and nutrition-related shocks and other emergencies; (b) 	<ul style="list-style-type: none"> i. Proposed design of Quick Response Mechanisms and Packages to be approved by the Steering Committee; ii. Final report and recommendations on the activity and in sustaining the Quick Response Mechanisms and Packages 	

Activity	Consultancy Service Required	Tasks	Outline Terms of Reference	Outputs
	Safety net specialist; National; 2 PM	<p>establish mechanisms that are strongly linked from the community and livelihood support councils to the soum/khoroo and aimag/district local government units to national government ministries, NGOs, donors and multilateral organizations that can be immediately and efficiently activated in times of food and nutrition-related shocks and other emergencies; (c) clearly identify and/or establish a fund and resource pool that can be immediately mobilized to support these mechanisms and packages in times of crises; (d) undertake regular capacity building and preparedness drills, audit and replenishment of stocks and resources to ensure maximum preparedness for emergencies;</p> <p>ii. Provide technical assistance, coaching and mentoring inputs in operationalizing the Quick Response Mechanisms and Packages.</p>		

Abbreviations: ADB = Asian Development Bank; FNSPDP = Food and Nutrition Social Protection Development Program; FSOU = food stamps operating unit; HAS = household assessment survey; HH = household; IEC = information, education and communication; IMED: = Implementation Monitoring and Evaluation Department; IMF = International Monetary Fund; LSCs = Livelihood Support Councils; LSWO = Labour and Social Welfare Office; M&E = monitoring and evaluation; MOF = Ministry of Finance; MOSWL = Ministry of Social Welfare and Labour; NGO = non-government organization; NSO = National Statistics Office; PIU = program implementation unit; PM = person month; SWO = social welfare officer; SSSDP = Social Security Sector Development Program

Consultant Inputs:

Total International: 50 PM

Total National: 77 PM

PROCUREMENT PLAN

Project Name: Food and Nutrition Social Welfare Project	Grant Number
Grant Amount \$: \$3 million ADF Grant	Executing Agency: Ministry of Finance
Date of first Procurement Plan: 17 November 2008	Date of this Procurement Plan: 17 November 2008

A. Section 1: Process Thresholds, Review, and 18-Month Procurement Plan

1. Project Procurement Thresholds

1. Except as ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
International Competitive Bidding for Works	Equal or more than \$1,000,000
International Competitive Bidding for Goods	Equal or more than \$500,000
National Competitive Bidding for Works ^a	Equal or more than \$100,000 and below \$1,000,000
National Competitive Bidding for Goods ^a	Equal or more than \$100,000 and below \$500,000
Shopping for Works	Below \$100,000
Shopping for Goods	Below \$100,000

^a The recipient's law and regulations relating to national competitive bidding shall be followed, with the clarifications and modifications set forth in section C.

2. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the Project.

Procurement of Goods and Works		
Procurement Method	Prior or Post	Comments
International Competitive Bidding Works	Prior	
International Competitive Bidding Goods	Prior	
National Competitive Bidding Works	Post	
National Competitive Bidding Goods	Post	
Shopping for Works	Post	
Shopping for Goods	Post	

Recruitment of Consulting Firms		
Quality and Cost Based Selection	Prior	
Quality Based Selection	Prior	
Other selection methods: Consultants Qualifications, Least- Cost Selection, Fixed Budget, and Single Source	Prior	

Recruitment of Individual Consultants		
Individual Consultants	Prior	

3. Consulting Services Contracts Estimated to Cost More Than \$ 100,000

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

General Description	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
Monitoring and Evaluation (Package 4)	\$565,000	QCBS	I/09	International	Quality-Cost ratio 80:20
Institutional Development (Package 5)	\$600,000	QCBS	I/09	International	Quality-Cost ratio 80:20
International social safety net targeting specialist	\$300,000	ICS	1/09	International	Quality-Cost ratio 80:20

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000

4. The following table groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Value of Contracts (cumulative)	Number of Contracts	Procurement / Recruitment Method	Comments
Vehicle	\$50,000	1	Shopping	4x4 for program implementation unit (PIU) staff and Food Stamp Operating Unit For PIU office
Office equipment	\$30,000	1	Shopping	Amplified Expression of Interest (EOI) will be requested
Communication Strategy (Package 1)	\$30,000	1	CQS - National	Amplified EOI will be requested
External Monitoring and Evaluation (Package 2)	\$40,000	1	CQS – National	Amplified EOI will be requested
Community based Household Food Security (Package 3)	\$40,000	1	CQS – National	Amplified EOI will be requested
National Statistics Office (NSO) (Package 6)	\$50,000	1	SSS	NSO is the only organization in Mongolia with required competence
PIU staff	\$145,000	4	Individual consultants – National	Program manager; administrative and finance officer;

General Description	Value of Contracts (cumulative)	Number of Contracts	Procurement / Recruitment Method	Comments secretary; driver
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B. Section 2: Project Procurement Plan

1. Indicative List of Packages Required Under the Project

5. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of the Project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the Comments section.

General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
Goods					
Vehicle	\$50,000	1	Shopping		4x4 for PIU staff and Food Stamp Operating Unit For PIU Office
Office equipment	\$30,000	1	Shopping		
Consulting Services					
Monitoring and Evaluation (Package 4)	\$565,000		QCBS/International	STP	Quality-Cost ratio 80:20
Institutional Development (Package 5)	\$600,000		QCBS/International	STP	Quality-Cost ratio 80:20
Communication Strategy (Package 1)	\$30,000	1	CQS/National		Amplified EOI will be requested
External Monitoring and Evaluation (Package 2)	\$40,000	1	CQS/National		Amplified EOI will be requested
Community based HH Food Security (Package 3)	\$40,000	1	CQS/National		Amplified EOI will be requested
NSO (Package 6)	\$50,000	1	SSS		NSO is the only organization in Mongolia with required competences
PIU staff	\$145,000	1	Individual consultants/national		Program manager; administrative and finance officer; secretary; driver

C. National Competitive Bidding

6. The Recipient's standard procurement procedures are subject to the following modifications.

7. The procedures to be followed for national competitive bidding shall be those set forth in the Public Procurement Law of Mongolia of 1 December 2005, effective since 1 February 2006, as amended (Amendment 1 dated 6 February 2007), (hereinafter referred to as "the Law") with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

(i) Applicable Procurement Procedure

Bidding shall be conducted in accordance with the Open Bidding Procedure, as defined in Chapter Two of the Public Procurement Law of Mongolia subject to the provisions stated in paragraph ii(c) below.

(ii) Participation in Bidding and Preferences

(a) Government-owned enterprises in Mongolia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the procuring entity, or the project executing agency or implementing agency.

(b) Prospective bidders shall be permitted to request bidding documents either in person or by mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee for the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail or courier, provided that the bidder is willing to pay the mail or courier delivery charges, which should be specified in the bid invitation. Each bidder shall be allowed to purchase only one set of the bidding documents for a given tender. No limitations shall be imposed on any bidder as to the number of tenders in which it may participate during a given period of time, but the bidder's qualification (financial and technical capabilities) for award of contract(s) shall be assessed on the basis of its capacity to meet the aggregated qualifying requirements for the award of contracts for which it has submitted the lowest evaluated substantially responsive bids.

(c) Interested foreign bidders from eligible countries shall be allowed to participate without being required to associate or form joint ventures with local bidders. Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders. Mongolian bidders and goods manufactured in Mongolia shall be given no preference over foreign bidders and goods manufactured outside Mongolia, either in the bidding process or in the evaluation of bids.

(d) Prior registration shall not be a requirement for any bidder to participate in bidding.

(e) Pre-qualification of contractors shall not be required, except in the case of large or complex works and with the prior written concurrence of ADB.

(iii) Advertising

Invitations to bid shall be advertised in the Mongolian national language in at least one widely circulated national daily newspaper and freely accessible, nationally-known website in accordance with Article 21.1 of the Law... Bidding of NCB contracts estimated at (i) \$500,000 or more for Goods and related services and (ii) \$1,000,000 or more for

Civil Works shall be advertised concurrently with the general procurement notices on ADB's website.

