

Facility Administration Manual

Project Number: 51192-001

Loan Number: {LXXXX}

September 2020

Proposed Multitranche Financing Facility
People's Republic of China: Inner Mongolia
Sustainable Cross-Border Development Investment
Program

ABBREVIATIONS

ADB	– Asian Development Bank
BCP	– border crossing point
BMG	– Baotou Municipal Government
BOIM	– Bank of Inner Mongolia
CAREC	– Central Asia Regional Economic Cooperation
CQS	– consultants' qualification selection
CRVA	– climate risk and vulnerability assessment
EARF	– environmental assessment review framework
ECZ	– economic cooperation zone
EMDF	– ethnic minority development framework
EMG	– Erenhot Municipal Government
EMP	– environmental management plan
ESMS	– environmental and social management system arrangement
FIL	– financial intermediation loan
FIs	– financial intermediaries
IDA	– interest rate differential account
IDOF	– Inner Mongolia Autonomous Region Department of Finance
IDRC	– Inner Mongolia Autonomous Region Development and Reform Commission
IEE	– initial environmental examination
IMAR	– Inner Mongolia Autonomous Region
IMARG	– Government of Inner Mongolia Autonomous Region
IPMO	– Inner Mongolia Autonomous Region Project Management Office
MFF	– multi-tranche financing facility
MOF	– Ministry of Finance
NDRC	– National Development and Reform Commission
OCB	– open competitive bidding
PAP	– Poverty Alleviation Program
PCR	– project completion report
PIA	– Project Implementation Agreement
PICs	– project implementation consultants
PIE	– project implementing entity
PIU	– project implementing unit
PLG	– project leading group
PMO	– project management office
POE	– privately owned enterprise
PPMS	– program performance management system
PRC	– People's Republic of China
QCBS	– quality- and cost- based selection
RCI	– regional cooperation and integration
RF	– resettlement framework
RP	– resettlement plan
SDGAP	– social development and gender action plan
SMEs	– small- and medium-sized enterprises
SOE	– state-owned enterprise
SPS	– Safeguard Policy Statement
TEIR	– tabulate of environmental impact registration
TRTA	– transaction technical assistance

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Facility Administration Manual Purpose and Process

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

The executing agency and implementing agencies are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by executing agency and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the FAM and ensure consistency with the Legal Agreements. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the FAM and the Legal Agreements, the provisions of the Legal Agreements shall prevail.

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

I. PROJECT DESCRIPTION

1. The proposed Multitranche Financing Facility (the MFF) for Inner Mongolia Sustainable Cross-Border Development Investment Program (Investment Program) will promote sustainable development of cross-border areas and mutually beneficial regional cooperation and integration (RCI) between Inner Mongolia Autonomous Region (IMAR) of the People's Republic of China (PRC) and Mongolia. The Investment Program will improve economic inclusion ecosystems, crucial services in the five IMAR border cross point (BCP)¹ communities and surrounding areas on both sides of the 3,200 kilometer (km) PRC–Mongolia frontier, which lags in economic and social development and confronts significant transboundary risks in relation to fragile ecosystems, health security, and other areas. Expanded financial and business support to small and medium-sized enterprises (SMEs) in border regions will spur local income growth. Establishment of an agricultural value chain will enhance livelihoods on both sides of the frontier. The program will have strong regional spillover benefits to Mongolia: improvement in infrastructure and services at IMAR–Mongolia BCPs will boost the volume and quality of trade, creating about 3,300 direct and indirect jobs in Mongolia. The geographical areas to be covered by the Investment Program include: (i) Erenhot Municipality; (ii) Darhan Muminggan United Banner (Damaoqi County) and Qingshan District in Baotou Municipality; (iii) Arxan City in Xing'an League (Xing'an Municipality); (iv) Alxa Left Banner (Azuoqi County) in Alxa League (Alxa Municipality); (v) Bayannur Municipality; and (vi) SMEs² located in IMAR through selected financial intermediaries (FIs).

2. **Impact and Outcome.** The Investment Program is aligned with the following impact: sustainable economic development and shared prosperity for Central Asia Regional Economic Cooperation (CAREC)³ region achieved. The Investment Program will result in the following outcome: sustainable economic opportunities and living conditions in areas along the IMAR–Mongolia border improved.

3. **Outputs:** The Investment Program will deliver four major outputs to address the key constraints:

- (i) **Sustainable infrastructure for cross-border connectivity and health services improved.**⁴ The investment program will support sustainable infrastructure and institutional changes at five key BCPs stretched over 2,000 km along the border between IMAR and Mongolia. This output comprises: (a) establishing a smart port management systems including one-stop inspection and intelligent vehicle queuing; (b) installing a wind-powered, clean energy heating supply for the Erenhot–Zamyn-Uud Economic Cooperation Zone (ECZ); (c) building connecting and access roads at ECZs and BCPs; (d) improving a transit systems to smooth and speed up BCP logistics and reduce transboundary health risks including storage and transshipment facilities, customs clearance systems, and sanitary and phytosanitary clearance facilities; and (e) enhancing capacity and quality of services at the PRC–Mongolia International Hospital in Erenhot through the provision of advanced medical equipment and technical training on regional health security issues.

¹ Five ports open to Mongolia, including Erenhot, Mandula, Ganqimaodu, Arxan and Uliji Ports, will be supported by the investment program.

² The classification of SMEs is defined in Statistical Methods on Classification of Micro-, Small-, Medium-, and Large-Sized Enterprises, which was endorsed by National Bureau of Statistics, PRC on 28 December 2017.

³ ADB. 2017. *CAREC 2030: Connecting the Region for Shared and Sustainable Development*. Manila.

⁴ G20 Principles for Quality Infrastructure Investment will be followed such as principles of sustainability, resilience, inclusiveness, and innovative technologies.

- (ii) **Ecological environment in key border towns improved.** This output includes: (a) creating protective forest strips to safeguard BCP communities from sandstorms and improving their environmental conditions using smart forestation technologies such as advanced reclaimed water irrigation and intelligent fertilization; (b) piloting a smart municipal waste collection system and introducing recycling systems to reduce negative impacts from human activities on the environment.
- (iii) **Income-generating opportunities expanded.** This output comprises: (a) providing local currency loans to SMEs engaged in cross-border businesses through a financial intermediation loan (FIL); (b) strengthening IMAR's business development service system for SMEs with particular support going toward piloting a program to support female entrepreneurs and SMEs led by women; (c) developing an inclusive sheep value chain to create economic opportunities for farmers in border areas by building animal quarantine facilities, sheep processing logistics park, stud sheep breeding and farming bases at the Mandula port, and a livestock tracing and management system; and (d) establishing the Poverty Alleviation Program (PAP) to ensure that poor households, including those headed by women, are integrated into the value chain.
- (iv) **Cross-border cooperation mechanisms, technical project management, and institutional capacity strengthened.** This output includes: (a) annual international workshops to support existing bilateral coordination mechanisms at the Erenhot–Zamyn-Uud BCP and facilitate cross-border policy dialogue between the PRC and Mongolia; (b) training for agricultural enterprises, farming households, and rural cooperatives to improve their use of livestock farming technology, animal disease prevention, and livestock waste management; and (c) training for executing agency, implementing agencies, project implementing entities (PIEs), and counterpart Mongolian officials in safeguards, procurement, financial management, gender equality, and awareness of sexual exploitation and harassment.

4. For the first tranche of the Investment Program, the Government of Inner Mongolia Autonomous Region (IMAR) has requested €166.53 million to finance the following activities as per output (Appendix 1 for the detailed subproject summaries):

- (i) **Under Output 1, it includes:**
 - a) **Inspection Area Construction for the PRC–Mongolian Erenhot–Zamyn-Uud ECZ,** including (1) construction of inspection area; and (2) establishment of smart port management platform; (3) construction of cross-border economic cooperation center; (4) establishment of fencing, alarm and monitoring system in the ECZ; (5) construction of clean energy heating and pipe network for the ECZ;
 - b) **Upgrading the Mandula Port International (Highway) Logistics Park,** including (1) expansion of port freight passage roads, (2) construction of service area, (3) construction of customs supervision center, and
 - c) **Upgrading Medical Equipment and Facilities for the Hospital,** including procurement of 86 sets of advanced medical equipment and facilities.
- (ii) **Under Output 2, it includes:**
 - a) **Ecological Restoration for the PRC–Mongolian Erenhot–Zamyn-Uud ECZ,** including (1) ecological protection greenbelt along the central axis, including reclaimed water storage and irrigation facilities, and landscape lighting; and (2) ecological protection greenbelt along roadsides, including

- reclaimed water storage and irrigation facilities; and
 - b) **Waste Collection and Transfer Station in ECZ, and Sanitation Intelligent Cloud Platform in Erenhot**, including (1) construction of one waste collection and transfer station; (2) procurement of supporting facilities; and (3) establishment of sanitation intelligent cloud platform.
- (iii) **Under Output 3, it includes:**
 - a) **Loans to SMEs in IMAR through selected FIs**, including (1) providing credit to SMEs that are engaged in cross-border trade and logistics, agribusiness, manufacturing, and cross-border tourism in IMAR using the FIL modality (the eligibility criteria for SMEs is listed in Appendix 2); (2) strengthening IMAR's business development services system for SMEs; and (3) supporting IMAR's pilot project of providing well-designed business support program for female entrepreneurs and SMEs owned or led by women in the border areas; and
 - b) **Establishment of Quarantine Station in Mandula Port and Expansion of Sheep Breeding Bases**, including (1) upgrading stud sheep breeding base, (2) construction of a quarantine station in Mandula Port, (3) upgrading five sheep farming bases, (4) establishment of product traceability and management system, (5) establishment of a PAP, (6) Construction of sheep slaughtering, processing and logistic park, and (7) project management and monitoring.
- (iv) **Under Output 4, it includes:**
 - a) Cross-border policy dialogue workshops;
 - b) providing training to the private agricultural enterprise, large-scale farmer households, rural cooperatives and poor households to increase their use of livestock farming technology, animal disease prevention and livestock waste management;
 - c) providing on-job training to doctors and nurses, customs and inspection staff, other technicians to enhance their service capacity;
 - d) providing training in safeguards, procurement, financial management and reporting to executing agency, implementing agencies and PIEs to improve their project management capacity, under the support from project implementation consultants (PICs); and
 - e) carrying out social surveys to identify the benefits accompanied with the promotion of RCI to local people.

5. The list of an indicative pipeline of subprojects for Tranches 2 and 3 of the investment program is presented in Appendix 12.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Project Readiness Activities

Indicative Activities	2020												2021			Responsibility
	Q1			Q2			Q3			Q4			Q1			
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	
ADB management review meeting																ADB
FCUP submission and approval																IMARG, NDRC
Project Financial Review Report submission and approval																IMARG, MOF
Loan negotiations																ADB, MOF, IMARG
Advance contracting actions																ADB, IMARG
Retroactive financing actions																ADB, IMARG
ADB Board approval																ADB
Loan and project agreements signed																ADB, MOF, IMARG
Government legal opinion provided																MOF, IMARG
Onlending and Relending agreement signing																MOF, IMARG
Loan effectiveness																ADB, MOF
Domestic EIAs and TEIRs approved																EEB

ADB = Asian Development Bank, EEB = Ecology and Environment Bureau, EIA = environmental impact assessment, FCUP = foreign capital utilization plan, IMARG = Government of Inner Mongolia Autonomous Region, MOF = Ministry of Finance, NDRC = National Development and Reform Commission, TEIR = tabulate of environmental impact registration.

Source: Asian Development Bank.

B. Overall Project Implementation Plan

Table 2: Investment Program Implementation Plan - Tranche 1

Activity	2020		2021				2022				2023				2024				2025				2026				2027		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Output 1: Sustainable infrastructure and services for cross-border connectivity improved																													
1.1 Detailed design completed by Q1 2021																													
1.2 Advertisement by Q2 2021																													
1.3 Complete bidding process by Q4 2021																													
1.4 Procurement of medical facilities of the Hospital in Erenhot completed by Q4 2022																													
1.5 Functions of smart port facilities and systems in Erenhot Port confirmed by Q1 2027																													
1.6 Construction of logistics park facilities and buildings in Mandula Port completed by Q1 2027																													
Output 2: Ecological environment in key border towns improved																													
2.1 Detailed design completed by Q1 2021																													
2.2 Advertisement by Q2 2021																													
2.3 Complete bidding process by Q4 2021																													
2.4 Protective forest in the Erenhot-Zamyn Uud ECZ completed by Q1 2027																													
2.5 Functions of sanitation intelligent cloud service platform operated confirmed by Q1 2027																													
Output 3: Income generating opportunities expanded																													
3.1 Onlending to selected qualified SME subborrowers completed by Q1 2027																													
3.2 Detailed design completed by Q1 2021																													
3.3 Advertisement by Q2 2021																													
3.4 Complete bidding process by Q4 2021																													
3.5 Carry out the Poverty Alleviation Program by Q1 2027																													
3.6 Carry out the Stud Sheep Breeding Program by Q1 2027																													
3.7 Upgrading five sheep farming bases by Q3 2024																													
3.8 Establish product traceability and management system by Q3 2024																													
3.9 Construction of quarantine station facilities completed by Q1 2027																													
Output 4: Cross-border mechanisms, technical project management and institutional capacity strengthened																													
4.1 Carry out annual RCI International Workshop by Q1 2027																													
4.2 Carry out technical and project management training workshops by Q1 2027																													
4.3 On-site job trainings to the Hospital Management, doctors, and nurses by Q1 2027																													
4.4 Carry out capacity building activities by Q1 2027																													
Management activities - reporting and monitoring																													
1 Recruit and manage program start-up consultants by Q1 2021																													
2 Recruit and manage project implementation consultants by Q3 2027																													
3 Develop and maintain the PPMS by Q3 2027																													
4 Semi-annual project progress reports (including Investment loan component and FIL component)																													
5 Semi-annual environmental safeguard monitoring reports - Investment loan																													
6 Semi-annual Social safeguard monitoring reports - Investment loan																													
7 Semi-annual ESMS monitoring progress reports - financial intermediation modality loan																													
8 Inception / Annual / Midterm / Final Review Missions																													
9 Project audited financial statements																													
10 Entity financial statements (FIs and PIEs)																													
11 Project completion report																													

Loan effectiveness - T1

Tranche 1 completion

Tranche 1 closing

Advance contracting Mid-term review

ECZ = economic cooperation zone, ESMS = environmental and social management system, FIL = financial intermediation loan, FIs = financial intermediaries, IMAR = Inner Mongolia Autonomous Region, PIE = project implementing entity, PPMS = program performance management system, Q = quarter, RCI = regional cooperation and integration, SMEs = small and medium-sized enterprises.

Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

Table 3: Roles and Responsibilities of Project Implementation Organizations Tranche 1

Project Implementation Organizations	Management Roles and Responsibilities
The Government of Inner Mongolia Autonomous Region , represented by the Project leading group (PLG)	<p>Headed by Inner Mongolia Autonomous Region (IMAR) Vice Governor and consists of representatives of IMAR DRC (IDRC), IMAR Department of Finance (IDOF), Department of Commerce, Office of Port Management, vice-mayor of project municipal governments and the Chief Executive Officer of privately owned enterprise (POE). They will:</p> <ul style="list-style-type: none"> ➤ Provide overall coordination and supervision for project preparation and implementation; ➤ Coordinate project implementation activities among government agencies; and ➤ Resolve any institutional problems affecting project preparation and implementation.
IMAR Department of Finance - IDOF	<p>On behalf of the Government of IMAR, responsible for overall project financial management. They will:</p> <ul style="list-style-type: none"> ➤ Sign relending agreement with the MOF on behalf of IMARG; ➤ Open and manage the project advance account, replenishment of advances made, and liquidation; ➤ Review, approve, and submit loan withdrawal applications to ADB on behalf of the Government of IMAR; ➤ Sign onlending agreement with the governments of project municipalities/districts/counties (represented by the local BOF) and FIs; ➤ Prepare and monitor repayment plan of ADB loan and repayment works; and ➤ Ensure that counterpart funds and other resources for the subprojects are provided in a timely manner.
IMAR Project Management Office - IPMO (established under IDRC)	<p>On behalf of the Government of IMAR, the IPMO will be responsible for overall coordination and supervision of project preparation and implementation, including:</p> <ul style="list-style-type: none"> ➤ Facilitate interagency coordination and coordinate with other involved agencies; ➤ Direct project preparation and implementation activities; ➤ Recruit procurement agency; ➤ Recruit and manage PICs; ➤ Prepare payment requests for project management and capacity building activities, and submit to IDOF for review and approval; ➤ Prepare annual work programs and budgets; ➤ Guide project procurement activities, including the review and submission of bidding documents, bid evaluation reports (BERs), and other necessary documentation to ADB for necessary approval; ➤ Under Tranches 2 and 3, ensure that eligibility criteria for subprojects and other requirements stipulated in the relending agreement are met; ➤ Implement the activities for project management and institutional capacity building; ➤ Ensure the eligibility criteria and other requirements for SMEs under financial intermediation loan modality are met, including those to be financed by revolved funds; ➤ Establish and implement the project grievance redress mechanism;

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> ➤ Establish PPMS within 6 months after loan effectiveness to monitor project progress, including regular monitoring of physical and financial progress, and safeguards compliance; ➤ Support PIEs with the implementation of EMP, RP, and SDGAP, EMDF, RF and EARF for subprojects for subsequent tranches, and assist FIs in implementing ESMS; ➤ Ensure project implementation compliance with loan agreement and project agreement; ➤ Facilitate and participate in annual ADB review missions; ➤ Cooperate with the audit department for auditing of project accounts; ➤ Consolidate and submit (1) semiannual project progress reports (including investment loan and financial intermediation loan); (2) semiannual environmental safeguard monitoring progress report, including the implementation of EMP and EARF; (3) semiannual social safeguard monitoring progress report, including the implementation of SDGAP; (4) semiannual ESMS monitoring progress report; (5) annual project audited financial statements; (6) annual audited entity financial statements for PIEs and FIs; and (7) midterm and project completion reports to ADB and the Government of IMAR, with assistance from the PICs; and ➤ Summarize the project experience and facilitate project replication over the regional ECZs.
Implementing agencies (project municipal governments, represented by the Municipal Project Management Office - MPMO).	On behalf of project municipal government, the MPMOs will be responsible for overall coordination and supervision of subproject preparation and implementation in its level, including:
Tranche 1: <ul style="list-style-type: none"> • Erenhot Municipality • Baotou Municipality 	<ul style="list-style-type: none"> ➤ Facilitate interagency coordination and coordinate with other involved parties in its level; ➤ Direct subproject preparation and implementation activities; ➤ Prepare the annual work plan and budget in coordination with the PIEs; ➤ Organize and conduct procurement activities, particularly attend bid opening, supervise the bid evaluation process, and endorse BERs for all related procurement packages;
Tranche 2: <ul style="list-style-type: none"> • Alxa Municipality • Bayannur Municipality • Xing'an Municipality 	<ul style="list-style-type: none"> ➤ Coordinate training and capacity development activities; ➤ Establish and implement the local level grievance redress mechanism; ➤ Establish baseline data to monitor project impacts and outputs, including but limited to regular monitoring of physical and financial progress; ➤ Implement the RP, SDGAP, EMP and other safeguard related action plans; ➤ Facilitate the identification of candidate SMEs for financial intermediation modality loan; ➤ Prepare and submit its level (1) semiannual project progress reports; (2) semiannual environmental safeguard monitoring progress report, including the implementation of EMP; (3) semiannual social safeguard monitoring progress report, including the implementation of SGDAP; (4) annual project financial statements; (5) annual audited entity financial statements from PIEs; and (6) midterm and project completion reports to IPMO, with assistance from the PICs; and ➤ Liaise with IPMO, ADB, and other agencies as needed.
Financial intermediaries	<ul style="list-style-type: none"> ➤ Fulfill the responsibilities of FIs for the loans as stipulated in PRC Banking regulations;
Tranche 1: <ul style="list-style-type: none"> • Bank of Inner Mongolia 	<ul style="list-style-type: none"> ➤ Enter into Onlending Agreement with the Government of IMAR (represented by IDOF);