(iv) Standard Bidding Documents

Standard bidding documents, acceptable to ADB, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand, by mail or by courier.

(v) Qualification Criteria and Evaluation Criteria

(a) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidders' qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the executing agency/implementing agency and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. The evaluation of a bidder's qualifications shall only take into account the bidder's capacity and resources to perform the contract, in particular its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction or manufacturing facilities and financial position. In carrying out the post-qualification assessment, the executing agency/implementing agency shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a reasonable time period (that is, a minimum of 7 days) to the bidder to provide his response.

(b) Evaluation criteria to be used in the evaluation of bids shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.

(vi) Bid Opening, Evaluation and Award of Contract

(a) Bids shall be opened in public, immediately upon the stipulated deadline for submission of bids. Bidders' representatives and the project's beneficiaries from the concerned local community who choose to attend shall be allowed to attend. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded in the Bid Opening Record. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened. Immediately after completion of the bid opening proceedings, a copy of the Bid Opening Record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the Bid Opening Record shall be promptly provided to all bidders who submitted bids.

(b) All bids shall not be rejected or new bids invited without ADB's prior written concurrence.

(c) No bid shall be rejected merely on the basis of a comparison with the owner's estimated cost or budget ceiling without the ADB's prior written concurrence.

(d) A bid containing material deviations from or reservations to the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids

have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(e) The evaluation of bids shall be done in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

(f) Bidders shall be requested to extend the validity of their bids only under exceptional circumstances and, in all such cases, the executing agency/implementing agency shall obtain ADB's approval for the extension of the bid validity period in a timely manner, and subsequently, communicate such request for extension of the validity period of the bids in writing to all bidders before the date of expiry of their bids. Bidders shall have the right to refuse to grant such an extension of the validity of their bids without forfeiting their bid securities. Bidders agreeing to extend the validity date of their bids shall also extend the validity period of their bid securities.

(g) In the case of contracts of more than 18 months' duration, the bidding documents and the resultant contract shall provide for price adjustment, based on a formula acceptable to ADB, which shall be disclosed to the bidders in the bidding documents.

(h) If a bidder that submitted the lowest evaluated bid refuses to accept the arithmetical corrections made by the executing agency/implementing agency during the evaluation of its bid, its bid shall be disqualified and its bid security shall be forfeited.

(i) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify its bid as originally submitted.

(j) There shall be no post-bidding negotiations with the lowest evaluated bidder or any other bidder. No bidder shall be required, as a condition for the award of contract, to change his bid price or otherwise materially alter its bid after it has been submitted.

(k) A bidder declared ineligible by ADB, based on a determination by ADB that the bidder has engaged in corrupt, fraudulent, collusive or coercive practices in competing for or in executing an ADB-financed contract, shall be ineligible to be awarded an ADB-financed contract during the period of time determined by ADB.

(vii) Inspections of Accounts and Records

Bidding documents and contracts under national competitive bidding procedures financed by ADB shall include a provision requiring suppliers and contractors to permit ADB to inspect their accounts and records relating to the bid submission and the performance of the contract by the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by ADB, if so required by ADB.

(viii) Complaints by Bidders and Handling of Complaints

Bidders' complaints shall be handled in accordance with the procedures set out in Chapter Seven of the Public Procurement Law of Mongolia.

(ix) Disclosure of Decisions on Contract Awards

At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be published in a local newspaper or well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each bidder who submitted a bid, (ii) bid prices as read out at bid opening, (iii) name of bidders whose bids were rejected and the reasons for their rejection, (iv) name of the winning bidder, and the price it offered, as well as the duration and summary scope

of the contract awarded. The procuring entity/executing agency/implementing agency shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids were not selected.

(x) ADB Member Country Restrictions

Bidders must be nationals of member countries of ADB, and offered Goods and Works must be produced in and supplied from member countries of ADB.

DEVELOPMENT POLICY LETTER AND POLICY MATRIX

A. Development Policy Letter

MINISTER FOR FINANCE
OF MONGOLIA

210646 Negdsen undestril gudamj 5/1, Zasglin gazrlin li bair,
Chingeltei duureg, Ulaanbaatar, MONGOLIA
Tel./Fax: (976-51) 26-02-47, <http://www.mof.gov.mn>

Date 14.11.2008
Ref. 2-4/5624

Mr. Haruhiko Kuroda
President
Asian Development Bank
Manila, Philippines

DEVELOPMENT POLICY LETTER AND POLICY MATRIX

MONGOLIA: Food and Nutrition Social Welfare Program and Project

Dear Mr. President,

Mongolia's medium-term economic outlook is favorable. The economy has performed extremely well in recent years, primarily driven by development in the mining sector. Real gross domestic product (GDP) has averaged 9% since 2004, while per capita income has more than doubled. Buoyant commodity prices over the past 3 years reduced Mongolia's external debt burden from 74.6% of GDP in 2004 to 35.5% in 2006. But the recent fall in commodity prices and high food and energy prices could undermine this gain.

Despite Mongolia's recent economic success the poverty incidence is still 32.2%.¹ The favorable fiscal context allowed for a rise in the civil service wage bill by 49% and increased spending on social welfare programs. These measures coupled with a more than doubling of capital spending contributed to a decline of the overall fiscal surplus from 8% of GDP in 2006 to a possible fiscal deficit in 2008.

The country is currently experiencing the highest inflation rate in all of East-Asia: 32.6% year-on-year in May 2008 and 32.2% in September 2008. More than two-thirds of the May 2008 inflation was due to increased food prices with oil prices contributing a small but growing proportion. Key food staples such as flour and meat are contributing to inflation the most (25% and 45%, respectively, since the beginning of the year), despite government efforts to regulate their price increases.

Preliminary data on the impact of the soaring food prices on the population show that it affects everyone and especially the poor. Fear of inflation is rapidly becoming the number one preoccupation of the Mongolian population. The Government has recognized an urgent need to address increasing food prices and has set up a National Council to oversee the implementation of the Price Stabilization Program. This Council has been operating since late 2007 and has put in place a series of measures aimed at increasing food production and stabilizing prices. In May 2008, a working group to develop a program to provide support for vulnerable groups who are most affected by the increase of food prices was established under the Council.

¹ Mongolia. 2007. *Millennium Development Goals Implementation. Second National Report*. Mongolia.

RISK MANAGEMENT PLAN

1. Major risks and mitigation measures considered in the design of the FNSWPP are as follows:

2. **Political Risks.** Government ministries are concerned that the plans and programs developed to respond to increasing food prices will have to go through another process of review and scrutiny by the new Government, thus causing delays to the implementation of the grants. The new minister of finance and minister of social welfare and labor have been informed about the preparation of the assistance. Government officials directly involved in the preparation of the grants are still in place and are expected to remain.

3. **Pilot-Testing Risks.** The risks here are twofold: (i) beneficiaries will expect a pilot to immediately become an entitlement, thus making later program adjustments difficult; and (ii) the pilot will remain just a pilot even if the results are good and the recommendations are appropriate. These risks will be addressed through consultation and close involvement of beneficiaries in implementation of the pilots and continuous policy dialogue with the highest levels of government on social welfare institutional reforms in order to facilitate the adoption of pilot-testing results, especially on targeting.

4. **Governance and Bureaucratic Risks.** Implementation of food safety nets is prone to corruption and requires proper governance, a high degree of accuracy, and synchronization of efforts and activities. To manage this risk, the food stamp operating unit will be immediately established to ensure that technical requirements of the program are given full attention by the Government. Governance risk will be addressed through the provision of clear operational guidelines, a communication strategy to make the food stamp program transparent, and external monitoring.

ADB's Second Governance and Anticorruption Action Plan (GACAP II)

5. The purpose of GACAP II is to improve ADB's performance in the implementation of the governance and anticorruption policies in the sectors and sub-sectors where ADB is active...and... to design and deliver better quality projects and programs (GACAP II, paragraph 4). Guidelines for implementing GACAP II is indicated below:

<http://www.adb.org/Documents/Guidelines/GACAP-II-Guidelines.pdf>.

PRO FORMA OF THE EXECUTING AGENCY'S PROJECT PROGRESS REPORT

A. Introduction and Basic Data

Provide the following:

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

B. Utilization of Funds (ADB Grant, Cofinancing, and Counterpart Funds)

Provide the following:

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

C. Project Purpose

Provide the following:

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

D. Implementation Progress

Provide the following:

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

E. Compliance with Covenants

Provide the following:

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

F. Major Project Issues and Problems

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

Framework and Guidelines in Calculating Project Progress

A. Introduction

1. To ensure that all implementation activities are reflected in measuring implementation progress against the project implementation schedule, the term "physical completion" in the PPR has been changed to "project progress."
2. Physical and pre-commencement activities are considered in calculating project implementation progress. These activities, which may include recruitment of consultants, capacity building, detailed design, preparation of bid and prequalification documents, etc., could constitute a significant proportion of overall implementation and therefore should be counted.
3. Each activity in the implementation schedule will be weighted according to its overall contribution (using time as a reference) to progress of project implementation. These weights will then be used to calculate the percentage of project progress along the entire time span of the project. This is to provide a holistic view of the pace of implementation.

B. Framework for Compiling Activity List and Assigning Weights

4. As implementation activities and their corresponding weights will vary according to the type of project, sector, and country, sector divisions or RMs will be responsible for determining and including them in the project administration memorandum. The actual project implementation progress of these activities should be reported regularly through the EA's quarterly project progress report. To ensure ADB-wide consistency, the following framework has been established; its application will be monitored through the PPR.

a. Compilation of Activity List

5. Sector divisions or RMs concerned should identify major implementation activities and include them in the implementation schedule, which is attached as an appendix in the report and recommendation of the President (RRP). The implementation schedule should follow the critical path of the project's major activities in project implementation taking account of various country, sector, and project constraints.

b. Assignment of Weights

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

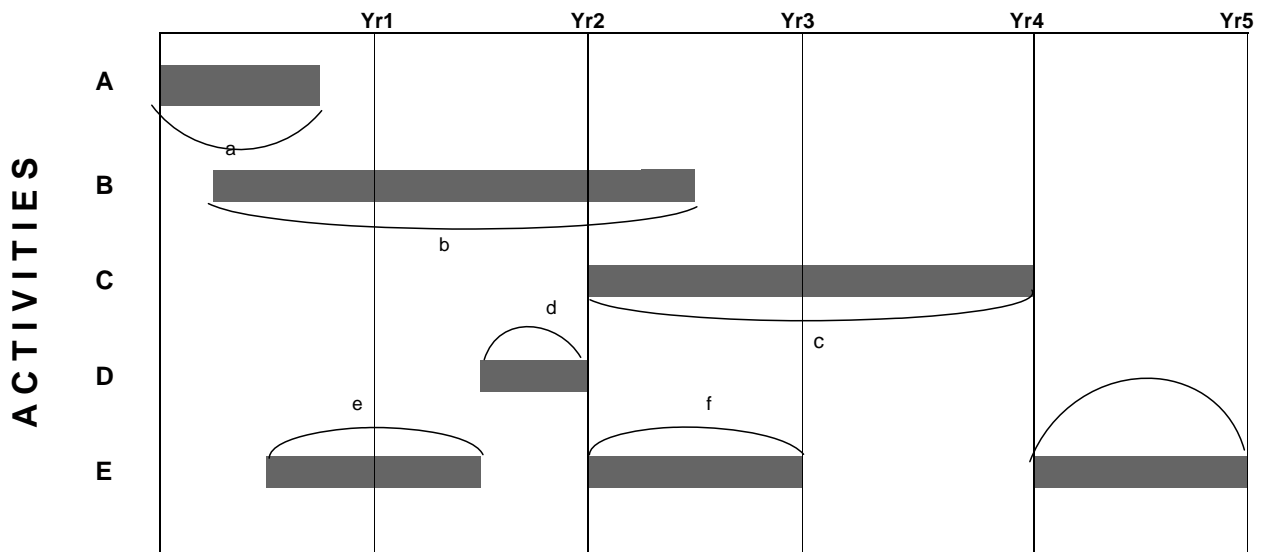
c. Computation of Project Progress

7. Once all activities are identified and corresponding weights assigned, project progress should be calculated using the following steps:
 - (i) Determine the actual percentage progress (nonfinancial) of each activity.

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













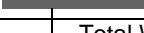
Page 3 of this Appendix provides an illustration of this calculation using a generic sample implementation schedule and this Appendix, page 4 a specific example in the education sector.

Implementation Schedule with Activities and Weights



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

Sample Implementation Schedule

Activities	Year 1	Year 2	Year 3	Year 4	(a) Assigned Weight	(b) Actual Progress	(a) x (b) Weighted Progress
Establish PIU					5%	100%	6%
Establish Accreditation Board, etc.					5%	0%	0%
Appoint Staff and Budget					4%	75%	3%
Adopt Architecture Plans					2%	100%	2%
Shortlist Consulting Firms					6%	100%	6%
Prepare Fellowship Program					6%	76%	4%
Prepare Civil Works Tendering					30%	0%	0%
Civil Works: Classrooms, Dorms, etc.					6%	0%	0%
Procurement of Furniture and Equipment					16%	10%	2%
Field Work of Consultants					7%	0%	0%
Provide Fellowships					6%	0%	0%
Conduct Study Tours					6%	0%	0%
Provide Curriculum Standards					6%	0%	0%
				Total Weight	100%		
				Imp. Progress			24%

(a) Assigned weight for each activity

(b) Actual progress of each activity

(a) x (b) weighted progress for each activity

Project progress = sum of all weighted progress for each activity

PROGRAM PERFORMANCE REPORT (GRANT)

As of 28 Feb 2009

SERIAL NO :
 DIVISION : EASS
 DEPARTMENT : EARD
 PROJECT NO : 42322-02
 STATUS : ACTIVE

(ALL AMOUNTS IN US\$ MILLION)

BASIC DATA

NAME	PROJECT AT RISK	LAST:	CURR:	Targeting Classification
0138-MON: FOOD & NUTRITION SOCIAL WELFARE PROGRAM & PROJECT (PROGRAM GRANT)	Impact and Outcome	: No	No	
	Implementation Progress (IP)	:	S	
	Potential Problem (PP)	:	S	Themes
	Override	:	No	
		:	No	Subthemes

GRANT NO(S)	APPROVAL	FUND	SIGNING	EFFECTIVITY	ORIGINAL	CLOSING REVISED	ACTUAL	PHYSICAL COMPLETION	ELAPSED GRANT PERIOD	END PRG PERIOD:
0138-MON	10 Dec 08	03	17 Dec 08		30 Jun 09			ORIG : Dec 11 REV :	ORIG. 40% REV.	
CURR VALUE OF GRANT:		APPR : 9.000		NET : 9.000						
BALANCE AVAILABLE:		9.000								

*Fund Code Legend: 03=ADF

REVIEW MISSIONS:	LAST: 03-02-2009	ACTUAL DAYS (last 12 months):	10
	NEXT:	PLANNED DAYS:	

EXECUTING AGENCIES: Ministry of Finance

PROGRAM FOCUS

1. POLICY REFORM

Developing the first targeted food stamp program to reach the poor and vulnerable:

2. INVESTMENT PROGRAM

The Program will deliver a short-term food safety net in the form of food stamps focused on poor households by pilot-testing methodologies for targeting the poor, improving existing systems, and building on existing structures. The food stamp program could be shut down or expanded depending on the severity of the food crisis. The project components will maximize learning opportunities from pilot testing and program implementation to develop and embed within the Government, system capacities and instruments for (i) proper targeting, (ii) measuring and analyzing impacts of the food crisis, (iii) external M&E, and (iv) community-based approaches to ensuring household food security. Actual implementation of the food stamp program will be used as a reference point for providing inputs to improve social welfare analysis tools and strategies. Technical inputs will be provided for applying lessons from food stamps implementation to other social welfare programs. Technical inputs will form the basis for active policy dialogue at the highest level of Government to promote institutional reforms of the social welfare sector.