Project Implementation Organizations	Management Roles and Responsibilities
<ul style="list-style-type: none"> Other FI(s) to be selected if any 	<ul style="list-style-type: none"> ➤ Set up and maintain a project implementing unit (PIU) to implement day-to-day activities; ➤ Adopt ESMS and conduct environmental and social due diligence for SME qualified subprojects using the eligibility criteria and in accordance with the ESMS; ➤ Confirm that the SMEs have required permit and approvals including environment approval and land allocation from local governments; ➤ Conduct financial due diligence and creditworthiness analysis on the SME applicants; ➤ Participate in the external audit of project accounts by providing access to the audit department; ➤ Monitor interest payment and principal repayment of loans by the SMEs and report to IPMO any defaults; ➤ Prepare and submit (1) semiannual project progress reports; (2) semiannual ESMS monitoring progress report; (3) annual project financial statements; (4) entity audit financial statements and provide inputs for (5) midterm and project completion reports to IPMO, with assistance from the PICs; and ➤ Liaise with IPMO, ADB, and other agencies as needed.
Municipal/District/County Bureau of Finance	<ul style="list-style-type: none"> ➤ Sign onlending agreement with IDOF on behalf of local government; ➤ Sign onlending agreement with PIEs on behalf of local government; ➤ Review and approve payment requests from PIEs and submit to BOF up one level (or IDOF) for further review and approval; and ➤ Ensure timely provision of counterpart funds.
Project Implementing Entities	<ul style="list-style-type: none"> ➤ Set up and maintain a PIU to implement day-to-day activities; ➤ Recruit design institutes for preliminary and detailed designs; ➤ Prepare the bidding documents with the support of procurement agency, participate bid evaluation, including the signing of BERs, and signing and administration of contracts with the aid of procurement agency;
Tranche 1:	
Erenhot Municipality:	<ul style="list-style-type: none"> ➤ Ensure environmental and social safeguards are complied with based on ADB's Safeguard Policy Statement (2009);
1. Erenhot Yixin Urban & Rural Development and Construction and Asset Management Co., Ltd (Yixin) (SOE)	<ul style="list-style-type: none"> ➤ Establish and maintain the required project accounting arrangement and other implementation recording systems; ➤ Prepare payment requests and submit to the local BOF for review and confirmation; ➤ Retain supporting documents under payment request procedure; ➤ Maintain the project's financial records, making them ready for inspection by ADB missions;
Baotou Municipality:	
2. Damaoqi Pine Boolean Property Service Co., Ltd (Songbuer) (SOE);	<ul style="list-style-type: none"> ➤ Provide MPMO with inputs to (1) semiannual project progress report, (2) semiannual environmental safeguard monitoring progress report, (3) semiannual social safeguard monitoring progress report, and (4) annual subproject financial statements, and (5) audit financial statements for POE, with assistance from the PICs, and (6) midterm report and project completion report;
3. Inner Mongolia Xiao Wei Yang Stock Raising Sciences and Technologies Co., Ltd (Xiaowei yang) (POE)	<ul style="list-style-type: none"> ➤ Operate and maintain the facilities constructed or improved under the project; and ➤ Liaise with PMOs, ADB, and other agencies as needed.
Asian Development Bank	<ul style="list-style-type: none"> ➤ Provide guidance and support to executing and the implementing agencies to ensure compliance with loan and project agreements; ➤ Conduct regular loan review missions, midterm review mission, and project completion review; ➤ Review and approve sub-loans to SMEs that require prior review under FIL;

Project Implementation Organizations	Management Roles and Responsibilities
	<ul style="list-style-type: none"> ➤ Review and approve procurement actions; ➤ Disburses the loan in accordance with the agreed procedures upon receipt of duly authorized disbursement applications and necessary supporting documentation; ➤ Monitor the project implementation progress; ➤ Review annual audit reports and follow up on audit recommendations; ➤ Review project progress reports and monitors implementation of EMP, SDGAP, ESMS, EARF and EMDF; ➤ Ensures that the Government of IMAR act on any non-compliance issues; and ➤ Develop partnership with the Government of IMAR and supervises program implementation to ensure ADB interests are safeguarded.

ADB = Asian Development Bank, BOF = Bureau of Finance, EARF = environmental assessment review framework, ECZ = economic cooperation zone, EMDF = ethnic minority development framework, EMP = environmental management plan, ESMS = environmental and social management system, FIL = financial intermediation loan, FIs = financial intermediaries, IDOF = Inner Mongolia Autonomous Region Department of Finance, IDRC = Inner Mongolia Autonomous Region Development Reform Commission, IPMO = Inner Mongolia Autonomous Region Project Management Office, MOF = Ministry of Finance, MPMO = municipal project management office, PCR = project completion report, PICs = project implementation consultants, PIE = project implementing entity, PIU = project implementing unit, PLG=project leading group, , PPMS = program performance management system, RF = resettlement framework, RP = resettlement plan, SDGAP = social development and gender action plan, SMEs = small and medium-sized enterprises, SPS = Safeguard Policy Statement,.

Source: Asian Development Bank.

B. Key Persons Involved in Implementation

Executing Agency

IMAR Department of Finance

Officer's Name: Mr. Tang Lifeng
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IMAR Development and Reform Commission

Officer's Name: Mr. Li Xueyan
 Position: Director of Foreign Capital and Economic Cooperation Division; Deputy PMO Director, IDRC

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Inner Mongolia Xiao Wei Yang Stock Raising Sciences and Technologies Co., Ltd (POE)

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Asian Development Bank

Public Management, Financial Sector, and Regional Cooperation Division, EARD

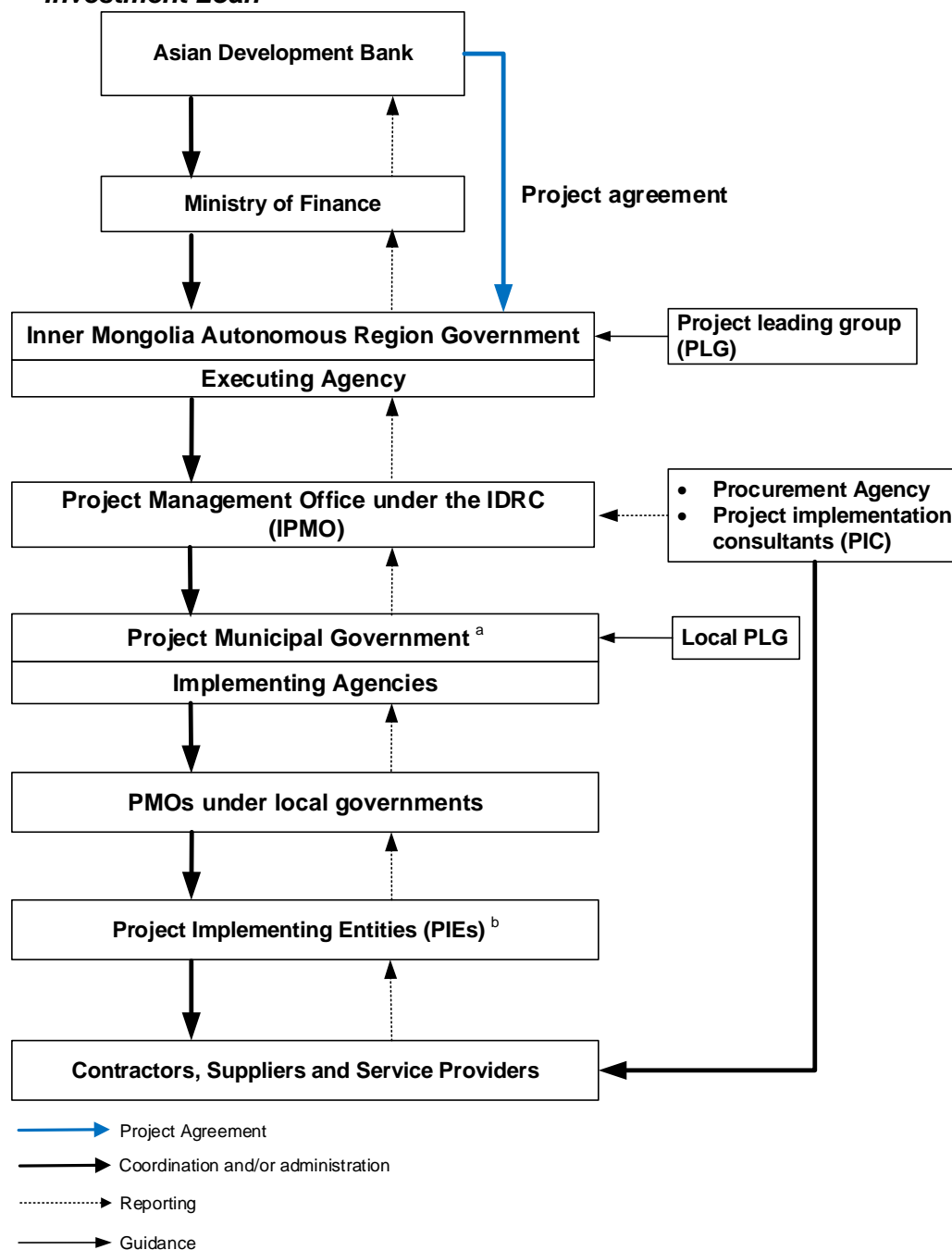
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C. Project Organization Structure

C.1 Investment Loan



*including public and private entities, jointly called PIEs.

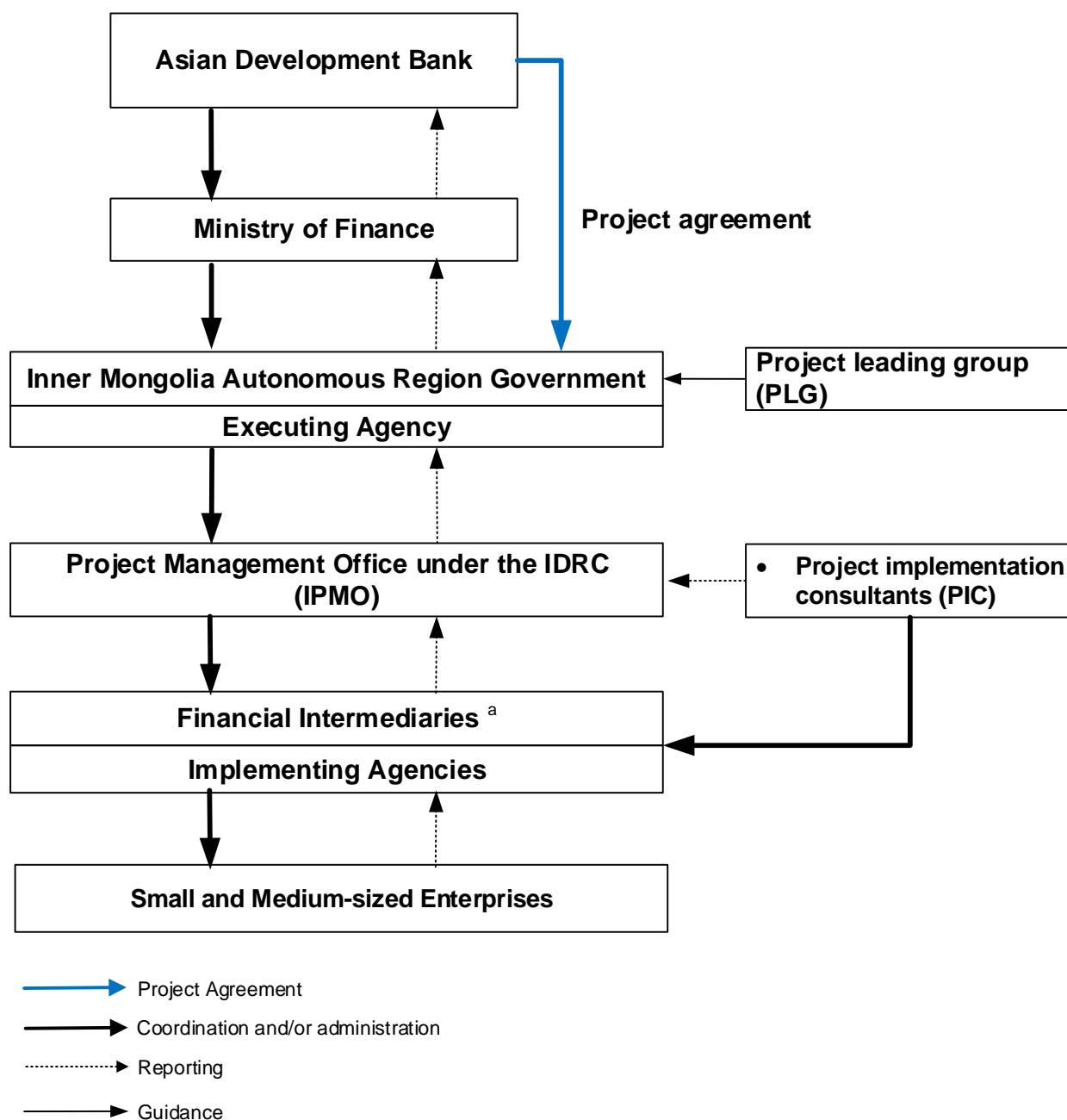
^a Including Baotou Municipal Government and Erenhot Municipal Government under Tranche 1.

^b Including state-owned enterprises (SOE) and privately owned enterprise (POE), jointly called PIEs. Under Tranche 1, PIEs are Yixin (SOE), Songbuer (SOE) and Xiaoweiayang (POE).

IDRC = Inner Mongolia Autonomous Region Development and Reform Commission, IMAR = Inner Mongolia Autonomous Region, IPMO = Inner Mongolia Autonomous Region Project Management Office.

Source: Asian Development Bank.

C.2 Financial intermediation loan



^a Bank of Inner Mongolia and any other banks to be selected as financial intermediaries under Tranche 1.
 IDRC = Inner Mongolia Autonomous Region Development and Reform Commission, IMAR = Inner Mongolia Autonomous Region, IPMO = Inner Mongolia Autonomous Region Project Management Office.
 Source: Asian Development Bank.

IV. COSTS AND FINANCING

A. Cost Estimates Preparation and Revisions

6. The program investment costs include goods, works, and consulting services to support the sustainable infrastructure and health services for cross-border connectivity, improve local people's living conditions, including ecological environment and medical services, and equipment and materials as well as capacity building and training. Furthermore, the program will provide subloans to qualified SMEs through eligible FIs.

7. **Preparation.** The cost estimates were prepared jointly by the design institutes, IPMO, Erenhot Municipal Project Management Office (EPMO), Baotou Municipal Project Management Office (BPMO), Damaoqi County Project Management Office (DPMO), PIEs, FIs and ADB with assistance from the transaction technical assistance (TRTA) consultants. The sources and basis for cost estimates were reviewed during the program preparation and had been confirmed by relevant parties. The process was facilitated by a model in excel software which enabled easy updating or revision, if necessary. The model is maintained by both IPMO and ADB.

8. **Revisions.** Revision of cost estimates will be conducted when deemed necessary during implementation. The IPMO will be responsible for proposing and drafting the revision which will be subject to ADB's approval.

B. Key Assumptions

9. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: \$1.00 = CNY6.9196, €1 = 8.1568 (as of 25 August 2020).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

Table 4: Escalation Rates for Price Contingency Calculation

Item	2019	2020	2021	2022	2023	2024	2025	Average
Foreign rate of price inflation	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%	1.6%	1.57%
Domestic rate of price inflation	1.9%	1.8%	2.0%	2.1%	2.1%	2.1%	2.1%	2.01%

Source: Asian Development Bank estimates.

C. Summary Cost Estimates and Financing Plan

10. The Investment Program is estimated to cost €753.62 million, including physical and price contingencies, interest and other charges during the implementation, for all three tranches (Table 5).

Table 5: Investment Plan for the Investment Program
(€ million)

Item		Amount ^a
A.	Base Cost ^b	
1.	Sustainable infrastructure for cross-border connectivity and health services improved	377.74
2.	Ecological environment in key border towns improved	111.21
3.	Income-generating opportunities expanded	156.95
4.	Cross-border cooperation mechanisms, technical project management and institutional capacity strengthened	6.27
	Subtotal (A)	652.16
B.	Contingencies ^c	97.39

	Item	Amount ^a
C.	Financing Charges During Implementation ^d	4.06
	Total (A+B+C)	753.62

^a Includes taxes and duties of about €47.98 million for the entire multitranche financing facility to be financed from domestic government resources and ADB loan resources. Such amount does not represent an excessive share of the project cost. ADB will finance taxes and duties of €36.82 million. The government will finance taxes and duties of €11.16 million, which will be provided in cash contribution.

^b In mid-2019 prices.

^c Physical contingencies computed at 8% of base cost excluding initial working capital. Price contingencies computed at 1.5% for 2019, 1.5% for 2020, and 1.6% for 2021 and thereafter on foreign exchange costs, and 1.9% for 2019, 1.8% for 2020, 2.0% for 2021, and 2.1% for 2022 and thereafter on local currency. Contingencies include provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest, commitment charges and any other financing charges for all sources of financing. Interest during implementation for the ordinary capital resources loan has been computed at the EURIBOR-based 7-year United States dollar fixed swap rate corresponding to the implementation period plus an effective contractual spread of 0.5% and an average loan maturity premium of 0.1%. Commitment charges for the ordinary capital resources loans are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

11. The government has requested an MFF denominated in euros of up to €356,295,000 (equivalent to \$420,000,000) from ADB's ordinary capital resources to help finance the investment program. The MFF consists of three tranches, subject to the government's submission of related periodic financing requests, execution of the related loan and project agreements for each tranche, and fulfillment of terms and conditions and undertakings set forth in the framework financing agreement. The first tranche of €166,525,000 million of the MFF will comprise two loans: (i) an investment loan amount of €149,559,000 million with a 25-year term, including a grace period of 6 years; and (ii) an financial intermediation modality loan of €16,966,000 (equivalent to \$20 million) with an 18-year term with bullet repayment method. The FIL funding will revolve. Loans from the Government of IMAR to the financial intermediaries will have 6-year term, while subloans to SMEs are typically 1-2 years. Interest and other charges during construction will not be capitalized. Loan proceeds will have (i) a custom-tailored repayment method, (ii) an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, (iii) a commitment charge of 0.15% per year; (iv) an average maturity of 15.98 years and an average loan maturity premium of 0.1%; and (v) such other terms and conditions set forth in the draft loan and project agreements. The ADB loan will finance 47.28% of the program costs, including civil works, goods and taxes and duties for eligible ADB-financed expenditures. The Government of IMAR will make counterpart funds available for physical and price contingencies, and financing charges during implementation. The financing plan of the Investment Program is in Table 6 and ADB financing for the Investment program is in Table 7.

Table 6: Summary Financing Plan of the Investment Program (€ million)

Source	Tranches 1, 2 and 3 (estimated year of PFR submission)			MFF	Share of Total (%)
	T1 (2020)	T2 (2022)	T3 (2024)		
Asian Development Bank					
Ordinary capital resources	166.53	100.44	89.33	356.29	47.28
Government	115.35	85.60	97.18	298.13	39.56
Others^a	63.27	35.93	0.00	99.20	13.16
Total	345.14	221.97	186.51	753.62	100.00

MFF = multi-tranche financing facility, PFR = periodic financing request.

^a Resources reflecting contributions by participating financial intermediaries (€57.04 million) and privately owned enterprise (€42.16 million).

Source: Asian Development Bank estimates.