3. INSTITUTIONAL ENHANCEMENT

The program, especially during its final stages, will make use of the livelihood support councils (LSCs) in validating beneficiary selection and identification, as well as in serving as a venue for raising appeals and grievances related to beneficiary selection. Training and other capacity-development activities will be provided to the LSCs. Expert inputs will be provided through the Project as necessary.

PROGRAM COMMITMENT AND TRANCHE RELEASES (Grant)

CUMULATIVE COMMITMENT	ADB	OTHERS	CUMULATIVE DISBURSEMENT TO NET BANK	TRANCHE/SUB TRANCHE NO.	TRANCHE AMOUNT	ORIGINAL DATE OF RELEASE	DATE PROJECTED IN FEB	TRANCHE DELAYS (Mos)	LATEST REVISION	ACTUAL DATE OF RELEASE
DEC 08	0									
28 Feb 09	0		LOAN(S): 0%	01	9000000	28/02/2009		0.0		

COVENANTS

COMPLIANCE WITH COVENANTS:	SECTOR COVENANTS	ENVIRONMENTAL COVENANTS	SOCIAL COVENANTS	FINANCIAL COVENANTS	ECONOMIC COVENANTS	OTHER COVENANTS
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MAJOR ISSUES/PROBLEMS (IP, Impact and Outcome, Covenants)

PROBLEM(S)	ACTION TAKEN/PROPOSED

EASS: 42322-02

IMPACT AND OUTCOME**Impact**

Description
The impact of the grants is reduced vulnerability to food insecurity through increased food supply and improved access to food for vulnerable and poor households.

Outcome

Description
The outcome is improved access to food by vulnerable and poor households through a targeted food safety net and strengthened social welfare systems.

Performance Targets/Indicators	Rating (HS,S,PS,U)	Progress/Status
<p>1. Impact:</p> <p>Daily calorie intake of lowest quintiles of income distribution increased from 1,728 in 2004 to at least 2,000 calories by 2015, data to be disaggregated by sex</p> <p>Percentage of under- weight newborn equal to or lower than 2004 levels (3.7%), data to be disaggregated by se</p>	S	
<p>2. Outcome:</p> <p>At least 100,000 household beneficiaries of the food stamp program by 2011</p> <p>Monthly per capita expenditure on food for lowest quintile in 2012 is equal to or greater than expenditure in 2006-2007 (\$14) at constant prices</p>	S	
<p>3. Outputs:</p> <p>Outreach targeting methodology adopted by Government for pilot testing by 2009</p> <p>At least 70% of beneficiaries identified by outreach methods after 2 years of operation, data to be disaggregated by sex</p> <p>Subprogram to Food II, including a food stamp program approved by the Government by 2009</p> <p>At least 70% of food stamps distributed to lowest two quintiles of income distribution, data to be disaggregated by sex</p> <p>At least 80% of beneficiaries receiving food stamps on time (on the dates specified) by 2011</p> <p>Capacity development tools designed, approved, and implemented by 2010</p> <p>At least 50% of soums and khoros reached by 2010</p> <p>Communication strategy adopted by steering committee and reflected on television and radio channels, printed material and community outreach activities by December 2009</p> <p>Methodology to measure impact of food price increases developed by 2010</p> <p>Community grant program established by 2010</p> <p>Policy notes produced for each group of reforms by October 2011</p>	S	

EASS: 42322-02

COVENANTS**Program and EA Accounts**

EA	FY End	FY	Months Due After FY	Due	Date Received	Months Delayed	Acceptable Y / N	Auditor's Opinion (Q, U or A)	Status of Compliance	Rating
Submission of Audited Project Accounts (APA):					Not Required					
Submission of Agency Financial Statements (AFS):					Not Required					
Overall Compliance and Rating:										
Findings/Actions Taken or To be Taken and other Remarks:										

Program Specific Covenants

Sector	
Environmental	
Social	S
Financial	S
Economic	
Others	S
Overall Rating	S

Problems/Remarks/Issues with Covenants

Update Control	: Asela Maria L. Arago
Last Updated by	: COSO Monthly Uploading
Last Modified on	: 19/03/2009 05:49 AM
Created on	: 13/01/2009 10:36 AM

EASS: 42322-02

Rating Criteria for the Assessment of Implementation Progress

Project: 42322-02 - FOOD & NUTRITION SOCIAL WELFARE PROGRAM & PROJECT (PROGRAM GRANT)

Loan Number:		Department:	EARD	Division:	EASS
Grant Number:	0138-MON				
Approval Date:	10/12/2008	Signing Date:	17/12/2008	Effectivity Date:	
Original Closing Date:	30/06/2009			Status:	ACTIVE

Loans Not Yet Effective	As of : 28/02/2009 2.6 months after loan approval 2.4 months after loan signing	IP Rating Satisfactory
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Override IP Rating (for COSO use only)		
New IP Rating:	Effective Date:	Date of Lifting:

Justification for Override	Justification for Lifting

Rating Upon Suspension (for COSO use only)		
New IP Rating:	Effective Date:	Date of Lifting:
Remarks:		

Update Control	: Asela Maria L. Arago
Last Updated by	: COSO Monthly Uploading
Last Modified on	: 19/03/2009 05:54 AM
Created on	: 13/01/2009 10:44 AM

EASS: 42322-02

IMPLEMENTATION PROGRESS

Project Outputs		
Description	Indicators / Targets	Status
1. Component 1: Design and implementation of a targeted food stamp program	Outreach targeting methodology adopted by Government for pilot testing by 2009	
1.1. Innovative targeting approaches for food stamps pilot-tested by December 2009	At least 70% of beneficiaries identified by outreach methods after 2 years of operation, data to be disaggregated by sex	
2. Component 1 - 1.2. A mechanism for delivering food stamps is established by June 2009	Subprogram to Food II, including a food stamp program approved by the Government by 2009	
	At least 70% of food stamps distributed to lowest two quintiles of income distribution, data to be disaggregated by sex	
	At least 80% of beneficiaries receiving food stamps on time (on the dates specified) by 2011	

Key Project Inputs

(Loan Categories from LFIS/Logical Framework)	Remarks
ADF: \$9 million program grant and \$3 million project grant	
Government: \$8 million for the program and \$330,000 for the project	

Key Assumptions/Risks (Input-Output)	Assessment of Current Status
Decision to expand or prolong the food stamp program will be based on recommendations from pilot approach	
Lack of coordination among ministries and levels of government	
Recommendations on the results from pilot-testing will not be turned into policy reforms	

Implementation Progress

Loans Not Yet Effective	As of : 28/02/2009 2.6 months after loan approval 2.4 months after loan signing	IP Rating Satisfactory
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Design Changes

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Recent Development (Date: 28/02/2009)

Grant Agreement signed 17 December 2008.
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Problems with IP

EASS: 42322-02

POTENTIAL PROBLEM PROJECT

Rating Criteria	Flag (Yes/NO)	Actual Rating	Remarks
1. Program Implementation Delays	No	NYE	
2. Poor Compliance with Covenants	No	S	
3. Fielding of Consultants	No	No Input	
4. Shortage of Counterpart Funds/Cofinancing	No	NYE	
5. Significant Disbursement Delays (yearly projection)	No		0.000 / 0.000= %
6. In Risk Country with History of Past Problems	No	25%	
7. Project Fielded Missions	No	10	
Overall Rating	No		< 4 flags

Override PP Rating (for COSO use only)		
New PP Rating:	Effective Date:	Date of Lifting:
Justification for Override	Justification for Lifting	

Update Control : Asela Maria L. Arago
 Last Updated by : COSO Monthly Uploading
 Last Modified on : 19/03/2009 05:56 AM
 Created on : 13/01/2009 02:02 PM