Table 7: ADB Financing for the Investment Program
(€ million)

Sources	Tranche 1	Tranche 2	Tranche 3	Total	Share of Total (%)
1. Sustainable infrastructure for cross-border connectivity and health services improved	100.28	64.99	39.67	204.94	57.5
2. Ecological environment in key border towns improved	13.65	8.70	42.91	65.26	18.3
3. Income-generating opportunities expanded	50.90	25.00	4.99	80.89	22.7
4. Cross-border cooperation mechanisms, technical project management, and institutional capacity strengthened	1.70	1.75	1.75	5.20	1.5
Total	166.53	100.44	89.32	356.29	100.0

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

D. Detailed Cost Estimates by Expenditure Category

Table 8: Detailed Cost Estimates by Expenditure Category – Tranche 1
(€ million)

Item	CNY Million			€ Million			% of Total Base Cost
	Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost	
A. Investment Costs							
1. Civil Works	314.393	943.178	1257.571	38.544	115.631	154.174	51.1%
Financed by ADB	241.675	725.026	966.702	29.629	88.886	118.514	39.3%
Non-ADB Financed	72.717	218.152	290.869	8.915	26.745	35.660	11.8%
2. Goods (Equipment & Materials)	212.647	53.162	265.808	26.070	6.517	32.587	10.8%
Financed by ADB	135.678	33.919	169.597	16.634	4.158	20.792	6.9%
Non-ADB Financed	76.969	19.242	96.211	9.436	2.359	11.795	3.9%
3. Stud Sheep Breeding Program	118.36	29.59	147.96	14.51	3.63	18.14	6.0%
4. Poverty Alleviation Program	0.00	100.00	100.00	0.00	12.26	12.26	4.1%
5. FIL-SME Financing	221.43	55.36	276.78	27.15	6.79	33.93	11.2%
Financed by ADB	110.71	27.68	138.39	13.57	3.39	16.97	5.6%
Non-ADB Financed	110.71	27.68	138.39	13.57	3.39	16.97	5.6%
6. Capacity Building	13.84	8.65	22.48	1.70	1.06	2.76	0.9%
Financed by ADB	13.84	0.00	13.84	1.70	0.00	1.70	0.6%
Non-ADB Financed	0.00	8.65	8.65	0.00	1.06	1.06	0.4%
7. Land Acquisition and Resettlement	0.00	78.81	78.81	0.00	9.66	9.66	3.2%
8. Project Management Fee	0.00	207.76	207.76	0.00	25.47	25.47	8.4%
9. Working Capital	0.00	104.85	104.85	0.00	12.85	12.85	4.3%
Total Base Cost (A)	880.67	1,581.36	2,462.03	107.97	193.87	301.84	100.0%
B. Contingencies							
1. Physical Contingency	70.45	118.12	188.57	8.64	14.48	23.12	7.7%
2. Price Contingency	39.79	108.86	148.65	4.88	13.35	18.22	6.0%
Sub-total (B)	110.24	226.98	337.22	13.52	27.83	41.34	13.7%
C. Financing Charges During Implementation							
1. Interest During Implementation	11.74	0.00	11.74	1.44	0.00	1.44	0.5%
2. Commitment Charges	4.26	0.00	4.26	0.52	0.00	0.52	0.2%
Sub-total (C)	16.00	0.00	16.00	1.96	0.00	1.96	0.6%
Total Project Cost (A+B+C)	1,006.91	1,808.34	2,815.25	123.44	221.70	345.14	114.3%

ADB = Asian Development Bank, FIL = financial intermediation loan, SME = small- and medium-sized enterprise.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

E. Allocation and Withdrawal of Investment Loan Proceeds

Table 9: Allocation and Withdrawal of Loan Proceeds-Tranche 1

No.	Category	Total Amount Allocated for ADB Financing (€)	Percentage and Basis for Withdrawal from Loan Account
1	Civil Works, Goods, Stud Sheep Breeding Program, Poverty Alleviation Program, Capacity Building, Training and Workshops ^b	149,559,000	Up to 100% of total expenditure claimed ^a
2	FIL Component ^c	16,966,000	100% of total expenditures claimed
Total		166,525,000	

^a Detailed category allocations and disbursement percentages to be used during disbursement are indicated in Table 10 of the FAM or otherwise agreed between the Borrower and ADB.

^b Subject to the condition for withdrawal described in paragraph 6 of Schedule 3 of the Loan Agreement for the purpose of the Xiaoweiayang subproject.

^c Subject to the condition for withdrawal described in paragraph 7 of Schedule 3 of the Loan Agreement.

Source: Asian Development Bank estimates.

Table 10: Detail Allocation and Withdrawal of Loan Proceeds-Tranche 1^a

Item	Total Amount Allocated for ADB Financing (€)		Percentage and Basis for Withdrawal from the Loan Account
	Category	Subcategory	
1. Civil Works	96,672,000		
1A Erenhot		57,197,000	87% of total expenditures claimed
1B Mandula Port		37,580,000	76% of total expenditures claimed
1C Xiaoweiayang ^a		1,895,000	62% of total expenditures claimed
2. Goods, Stud Sheep Breeding Program, Poverty Alleviation Program, Capacity Building, Training and Workshops	52,887,000		
2A Erenhot		19,153,000	100% of total expenditures claimed
2B Xiaoweiayang ^a		1,639,000	100% of total expenditures claimed
2C Stud Sheep Breeding ^a		18,139,000	100% of total expenditures claimed
2D Poverty Alleviation Program ^a		12,259,000	100% of total expenditures claimed
2E Capacity Building, Training and Workshops		1,697,000	100% of total expenditures claimed
3. FIL Component^b	16,966,000		100% of total expenditures claimed
Total	166,525,000		

FIL= financial intermediation loan, SME = small and medium-sized enterprise.

^a Subject to the condition for withdrawal described in paragraph 6 of Schedule 3 of the Loan Agreement.

^b Subject to the condition for withdrawal described in paragraph 7 of Schedule 3 of the Loan Agreement.

Source: Asian Development Bank estimates.

F. Detailed Cost Estimates by Financier

Table 11: Detailed Cost Estimates by Financier – Tranche 1
(€ million)

Item	Total Cost	ADB		Government		Privately owned		FIs		Taxes and duties
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs										
1. Civil Works	154.17	96.67	62.7%	43.39	28.1%	14.11	9.15%			12.73
1.1 Erenhot	88.71	57.20	64.5%	31.51	35.5%					7.32
Financed by ADB	66.00	57.20	86.7%	8.81	13.3%					5.45
Non-ADB Financed	22.71	-	-	22.71	100.0%					1.88
1.2 Mandoula	49.46	37.58	76.0%	11.87	24.0%					4.08
Financed by ADB	49.46	37.58	76.0%	11.87	24.0%					4.08
Non-ADB Financed										0.00
1.3 Xiaowei yang	16.01	1.89	11.8%			14.11	88.2%			1.32
Financed by ADB	3.06	1.89	62.0%			1.16	38.0%			0.25
Non-ADB Financed	12.95	-	-			12.95	100.0%			1.07
2. Goods (Equipment & Materials)	32.59	20.79	63.8%	11.80	126.1%	-	-			3.75
2.1 Erenhot	25.92	19.15	73.9%	6.77	26.1%					2.98
Financed by ADB	19.15	19.15	100.0%	-	-					2.20
Non-ADB Financed	6.77	-	-	6.77	100.0%					0.78
2.2 Mandoula	5.02	-	-	5.02	100.0%					0.58
Financed by ADB										0.00
Non-ADB Financed	5.02	-	-	5.02	100.0%					0.58
2.3 Xiaowei yang	1.64	1.64	100.0%	-	-					0.19
Financed by ADB	1.64	1.64	100.0%							0.19
Non-ADB Financed										0.00
3. Stud Sheep Breeding Program	18.14	18.14	100.0%							1.03
4. Poverty Alleviation Program	12.26	12.26	100.0%							0.69
5. FIL-SME Financing	33.93	16.97	50.0%					16.97	50.0%	0.99
Financed by ADB	16.97	16.97	100.0%							0.49
Non-ADB Financed	16.97	-	-					16.97	100.0%	0.49
6. Capacity Building	2.76	1.70	61.6%			1.06	38.4%			0.08
Financed by ADB	1.70	1.70	100.0%			-	-			0.05
Non-ADB Financed	1.06	1.06	100.0%			-	-			0.03
7. Land Acquisition and Resettlement	9.66	-	-	7.30	75.5%	2.37	24.5%	-	-	0.28
8. Project Management Fee	25.47	-	-	23.09	90.6%	2.38	9.4%	-	-	0.74
9. Working Capital	12.85	-	-	-	-	12.85	100.0%	-	-	0.37
Total Base Cost (A)	301.84	166.53	55.2%	85.57	28.3%	32.78	10.9%	16.97	5.6%	20.67
B. Contingencies										
1. Physical Contingency	23.12	-	-	16.05	69.4%	4.34	18.8%	2.73	11.8%	
2. Price Contingency	18.22			12.40	68.0%	4.63	25.4%	1.19	6.6%	
Sub-total (B)	41.34	-	-	28.45	68.8%	8.97	21.7%	3.92	18.4%	
C. Financing Charges During Implementation										
1. Interest During Implementation	1.44			0.93	64.3%	0.32	22.2%	0.19	13.5%	
2. Commitment Charges	0.52			0.40	76.8%	0.09	18.0%	0.03	5.2%	
Sub-total (C)	1.96			1.33	67.6%	0.41	21.0%	0.22	11.3%	
Total Project Cost (A+B+C)	345.14	166.53	48.2%	115.35	33.4%	42.16	12.2%	21.11	6.1%	
% of Total Project Cost	100.00%	48.25%		33.42%		12.21%		6.12%		20.67

ADB = Asian Development Bank, FIL= financial intermediation loan, SME = small and medium-sized enterprise.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

G. Detailed Cost Estimates by Outputs

Table 12: Detailed Cost Estimates by Outputs – Tranche 1
(€ million)

Item	Total Cost	Output 1: Sustainable infrastructure for cross-border connectivity and health services improved		Output 2: Ecological environment in key border towns improved		Output 3: Income-generating opportunities expanded		Output 4: Cross-border cooperation mechanism, technical project management and institutional capacity strengthened	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs									
1. Civil Works	154.17	126.76	82.2%	11.41	7.4%	16.01	10.4%		
2. Goods (Equipment & Materials)	32.59	30.95	95.0%	0.00	0.0%	1.64	5.0%		
3. Stud Sheep Breeding Program	18.14					18.14	100.0%		
4. Poverty Alleviation Program	12.26					12.26	100.0%		
5. FIL-SME Financing	33.93					33.93	100.0%		
6. Capacity Building	2.76					-	0.0%	2.76	100.00%
7. Land Acquisition and Resettlement	9.66	4.77	49.4%	2.52	26.1%	2.37	24.5%		
8. Project Management Fee	25.47	21.42	84.1%	1.67	6.6%	2.38	9.4%		
9. Working Capital	12.85	0.00	0.0%	0.00	0.0%	12.85	100.0%		
Total Base Cost (A)	301.84	183.90	60.9%	15.60	5.2%	99.58	33.0%	2.76	0.91%
B. Contingencies									
1. Physical Contingency	23.12	14.80	64.0%	1.26	5.4%	7.06	30.6%		
2. Price Contingency	18.22	10.84	59.5%	1.56	8.6%	5.82	32.0%		
Sub-total (B)	41.34	25.64	62.0%	2.81	6.8%	12.89	31.2%		
C. Financing Charges During Implementation									
1. Interest During Implementation	1.44	0.91	62.9%	0.02	1.4%	0.51	35.7%		
2. Commitment Charges	0.52	0.35	67.3%	0.05	9.5%	0.12	23.2%		
Sub-total (C)	1.96	1.26	64.1%	0.07	3.6%	0.63	32.4%		
Total Project Cost (A+B+C)	345.14	210.79	61.1%	18.48	5.36%	113.11	32.8%	2.76	0.80%

ADB = Asian Development Bank, FIL= financial intermediation loan, SME = small and medium-sized enterprise.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

H. Detailed Cost Estimates by Year

Table 13: Detailed Cost Estimates by Year – Tranche 1
(€ million)

Item	Total Cost	2021	2022	2023	2024	2025	2026
A. Investment Costs							
1. Civil Works	154.17	13.85	27.98	43.80	34.39	23.29	10.86
2. Goods (Equipment & Materials)	32.59	-	24.17	3.39	5.02	-	-
3. Stud Sheep Breeding Program	18.14	-	9.62	8.52	-	-	-
4. Poverty Alleviation Program	12.26	-	4.90	3.68	3.68	-	-
5. FIL-SME Financing	33.93	6.79	20.36	6.79	-	-	-
6. Capacity Building	2.76	0.69	0.96	0.46	0.33	0.17	0.15
7. Land Acquisition and Resettlement	9.66	7.15	2.51	-	-	-	-
8. Project Management Fee	25.47	5.09	5.77	5.22	3.97	2.87	2.55
9. Working Capital	12.85	-	-	-	5.14	5.14	2.57
Total Base Cost (A)	301.84	33.58	96.28	71.85	52.54	31.47	16.13
B. Contingencies							
1. Physical Contingency	23.12	2.69	7.70	5.75	3.79	2.11	1.08
2. Price Contingency	18.22	0.64	3.54	4.25	4.34	3.35	2.10
Sub-total (B)	41.34	3.32	11.25	10.00	8.14	5.45	3.19
C. Financing Charges During Implementation							
1. Interest During Implementation	1.44	0.00	0.09	0.23	0.33	0.38	0.41
2. Commitment Charges	0.52	0.12	0.20	0.11	0.06	0.02	0.01
Sub-total (C)	1.96	0.13	0.28	0.34	0.38	0.41	0.42
Total Project Cost (A+B+C)	345.14	37.03	107.81	82.19	61.06	37.33	19.73

ADB = Asian Development Bank, FIL= financial intermediation loan, SME = small and medium-sized enterprise.

Note: Numbers may not sum precisely because of rounding.

Source: Asian Development Bank estimates.

I. Contract and Disbursement S-Curve

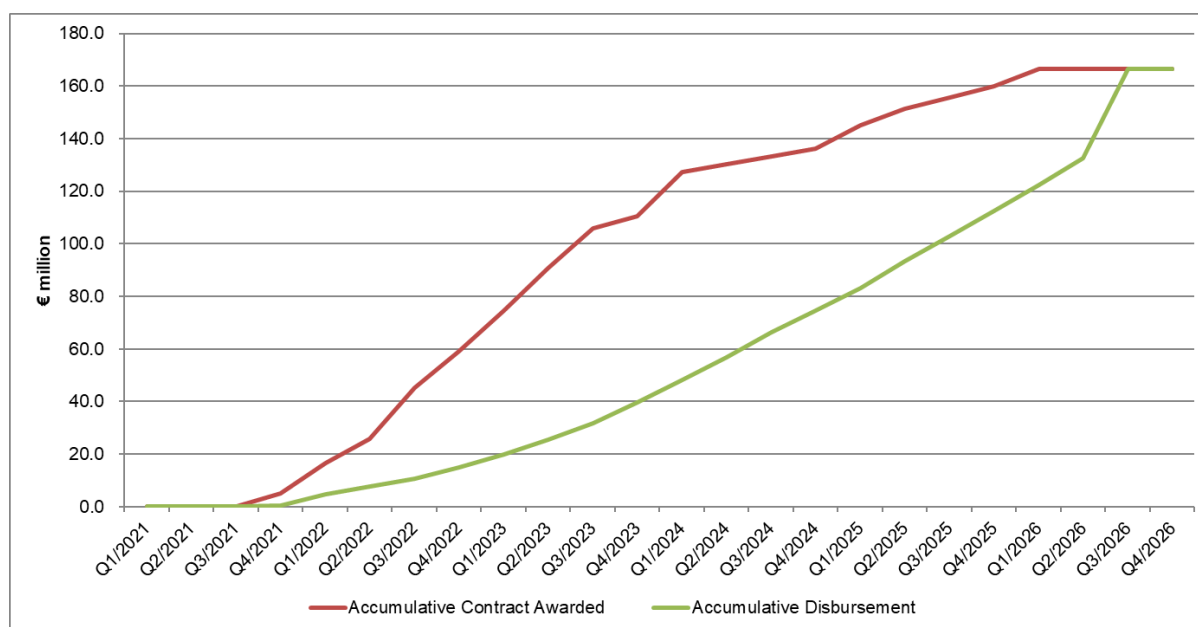
Table 14: Contract Awards and Disbursements -Tranche 1
(€ million)

Year	Projected Contract Awards					Projected Disbursement				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2021	0.00	0.00	0.07	4.89	4.96	0.00	0.00	0.01	0.49	0.50
2022	11.69	9.00	19.50	13.94	54.13	4.24	2.95	3.04	4.28	14.52
2023	15.40	16.34	15.14	4.48	51.35	5.01	5.56	6.16	7.91	24.63
2024	16.73	2.97	2.97	3.14	25.81	8.59	8.71	9.56	8.15	35.01
2025	8.90	6.10	4.40	4.40	23.80	8.58	9.99	9.56	9.76	37.88
2026	6.48	0.00	0.00	0.00	6.48	9.97	10.15	33.87	0.00	53.99
Total	59.27	34.41	42.00	30.84	166.53	36.38	37.36	62.19	30.59	166.53

Q = quarter.

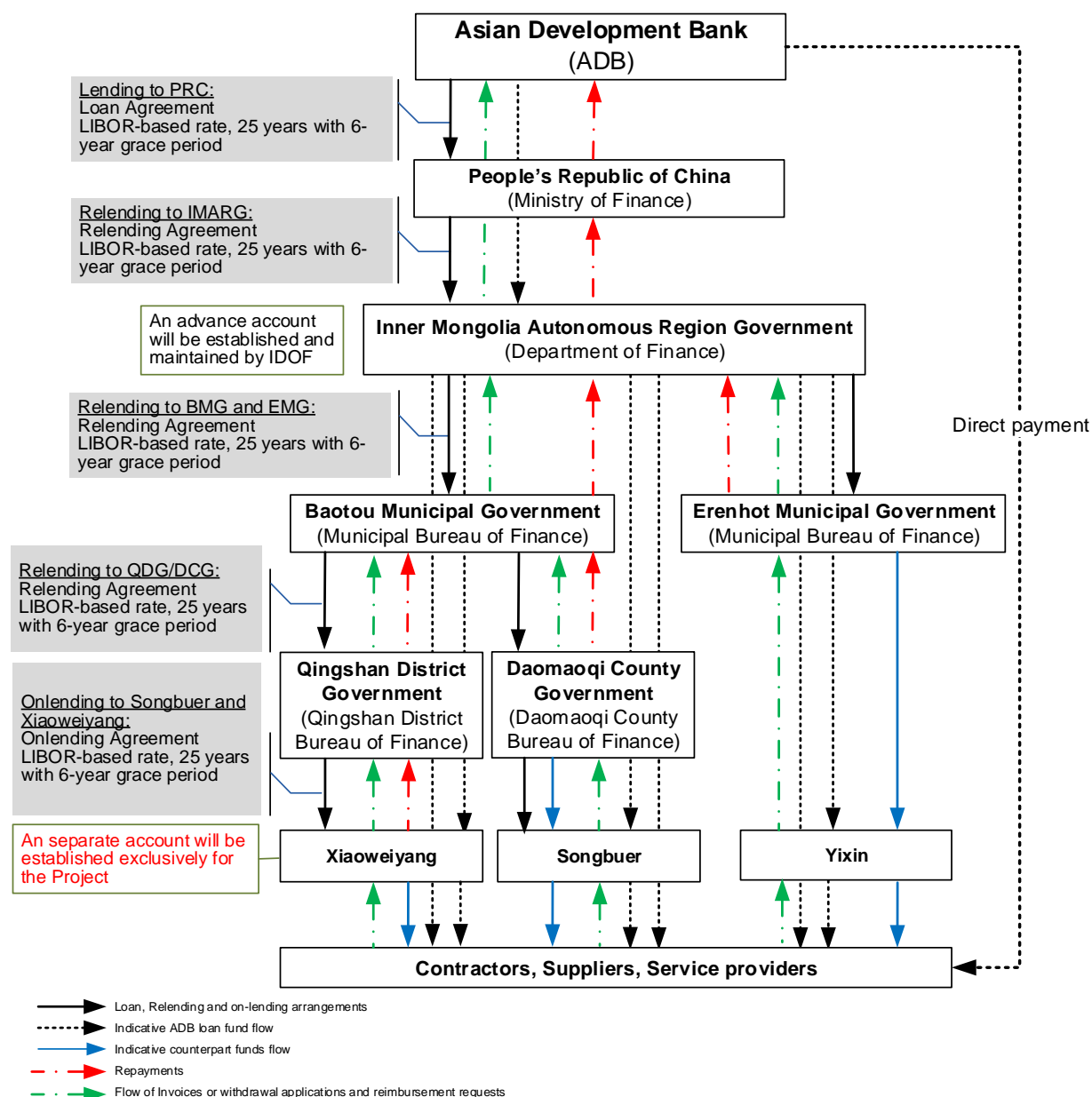
Source: Asian Development Bank estimates.