PROJECT PERFORMANCE REPORT (GRANT)

As of 28 Feb 2009

SERIAL NO :
 DIVISION : EASS
 DEPARTMENT : EARD
 PROJECT NO : 42322-01
 STATUS : ACTIVE

(ALL AMOUNTS IN US\$ MILLION)

BASIC DATA

NAME	PROJECT AT RISK	LAST:	CURR:	Targeting Classification
0137-MON: FOOD & NUTRITION SOCIAL WELFARE	Impact and Outcome	: No	No	TI
PROGRAM & PROJECT (CAP DEVT PJT)	Implementation Progress (IP)	:	S	Targeted Intervention
	Potential Problem (PP)	:	S	M - MDGT1
	Override	:	No	Themes
		:	No	ISD, GAD, CAD
				Subthemes
				Other vulnerable groups
				Equity in empowerment and rights
				Institutional Development

GRANT NO(S)	APPROVAL	FUND	SIGNING	EFFECTIVITY	ORIGINAL	CLOSING	ACTUAL	PHYSICAL COMPLETION	ELAPSED GRANT PERIOD
0137-MON	10 Dec 08	03	17 Dec 08		30 Jun 12	REVISED		ORG : Dec 11	ORG. 6%
								REV : Dec 11	REV.

*Fund Code Legend: 03=ADF

PROJECT PROGRESS: 0%

REVIEW MISSIONS: LAST: 03-02-2009 ACTUAL DAYS (last 12 months): 10
 NEXT: PLANNED DAYS:

EXECUTING AGENCIES: Ministry of Finance

FINANCING PLAN

PROJECT COST	TOTAL	COUNTERPART FUNDS ADEQUATE	CURRENT VALUE OF GRANT:	BALANCE AVAILABLE FOR COMMITMENT:
	3.330		APPROVED : 3.000	3.000
			NET : 3.000	

GRANT UTILIZATION

CUMULATIVE CONTRACT AWARDS				2009 CONTRACT AWARDS				TOTAL
	ADB	OTHERS	CUMULATIVE CONTRACTS TO NET GRANT(S): 0%	PROJ ACTUAL	1Q	2Q	3Q	
DEC 08	0.000	0.000			0.000	0.000	0.000	0.300
28 Feb 09	0.000	0.000			0.000	0.000	0.000	0.000
Proj 09	0.300							

CUMULATIVE DISBURSEMENTS				2009 DISBURSEMENTS				TOTAL
	ADB	OTHERS	CUMULATIVE DISBURSEMENTS TO NET GRANT(S): 0%	PROJ ACTUAL	1Q	2Q	3Q	
DEC 08	0.000	0.000			0.000	0.000	0.300	0.300
28 Feb 09	0.000	0.000			0.000	0.000	0.000	0.000
Proj 09	0.300							

COVENANTS

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

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

PROBLEM(S)	ACTION TAKEN/PROPOSED

EASS: 42322-01

IMPACT AND OUTCOME

Impact		
Description		
The impact of the grant is reduced vulnerability to food insecurity through increased food supply and improved access to food for vulnerable and poor households.		
Outcome		
Description		
The outcome is improved access to food by vulnerable and poor households through a targeted food stamp program and strengthened social welfare systems.		
Performance Targets/Indicators	Rating (HS,S,PS,U)	Progress/Status
1. Impact: Daily calorie intake of lowest quintiles of income distribution increased from 1,728 in 2004 to at least 2,000 calories by 2015, data to be disaggregated by sex Percentage of under- weight newborn equal to or lower than 2004 levels (3.7%), data to be disaggregated by sex	S	
2. Outcome: At least 100,000 household beneficiaries of the food stamp program by 2011 Monthly per capita expenditure on food for lowest quintile in 2012 is equal to or greater than expenditure in 2006-2007 (\$14) at constant prices	S	
3. Outputs: Outreach targeting methodology adopted by Government for pilot testing by 2009 At least 70% of beneficiaries identified by outreach methods after 2 years of operation, data to be disaggregated by sex Subprogram to Food II, including a food stamp program approved by the Government by 2009 At least 70% of food stamps distributed to lowest two quintiles of income distribution, data to be disaggregated by sex At least 80% of beneficiaries receiving food stamps on time (on the dates specified) by 2011 Capacity development tools designed, approved, and implemented by 2010 At least 50% of soums and khoroos reached by 2010 Communication strategy adopted by steering committee and reflected on television and radio channels, printed material and community outreach activities by December 2009 Methodology to measure impact of food price increases developed by 2010 Community grant program established by 2010 Policy notes produced for each group of reforms by October 2011	S	

EASS: 42322-01

IMPLEMENTATION PROGRESS

Project Outputs		
Description	Indicators / Targets	Status
1. Component 2: Capacity Development and Communication Strategy - Output 1: Capacity Development Activities Implemented	Capacity development tools designed, approved, and implemented by 2010	
	At least 50% of soums and khoroos reached by 2010	
2. Component 2 - Output 2: Communication Strategy Developed and Implemented	Communication strategy adopted by steering committee and reflected on television and radio channels, printed material and community outreach activities by December 2009	
3. Component 3 - Strengthening Social Welfare Strategies and Systems Output 1: Effective Food Crisis Response	Methodology to measure impact of food price increases developed by 2010	
	Community grant program established by 2010	
4. Component 3 - Output 2: A Package of Reform of Social Welfare Strategies	Policy notes produced for each group of reforms by October 2011	
	Knowledge product on social welfare institutional reforms developed by October 2011	
	Recommendations for social welfare reforms forwarded to cabinet by October 2011	
5. Output 3: An Early Warning and Response System to Social Shocks	Early warning and response system developed and approved by Steering Committee by 2011	

Key Project Inputs

(Loan Categories from LFIS/Logical Framework)		Remarks
1 - Equipment and Vehicle	79,000	
2 - Materials	217,000	
3 - Consulting Services	1,275,000	
4 - Community Grants	150,000	
5 - Staff Development & Workshops	600,000	
6 - Surveys and Studies	260,000	
7 - Monitoring and Evaluation System	50,000	
8 - PIU Costs	272,000	
9 - Unallocated	97,000	
Total	3,000,000	

(Loan Categories from LFIS/Logical Framework)

(Loan Categories from LFIS/Logical Framework)(RemarksLoan Categories from LFIS/Logical Framework)

Key Assumptions/Risks (Input-Output)	Assessment of Current Status
Outputs Risks: - Decision to expand or prolong the food stamp program will be based on recommendations from pilot approach - Lack of coordination among ministries and levels of government - Recommendations on the results from pilot-testing will not be turned into policy reforms	


EASS: 42322-01

Rating Criteria for the Assessment of Implementation Progress

Project: 42322-01 - FOOD & NUTRITION SOCIAL WELFARE PROGRAM & PROJECT (CAP DEVT PJT)

Grant Number: 0137-MON Department: EARD Division: EASS
 Approval Date: 10/12/2008 Signing Date: 17/12/2008 Effectivity Date:
 Original Closing Date: 30/06/2012 Status: ACTIVE

Loans Not Yet Effective	As of : 28/02/2009	IP Rating Satisfactory
	2.6 months after loan approval	
	2.4 months after loan signing	

Note: This is for recording purposes only and does not affect in any way the overall IP Rating. For guidelines in calculating project progress, please refer to Appendix 2 of PAIS.01 

Project Progress: 0%

Override IP Rating (for COSO use only)		
New IP Rating:	Effective Date:	Date of Lifting:

Justification for Override	Justification for Lifting

Rating Upon Suspension (for COSO use only)		
New IP Rating:	Effective Date:	Date of Lifting:
Remarks:		

Update Control : Asela Maria L. Arago
 Last Updated by : COSO Monthly Uploading
 Last Modified on : 19/03/2009 05:54 AM
 Created on : 13/01/2009 10:31 AM

EASS: 42322-01

POTENTIAL PROBLEM PROJECT

Rating Criteria	Flag (Yes/NO)	Actual Rating	Remarks
1. Project Implementation Delays	No	NYE	
2. Poor Compliance with Covenants	No	S	
3. Established, Staffed, and Operating PMU/PIU	No	S	
4. Fielding of Consultants	No	S	
5. Shortage of Counterpart Funds/Cofinancing	No	NYE	
6. Cost Overrun	No	NYE	
7. Poor Compliance with Audited Project Accounts and Agency Financial Statements	No	No Input	
8. Environmental or Social Problems	No	S	
9. Significant Disbursement Delays	No		0.000 / 0.000=
10. In Risk Sector in a Country with History of Past Problems	No	0%	
11. Project Fielded Missions	No	10	
Overall Rating	No		< 4 flags

Override PP Rating (for COSO use only)		
New PP Rating:	Effective Date:	Date of Lifting:
Justification for Override	Justification for Lifting	

Update Control : Asela Maria L. Arago
 Last Updated by : COSO Monthly Uploading
 Last Modified on : 20/03/2009 11:32 PM
 Created on : 13/01/2009 10:33 AM

PROJECT COMPLETION REPORT

Suggested Topics for Project Completion Reports to be Prepared by Borrower

I. PROJECT DESCRIPTION

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

II. PROJECT IMPLEMENTATION

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

III. INITIAL OPERATIONS

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

IV. EVALUATION OF THE ASIAN DEVELOPMENT BANK'S PERFORMANCE

A. Assess ADB's performance in supervising project implementation. Include comments on the adequacy of the consultants' terms of reference and appropriateness of specifications in tender documents. Evaluate the effectiveness and timeliness of assistance extended by ADB to solve implementation problems.

B. Comment on problems encountered with ADB's procedures. Note the measures taken to resolve these problems and suggest changes in procedures and requirements.

Worksheet for Quarterly & Yearly contract awards Projections (\$ Million)

Ref Line No	Category	Contract/Commitment item	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total projected for the year 2009
			Jan, Feb, Mar 2009	Apr, May, Jun 2009	Jul, Aug, Sep 2009	Oct, Nov, Dec 2009	
1	1	Equipment & vehicle	0.00	75.00	1.50	3.00	79.50
2	2	Materials	0.00	23.00	62.55	52.25	137.80
3	3	Consulting services	0.00	142.85	88.80	153.95	385.60
4	4	Community grants	0.00	0.00	40.00	40.00	80.00
5	5	Staff developments & workshops	34.16	84.35	78.28	135.76	332.55
6	6	Surveys & studies	0.00	0.00	15.00	25.00	40.00
7	7	M&E system	5.20	15.60	15.60	16.00	52.40
8	8	PIU cost	23.10	98.10	24.30	26.60	172.10
9		Total	62.46	438.90	326.03	452.56	1,279.95

Worksheet for Quarterly & Yearly disbursement Projections (\$ Million)

Ref Line No	Category	Contract/Commitment item	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total projected for the year 2009
			Jan, Feb, Mar 2009	Apr, May, Jun 2009	Jul, Aug, Sep 2009	Oct, Nov, Dec 2009	
1	1	Equipment & vehicle	0.00	75.00	1.50	3.00	79.50
2	2	Materials	0.00	23.00	62.55	52.25	137.80
3	3	Consulting services	0.00	142.85	88.80	153.95	385.60
4	4	Community grants	0.00	0.00	40.00	40.00	80.00
5	5	Staff developments & workshops	0.00	107.51	89.28	135.76	332.55
6	6	Surveys & studies	0.00	0.00	15.00	25.00	40.00
7	7	M&E system	0.00	20.80	15.60	16.00	52.40
8	8	PIU cost	0.00	121.20	24.30	26.60	172.10
9		Total	0.00	490.36	337.03	452.56	1,279.95

SAMPLE AUDIT LETTER

ASIAN DEVELOPMENT BANK

Regional Department
Sector Division / Regional or Resident Mission

Date]

[The Borrower]
Dear Sir or Madam:

Subject: **[Grant No. and Project/Program Title]**
FINANCIAL REPORTING AND AUDITING REQUIREMENTS

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

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

For this particular grant, the required Grant Agreement of _____ between ADB and [name of the EA]. Copies of the Grant Agreement are enclosed for onward transmission by your office to your EA and the auditor(s), together with a copy of this letter.

The following are the main requirements:

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

The first set of project accounts to be submitted to ADB covers the fiscal year ending _____. As stipulated in the Grant Project Agreement, they are to be submitted up to _____ months after the end of the fiscal year. For this grant, the deadline is by _____. A sample report format with explanatory notes, is attached as Annex A.
- The accounts and records for the project are to be consistently maintained by using sound accounting principles. Please stipulate that your external auditor is to express an opinion on whether the financial report has been prepared using international or local generally accepted accounting standards and whether they have been applied consistently.

ADB prefers project accounts to use international accounting standards prescribed by the International Accounting Standards Committee. Please Appendix 9

advise your external auditor to comment on the impact of any deviations, by [name of the Executing Agency] from international accounting standards.

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

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

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

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

Yours sincerely,

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

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

Grant 0137-MON: Food and Nutrition Social Welfare Project

Status of Compliance with Grant Covenants (As of 26 March 2009)

	Covenant	Status of Compliance
General		
1.	In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant`. (GA, Article IV, Section 4.01)	Being complied with.
2.	The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request. (GA, Article IV, Section 4.02 [a]).	Being complied with.
3.	The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree. (GA, Article IV, Section 4.02 [b])	Being complied with.

Grant 0137-MON: Food and Nutrition Social Welfare Project**Status of Compliance with Grant Covenants
(As of 26 March 2009)**

	Covenant	Status of Compliance
4.	The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents. (GA, Article IV, Section 4.03)	Being complied with.
5.	The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement. (GA, Article III, Section 3.01)	Being complied with.
6.	The Goods, consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such Goods, consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB. (GA, Article III, Section 3.02)	Being complied with.
7.	Except as ADB may otherwise agree, all Goods and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement. (GA, Article III, Section 3.03)	Being complied with.
8.	Withdrawals from the Grant Account in respect of Goods and consulting services shall be made only on account of expenditures relating to (a) Goods which are produced in and supplied from and consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and (b) Goods and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time. (GA, Article III, Section 3.04)	To be complied with.

Grant 0137-MON: Food and Nutrition Social Welfare Project

Status of Compliance with Grant Covenants (As of 26 March 2009)

Covenant	Status of Compliance
Condition of Withdrawals from Grant Account	
10. Except as ADB may otherwise agree, the Grant proceeds for financing Goods, consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time. (GA, Schedule II, Section 4)	To be complied with.
11. <u>Imprest Account; Statement of Expenditures</u> (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The currency of the imprest account shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Grant amount. (GA, Schedule II, Section 5[a])	Being complied with.
12. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. (GA, Schedule II, Sect 5[b])	To be complied with.
13. <u>Reallocation</u> Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table, (a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which	To be complied with.