S-curve – Tranche 1



J. Fund Flow Diagram

J.1 Investment Loan

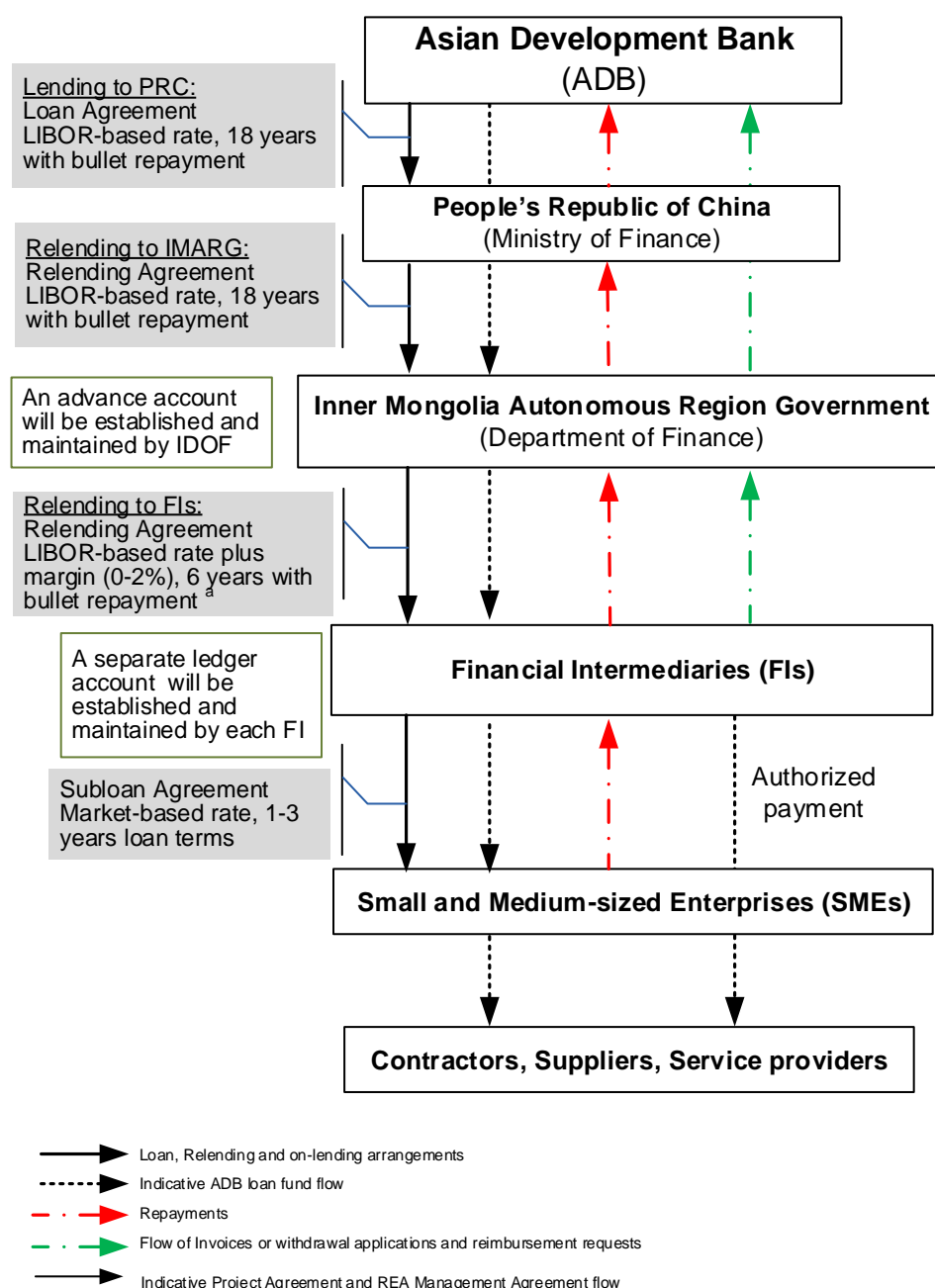


BMG = Baotou Municipal Government, DCG = Damaoqi County Government, EMG = Erenhot Municipal Government, IDOF = Inner Mongolia Autonomous Region Department of Finance, LIBOR = London interbank offered rate, POE = Privately owned enterprise, PRC = the People's Republic of China, QDG = Qingshan District Government, Songbuer = Damaoqi Pine Boolean Property Service Co.,Ltd, Xiaowei yang = Inner Mongolia Xiao Wei Yang Stock Raising Sciences and Technologies Co., Ltd, Yixin = Erenhot Yixin Urban & Rural Development and Construction and Asset Management Co., Ltd.

* ADB Funds from the Advance Account to/through the BMG and EMG are through reimbursement.

Source: Asian Development Bank.

J.2 Financial intermediation loan



ADB = Asian Development Bank, FIs = financial intermediaries, IDOF = Inner Mongolia Autonomous Region Department of Finance, LIBOR = London interbank offered rate, PRC = the People's Republic of China.

^a The loan will be renewed after the repayment and the interest rate margin can be adjusted based on the performance of the FIs and market interest rate.

* ADB Funds from the advance account to FIs are based on the signed of subloan agreements.

Source: Asian Development Bank.

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

12. The financial management assessment (FMA) was conducted in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: A Methodology Note. The FMA considered the capacity of the executing agency - the government of IMAR, the implementing agencies for Tranche 1 – Erenhot Municipal Government (EMG), Baotou Municipal Government (BMG), and FIs, and three PIEs, including two state owned enterprise (SOE) and one privately owned enterprise (POE). The assessment covered funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements.

13. **Executing agency.** On behalf of the government of IMAR, the IDOF is responsible for the financial management and supervision of the whole program. It has implemented a number of foreign-funded projects, including ADB projects, in recent years. IDOF has accumulated sufficient knowledge and experience in ADB policies and procedures, particularly on the management of advance accounts and processing of loan disbursements. The key staff at IDOF remain unchanged in recent years, and there has been no significant change in the policies and procedures on the side of the Government since the implementation of the Budget Law in 2015. It has been assessed as capable of undertaking the required financial supervision. IMAR has the capacity to manage the advanced account.

14. **Implementing agencies.** BMG and EMG, and selected FIs, namely Bank of Inner Mongolia (BOIM), and other FIs to be selected during the project implementation if any. Baotou Municipal BOF (BBOF) and Erenhot Municipal BOF (EBOF) will be responsible for the financial management and supervision of the respective subprojects, on the behalf of BMG and EMG respectively. IDOF will share financial management experience with BBOF and EBOF. BOIM has a sound financial management foundation.

15. **Project implementing entities.** The PIEs for Tranche 1 are (i) Erenhot Yixin Urban & Rural Development and Construction and Asset Management Co., Ltd (SOE) (Yixin), (ii) Damaoqi Pine Boolean Property Service Co.,Ltd (SOE) (Songbuer), and (iii) Inner Mongolia Xiao Wei Yang Stock Raising Sciences and Technologies Co., Ltd (POE) (Xiaoweiyang). Based on the assessment, Yixin and Xiaoweiyang have sound financial management but Songbuer is currently rather weak in financial management.

16. The assessment identified the main financial management risks as: (i) implementation risk – implementing agencies and PIEs lack of familiarity with ADB disbursement procedures and requirements, lack of the key financial accountant, financial management rules and regulations and budget management system, which could delay the project implementation, (ii) compliance risk - implementing agencies and PIEs lack of familiarity with ADB financial management requirements, particularly relating to accounting, reporting, and auditing, which may delay project reporting and the identification of issues on the use of loan proceeds, and (iii) financing risk – delays in provision of or inadequate counterpart funding which could delay project implementation, and (iv) foreign exchange and interest rate risks. Implementing agencies and PIEs lack of experience in managing foreign capital might increase the financial burden due to the potential depreciation of the CNY and the increase in interest rate.

17. The existing financial management arrangements for executing agency and implementing agencies indicate that they have adequate capacity to administer the proposed program having

previously demonstrated the capacity to administer the statement of expenditure procedure. IDOF will be accountable and responsible for the proper use of advances to advance account. The PIEs shall maintain a special bank account where ADB loan proceeds and counterpart funds will be channeled. The PIEs will enhance their capabilities by undertaking training on ADB's disbursement policies and procedures. The overall financial management risk-rating of the program, before and after considering mitigating measures is **substantial**. The identified financial management risks will be closely monitored during program implementation. The financial management action plan is as follows: The executing agency, the implementing agencies and PIEs have agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan is provided in Table 15.

Table 15: Financial Management Action Plan

No.	Action	Responsibility	Timing
Investment Loan			
1.	Training on ADB financial management requirements and procedures, including loan disbursement, accounting and reporting, auditing, and foreign exchange risk management	IDOF, IPMO, IAs, ADB	1 month before loan effectiveness and any other time as needed
2.	Development of financial management manuals	IDOF, IPMO, IAs	Before loan effectiveness
3.	IAs and PIEs prepare/refine the written job descriptions for their financial staff involved in the project implementation	IPMO, IAs, PIEs	Before loan effectiveness
4.	Incorporating project annual investment and financial plan into the IAs' annual budgeting plan	IAs	During budget preparation
5.	Recruit a qualified accountant	Songbuer	No later than loan effectiveness
Financial intermediation modality loan			
6.	Training on ADB financial management requirements and procedures, including loan disbursement, accounting and reporting, auditing, and foreign exchange risk management	IDOF, IPMO, FIs, ADB	1 month before loan effectiveness and any other time as needed
7.	Development of financial management manuals	IDOF, IPMO, FIs	Before loan effectiveness

ADB = Asian Development Bank, FI = financial intermediaries, IAs = implementing agencies, IDOF = Inner Mongolia Autonomous Region Department of Finance, IPMO = Inner Mongolia Autonomous Region Project Management Office, PIEs = project implementing entities, Songbuer = Damaoqi Pine Boolean Property Service Co., Ltd.
Source: Asian Development Bank.

B. Disbursement

1. Disbursement Arrangements for ADB Funds

18. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),⁵ and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.⁶ Project staff are encouraged to avail of this training to help ensure

⁵ The handbook is available electronically from the ADB website <https://www.adb.org/documents/loan-disbursement-handbook>.

⁶ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning

efficient disbursement and fiduciary control.

19. PIEs and FIs will prepare withdrawal applications and submit them to ADB through IDOF. At the end of each year, IPMO will prepare realistic projections of contract awards and disbursements for the following year and submit to ADB.

20. **Advance fund procedure.** On behalf of the Government of IMAR, IDOF will establish an exclusive advance account promptly after loan effectiveness at a commercial bank, for Tranche 1. The currency of this advance account is the Euro (€). The advance account is to be used exclusively for ADB's share of eligible expenditures. The IDOF, who administers the advance account is accountable and responsible for proper use of advances to the advance account.

21. The total outstanding advance to the advance account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months. The executing agency, through IDOF, may request for initial and additional advances to the advance account based on an Estimate of Expenditure Sheet⁷ setting out the estimated expenditures to be financed through the account for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by the IDOF and/or PIEs and FIs in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) when liquidating or replenishing the advance account.

22. **Statement of expenditure procedure.**⁸ For both loans (Investment Loan and financial intermediation loan), the SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance account. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

23. For the ADB loan proceeds that will be onlent via the FIs to qualified SMEs, a separate FI Ledger Account (FIA) will be established and managed by each FI. The loan proceeds will be transferred from the advance account to the FIAs exclusively for all transactions related to the program and administration of the FIL, based on signed subloan agreements. FIs will disburse the loan proceeds in an amount as indicated in the signed subloan agreement to eligible SMEs within 3 days of receipt of ADB loan proceeds from IDOF. IDOF will make the loan proceeds available to FIs, under the terms and conditions of the Onlending Agreement, for further onlending to selected qualified SMEs (subborrowers) through subloan agreements among FIs and the qualified subborrowers. Considering the IDOF's administration of attaching voluminous documentation for numerous and small amounts of subloans to withdrawal applications, the statement of expenditure (SOE) for financial intermediation modality loan will be used. The SOE ceiling under the FIL is set at the free limit of the SME loans, i.e., CNY 15 million. If an individual loan size exceeds the SOE ceiling, full supporting documents (i.e. subloan agreement, evidence of payment, etc.) should be submitted to ADB along with the withdrawal applications.

24. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Government of IMAR, together with the authenticated specimen signatures of

⁷ Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

⁸ SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

each authorized person. The minimum value per withdrawal application is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount should be paid (i) by the executing agency and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure unless otherwise accepted by ADB. The borrower should ensure sufficient category and contract balances before requesting disbursements. Use of ADB's Client Portal for Disbursements (CPD)⁹ system is encouraged for submission of withdrawal applications to ADB.

2. Disbursement Arrangements for Counterpart Fund

25. For Yixin and Songbuer, they will request budgetary allocations for counterpart funds from EBOF and Damoqi County Bureau of Finance (DBOF), respectively. Disbursement will flow through the treasury payment system to a special account established and maintained by the two PIEs respectively. For Xiaoweiayang, it will be responsible for its counterpart funds and will pay its civil work contractors, goods suppliers and service providers using their normal payment procedures. Counterpart funds will be fully segregated from ADB funds.

26. Xiaoweiayang is committed to making their contributions to the local poverty alleviation and continuously implementing the PAP. Xiaoweiayang is committed to allocate CNY 80 per sheep from each sheep it purchases under the PAP to a special poverty alleviation account to further strengthen the risk control, capacity building and technical knowledge extension to local communities. This special account will be opened in the local commercial bank (Xiaoweiayang should acquire no objections from the Government of IMAR) and managed jointly by the Government of IMAR and Xiaoweiayang. Funds in this special account can be used for (i) covering any defaults that may happen in the PAP; (ii) covering any costs of training and capacity building to local communities (including project-related and non-related households and cooperatives); (iii) purchasing more ewes for poor households, either for those who signed the agreement or other poor households, to amplify the impact; and (iv) any other expenditures as agreed between the Government of IMAR, ADB and Xiaoweiayang. The use of such funds will be reported through semiannual project progress reports, and submitted to ADB through the Government of IMAR.

27. For the financial intermediation loan, the selected FIs will provide matching counterpart financing for subloans to qualified SME subborrowers amount in \$10 million in Euro equivalent of each FI. For counterpart funds of FIs, FIs will use their own resources to make subloans in parallel to ADB's loan disbursement, applying the same requirements and eligibility. For each calendar year, FIs need to provide detailed information on these subloans for the Government of IMAR and ADB's review.

28. The Government of IMAR, through IDOF, will establish an interest rate differential account (IDA) at a commercial bank promptly after loan effectiveness to receive the interest payment and loan proceeds repayment from FIs. The IDA will be principally funded from the interest rate differential between ADB loan to the Government of IMAR and the Government of IMAR loan to FIs as well as the reflow of the principal amount. The accrued interest rate differential will be used to (i) support guarantee fee for SME subborrowers, (ii) cover any cost related to currency exchange risk management of the loan; (ii) function as loan loss reserve; (iii) cover any costs of capacity building activities under the Investment Program; (iv) project management related costs; and (v) any other expenditures as agreed between the Government of IMAR and ADB. The Government of IMAR, through IDOF, will develop guidelines, in a manner and substance

⁹ The CPD facilitates online submission of WA to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

acceptable to ADB, for the managing of IDA. No disbursements will be made from the IDA until these guidelines have been in place and the IDA has been established, maintained, replenished and liquidated for supporting the Investment Program in accordance with the terms in such guidelines.

C. Accounting

29. The executing agency, implementing agencies and PIEs will maintain, or cause to be maintained, separate accounts, books and records by funding source for all expenditures incurred on the project following Accounting Methods for Projects Financed by the World Bank (reference No. 2000 [13]).¹⁰ Each implementing agency will prepare its annual financial statements for submission to IPMO. The IPMO will consolidate all annual project accounts and financial statements for the project in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices. FIs will prepare their Statement of Utilization of Funds (template in Appendix 11) for the financial intermediation loan in accordance with the International Financial Reporting Standards.

D. Auditing and Public Disclosure

30. The government will cause individual financial statements to be audited in accordance with International Standards on Auditing and the national auditing standards by an independent auditor acceptable to ADB. IPMO will compile individual audited financial statements from each independent entity, reconciled with ADB. The audited project financial statements together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by the IPMO.

31. The audited entity financial statements of FIs (including BOIM and other FIs to be selected during the implementation period if any) and PIEs (Yixin, Songbuer and Xiaoweiayang), together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the relevant authority.

32. The audit report for the project financial statements will include a management letter and auditor's opinions, which cover (i) whether the project financial statements present an accurate and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purpose(s) of the project; and (iii) whether the borrower or executing agency was in compliance with the financial covenants contained in the legal agreements (where applicable).

33. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

34. The Government of IMAR, IPMO, implementing agencies and PIEs have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.¹¹ ADB reserves the right to require

¹⁰ Accounting regulations issued by the Ministry of Finance for all foreign aid-funded projects.

¹¹ ADB's approach and procedures regarding delayed submission of audited project financial statements:

(i) When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6

a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

35. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Access to Information Policy 2018.¹² After the review, ADB will disclose the audited project financial statements and the opinion of the auditors on the project financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.

months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.

- (ii) When audited project financial statements are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When audited project financial statements are not received within 12 months after the due date, ADB may suspend the loan.

¹² Access to Information Policy 2018: <https://www.adb.org/documents/access-information-policy>.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Project Procurement Risk Assessment

36. A project procurement risk assessment was conducted for Tranche 1, in accordance with the *Guidance Note on Procurement Risk Framework* (2018, as amended from time to time)¹³ and the *Guidance Note on Strategic Procurement Planning* (2018, as amended from time to time).¹⁴ Overall project procurement risk is **moderate** before mitigation measures to be taken.

37. According to the assessment, the main strengths identified include: (i) the IPMO has already managed several ADB-financed projects and accumulated extensive experience in procurement management; (ii) two out of three PIEs have existing procurement departments consisting of a number of full-time staff with adequate background and practical experiences; (iii) all implementing agencies and PIEs have procurement regulations and procedures based on the Tendering and Bidding Law (TBL) with integration of their own practices and requirements; (iv) all implementing agencies and PIEs have established the procurement referencing systems to manage procurement files and contract implementation records; (v) all PIEs are experienced with procurement in civil works, equipment, and materials; (vi) the contractual performances were monitored by all the PIEs, especially the payment related progress is monitored or checked according to the natures of procurement contents; and (vii) An ethical standard for the procurement department has been set up in all PIEs, together with an annual internal compliance review system. The main weaknesses identified include: (i) the current IPMO has limited staff; (ii) the implementing agencies and PIEs have no internationally financed project experience and without enough procurement staff; (iii) POE (Xiaowei yang) has no experience for conducting procurement through public bidding as it often follows commercial practices during the procurement process.

38. Proposed mitigation measures include training to be provided to relevant staff of the executing agency, implementing agencies, PIEs and other stakeholder agencies. Some procurement training was delivered by TRTA consultants during the project preparation to the IPMO, EPMO, DPMO and PIEs on topics in ADB procedures for procurement of goods, works and consulting services to ensure that the non-familiarity with ADB procurement framework has been addressed. The procurement training will be delivered on a well-defined interval by the PICs during the project implementation to ensure that procurement activities are undertaken in full conformity with ADB Procurement Policy and Procurement Regulations (2017, as amended from time to time). To achieve value for money, at the strategic procurement planning (SPP) stage, market conditions, operational context, client capability, contract duration and timing, previous experience, risks present, and all appropriate procurement modalities and bidding arrangements have been considered (Appendix 13 – Strategic Procurement Planning Report).

B. Advance Contracting and Retroactive Financing

39. **Advance contracting** will apply to the urgent procurement of civil works and goods. All advance contracting and retroactive financing will be undertaken in conformity with ADB Procurement Policy: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time)¹⁵ and Procurement Regulations for ADB Borrowers: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time),¹⁶ and will require

¹³ Available at: <https://www.adb.org/sites/default/files/procurement-risk-framework.pdf>.

¹⁴ Available at: <https://www.adb.org/sites/default/files/procurement-planning.pdf>.

¹⁵ Available at: <https://www.adb.org/documents/adb-procurement-policy>

¹⁶ Available at: <https://www.adb.org/documents/procurement-regulations-adb-borrowers>

ADB's prior review and approval of each step. The borrower, the Government of IMAR and implementing agencies have been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the project.

40. **Retroactive financing** will apply to the urgent procurement of civil works and goods. Retroactive financing will be subject to a maximum amount equivalent to 20% of the loan amount under each Tranche for eligible expenditures incurred prior to loan effectiveness, but not earlier than 12 months before the loan agreement is signed.

C. Procurement of Goods, Works, Nonconsulting and Consulting Services

41. All procurement of ADB financed works and goods will be undertaken in accordance with ADB Procurement Policy: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time)¹⁷ and Procurement Regulations for ADB Borrowers: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time).¹⁸

42. Before the start of any procurement, ADB and the government will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Policy and Procurement Regulations for ADB Borrowers.

43. An 18-month procurement plan indicating procurement method, cost estimation, and review procedures for goods, works, nonconsulting and consulting service contract packages and guidelines on Open competitive bidding (OCB) with national advertising is in Section C.

1. Open Competitive Bidding for Goods and Works

44. OCB will be used for ADB financed contracts for works and goods. If a bidding attracts foreign companies, the bidding document will be written in English using the latest ADB standard bidding document for OCB advertised internationally packages, which can be downloaded from ADB website. If a bidding does not attract foreign companies, the following provisions will be applied: (i) the advertisement will be limited to the national press, an official gazette, or an open access website; (ii) standard bidding documents for OCB advertised nationally packages issued by the Ministry of Finance will be used; and (iii) bidding documents will only be in Chinese (except for contracts which require ADB's prior review and approval), and the currency for bidding and payment will be in Chinese Yuan (CNY). If a bidding document is internationally advertised, the invitations for bids need to be submitted to ADB at latest 1 week before the advertisement for parallel advertisement in ADB's Business Opportunities website. Unless otherwise agreed between the Government of IMAR and ADB and set forth in the procurement plan, procurements under OCB will use the single-stage one-envelope procedure.

2. Open Competitive Bidding for Nonconsulting Services

45. For embryo transplantation activities under Xiaowei yang stud sheep breeding program, OCB with national advertising will be used. Six nonconsulting services contracts will be signed between Xiaowei yang and the service provider, who would be either firms or individuals. Performance/output-based contract shall be applied.

¹⁷ Available at: <https://www.adb.org/documents/adb-procurement-policy>

¹⁸ Available at: <https://www.adb.org/documents/procurement-regulations-adb-borrowers>

3. Community Participation

46. Sheep raising activities under Xiaoweiayang Stud Sheep Breeding Program involve local communities, using more local knowledge and materials, and labor-intensive and stud breeding technologies. To ensure sustainability and to achieve the social objectives of the project, community participation approach will be used, taking into consideration of the specific features of Xiaoweiayang Subproject in the agricultural sector. Based on ADB approved project specific procedures, about 300 contracts will be signed between Xiaoweiayang and individual households/herders through community participation, who are willing to participate in the program and satisfy the basic requirements for sheep raising. Specific procedure for contracting farmer households under community participation services will be prepared by the Government of IMAR and prior reviewed by ADB together with the first two draft contracts before its implementation.

4. Implementation Arrangements for the PAP

47. The PAP will be implemented in accordance with the PIA to be signed between the Government of IMAR and Xiaoweiayang, which will specify the terms and conditions for onlending ADB loan proceeds for the establishment of a revolving fund in the amount of \$14.45 million, that will provide financing to Xiaoweiayang for supplying ewes, feeds, veterinary services to 2,000 households in return for growing and fattening lambs as part of the household income generation. Due to the absence of a single market for acquiring ewes and scattered location of beneficiary households, Xiaoweiayang will use the revolving fund to procure ewes from local households based on prevailing prices in the districts, where quality ewes are available. These arrangements are in line with the basic principles of economy and efficiency and therefore are acceptable to ADB. Details are presented in Appendix 1–Xiaoweiayang Subproject.

5. Consulting Services

48. All ADB financed individual consultants, consulting firms, and monitoring agencies will be recruited according to ADB's Procurement Policy and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The indicative terms of reference are in Appendix 4.

49. An estimated 10 person-months for project start-up individual consultants and 95 person-months of consulting services are required to (i) facilitate project management and implementation, (ii) strengthen the institutional and operational capacity of the executing and implementing agencies, and (iii) conduct project advisory support on SME business development services, and cross-border services. An external environmental monitoring firm will be recruited to conduct regular external monitoring as required in the environmental management plan (EMP). Consulting firms will be engaged using the quality- and cost-based selection (QCBS) method with a quality–cost ratio of 90:10 or Consultants' Qualifications Selection (CQS) method.

6. ADB's Prior Review and Post Review (Sampling)

50. Following the ADB Procurement Review: Guidance Note on Procurement (June 2018, as amended from time to time),¹⁹ for (i) all ADB-financed contracts with advance contracting, and (ii) the first ADB-financed contract of each type (OCB advertised internationally or nationally) for civil works and goods under each PIE, ADB's prior review and approval of the following documents (if applicable) will be required: invitation for bids, bidding document and relevant clarification and

¹⁹ Available at: <https://www.adb.org/sites/default/files/procurement-review.pdf>.

addendum (if any), bid evaluation report, draft negotiated contract, signed contract, and contract variations.

51. For Xiaowei yang Subproject, the first embryo transplantation service contract, the first two contracts under Community Participation method, and the first two tripartite agreements under PAP will be required for prior review. Post review (sampling) is applied to the remaining packages related to Xiaowei yang's embryo transplantation, sheep raising, and PAP.

52. For the FIL, ADB will conduct prior review the first two SME subloan agreements and qualified SME subproject summary documents from each FI. If an individual loan size exceeds the free limit (CNY15 million), a draft subloan agreement and a qualified SME subproject summary sheet will need to be submitted for ADB's prior review and approval.

53. ADB's prior review is applicable to other complex packages with high risk and high value (normally higher than \$10 million), based on the procurement risk assessment and strategic procurement planning.

54. For contract packages for post-review (sampling), ADB reviews the procurement documents after the contract is signed; on a sampling basis. Each sample size should cover at least 20% of the total number of the post review (sampling) contracts awarded before the initial post review (sampling), or between two consecutive post reviews (sampling). Total sample size aggregated should capture contracts representing (i) about 30%–50% of total project value and (ii) about 20% of the total number of contracts identified for post review (sampling). All documentation with respect to each contract where post review (sampling) is adopted shall be retained for at least 1 year after the project closing date and they shall be made available to ADB personnel or its consultants assigned to conduct post review (sampling) during the project review or post review mission(s). This documentation generally includes advertisements or procurement notices; bidding documents or RFP; bids or proposals, including any amendments and clarifications; evaluation reports (including the analysis of the respective proposals and recommendations for award); the original signed contract; and documents concerning any bidding-related complaints.

55. For all ADB-financed consultant recruitments, ADB's prior review and approval of each step will be required.

56. For the subloans through FIL, the procurement will be undertaken by the respective subborrowers in accordance with the established private sector or commercial practices, which are acceptable to ADB. The IPMO and FIs will ensure that the subborrowers use procurement practices acceptable to ADB. Subborrowers will be encouraged to procure through OCB or Request for Quotations when such procurements are most appropriate in the interest of economy and efficiency.

D. Procurement Plan

1. Basic Data

Project Name: Proposed Multitranche Financing Facility: People's Republic of China: Inner Mongolia Sustainable Cross-Border Development Investment Program–Tranche 1		
Project Number: 51192-001	Approval Number:	
Country: People's Republic of China	Executing Agency: Government of Inner Mongolia Autonomous Region	
Project Procurement Classification: Category B	Implementing Agency: Erenhot Municipal Government, Baotou Municipal Government, Bank of Inner Mongolia	
Procurement Risk: Low		
Project Financing Amount: €345.14 million ADB Financing: €166.53 million (loan) Non-ADB Financing: €178.61 million	Project Closing Date: 30 September 2027 (loan closing for Tranche 1)	
Date of First Procurement Plan: September 2019	Date of this Procurement Plan: 19 August 2020	
Procurement Plan Duration (in months): 18	Advance Contracting: Yes	e-Procurement: No

2. Methods, Review and Procurement Plan

57. Except as the Asian Development Bank (ADB) may otherwise agree, the following methods shall apply to procurement of goods, works, nonconsulting services, and consulting services:

Procurement of Goods, Works and Nonconsulting Services	
Methods	Comments
Open competitive bidding with national advertising for goods	Roads, buildings materials and equipment are available locally and local market is competitive
Open competitive bidding with international advertising for goods	For Erenhot Smart Port and Erenhot PRC-Mongolia International Hospital
Open competitive bidding with national advertising for works	Local contractors are experienced
Open competitive bidding with national advertising for non-consulting services	6 contracts for embryo transplantation services under Xiaowei yang stud sheep breeding program
Community participation for Xiaowei yang stud sheep breeding program – sheep raising services	300 contracts with local households/herders will be signed
Consulting services	
Open competitive bidding with international advertising, using quality- and cost-based selection (QCBS) for consulting services with a quality–cost ratio of 90:10	1 consulting firm for supporting the project implementation and capacity building, and international advertising is warranted.
Open competitive bidding with national advertising, using Consultants' Qualifications Selection (CQS) for consulting firm	1 consulting firm for external environmental monitoring, with national advertising.
Individual Consultants' Selection	4 project start-up individual consultants will be recruited

ADB = Asian Development Bank.

3. Lists of Active Procurement Packages (Contracts)

58. The following table lists goods, works, nonconsulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan's duration (18 months).

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
ECW1-1	Erenhot - Inspection center: 1) a building area of 4,000 m ² . 2) an auxiliary building with floor area of 2,000 m ²	3,641,829	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW1-2	Erenhot inspection area - infrastructure for the North Plaza, including: 1) Roads and pipeline network cover 162,000 m ² ; 2) Greening 49,700 m ² ; 3) 2,500 m fences	25,554,945	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
EG2-1	Erenhot - Smart Port management system	15,160,863	OCB	Prior	1S1E	Q2, 2021	Advertising: International Number of contracts: 1 Prequalification of bidders: Yes Advance contracting: No Bidding document: Goods E-procurement: No
ECW3-1	PRC-Mongolia Regional Cooperation Center, with a floor area of 20,000 m ²	17,118,829	OCB	Prior	1S1E	Q3, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
EG4-1	86 sets of medical equipment and facilities for PRC-Mongolia International Hospital in Erenhot	Lot 1: 4,494,497 Lot 2: 216,053 Lot 3: 1,085,323 Lot 4: 830,973 Lot 5: 210,995 Lot 6: 534,713 Lot 7: 43,355	OCB	Prior for Lots 1 and 2, Post (sampling) for Lots 3-7	1S1E	Q2, 2021	Advertising: International Number of contracts: 7 Prequalification of bidders: No Advance contracting: No Bidding document: Goods E-procurement: No
MCW1-1	Mandula Port - freight passage roads, with a total length of 4.4 km and a width of 9 m	20,221,166	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works, E-procurement: No
MCW2-1	Mandula Port – service area (317 mu of land area): 1) a closed parking area; 2) a vehicle repair service area; 3) a new 3-floor service building	16,625,611	OCB	Prior	1S1E	Q1, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
XWY-ET-1	Xiaoweiayang - Stud sheep breeding program - Embryo transplantation services – 20,000 pieces	Lot 1: 2,095,496 Lot 2: 2,095,496	OCB	Prior for the first contract, post (sampling) for the second contract	1S1E	Q2, 2021	Advertising: National Number of contracts: 2 Prequalification of bidders: No Advance contracting: No Bidding document: non-consulting services E-procurement: No
XWY-ET-2	Xiaoweiayang - Stud Sheep Breeding Program - Embryo transplantation services – 27,000 pieces	Lot 1: 1,414,461 Lot 2: 1,414,461	OCB	Post (sampling)	1S1E	Q2, 2021	Advertising: National Number of contracts: 4 Prequalification of bidders: No Advance contracting: No

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
		Lot 3: 1,414,461 Lot 4: 1,414,461					Bidding document: non-consulting services E-procurement: No
XWY-SSR	Xiaoweiyang - Stud sheep breeding program – stud sheep raising services	11,532,055	Community participation	Prior for the 1st two contracts, the rest for post (sampling)		Q3 2021	Advertising: No Number of contracts: 300 Prequalification of bidders: No Advance contracting: No Bidding document: community participation agreements E-procurement: No
XWY-G	Xiaoweiyang - Establishment of products traceability and management system	1,932,915	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Goods E-procurement: No

Consulting Services							
Package No.	General Description	Estimated value (\$)	Selection method	Review	Type of Proposal	Advertisement Date (quarter, year)	Comments
ICS-1	Project start-up support – Municipal Engineer	23,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 3 person-months
ICS-2	Project start-up support – Procurement and Contract Management Specialist	23,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 3 person-months
ICS-3	Project start-up support – Environment Safeguard and ESMS Specialist	17,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 2 person-months
ICS-4	Project start-up support – Social Safeguard and ESMS Specialist	17,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 2 person-months
CS-1	Project implementation consulting services for project management support and capacity building	1,059,000	QCBS	Prior	FTP	Q2, 2021	Quality-cost ratio of 90:10
CS-2	External environment monitoring services	220,000	CQS	Prior	STP	Q2, 2021	

CQS = Consultants' Qualifications Selection, CS = consulting service, EOI = expression of interest, ESMS = environmental and social management system, FTP = full technical proposal, ICS = individual consultant selection, QCBS = quality- and cost-based selection, STP = simplified technical proposal.

4. Lists of Inactive Procurement Packages (Contracts) Required Under the Project

59. The following table lists goods, works, nonconsulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence beyond the current procurement plan's duration.

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
ECW1-3	Erenhot inspection area - Infrastructure for the South Plaza. 1) Roads and pipeline network cover 132,300 m ² ; 2) greening 60,800 m ² , 3) 2,300 m fences	21,478,698	OCB	Prior	1S1E	Q1, 2022	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
ECW5-1	Erenhot - Ecological protection greenbelt along the central axis, including reclaimed water storage and irrigation facilities, and landscape lighting, covers an area of 24.49 ha	9,295,902	OCB	Post (sampling)	1S1E	Q3, 2023	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW6-1	Erenhot - 1) one waste collection and transfer station; 2) supporting facilities; and 3) sanitation intelligent cloud platform	712,614	OCB	Post (sampling)	1S1E	Q3, 2024	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
MCW3-1	Mandula Port - 1) Customs Inspection Center (400 mu of land area); and 2) a fully enclosed warehousing shed for coal transfer and storage	21,451,417	OCB	Prior	1S1E	Q1, 2022	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
XWY-CW-1	Xiaoweiyang - Quarantine station at Mandula Port	3,603,821	OCB	Prior	1S1E	Q4, 2023	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No

Consulting Services							
Package No.	General Description	Estimated value (\$)	Selection method	Review	Type of Proposal	Advertisement Date (quarter, year)	Comments
[None]							

5. Lists of Awarded and Completed Contracts

60. The following table lists the awarded and completed contracts for goods, works, nonconsulting services and consulting services.

Goods, Works, and Nonconsulting Services					
Package No.	General Description	Contract value	Date of ADB approval of Contract Award	Date of Completion	Comments
[None]					

ADB=Asian Development Bank.

Consulting Services					
Package No.	General Description	Contract value	Date of ADB approval of Contract Award	Date of Completion	Comments
[None]					

ADB=Asian Development Bank.

6. Non-ADB Financing

61. The following table list works, goods, and consulting services contracts over the life of the project, financed by non-ADB sources.

Goods, Works, and Nonconsulting Services				
General Description	Estimated Value (cumulative, \$)	Estimated No. of Contracts	Procurement Method	Comments
Erenhot: Inspection area: Joint Inspection center (floor area of 20,000 m ²)	19,420,920	1	OCB	Financed by counterpart funds of EMG Advertising planned: Q1, 2020- Q4 2025 Advertising: National Prequalification of bidders: No Domestic preference applicable: No Advance contracting: No Bidding document: Works E-procurement: Yes
Erenhot - Regional cooperation center - Enclosed fencing, alarm and monitoring system	3,910,154	1	OCB	
Erenhot - Regional cooperation center - clean energy heating supply and network	7,980,985	1	OCB	
Erenhot - Greening - Windbreak forest along the highway, covering an area of 15.05 ha	3,438,855	1	OCB	
Mandula Port – Customs inspection center - enclosed warehousing shed for coal transfer and storage	5,923,169	1	OCB	Financed by counterpart funds of DCG Advertising planned: Q4, 2021 Advertising: National Prequalification of bidders: No Domestic preference applicable: No Advance contracting: NA Bidding document: Goods E-procurement: Yes
Xiaoweiyang - Construction of a stud breeding base	528,543	1	Commercial practice	Financed by counterpart funds of Xiaoweiyang Advertising planned: Q1, 2020- Q4 2025 Advertising: National
Xiaoweiyang – Upgrading five sheep farming bases	5,938,696	1	Commercial practice	
Xiaoweiyang – Construction of a sheep processing and logistics base in Tuyouqi County	8,798,385	1	Commercial practice	

DCG = Damaoqi County Government, EMG = Erenhot Municipal Government, OCB = open competitive bidding.

Consulting Services				
General Description	Estimated Value (cumulative)	Estimated No. of Contracts	Procurement Method	Comments
[None]				

E. Open Competitive Bidding (National Advertising)

1. Regulation and Reference Documents

62. The procedures to be followed for Open Competitive Bidding (National Advertising) shall be those set forth in the Government Procurement Law of People's Republic of China approved on 29 June 2002 (revised in August 2014) and Law of the People's Republic of China on Bid Invitation and Bidding of the People's Republic of China promulgated on 30 August 1999 (revised on 28 December 2017) with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Policy: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time).

2. Procurement Procedures

a. Competitive Bidding Procedure (Procurement Law Art. 26 and Law on Bidding Art. 10).

63. Public tendering is the acceptable method of government procurement, and public invitation is the accepted bid invitation mode.

b. Eligibility

64. The eligibility of bidders shall be as defined under section I of the Procurement Regulations for ADB Borrowers; accordingly, no bidder or potential bidder should be declared ineligible for reasons other than those provided in section I of the Regulations, as amended from time to time.

c. Advertising

65. All invitations to prequalify or to bid shall be advertised in a free and open access website (www.chinabidding.com). Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a reasonable time shall be given to the bidders for preparation of their bid docs. The preparation period shall count (a) from the date of advertisement, or (b) when the bidding documents are available for issue, whichever date is later. The advertisement and the prequalification and bidding documents shall specify the deadline for such submission.

d. Bidding Period

66. The minimum bidding period should be reasonable enough for bidders to prepare their bids prior to the deadline for the submission of bids.

e. Participation by Government-Owned Enterprises

67. Government owned enterprises in the Borrower's country may be permitted to bid if they can establish that they (a) are legally and financially autonomous, (b) operate under commercial law and (c) are not a dependent agency of the Borrower/Project Executing Agency.

f. Rebidding

68. Re-bidding shall not be allowed solely because the number of bids is less than three (3).

3. Bidding Documents

a. Qualification requirements

69. Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents, and in the prequalification documents if the bidding is preceded by a prequalification process.

b. Bid Submission and Opening

70. Bidders shall be allowed to submit bids by mail or by hand.

71. All bids shall be opened in public; all bidders shall be afforded an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.

c. Bid Evaluation and Award

72. No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower/Project Executing Agency.

73. Each contract shall be awarded to the lowest evaluated substantially responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (a) to be substantially responsive to the bidding documents and (b) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

d. ADB Policy Clauses

74. Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit ADB, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by ADB.

75. A provision shall be included in all bidding documents for OCB (National Advertising) works and goods contracts financed by ADB stating that the Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for the contract in question.

76. A provision shall be included in all bidding documents for OCB (National Advertising) works and goods contracts financed by ADB stating that ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices or any integrity violation in competing for, or in executing, ADB-financed contract.

F. Consultant's Terms of Reference

77. The detailed terms of reference of consulting services are given under the descriptions of respective project advisory support summary and the summary on project management and capacity building in Appendix 4.

VII. SAFEGUARDS

78. **Safeguards classifications.** Tranche 1 of the Investment program is classified as B for environment, B for involuntary resettlement, and C for indigenous peoples. Each subsequent tranche will be screened, categorized and assessed using the safeguard procedures set out in the program Environment Assessment Review Framework (EARF) (RRP Linked Document 15), Resettlement Framework (RRP Linked Document 16) and Ethnic Minority Development Framework (EMDF) (RRP Linked Document 17) which have been developed for processing the following tranches in accordance with ADB Safeguard Policy Statement (2009) (SPS).²⁰

79. **Grievance redress mechanism.** IPMO will establish the project safeguards grievance redress mechanism (GRM) within 60 days of the loan effectiveness date, as detailed in the environmental management plan (EMP) (Appendix 1 in the IEE) and ESMS arrangement (RRP Linked Document 23). The GRM sets out procedures for managing public concerns and safeguard issues which may arise during project implementation. The GRM will be established prior to any advance construction works. The GRM comprises a set of clear procedures to receive, record, and address any concerns or complaints raised and provides contact details of individuals from the IPMO, implementing agencies, PIEs, and contractors teams, and other relevant safeguard authorities and stakeholders within project administration authorities. All contractors will be briefed by the IPMO on the project safeguards GRM. Multiple entry points to the GRM will be available including verbal and written complaints, hotline number, and/or e-mail. The IPMO will report complaints and their resolution to ADB in quarterly project progress reports and safeguard monitoring reports.

80. **Prohibited investment activities.** Pursuant to ADB's SPS, ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. FIs will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to qualified subprojects financed by ADB.

Environment

81. **Environmental due diligence.** Tranche 1 of the Investment program is classified as B for environment. An initial environmental examination (IEE) including an EMP was prepared in compliance with ADB's policies and requirements included in ADB's SPS. The project IEE and EMP form a basis of the official loan agreement between ADB and the executing agency. Tranche 1 is not expected to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. During construction, the main environmental impacts are temporary, short-term and reversible and include (i) soil erosion, (ii) construction noise and dust, (iii) inappropriate storage of construction materials and wastes, (iv) wastewater, and (v) safety to construction workers and community. During operation, limited adverse impacts are anticipated. The IEE concluded that full and effective implementation of the project EMP, together with the training and project assurances, will minimize the environmental risks of the project and achieve compliance with the policy and regulatory standards applied in this project IEE.

82. **Environmental management plan.** The EMP is to be implemented in all phases of the project – design, pre-construction, construction, and operation. The EMP is to ensure project compliance with the PRC environmental laws and ADB's SPS. The EMP contains: (i) objectives; (ii) roles and responsibilities; (iii) mitigation measures; (iv) inspection, monitoring, and reporting

²⁰ ADB. 2009. *Safeguard Policy Statement*. Manila.

arrangements; (v) training and institutional strengthening; (vi) GRM; (vii) future public consultation; and (viii) a feedback and adjustment mechanism.

83. EMP implementation. The executing agency will be responsible for ensuring that the project will be designed, constructed, decommissioned, and operated in accordance with (i) the national and local government environmental, health, and safety laws, regulations, procedures, and guidelines; (ii) the ADB's SPS (2009), and (iii) the IEE including the EMP. The executing agency, through the IPMO, holds final responsibility for implementation of and compliance with the EMP. The EMP will be implemented in all phases of the project (design, pre-construction, construction, and operation). For preliminary and detailed designs, the IPMO will forward the EMP to the design institutes for incorporating mitigation measures into the detailed designs. The EMP will be updated at the end of the detailed design, as needed. To ensure that bidders will respond to the EMP provisions, the implementing agencies and PIEs will prepare and provide the specification clauses for incorporation into the bidding documents: (i) a list of environmental management requirements to be budgeted by the bidders in their proposals; (ii) environmental clauses for contractual terms and conditions; and (iii) domestic EIAs, and the project IEE including the updated EMP for compliance.

84. Environmental capacity building. To ensure effective implementation of the EMP, a capacity building program on the EMP implementation, supervision, reporting, and the GRM will be implemented. Training will be provided to the PIEs, contractors and construction supervision companies during the implementation of the Investment Program. For FIL, capacity building and training on ESMS will be provided before and during the implementation of the FIL. Training programs will cover adjustment and implementation of the EMP, ESMS, GRM, environmental risks of the project, mitigation measures, monitoring, and reporting. The training will be provided by the Environment Safeguard and ESMS Specialist through the PICs. Trainees will include the staff of the FIs, PMOs, PIEs, contractors, and construction supervision consultants.

85. Financial intermediation loan. The financial intermediation loan is categorized as FIL. BOIM has developed an ESMS arrangement covering environmental and social policies; safeguards screening, categorization and review process; institutional arrangements; and monitoring and reporting procedures for qualified subprojects under the FIL. It also defines the types of qualified subprojects which may be supported. Environmental and social safeguard requirements for all qualified subprojects to be funded under the financial intermediation loan will be subject to the requirements of the ESMS. The FIL will not fund any subprojects that are on ADB's Safeguard Policy Statement prohibited investment activities list or will trigger category A safeguards for environment, involuntary resettlement, or indigenous people.

86. Environmental assessment and review framework. An EARF has been prepared to categorize and provide guidance on environmental safeguards for subsequent tranches of the MFF. These documents comply with the PRC's regulatory requirements and ADB's SPS (2009), and was disclosed on the ADB website on 18 November 2019.

87. Climate risk and vulnerability assessment. Tranche 1 subprojects are located in the arid/semi-arid climate zone, characterized by long cold winter and hot summer. The land cover belongs to either steppe desert zone or desert steppe zone featured by very fragile ecosystems. A climate risk and vulnerability assessment (CRVA) indicated that the effects of climate change impact are reflected by the incremental damages caused by potentially enhanced climate hazards to the project infrastructure activities and the lack of water resource to sustain the project operations under future climate conditions. Climate change projections indicate a likelihood of enhanced heavy snow events and more severe drought conditions in the future. Hence, it is

important that the necessary climate impact adaptation actions will be taken as part of the project design and operation to alleviate the adverse climate change impact on the subprojects.

88. More specifically, as stated in the domestic FSRs, infrastructure activities for Tranche 1 subprojects are designed in accordance with the current national standards, which are derived from the long term historical climate observation of the project area. The sufficiency of the design standards, such as the snow-loading capacity calculation of the building structure, should be examined with necessary adjustments to be made during the detailed design to ensure these buildings are climate-proof in future.

89. With drought projected to become more severe in the future, water scarcity may put the sustainability of Tranche 1 under threats. Both 'hard' and 'soft' adaptations should be considered in project design and operation, to achieve the maximum water savings. In FSRs, the water-recycling facility development for the Mandala Port Subproject and the smart drip-irrigation system relying on complete reclaimed water for the ecological restoration for the PRC-Mongolian Erenhot-Zamyn Uud ECZ represent excellent 'hard' adaptations against the future water shortage. Furthermore, as another 'hard' adaptation option, the Xiaoweiayang Subproject has a great potential to increase the livestock productivity with sustainable water usage by introducing and expanding the confinement sheep feeding system into the current extensive sheep farming, which reduces the vulnerabilities of the local farmers to drought and snow disasters in future. The implementation of the above options increases the regional climate resilience and improves the sustainability of Tranche 1 under future climate conditions.

Land Acquisition and Resettlement

90. Tranche 1 of the Investment Program is classified as Category B for involuntary resettlement. Three households (12 persons) will be affected by loss of collective land (grassland). A resettlement plan has been prepared to address land acquisition impacts. The respective PMO will ensure that the Resettlement Plan agreed between the Government of IMAR and ADB are updated based on detailed design and submitted to ADB for review and concurrence prior to land acquisition activities and implemented in accordance with applicable Government laws and regulations and ADB's SPS; in case of any inconsistency between Government laws and ADB's policy, the latter will prevail; all affected persons are given adequate opportunity to participate in resettlement planning, updating, and implementation; counterpart funds for land acquisition and resettlement activities are provided according to the budget and project schedule; any additional costs in excess of the resettlement plan budget estimates are met within the project schedule. The respective PMOs will designate adequate staff and resources to supervise and monitor implementation of the resettlement framework and resettlement plans and submit semiannual internal monitoring reports to ADB; ensure that the GRM established is effective and functional; and engage an external monitor acceptable to ADB to verify implementation and carry out its own monitoring evaluation of resettlement activities.

91. For other subprojects under Tranche 1 where there are no involuntary resettlement impacts, the respective PMOs will ensure that all land and all rights-of-way required for the subproject and subproject facilities are made available to the Works contractors in accordance with the schedule agreed under the related Works contract. In the event any of the subproject does have any such impact, the Government of IMAR will take all steps required to ensure that the subproject complies with (a) all applicable laws and regulations of the Borrower relating to involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) the resettlement framework (RF).

Indigenous Peoples

92. Tranche 1 of the investment program is Category C for Indigenous Peoples. Subproject activities are not expected to trigger ADB's Safeguard Policy Statement for indigenous peoples. Ethnic minority groups comprise 12.4% of Erenhot's population, the largest being Mongolian (93%) and Manchu (5.4%). However, they are widely dispersed through the municipality and will enjoy the same benefits from the investment program as their majority Han neighbors. An EMDF has been prepared to guide the executing agency and the implementing agencies in screening project impacts on ethnic minorities, identifying the affected ethnic peoples, and preparing EMDPs in future tranches of the Program in case they trigger indigenous peoples safeguards policy requirements.

93. For the FIL component, it will exclude financing to SME subborrowers whose activities involve category A on involuntary resettlement and indigenous peoples.

VIII. GENDER AND SOCIAL DIMENSIONS

94. **Social and poverty dimensions.** A poverty and social analysis (PSA) that included a household survey, community, and focus group discussions, and key informant interviews, was conducted during the TRTA. The three subprojects under Tranche 1 will benefit 2.95 million people in Erenhot and Baotou. Tranche 1 will benefit SMEs that are involved in cross-border trade, tourism, agriculture, and manufacturing sectors across IMAR through subloans under the FIL, particularly SMEs owned or led by women. Border related facilities construction in Erenhot and Mandula ports would bring more business development and job opportunities for local residents, particular women who are expecting to do small self-employed businesses. The Program will address poverty and social development issues by generating more employment opportunities, income generation and business development programs for border residents. It will also contribute to poverty reduction by generating additional income sources for farmers and herders such as stud sheep breeding program.

95. **Gender dimension.** The project is classified by ADB as effective gender mainstreaming. Tranche 1 will directly benefit about 1.48 million females from Erenhot and Baotou municipalities. Particularly, SMEs owned or led by women will benefit from the financial intermediation loan. Through the social survey, it was found that women are actively involved in border-related business activities. However, they are disadvantaged in local labor markets owing to their low educational level and poor employable skills. It is difficult for them to access financial resources to start their own small businesses or to expand their current businesses. Lots of border trade related businesses are formed in family, namely husband and wife are running business together. Wife-led small businesses account for about 50%. Women are more willing to be bread earners. They feel very happy when they have income contributing to improving livelihoods of their families. Those women, who are unemployed or underemployed, are interested in job opportunities created by the project particularly jobs during project implementation and operation in terms of greening, planting, etc.

96. The Investment Program will significantly improve women's economic status through support for SMEs owned or led by women in financing resources, innovative technology like digital technology, entrepreneurship training. The Investment Program will expand business, income generation and employment opportunities for women in the border areas.

Social Development and Gender Action Plan

97. The project is classified by ADB as effective gender mainstreaming. The SDGAP has been prepared for Tranche 1 and presented in Table 16. The objective of the SDGAP is to promote women participation and equal share in project benefits among poorer households, maximize positive gender equality impacts and mitigate possible risks and negative impacts. Activities focus on: (1) promoting project employment opportunities for women and on-the-job training, (2) supporting women entrepreneurs to access credit and training, (3) integrating gender-sensitive features in the design of facilities to be constructed or renovated, (4) promoting the participation of women-headed low-income households in PAP. Activities and target indicators included in the SDGAP will be monitored through the program performance management system (PPMS) and project progress reports on a semiannual basis, and ADB supervision missions.

Table 16: Social Development and Gender Action Plan for Tranche 1

Actions	Indicators and Targets	Budget	Timeframe	Responsible Agencies
Outcome				
Promote women's economic empowerment through jobs at Erenhot and Mandula Ports.	<ul style="list-style-type: none"> • 1,500 additional jobs^a created in Erenhot and Mandula Ports, at least 40% of employment opportunities are taken up by women (2018 Baseline: 950;^b 30%) 		2020–2027	IPMO, EPMO, BPMP, DPMO
Output 1: Sustainable infrastructure for cross-border connectivity and health services improved				
1.1 Promote employment for poor and low-income people in the Erenhot–Zamyn-Uud ECZ Inspection Area and Mandula Port International (Highway) Logistics Park	<ul style="list-style-type: none"> • 10% unskilled^c jobs for individuals from poor and low-income households (2018 baseline: 0%) 	Project budget	2020–2026	IPMO, EPMO, BPMP, DPMO
1.2 Erenhot–Zamyn-Uud ECZ Inspection Area and Mandula Port International (Highway) Logistics Park improved to integrate gender-sensitive features in its designs.	<ul style="list-style-type: none"> • Two nursing/baby changing rooms built, one in the entry passage waiting room and another on the exit passage of ECZ inspection area • Two nursing and changing rooms built in the service center of Mandula Port International (Highway) Logistics Park • Foldable toddler seats in 100% of women's restrooms (2018 baseline: 0%) 	Project civil work budget	2020–2026	IPMO, EPMO, BPMP, DPMO
Output 2: Ecological environment in key border towns improved				
2.1 Promote employment for women and low-income individuals in ecological restoration activities under Erenhot Subproject.	<ul style="list-style-type: none"> • Total 118 jobs created by the subproject, of which 76 would be unskilled, at least 40% of unskilled jobs for women (e.g. planting and installing pipeline) • 10% of unskilled jobs for low-income individuals (2019 baseline: 0%) 	Project budget	2020–2026	IPMO, EPMO
Output 3: Income-generating opportunities expanded				
3.1 Promote women entrepreneurs' access to subloans by setting a quota for SMEs owned or led by women that meet lending requirements from FIs.	<ul style="list-style-type: none"> • At least 10 SMEs provided with sub-loan from FIL annually, among them 20% SMEs receiving sub-loan from FIL are owned or led by women^d (2019 baseline: 4%) 	FIL	2020–2026	IPMO, FIs
3.2 Promote the participation of women herders/farmers from poor and low-income households in the implementation of PAP.	<ul style="list-style-type: none"> • At least 2,000 poor households participated in the PAP, including at least 50% of the existing poor women-headed households (2018 baseline: 0) • At least 100 jobs (including short-term jobs) provided to the poor households annually (2018 baseline: 0) 	Poverty Alleviation Project budget	2020–2026	IPMO, BPMP, Xiaoweiayang
Output 4: Cross-border cooperation mechanisms, technical project management, and institutional capacity strengthened				
4.1 Government officials undertake training to develop institutional capacities in project management, including	<ul style="list-style-type: none"> • At least 250 government officials who have reported improved skills and knowledge on regional cooperation and services, project 	Capacity building budget	2020–2026	IPMO

Actions	Indicators and Targets	Budget	Timeframe	Responsible Agencies
implementation of gender actions, and for the preparation of future tranches under the Investment Program.	management, safeguards and gender issues, of which, at least 40% are women (2018 baseline: 0)			
4.2 PMOs and FIs receive training on SME development with special focus on supporting women entrepreneurs or SMEs owned or led by women.	<ul style="list-style-type: none"> At least 3 training sessions or workshops on best practices in developing financial products and support programs for SMEs owned or led by women (2018 baseline: 0) 	Capacity building budget	2020–2026	IPMO, FIs
4.3 Business development services will be provided for women-led SMEs.	<ul style="list-style-type: none"> At least 30% of SMEs receiving business development services are owned or led by women. 	Capacity building budget	2020–2026	IPMO, FIs
4.4 Target women professionals and technicians in operation capacity development for the Hospital.	<ul style="list-style-type: none"> At least 200 management, doctors, and nurses participating in on-site job training report improved skills on diagnosis, treatment skills, ward management, hospital operation and transboundary disease and epidemic disease prevention and control (at least 50% women) (2018 baseline: 0) 	Capacity building budget	2020–2026	IPMO, EPMO, Hospital
4.5 Promote the participation of women from poor and low-income households in livestock manure treatment and sheep farming technology.	At least 600 person-time from poor and low-income households participating in livestock manure training and sheep farming technology (at least 50% of women) (2018 baseline: 0)	Capacity building budget	2020–2026	IPMO, BPMP, Xiaoweiayang
4.6 Monitor zero tolerance to human trafficking, sexual exploitation, abuse and harassment through reporting mechanisms, training, awareness raising for contractors, immigration officers, customs officers, ECZ officers and communities.	<ul style="list-style-type: none"> 100% contractors comply with and report on requirements on SEAH 100% officials and communities comply with and report on requirements on SEAH (2018 baseline: 0) 	Project management budget	2020–2026	IPMO, EPMO, BPMP

BPMP = Baotou Municipal Project Management Office, DPMO = Damaoqi County Project Management Office, ECZ = economic cooperation zone, EPMO = Erenhot Municipal Project Management Office, ESMS = environmental and social management system, FIs = financial intermediaries, FIL = financial intermediation loan, IPMO = Inner Mongolia Autonomous Region Project Management Office, PAP = poverty alleviation program, SEAH = sexual exploitation, abuse and harassment, SMEs = small and medium-sized enterprises.

^a 1,000 skilled and 500 unskilled employment during the operation phases. Target for women's employment is 40% in each.

^b These 950 jobs are the current jobs at Erenhot and Mandula ports, including port staff and business employees.

^c Such as landscaping jobs.

^d Women-owned/led SME is defined as: (i) ≥ 51% owned by woman/women; or (ii) ≥ 20% owned by woman/women; and (iii) has: (a) ≥ 1 woman as chief executive officer/President (i.e., senior most executive) or chief operating officer/Vice President (i.e., second most senior executive); and (b) has ≥ 30% of the board of directors composed of women, where a board exists.

Source: Asian Development Bank.

Budget and implementation arrangement

98. A social safeguard and ESMS specialist will be recruited through PICs to provide overall guidance for implementation of SDGAP and ESMS in Tranche 1 and preparation of Tranche 2, which will be financed as part of the project budget. With support from this specialist, the IPMO will be responsible for coordinating the implementation of the plan and will assign a social official to coordinate the implementation of SDGAP. The local units of Women's Federation will also participate in the implementation of the SDGAP.

Monitoring and evaluation

99. Monitoring and reporting on SDGAP implementation progress is a requirement. Reports will be incorporated in the overall project progress report and will be submitted to ADB on a semiannual basis. A reporting matrix sample form is provided in the in Appendix 8. Sex-disaggregated data will be collected across subprojects. BPMO and EPMO will also appoint staff as focal point for SDGAP implementation and monitoring in its level.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework (Tranche 1)

Impact the Investment Program is aligned with: Sustainable economic development and shared prosperity for CAREC region achieved ^a .			
Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
Outcome Sustainable economic opportunities and living conditions in areas along the IMAR–Mongolia border improved	By 2027: a. 1,500 additional jobs ^b created in Erenhot and Mandula Ports, at least 40% of employment opportunities are taken up by women (2018 Baseline: 950 ^c ; 30%) (RFI A) b. Mongolian patients reception at the Hospital increased by 100% (2018 baseline: 2,150) (RFI B) c. Annual income ^d of poor households from poverty alleviation program increased by CNY 10,000/year (2018 baseline: 0)	a. Annual statistics by Bureau of Statistics, IMAR Government b. Hospital records and annual reports c. Tripartite agreements and lamb purchasing receipts	External market and economic factors cause slow economic growth and cross-border trade
Outputs 1. Sustainable infrastructure for cross-border connectivity improved	By 2026: 1a. New smart port with one-stop inspection system established and operated at Erenhot Port (2018 baseline: 0) 1b. New logistics park with international logistics parking service area constructed and operated at Mandula port (2018 baseline: 0) 1c. Customs inspection center established and operated at Mandula port (2018 baseline: 0) 1d. At least 550 jobs ^e generated by Erenhot and Mandula Ports subprojects (2018 baseline: 0) 1e. 86 sets of advanced medical equipment purchased for the Hospital to replace outdated equipment in the departments of radiology and laboratory, emergency center and operating rooms (2018 baseline: 0)	1a–e. Semiannual progress reports and Tranche 1 project completion report by the executing agency and implementing agencies	Frequent staff changes cause delay in approval of project implementation plans and funds disbursement
2. Ecological environment in key border towns improved	2a. Coverage area of protective forest in Erenhot-Zamyn Uud ECZ increased by 35.5 hectares (2018 baseline: 0) 2b. Garbage collection and transfer system established in Erenhot-Zamyn Uud ECZ (2018 baseline: 0)	2a–c. Semiannual progress reports and Tranche 1 project completion report by the executing agency and implementing agencies	

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
	2c. Sanitation intelligent cloud service platform operated in Erenhot (2018 baseline: 0)		
3. Income-generating opportunities expanded	<p>3a. At least 10 SMEs provided with credits from the financial intermediation loan annually (2018 baseline: 0)</p> <p>3b. At least 20% of SMEs receiving financing from the selected financial intermediary banks owned or led by women^f (2018 baseline: 4%, women owned or led SME borrowers in IMAR) (RFI C)</p> <p>3c. At least 20 new SMEs receiving business development services (2018 baseline: 0)</p> <p>3d. At least 30% of SMEs receiving business development services are owned or led by women (2018 baseline: 0)</p> <p>3e. At least 2,000 poor households participated in decision making and implementation of the PAP, including at least 50% of current poor women-headed households (2018 baseline: 0)</p> <p>3f. At least 100 jobs (including short-term jobs) provided to the poor households annually starting from 2020 (2018 baseline: 0)</p> <p>3g. Animal quarantine station established in Mandula Port (2019 baseline: 0)</p>	<p>3a. Subloan agreement</p> <p>3b–d. Semiannual progress reports and Tranche 1 project completion report by the executing agency and implementing agencies</p> <p>3e. Tripartite agreements</p> <p>3f–g. Semiannual progress reports and Tranche 1 project completion report by the executing agency and implementing agencies</p>	External market instability causing mutton price decreasing
4. Cross-border mechanisms, technical project management and institutional capacity strengthened	<p>4a. Improved skills and knowledge on regional cooperation and services, project management, safeguards, and gender issues provided to at least 250 government officials, of whom at least 40% are women (2018 baseline: 0)</p> <p>4b. At least 200 medical professionals such as managers, doctors, and nurses at least 50% of whom are women, participate in on-site job training, report improved skills in diagnosis, treatment, ward management, hospital operation, and operation of upgraded medical equipment (2018 baseline: 0)</p> <p>4c. Quarterly coordination meeting conducted between two ADB projects for Erenhot-Zamyn Uud ECZ (2018 baseline: 0)</p>	<p>4a–b. Semiannual progress reports and Tranche 1 project completion report by the executing agency and implementing agencies</p> <p>Capacity development completion reports</p> <p>Training participants' survey reports</p> <p>4c. Meeting minutes</p>	

Key Activities with Milestones

1. Sustainable infrastructure for cross-border connectivity improved

- 1.1. Detailed design completed by Q1 2021;
- 1.2. Advertisement by Q2 2021;
- 1.3. Complete bidding process by Q4 2021;
- 1.4. Procurement of medical facilities of the Hospital in Erenhot completed by Q4 2022;
- 1.5. Functions of smart port facilities and systems in Erenhot Port confirmed by Q1 2027; and
- 1.6. Construction of logistics park facilities and buildings in Mandula Port completed by Q1 2027.

2. Ecological environment in key border towns improved

- 2.1. Detailed design completed by Q1 2021;
- 2.2. Advertisement by Q2 2021;
- 2.3. Complete bidding process by Q4 2021;
- 2.4. Protective forest in the Erenhot-Zamyn Uud ECZ completed by Q1 2027; and
- 2.5. Functions of sanitation intelligent cloud service platform operated confirmed by Q1 2027.

3. Income-generating opportunities expanded

- 3.1. Onlending to selected qualified SME subborrowers completed by Q1 2027;
- 3.2. Detailed design completed by Q4 2020;
- 3.3. Advertisement starts from Q1 2021;
- 3.4. Complete bidding process by Q3 2021;
- 3.5. Carry out the Poverty Alleviation Program by Q1 2027;
- 3.6. Carry out the stud sheep breeding program, recruit embryo transplantation service providers and sign sheep farming service contracts with local farmer households by Q1 2027;
- 3.7. Upgrading sheep farming bases by Q3 2024;
- 3.8. Establishment of product traceability and management system by Q3 2024; and
- 3.9. Construction of quarantine station facilities completed by Q1 2027.

4. Cross-border cooperation mechanisms, technical project management, and institutional capacity strengthened

- 4.1. Carry out annual RCI International Workshops and share project experience by Q1 2027;
- 4.2. Carry out technical and project management training workshops by Q1 2027;
- 4.3. On-site job trainings to the Hospital Management, doctors, and nurses (all relevant female staff) on upgraded medical equipment operation, diagnosis, treatment skills, ward management, and hospital operation by Q1 2027; and
- 4.4. Carry out capacity building activities by Q1 2027.

Project Management Activities

1. Recruit and manage program start-up consultants by Q3 2021;
2. Recruit and manage program implementation consultants by Q3 2027;
3. Develop and maintain the program performance monitoring system by Q3 2027;
4. Ensure timely delivery of regular progress reports by Q3 2027;
5. Carry out annual review missions, mid-term review mission and completion review mission by Q3 2027;
6. Submit project audited financial statements by Q2 2027;
7. Submit entity financial statements (FIs and PIEs) by Q3 2027; and
8. Prepare and submit project completion report for Tranche 1 in Q3 2027.

Inputs	
ADB:	€166.53 million (ordinary capital resources)
Government:	€115.35 million
Private-owned Enterprise:	€42.16 million
Financial intermediaries:	€21.11 million
Assumptions for Partner Financing	
None.	

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, ECZ = economic cooperation zone, IMAR = Inner Mongolia Autonomous Region, PIEs = project implementing entities, Q = quarter, RCI = regional cooperation and integration, RFI = results framework indicator, SMEs = small and medium-sized enterprises.

^a ADB. 2017. *CAREC 2030: Connecting the Region for Shared and Sustainable Development*. Manila.

^b 1,000 skilled and 500 unskilled employment during the operation phase.

^c The baseline of 950 jobs comprises the current jobs at Erenhot and Mandula ports, including port staff and business employees. Jobs to be created will be mainly from ECZ and BCPs for skilled and unskilled positions, based on further increase in trade and improved living conditions in IMAR.

^d Income increase for poor households is generated directly from participating in the PAP by raising ewes and selling lambs to Xiaoweiayang.

^e Including 125 skilled and 425 unskilled employment during project construction.

^f SMEs owned or led by women are defined as: enterprises with majority ownership by one or more women; or enterprises where senior management responsibility is held by one or more women.

Contribution to the ADB Results Framework

RFI A: Jobs generated. Excepted: 1,500 (40% female).

RFI B: Reduced health risks through regional public goods. Expected: Mongolian patients reception in the hospital in Erenhot increased to 4,300.

RFI C: Loan accounts opened by SMES owned or led by women or end-borrowers reached by SMES owned or led by women. Excepted: 20 SMEs owned or led by women.

Source: Asian Development Bank.

B. Monitoring

1. Project performance monitoring.²¹

100. To monitor the progress of the project in achieving the planned outcome and outputs, the IPMO will establish PPMS after the project implementation starts (after three months after the loan effectiveness) and will maintain accordingly. The basis for project performance monitoring and reporting will be the DMF, which identifies performance targets for the outcomes and outputs of the project. It will be designed to permit adequate flexibility to adopt remedial action regarding project design, schedules, activities, and development impacts. The PPMS will cover the following aspects of the project implementation: (i) project physical and financial progress; (ii) progress and results of institutional capacity development; (iii) implementation of EMP; (iv) implementation of SDGAP; (v) implementation of ESMS for financial intermediation loan, and (vi) compliance with loan covenants (policy, financial, economic, safeguard, sector, and others). The IPMO, EPMO, BPMO and DPMO, FIs, and PIEs agreed and confirmed that they will (i) establish the PPMS within three months after the loan effectiveness; (ii) recruit the individual consultants and PICs before the loan effectiveness to facilitate the project start-up and provide consulting service as described in Appendix 4; (iii) confirm that targets are achievable; and (iv) develop recording, monitoring and reporting arrangements.

101. With inputs from EPMO, BPMO and DPMO, PIEs, FIs and other stakeholders, the IPMO will prepare the project progress report semiannually. Disaggregated baseline data for output and outcome indicators gathered during project preparation will be updated and reported in the semiannual reports and after each ADB review mission. At the start of project implementation,

²¹ ADB's project performance reporting system is available at <http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>

with the support of PICs, the IPMO and ADB will develop integrated PPMS procedures to generate data systematically on the inputs and outputs, as well as the indicators to be used to measure the project's impact and outcome taking into account the project scope.

102. **PAP Sustainability and Performance Evaluation.** Xiaoweiayang will remain this PAP to be established, fully and effectively operated throughout the entire duration of the project implementation until the ADB loan has been repaid in full (25 years). During the entire implementation period, Xiaoweiayang will provide technical support to the poor and/or low-income households (HHs) and scaled HHs/cooperatives, including breeding services, quarantine and anti-epidemic control, sheep farming technical training and other necessary support as found during the implementation period, to minimize the risks of all parties. The progress of PAP implementation will be reported semiannually through project progress reports and submitted to ADB through the Government of IMAR.

103. The Government of IMAR will evaluate the performance of the implementation of PAP, after the completion of each implementation phase (5 years), until the ADB loan has been repaid in full. The objectives of evaluation will include but not limited to: (i) analysis of performance and poverty alleviation impacts; (ii) assess how and what the implementation mechanism contributing to poverty alleviation; (iii) make clear conclusion on necessity of the next round implementation and specific recommendations on the next round implementation arrangement if necessary, including the selection criteria of poor HHs and scaled HHs/cooperatives.

104. In the event that the PAP is discontinued, for any reason whatsoever, at any time during the implementation of the Investment Program until the ADB loan has been repaid in full, the Government of IMAR will cause Xiaoweiayang to immediately repay all amounts and charges outstanding and due to the Government of IMAR.

2. Compliance monitoring

105. The IPMO, with the assistance of the EPMO, BPMO and DPMO, PIEs, FIs and PICs will conduct compliance monitoring, submit periodic (semiannually) reports to ADB concerning the use of the loan proceeds, project implementation, project implementation performance, and compliance of loan and project covenants. The compliance status of loan and project covenants will be reported and assessed through semiannual project progress reports. ADB review missions will verify the status.

3. Safeguards monitoring

106. **Environment.** Three types of environment safeguard monitoring will be conducted under the EMP: compliance monitoring, internal monitoring, and external monitoring. The environmental monitoring program, including roles, responsibilities, monitoring frequency and variables, is described in Section D of the EMP. ADB and the PMOs will monitor the status of EMP implementation through: (i) semiannual project progress reports and semiannual environmental safeguard monitoring progress reports to ADB; and (ii) review missions. EMP implementation will be coordinated by the IPMO environment officer, supported by the EPMO and BPMO, project municipal and county Ecology and Environment Bureau (EEBs), and PICs, to ensure overall compliance of all relevant agencies with the EMP.

107. **Social Safeguard.** The respective PMOs will ensure timely submission of semiannual internal monitoring reports to ADB in accordance with the agreed resettlement plan and resettlement framework. A post-evaluation report will also be submitted to ADB. For the FIL

component, semi-annual ESMS monitoring reports will be submitted to ADB for review and disclosure on the ADB website.

108. **Gender and social dimensions monitoring.** In accordance with the ADB's PPMS requirement, a monitoring and evaluation plan of gender and social poverty impacts of the project will be developed during the implementation. Actions and indicators in the SDGAP will be monitored on a continuous basis and included in the PPMS. SDGAP implementation will be reported semiannually as part of project reporting.

C. Evaluation

109. The executing agency, implementing agencies, and ADB will undertake annual review missions to evaluate the progress of project implementation. The executing agency, implementing agencies, and ADB will undertake a comprehensive midterm review two years after the start of project implementation to have a detailed evaluation of the scope, implementation arrangements, safeguards, achievement of scheduled targets, and progress on the regional cooperation and institutional capacity building measures. Feedback from the PPMS activities will be analyzed. Within six months of physical completion of each tranche, the executing agency will submit a project completion report per tranche to ADB.²²

D. Reporting

110. The executing agency, through IPMO, will provide ADB with (i) semiannual progress reports in a format consistent with ADB's project performance reporting system (template is attached in Appendix 6); (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that subprojects will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

111. The Government of IMAR has agreed on the following reporting commitments:

No.	Report	Timing	Reference	Remarks
1.	Semiannual project progress reports	Semiannually (January, July)	Project agreement	Template in Appendix 6
2.	Semiannual environmental monitoring reports <ul style="list-style-type: none"> ➤ During the construction period ➤ During the operation period 	<ul style="list-style-type: none"> ➤ Semiannually (January, July) ➤ Annually (January) 	Project agreement	Template in Appendix 7
3.	Semiannual social monitoring reports	Semiannually (January, July)	Project agreement	Template in Appendix 8
4.	Semiannual ESMS progress monitoring reports	Semiannually (January, July)	Project agreement	Template in Appendix 9
5.	Project audited financial statements	Not later than 6 months after the closure of fiscal year	Project agreement	

²² Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

6.	Entity audited financial statements (POE and FIs)	1 month after the completion and their approval by relevant authorities (July)	Project agreement
7.	Project midterm report	Three years after the project implementation starts	Project agreement
8.	Project completion reports (per tranche)	Not later than 6 months after the physical completion of each tranche	Project agreement

ESMS = environmental and social management system arrangement, FIL = financial intermediation loan, FIs = financial intermediaries, POE = privately owned enterprise.

Source: Asian Development Bank.

E. Stakeholder Communication Strategy

112. The stakeholder communication strategy is designed to ensure: (i) a regular flow of reliable project information, (ii) ownership over project outcomes and interest and/or willingness to take advantage of the project benefits, (iii) inclusion of vulnerable groups in benefit distribution and project implementation, and (iv) promotion of border area development.

113. Project information will be communicated through public consultation, information disclosure mechanism in ADB's and government's website, meetings, interviews, focus group discussions, community consultation meetings, and awareness campaigns in accordance with ADB's requirements of information disclosure policy.

114. Stakeholders include (i) project direct and indirect beneficiaries with a focus on small and medium-sized business operators and employees of border trade related businesses; (ii) mass organizations; (iii) ECZ and BCP management committees, and PIEs responsible for community-level border social economic development, site management; (iv) private sector operators who share an interest in the outcomes and/or impacts of the project; and (v) government agencies having a role in implementation. The strategy serves to inform and support community development, enhance government capacity to manage project outcomes, and enhance project benefits while mitigating negative impacts.

115. Meaningful consultation for the project has been conducted during domestic environmental impact assessment (EIA) and ADB's environment safeguard due diligence in accordance with the PRC Interim Guideline on Public Consultation in EIA (2006) and ADB's SPS (2009). Public consultation will continue through pre-construction, construction and operation stage as needed. Project information will be disclosed as follows: (i) the project EIA/IEEs will be disclosed on ADB website; (ii) domestic EIAs will be disclosed on the websites of local governments; and (iii) semiannual environmental, social and ESMS monitoring reports will be disclosed on ADB and implementing agencies' websites. All PIEs and FIs will establish a GRM to address environment and social issues associated with the project.

116. Public disclosure of all project documents will be undertaken by the IPMO, EPMO, BPMO and DPMO, and on ADB website including the project data sheet, design and monitoring framework, IEE, and the report and recommendation of the president to the Board of Directors. Disclosure of environmental, social and ESMS progress monitoring reports will be undertaken during project implementation.

X. ANTICORRUPTION POLICY

117. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.²³ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.²⁴

118. To support these efforts, relevant provisions are included in the loan agreement and project agreement and the bidding documents for the project. The project design and implementation arrangements provide for mitigating corruption risks. Risks associated with project management will be mitigated by (i) training of the executing and implementing agencies' staff in the procurement of civil works, goods, and services under the project; and (ii) periodic inspection of contractors' activities related to fund withdrawals and settlements by the executing agency's staff.

XI. ACCOUNTABILITY MECHANISM

119. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²⁵

XII. RECORD OF CHANGES TO THE FACILITY ADMINISTRATION MANUAL

120. All revisions/updates during the course of implementation will be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the FAM.

No.	Description of Revision	Date
1.	Discussed during loan fact-finding mission	September 2019
2.	Discussed and agreed during loan negotiations	26 August 2020
3.		

²³ Anticorruption Policy: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

²⁴ ADB's Integrity Office web site: <http://www.adb.org/integrity/unit.asp>

²⁵ Accountability Mechanism: <http://www.adb.org/Accountability-Mechanism/default.asp>.

Appendix 1: Summaries of Tranche 1

Erenhot Subproject: Inner Mongolia Sustainable Cross-Border Development Investment Program in Erenhot

A. Project description

1. Erenhot is a county-level city of the Xilin Gol League, in Inner Mongolia Autonomous Region, located in the Gobi Desert along the People's Republic of China (PRC)–Mongolia border, across from the Mongolian town of Zamyn-Uud. The operation of the Erenhot highway port began in 1992, but it was a mixed road used for both passenger and goods transport. The infrastructure and inspection conditions were very simple then. To modernize Erenhot highway port, the government expanded it in July 2000, greatly improving its customs clearance efficiency. An agreement has been signed on 4 June 2019 for the Construction of Erenhot–Zamyn Uud Economic Cooperation Zone (ECZ) between PRC and Mongolia.¹ Based on the agreement, both sides will further promote the mutual supplement between PRC and Mongolia in economic advantages, facilitate trade and investment and personnel exchanges, push ahead industrial cooperation between the two countries, accelerate the regional development of the border areas of the two countries, and benefit the border areas and the people of the two countries.

2. The purpose of this subproject is to establish inspection area in the PRC–Mongolia Erenhot–Zamyn Uud ECZ, and improving living conditions of local and border towns in Mongolia. This subproject includes five main activities as follows:

- a) **Activity 1: Inspection Area Construction for the PRC-Mongolia Erenhot-Zamyn Uud ECZ**, including (1) construction of inspection area; and (2) establishment of smart port management platform; (3) construction of cross-border economic cooperation center; (4) establishment of fencing, alarm and monitoring system in the ECZ; (5) construction of clean energy heating and pipe network for the ECZ;
- b) **Activity 2: Ecological Restoration for the PRC-Mongolian Erenhot-Zamyn Uud ECZ**, including (1) ecological protection greenbelt along the central axis, including reclaimed water storage and irrigation facilities, and landscape lighting; and (2) ecological protection greenbelt along roadsides, including reclaimed water storage and irrigation facilities;
- c) **Activity 3: Waste Collection and Transfer Station in ECZ, and Sanitation Intelligent Cloud Platform in Erenhot**, including (1) construction of one waste collection and transfer station, (2) procurement of supporting facilities, and (3) establishment of sanitation intelligent cloud platform;
- d) **Activity 4: Upgrading Medical Equipment for the Erenhot International Traditional Chinese and Mongolia Medicine Hospital** (PRC-Mongolia International Hospital in Erenhot), including procurement of 86 sets of medical equipment and facilities;
- e) **Activity 5: Institutional capacity building and strengthening.**

¹ Ministry of Commerce People's Republic of China. 2019. [Chinese and Mongolian Governments Signed an Agreement on the Construction of the Erenhot-Zamin-UUd Economic Cooperation Zone](#). 5 June.

Table 1-1: Summary of Each Activity

No.	Item	Amount	Unit	Remarks
a) Inspection Area Construction for the PRC-Mongolian Erenhot-Zamyn Uud ECZ				
<i>a.1. Construction of inspection area</i>				
1.	Joint inspection building	26,877	m ²	
2.	Inspection center	4,000	m ²	
3.	Supporting service building	2,000	m ²	
4.	Road hardening	294,300	m ²	
5.	Greening area	110,550	m ²	
6.	Fence	4,800	m ²	
<i>a.2. Establishment of smart port management platform</i>				
1.	Border immigration inspection and examine system, information equipment and facilities	14	Set	
2.	Customs inspection and examine system, information equipment and facilities	11	Set	
3.	One-stop inspection passenger channels for border and customs inspection	10	Channel	5 for entry and 5 for exit
4.	One-stop inspection freight channels for border and customs inspection	12	Channel	6 for entry and 6 for exit
<i>a.3. Construction of PRC–Mongolian Regional Cooperation Center</i>				
5.	PRC-Mongolian Regional Cooperation Centre	20,000	m ²	Floor area
6.	Greening	7,560	m ²	
7.	Parking lots	4,550	m ²	
8.	Road hardening	18,000	m ²	
9.	Fencing wall	458	m	
<i>a.4. Fencing, alarm and monitoring system in PRC-Mongolian ECZ</i>				
1.	Fence and alarm monitoring system in PRC-Mongolian ECZ	13.5	km	
2.	Alarm system and installation	2	Set	Equipment
3.	Monitoring system and installation	2	Set	
4.	Wrought iron fence and installation	4,500	Piece	
<i>a.5. Clean energy heating and pipe network for the PRC-Mongolian ECZ</i>				
1.	Electrode boiler	2	No.	Capacity: 4 MW
2.	Thermal storage tank (hot water, including water distributor)	1	No.	2,270 m ³ , with a total thermal storage capacity of 72,000 kWh
3.	Heating supply station	1,638	m ²	Height: 4.5 m
4.	Electricity supply, other associated equipment and automatic control system	Multiple	Set	
5.	Welded steel pipes DN450	1,290	m	Heating supply pipelines
6.	Welded steel pipes DN500	1,324	m	Heating supply pipelines
7.	Welded steel pipes DN600	3,080	m	Heating supply pipelines
8.	Welded steel pipes DN700	2,564	m	Heating supply pipelines
9.	Welded steel pipes DN800	1,054	m	Heating supply pipelines
b) Ecological Restoration for the PRC-Mongolian Erenhot-Zamyn Uud ECZ				
1.	Green belt along the central axis, reclaimed water storage and irrigation facilities, and landscape lighting	20.5	ha	
2.	Green belt along the roadsides, reclaimed water storage and irrigation facilities	15	ha	
c) Waste Collection and Transfer Station in ECZ, and Intelligent Cloud Platform in Erenhot				
1.	A waste compression and transfer station	320	m ²	Floor area. Daily capacity: 18.2 tons/day

No.	Item	Amount	Unit	Remarks
2.	Vertical compression equipment	1	Set	Compressing capacity: 60 tons/day
3.	Video surveillance system	1	Set	
4.	Deodorization system	1	Set	
5.	High-pressure cleaner	1	Set	
6.	Central control system	1	Set	
7.	Sanitation intelligent cloud platform service system	1	Set	
8.	Cleaning tools and facilities	78	Set	Besom, shovel, reflective vests, etc.
9.	Garbage bin	150	No.	240 L
10.	Intelligent garbage classification dustbin	5	No.	6 m ³
11.	Side-loader waste collection vehicle	3	No.	Capacity: 3 tons
12.	Cargo for transporting recyclable waste	2	No.	Capacity: 1.7 tons
d) Medical equipment upgrading for the Erenhot International Traditional Chinese and Mongolian Medicine Hospital				
1.	Radiology medical equipment	5	Type	5 sets
2.	Function section equipment	6	Type	7 sets
3.	Laboratory equipment	5	Type	5 sets
4.	Surgery/ Anesthesiology equipment	3	Type	4 sets
5.	Plastic surgery equipment	4	Type	4 sets
6.	Ophthalmology equipment	6	Type	6 sets
7.	Otolaryngology equipment	3	Type	3 sets
8.	Internal Medicine	9	Type	30 sets
9.	Pediatrics equipment	7	Type	19 sets
10.	Equipment for the First Aid Center	1	Type	2 sets
11.	Equipment for the disinfecting supply room	1	Type	1 sets

ECZ = economic cooperation zone, ha = hectare, L= liter, kWh = kilowatt-hour, m = meter, m² = square meter, m³ = cubic meter, MW = megawatt.

Source: Domestic Feasibility Study Report, September 2019.

B. Institutional Arrangement

3. Erenhot Municipal Government (EMG) is the implementing agency for this subproject. Erenhot Municipal Project Management Office (EPMO) has been established under the Erenhot Development Reform Commission (EDRC) to carry out overall coordination and supervision of subproject preparation and implementation in its level. Erenhot Yixin Urban & Rural Development and Construction and Asset Management Co., Ltd (Yixin) has been assigned to act as PIE. A project implementing unit (PIU) has been established inside the PIE to carry out the daily implementation of this subproject. Roles and responsibilities of each agency have been identified in Table 3 in this FAM.

4. During the preparation stage, EPMO has two staff, mainly for (1) facilitating the interagency coordination, including municipal agencies, IPMO, transaction technical assistance (TRTA) team and Design Institutes (DIs), for the preparation and processing of Erenhot Subproject; (2) collecting data as requested to facilitate due diligence that carried out by the TRTA team. However, the current staff does not have ADB or other foreign-funded project implementation experience. Furthermore, it lacks procurement staff and financial management staff. The institutional management risk for EPMO is **medium** before mitigation measures.

C. Innovations

5. During the preparation period, ADB has emphasized the importance of project sustainability and climate change adaptation and mitigation measures to be included in the project designs. TRTA consultants, DIs, IPMO, EPMO and project implementing entity (PIE) conducted intensive discussions to improve the project designs, including innovations, to achieve and/or amplify the project benefits. Table 1-2 summarizes the innovative practices that will be included in the Erenhot Subproject.

Table 1-2: Innovations under Erenhot Subproject

Outputs	Activities	Innovative technology or business model	Remarks
Output 1: Sustainable infrastructure cross-border connectivity and health services improved	Inspection area construction for the PRC-Mongolian Erenhot-Zamyn Uud ECZ	Smart port management <ul style="list-style-type: none"> One-stop inspection system combined with the intelligent vehicle queuing system; Smart cargo inspection system; Smart passenger car inspection system; Smart passenger inspection system. 	<ul style="list-style-type: none"> This system is able to conduct analyses automatically on the number of customs clearance vehicles through video surveillance and algorithm software; This system will shorten the customs clearance time from 6 minutes to 2.5 minutes per freight cargo; This system will shorten the customs clearance time from 5 minutes to 2 minutes per passenger car; and This system will shorten the customs clearance time from three minutes to one minute per passenger.
		Heating storage through electrical boiler system and supply to ECZ from clean energy by applying off-peak electricity generated from wind power	<ul style="list-style-type: none"> This system enables heating storage during off-peak electricity consumption period and to be used during the peak period; The system solves the wind curtailment issues as it mainly occurred at night during the off-peak time; and It is estimated that the system can reduce the use of standard coal by 2008 tons/year, which is equivalent to 5,000 tons/year of CO₂ emission reduction, as well as reduce the emission of dust, SO₂, NO_x by 1.61, 3.62 and 6.43 tons/year, respectively.
Output 2: Ecological environment in key border towns improved	Ecological restoration for the PRC-Mongolian Erenhot-Zamyn Uud ECZ	Precision Drip Irrigation System (PDIS) using sensor network technology integrated with a mobile application for remote water application management	<ul style="list-style-type: none"> Reclaimed water will be applied for irrigation; The amount of water in the soil will be measured via sensors that are placed on certain points of the area to be irrigated; PDIS will save 65% of water compared with the conventional irrigation methods; High efficiency with water, time and energy-saving and reducing the workforce can be achieved; and PDIS will contribute to climate change adaptation and mitigation.
		Efficient fertilizer and water use through the adoption of fertigation technology	<ul style="list-style-type: none"> Precise amount – fertigation with drip irrigation allows precise and targeted application of water and fertilizers, to the root system; Precise timing – nutrients can be applied at the time they are needed by the seedlings and/or trees; and Precise rates of fertilizers and better nutrient availability and uptake efficiency.
		Application of solar energy powered LED light	<ul style="list-style-type: none"> Eco-friendly since it runs on solar energy; Easy to install; Does not need any oils or chemicals to operate; and

Outputs	Activities	Innovative technology or business model	Remarks
		pest bug zapper lamp	• Needs very little maintenance.
		Native drought-resistant seedlings for local forestation and ecological restoration	<ul style="list-style-type: none"> • Minimize water loss and maximize water uptake by choosing native adapted and tolerated plants; • Improving living conditions to local people by forestation, and protect them from sandstorm impact; and • Provide protection to the transport system and urban area from sandstorm impact, in addition to the expansion of climate change adaptation and mitigation.
	Waste collection and transfer station in ECZ, and sanitation intelligent cloud platform in Erenhot	Introducing “smart bins” for garbage collection and recycling	<ul style="list-style-type: none"> • Sensor activated smart bins will indicate if the bins are full and help for planning the collection services, which will help to improve the sanitation conditions of local communities; and • Educating local people on the waste recycling by providing incentives (earning credits by proper garbage separation, and using credits to exchange daily necessities, i.e., soap, toilet paper, towels and eco garbage bags)
		Sanitation Intelligent Cloud Platform	<ul style="list-style-type: none"> • The platform will collect information of “smart bins” through sensors and plan collection routine for the waste collection vehicles; • Visualized screen of the platform and easier for monitoring; • Improving working efficiency of sanitation workers and reduce transportation cost; and • Reduce labor cost and management cost.

CO₂ = carbon dioxide, ECZ = economic cooperation zone, LED = light-emitting diode, NO_x = nitrogen oxides, PRC = People's Republic of China, SO₂ = sulfur dioxide.

Source: TRTA consultants, September 2019.

D. Costs and Financing

6. The total cost of the Erenhot Subproject will be €156.96 million of which €77.13 million will be funded by the ADB in Tranche 1, the EMG will finance the domestic counterpart fund.

Table 1-3: Cost Estimates by Expenditure Category

No.	Item	CNY million			€ million			% of Base Cost	% of Total Cost
		Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost		
A.	Base Cost								
1.	Civil Works	180.90	542.70	723.60	22.18	66.53	88.71	65%	57%
	Goods (Equipment & Materials)	169.16	42.29	211.45	20.74	5.18	25.92	19%	17%
3.	Capacity Building	6.41	0.00	6.41	0.79	0.00	0.79	1%	1%
4.	Land Acquisition and Resettlement	0.00	48.49	48.49	0.00	5.94	5.94	4%	4%
	Project Management Fee	0.00	127.27	127.27	0.00	15.60	15.60	11%	10%
6.	Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
	Sub-total (A)	356.47	760.75	1,117.22	43.70	93.27	136.97	100%	87%
B.	Contingencies								
1.	Physical	28.52	60.86	89.38	3.50	7.46	10.96	8%	7%
2.	Price	16.27	50.18	66.45	1.99	6.15	8.15	6%	5%
	Sub-total (B)	44.79	111.04	155.83	5.49	13.61	19.10	14%	12%
C.	Financing Charges during Implementation								

1.	Interest during construction	5.04	0.00	5.04	0.62	0.00	0.62	0.5%	0.4%
2.	Commitment charges	2.20	0.00	2.20	0.27	0.00	0.27	0.2%	0.2%
	Sub-total (C)	7.25	0.00	7.25	0.89	0.00	0.89	0.6%	0.6%
	Total Project Cost (A+B+C)	408.50	871.79	1,280.30	50.08	106.88	156.96	115%	100%

Source: Asian Development Bank estimates.

Table 1-4: Cost Estimates by Financier (€ million)

No.	Item	Total Costs	ADB		Government	
			Amount	% of Cost Category	Amount	% of Cost Category
A.	Base Cost					
1.	Civil Works	88.71	57.20	64.5%	31.51	35.5%
2.	Goods (Equipment & Materials)	25.92	19.15	73.9%	6.77	26.1%
3.	Capacity Building	0.79	0.79	100.0%	0.00	0.0%
4.	Land Acquisition and Resettlement	5.94	0.00	0.0%	5.94	100.0%
5.	Project Management Fee	15.60	0.00	0.0%	15.60	100.0%
6.	Working Capital					
	Sub-total (A)	136.97	77.13	56.3%	59.83	43.7%
B.	Contingencies					
1.	Physical	10.96	0.00	0.0%	10.96	100.0%
2.	Price	8.15	0.00	0.0%	8.15	100.0%
	Sub-total (B)	19.10	0.00	0.0%	19.10	100.0%
	Financing Charges During Implementation					
C.	Implementation					
1.	Interest during construction	0.62	0.00	0.0%	0.62	100.0%
2.	Commitment charges	0.27	0.00	0.0%	0.27	100.0%
	Sub-total (C)	0.89	0.00	0.0%	0.89	100.0%
	Total Project Cost (A+B+C)	156.96	77.13	49.1%	79.83	50.9%
	% of Total Project Cost	100%	49.1%		50.9%	

Source: Asian Development Bank estimates.

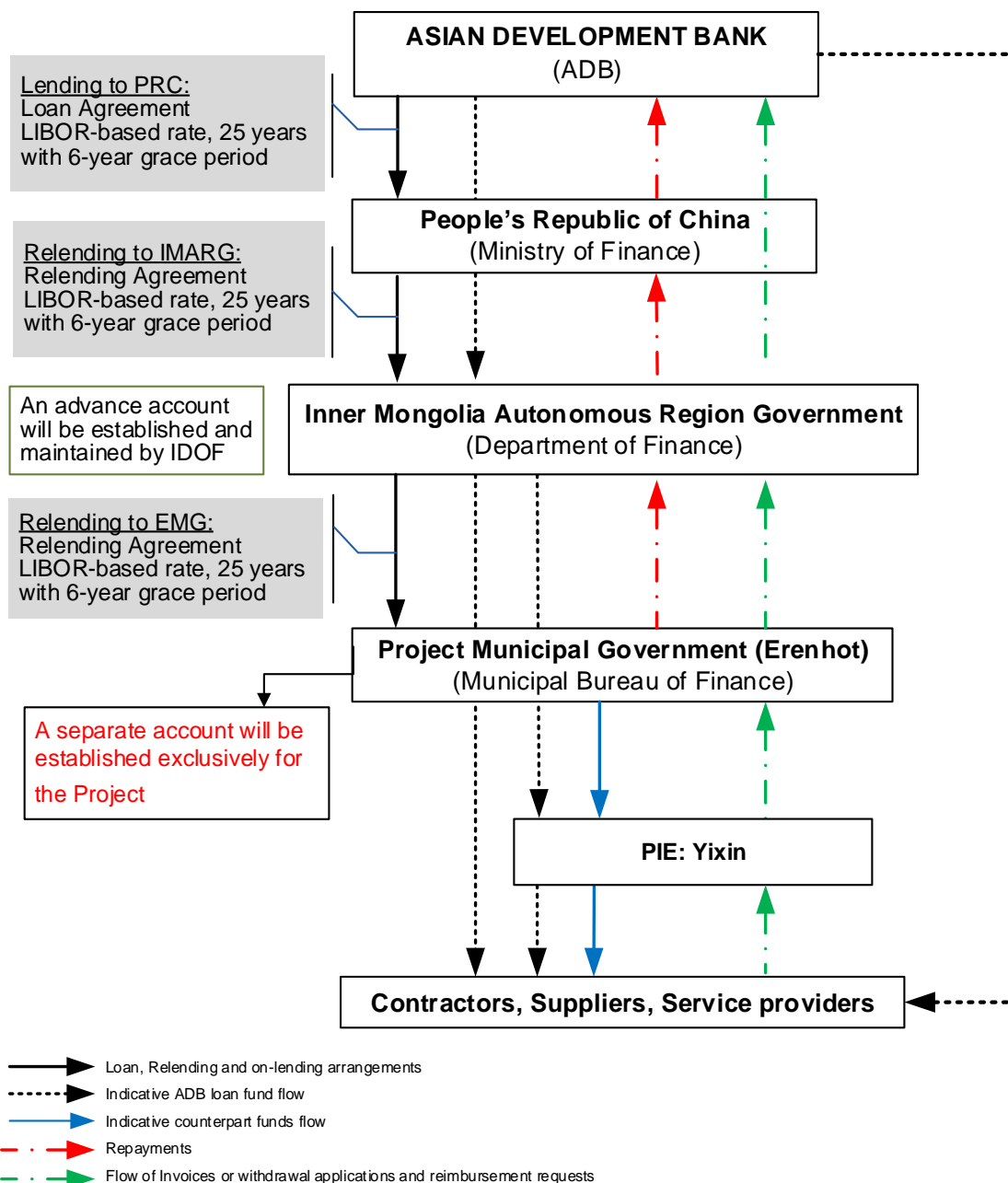
Table 1-5: Cost Estimates by Year (€ million)

Item	Total Cost	2021	2022	2023	2024	2025	2026
A. Investment Costs							
1. Civil Works	88.71	13.85	17.44	20.13	14.38	15.11	7.80
2. Goods (Equipment & Materials)	25.92	-	23.35	2.57	-	-	-
3. Capacity Building	0.79	0.35	0.21	0.14	0.03	0.03	0.02
4. Land Acquisition and Resettlement	5.94	4.42	1.53	-	-	-	-
5. Project Management Fee	15.60	3.49	3.05	2.87	2.74	1.88	1.57
6. Initial Working Capital	-	-	-	-	-	-	-
Total Base Cost (A)	136.97	22.12	45.58	25.71	17.15	17.02	9.39
B. Contingencies	-	-	-	-	-	-	-
1. Physical Contingency	10.96	1.77	3.65	2.06	1.37	1.36	0.75
2. Price Contingency	8.15	0.43	1.68	1.55	1.44	1.82	1.23
Sub-total (B)	19.10	2.20	5.33	3.61	2.81	3.18	1.98
C. Financing Charges During Implementation	-	-	-	-	-	-	-
1. Interest During Implementation	0.62	0.00	0.03	0.09	0.14	0.17	0.19
2. Commitment Charges	0.27	0.06	0.10	0.06	0.04	0.02	0.00
Sub-total (C)	0.89	0.06	0.13	0.15	0.17	0.18	0.19
Total Project Cost (A+B+C)	156.96	24.37	51.04	29.48	20.13	20.38	11.56

Source: Asian Development Bank estimates.

E. Fund Flow Diagram

7. The Government of IMAR will make available to EMG the proceeds of the Loans provided for the purpose of carrying out the project as stated in the Project Agreement and this FAM, with terms and conditions satisfactory to ADB. The fund flow for this subproject is presented below.



ADB = Asian Development Bank, EMG = Erenhot Municipal Government, IDOF = Inner Mongolia Autonomous Region Department of Finance, LIBOR = London interbank offered rate, PIE = project implementing entity, PRC = the People's Republic of China, Yixin = Erenhot Yixin Urban & Rural Development and Construction and Asset Management Co., Ltd.

* ADB Funds from the Advance Account to/through the EMG are through reimbursement.

Source: Asian Development Bank.

F. Procurement Plan*F.1. ADB financed contract packages***Goods, Works, and Nonconsulting Services**

Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
ECW1-1	Erenhot - Inspection center: 1) a building area of 4,000 m ² . 2) an auxiliary building with floor area of 2,000 m ²	3,641,829	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW1-2	Erenhot inspection area - infrastructure for the North Plaza, including: 1) Roads and pipeline network cover 162,000 m ² ; 2) Greening 49,700 m ² ; 3) 2,500 m fences	25,554,945	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW1-3	Erenhot inspection area - Infrastructure for the South Plaza. 1) Roads and pipeline network cover 132,300 m ² ; 2) greening 60,800 m ² ; 3) 2,300 m fences	21,478,698	OCB	Prior	1S1E	Q1, 2022	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
EG2-1	Erenhot - Smart Port management system	15,160,863	OCB	Prior	1S1E	Q2, 2021	Advertising: International Number of contracts: 1 Prequalification of bidders: Yes Advance contracting: No Bidding document: Goods E-procurement: No
ECW3-1	PRC-Mongolia Regional Cooperation Center, with a floor area of 20,000 m ²	17,118,829	OCB	Prior	1S1E	Q3, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW5-1	Erenhot - Ecological protection greenbelt along the central axis, including reclaimed water storage and irrigation facilities, and landscape lighting, covers an area of 24.49 ha	9,295,902	OCB	Post (sampling)	1S1E	Q3, 2023	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW6-1	Erenhot - 1) one waste collection and transfer station