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<p>have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and</p> <p>(b) if the amount of the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.</p> <p>(GA, Schedule 2, Section 3)</p>	

Condition of Award of Contract

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| 14. | All Goods and consulting services to be financed out of the proceeds of the Grant shall be subject to and governed by the Procurement Guidelines and the Consulting Guidelines, respectively.
(GA, Schedule 3, Section 1) | Being complied with. |
| 15. | All terms used and not otherwise defined in the Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.
(GA, Schedule 3, Section 2) | To be complied with. |

Executing Agency

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| 20. | The Recipient shall ensure that the MOF is the Project Executing Agency (EA) with overall responsibility for the implementation and coordination of activities with other partners. A multi-sectoral Steering Committee composed of senior level officials of (i) MOF, (ii) MSWL, with such official serving as the vice chair, (iii) the Ministry of Health, (iv) Ministry of Food and Agriculture, (v) National Statistics Office, (vi) Mongolian Employers Federation, (vii) Association of Elderly Persons, (viii) the agencies responsible for the distribution of food stamps, (ix) UNICEF, (x) a non-governmental organization engaged in food security programs, and (xi) ADB as observer, shall be established and shall meet quarterly to provide | Complied with. |
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<p>policy and strategic guidance to the Project. The Steering Committee shall be chaired by the head of the subprogram to the Food II Plan of the Recipient. An English language version of the minutes of Steering Committee meetings shall be forwarded to ADB on a quarterly basis. (GA, Schedule 4, Section 1)</p>	

Implementing Agency

21. MSWL shall be the Project implementing agency and shall be the primary responsible agency for delivering the expected results of the Project. A PIU with contracted staff shall be established within MSWL to facilitate administrative, financial, and procurement matters, and serve as the secretariat to the Steering Committee. The PIU shall closely consult with relevant ministries, agencies, and international partners. The PIU shall be headed by a qualified manager selected on a competitive basis. The PIU shall also include an administration and finance officer, secretary, and driver for the entire implementation period of the Project. MSWL shall organize a local structure to ensure effective food stamp implementation locally.
(GA, Schedule IV, Section 2)
- Complied with.

Project Implementation Unit

22. The PIU shall submit consolidated quarterly progress reports to ADB and to the Steering Committee and MSWL on all aspects of Project implementation. The reports shall include details on overall implementation progress, including summary financial information (receipts and disbursements), problems encountered during the reporting period, measures taken or proposed to be taken to remedy these problems, and the proposed program of activities for the following quarter. The reports shall also include an assessment of the implementation of FSP, following monitoring indicators included in the operational guidelines for FSP. A pilot testing completion report shall be submitted to ADB within one (1) month of completion of Approach 2 and Approach 3. Within three (3) months of completion of the Project and the Program, PIU shall prepare and submit to ADB,
- Being complied with.
Pilot testing is scheduled
II April-II May 2009

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<p>in a format acceptable to ADB, a completion report on the Project and the Program, including (i) the utilization and impact of the Project and Program grants, including a statement of expenditures; (ii) performance of the Program and the Project; (iii) economic and social benefits generated; and (iv) details about implementation, costs, and other information requested by ADB. (GA, Schedule IV, Section 3)</p>	
Counterpart Resources	
<p>23. The Recipient shall take steps and actions, including provision of staff resources, to ensure satisfactory completion in a timely manner of all Project outputs. The Recipient shall also implement the Project and monitor and evaluate its performance in line with the Project administration memorandum as agreed with ADB. (GA, Schedule IV, Section 4)</p>	To be complied with.
Allocation of Responsibilities	
<p>24. The Recipient shall ensure that the roles, responsibilities and accountabilities of all the concerned Government ministries and their attached agencies, <i>aimag</i>/district and <i>soum/khoroo</i> government units, and local livelihood support councils are clarified through operational guidelines to be issued through a joint order of MOF and MSWL to ensure clear distinctions in the mandates related to the Project and the Program. (GA, Schedule IV, Section 5)</p>	To be complied with.
Public Impropriety	
<p>25. The Recipient shall ensure cooperation with any investigation of any alleged public impropriety in the carrying out of the Project, and extend all necessary assistance, including access to relevant books, files and records. (GA, Schedule IV, Section 6)</p>	To be complied with.
Macroeconomic and Fiscal Sustainability Analysis of the Social Welfare System	
<p>26. Within 12 months of the Effective Date, the Recipient shall carry out a macroeconomic and fiscal sustainability analysis of the social welfare system. The Recipient shall ensure that the findings of such analysis are applied in the future</p>	To be complied with.

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budgetary allocation to the social welfare system. (GA, Schedule IV, Section 7)	
FSP Implementation	
28. The Recipient shall ensure that within 18 months of the Effective Date, based on the results of the pilot testing, a nationwide, targeted FSP is further developed, including application of the outreach targeting methodology to determine eligibility to receive benefits. (GA, Schedule IV, Section 8)	To be complied with.
Gender Action Plan	
29. The Recipient shall ensure that the PIU and MSWL will carry out the activities relating to the design and implementation of FSP, capacity development and communication strategy, and strengthening of social welfare strategies and systems that are set forth in the Gender Action Plan agreed between the Recipient and ADB and dated 14 November 2008, with sufficient human and financial resources and in a timely manner. (GA, Schedule IV, Section 9)	To be complied with.
Targeting	
30. The Recipient shall ensure that prior to the Effective Date, MSWL will have identified the list of sites for the pilot-testing of targeting approaches, and taken the necessary measures to ensure that the targeting approaches are implemented so that beneficiaries are not duplicated. (GA, Schedule IV, Section 10)	Complied with.
Food Stamp Operational Guidelines	
31. The Recipient shall ensure that prior to the Effective Date, MOF and MSWL will finalize FSP operational guidelines acceptable to ADB. (GA, Schedule IV, Section 11)	Complied with.
Review	
32. The Recipient shall ensure that reviews are carried out at least twice a year to identify issues and constraints, determine necessary remedial actions and adjustments, and advise on actions required to keep Project implementation in order. The Recipient and ADB shall also undertake a midterm	To be complied with.

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<p>review of the Project within eighteen (18) months of commencement of Project implementation. Such midterm review shall focus on (i) Project impacts, (ii) implementation progress, (iii) and the need for any adjustments in Project targeting approaches and implementation arrangements to ensure full achievement of the expected Project outcome and outputs. (GA, Schedule IV, Section 12)</p>	

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	Covenant	Status of Compliance
General		
1.	In the carrying out of the Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement. (GA, Article IV, Section 4.01)	Being complied with.
2.	The Recipient shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Grant and to record the progress of the Program. (GA, Article IV, Section 4.02[a])	Being complied with.
3.	The Recipient shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) above (GA, Article IV, Section 4.02 [b])	Being complied with.
4.	As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter. (GA, Article IV, Section 4.03 [a])	Being complied with.
5.	Without limiting the generality of the foregoing or Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter. (GA, Article IV, Section 4.03 [b])	Being complied with.
6.	In support of the Program: (a) the proceeds of the Grant shall be used to finance the costs of Eligible Items; and (b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other	To be complied with.

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Covenant	Status of Compliance
activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 9 of Schedule 4 to this Grant Agreement. (GA, Schedule 1, Section 2)	
Condition of Withdrawals from Grant Account	
7. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Grant proceeds from the Grant Account. (GA, Schedule 2, Section 1)	To be complied with.
8. (a) Withdrawals from the Grant Account shall be made for the financing of the cost of Eligible Items. (b) No withdrawals from the Grant Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other grants or loans made by ADB. (GA, Schedule 2, Section 2)	To be complied with.
9. (a) An application for withdrawal from the Grant Account shall be submitted to ADB by the Recipient and shall be in a form satisfactory to ADB. (b) Such withdrawal application shall be accompanied by a certificate of the Recipient confirming that with respect to the year during which the proceeds of the Grant are expected to be disbursed, the value of the Eligible Imports is expected to be equal to or greater than the amount of the Grant expected to be disbursed during such year. (c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Recipient during the relevant period minus the following imports during the same period: (i) imports from countries which are not members of ADB; (ii) imports for ineligible items specified in Attachment 1 to this Schedule; and (iii) imports financed from credits from official international or bilateral aid agencies or any other loans or grants made by ADB.	To be complied with.

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<p>(d) The Recipient shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Recipient has certified the value of Eligible Imports in its withdrawal application. (GA, Schedule 2, Section 3)</p>	
<p>10. (a) Prior to submitting the application to ADB for withdrawal from the Grant Account, the Recipient shall nominate an account (the Deposit Account) at the Bank of Mongolia into which all withdrawals from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.</p>	<p>Complied with.</p>
<p>(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Recipient shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.</p>	<p>To be complied with.</p>
<p>(c) Throughout the Program implementation period, the Recipient shall submit trade statistics and any other information as ADB may require from time to time to assess the Recipient's compliance with the formula for determining Eligible Imports. (GA, Schedule 2, Section 4)</p>	<p>To be complied with.</p>
<p>11. The Grant proceeds shall be disbursed in a single tranche upon effectiveness of this Grant Agreement, provided that sufficient progress has been achieved by the Recipient in the carrying out of the Program and that there has been no action by the Recipient which materially reverses the objectives of the Program. (GA, Schedule 2, Section 5)</p>	<p>To be complied with.</p>

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Negative List Under Schedule 2	
12. Grant proceeds will finance the foreign currency expenditures for the reasonable cost of imported goods required during the Program.	To be complied with.
<p>13. No withdrawals will be made for the following:</p> <p>(i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Recipient:</p> <p>Aloholic Beverages Tobacco, unmanufactured; tobacco refuse Tobacco, manufactured (whether or not containing tobacco substitute Radioactive and associated materials Pearls, precious and semiprecious stones, unworked or worked Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors Tobacco processing machinery Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) Gold, nonmonetary (excluding gold ore and concentrates)</p> <p>(ii) expenditures in the currency of the Recipient or of goods supplied from the territory of the Recipient;</p> <p>(iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;</p> <p>(iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;</p>	To be complied with.

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<p>(v) expenditures for narcotics;</p> <p>(vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party; and</p> <p>(vii) expenditures on account of any payment prohibited by the Recipient in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.</p>	
Provisions on Procurement	
<p>14.. Except as ADB may otherwise agree, the procedures referred to in the following paragraph of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Grant. (GA, Schedule 3, Section 1)</p>	Complied with.
<p>15 Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Recipient's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency. (GA, Schedule 3, Section 2 [a])</p>	To be complied with.
<p>16 Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB. (GA, Schedule 3, Section 3, [b])</p>	To be complied with.
Implementation Arrangements	
<p>17. The Recipient shall ensure that MOF is appointed as the Program Executing Agency to be responsible for the overall implementation of the Program, including coordinating the implementation of policy actions by various departments, Program administration,</p>	Complied with.

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	disbursements, and maintenance of Program records. The Recipient shall also ensure that MSWL is the implementing agency for the Program and is the primary responsible agency for delivering the expected results of the Program. (GA, Schedule 4, Section 1)	
18.	A multisectoral Steering Committee composed of senior level officials of (i) MOF, (ii) MSWL, with such official serving as the vice chair, (iii) Ministry of Health, (iv) Ministry of Food and Agriculture, (v) National Statistics Office, (vi) Mongolian Employers Federation, (vii) Association of Elderly Persons, (viii) the agencies responsible for the distribution of food stamps, (ix) UNICEF, (x) a non-governmental organization engaged in food security programs, and (xi) ADB as observer, shall be established and shall meet quarterly to provide policy and strategic guidance to the Program. The Steering Committee shall be chaired by the head of the subprogram to the Food II Plan of the Recipient. An English language version of the minutes of Steering Committee meetings shall be forwarded to ADB on a quarterly basis. (GA, Schedule 4, Section 2)	Complied with.
19.	The Recipient shall ensure that a PIU with contracted staff is established within MSWL to facilitate administrative, financial, and procurement matters, and serve as the secretariat to the Steering Committee. The PIU shall closely consult with relevant ministries, agencies, and international partners. The PIU shall be headed by a qualified manager selected on a competitive basis. The PIU shall also include an administration and finance officer, secretary, and driver for the entire implementation period of the Program. (GA, Schedule 4, Section 3)	Complied with.
20.	The Recipient shall ensure that an FSOU is established within MSWL and under the PIU to (i) provide the technical requirements for operating an FSP; (ii) augment the capacity of the Government to immediately undertake preparatory activities necessary for delivering food stamps such as proper targeting of the poor, quality printing and	Complied with.

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reproduction of the stamps, timely and orderly delivery of the stamps to the beneficiaries, and proper contracting with the key operators in the system (i.e., post offices, banks, printers and shopkeepers); (iii) provide technical assistance to MSWL and personnel from the Labor and Social Welfare Office at the district/ <i>aimag</i> and <i>soum/khoroos</i> levels; (iv) provide troubleshooting assistance in the event problems arise; and (v) provide technical support to consultants to be deployed under the Project. (GA, Schedule 4, Section 4)	

Continuity and Coordination of Reforms

21. The Recipient shall carry out the policies and actions in accordance with the schedule of reforms in the Policy Matrix and ensure that the reforms are sustained for and beyond the duration of the Program period; and (b) carry out its obligations as stipulated in this Schedule in a timely manner.
(GA, Schedule 4, Section 5)
- Being complied with.

Policy Dialogue

22. The Recipient shall keep ADB informed of, and the Recipient and ADB shall from time to time exchange views on, the progress made in carrying out the Program.
(GA, Schedule 4, Section 6)
- Being complied with
23. The Recipient shall engage in policy dialogue with ADB, in a timely manner, on problems and constraints encountered during Program implementation and on appropriate measures to overcome or mitigate such problems and constraints.
(GA, Schedule 4, Section 7)
- Being complied with.
24. The Recipient shall keep ADB informed of policy discussions with other multilateral or bilateral agencies that have implications for implementation of the Program, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Recipient shall, take ADB's views into consideration before finalizing and
- Being complied with.

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	implementing any such proposals. (GA, Schedule 4, Section 8)	
	Counterpart Funds	
25.	The Recipient shall ensure that the Counterpart Funds are provided as budgetary allocations to MSWL to meet the local currency costs relating to implamentation of FSP. (GA, Schedule 4, Section 9)	Complied with for 2009
	Program Review	
26.	The Recipient shall ensure that (i) the pilot testing of Approach 2 and Approach 3 are concurrently evaluated by 30 June 2010, and (ii) the household assessment survey instruments are refined based on the results of such pilot testing. The Recipient shall ensure that the refined survey instruments and lessons learned from Approach 2 and Approach 3 are incorporated in the final design and are applied to about 50,000 beneficiaries in 2010 and an additional 20,000 beneficiaries in 2011. The Recipient and ADB shall also undertake a midterm review of the Program within eighteen (18) months of commencement of Program implementation. Such midterm review shall focus on (i) Program impacts, (ii) implementation progress, (iii) and the need for any adjustments in Program targeting approaches and implementation arrangements to ensure full achievement of the expected Program outcome and outputs. (GA, Schedule 4, Section 10)	To be complied with. Pilot testing for Approach 2 is scheduled II April-II May 2009
	Policy Actions	
27.	In order for the Grant proceeds to be released, the following Policy Actions shall have been complied with to the satisfaction of ADB: The Recipient shall have caused the Government to have approved the subprogram to the Food II Plan in support of vulnerable groups and the poor through a decree issued by the Government. (GA, Schedule 5, Section 1)	Complied with.
28.	The Recipient shall have caused a steering committee, as an interministerial coordination	Complied with.

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mechanism to address the social implications of soaring food prices, to have been established, and terms of reference for such committee to have been prepared. (GA, Schedule 5, Section 2)	
29. The Recipient shall have caused the Government to have approved pilot testing of FSP, including development and implementation of an outreach targeting methodology based on a household assessment tool for at least two groups: (i) the elderly and disabled and (ii) the urban and rural poor in selected poverty areas. (GA, Schedule 5, Section 3)	Complied with.
30. The Recipient shall have caused a monitoring and evaluation system for FSP, including external monitoring, to have been initiated. (GA, Schedule 5, Section 4)	Complied with.
31. The Recipient shall have caused the Government to have allocated sufficient budgetary resources for FSP to ensure financial sustainability: (i) for FY 2008, a supplementary allocation of at least Togrogs 80,000,000 in the amended FY 2008 budget, and (ii) for FY 2009, at least Togrogs 10,000,000,000 in the FY 2009 budget. (GA, Schedule 5, Section 4)	Complied with.

ADB'S ANTICORRUPTION POLICY

The link of the ADB's Anticorruption Policy Paper is indicated below.

[http://www.adb.org/Documents/Policies/Anticorruption-Integrity/
Policies-Strategies.pdf](http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf)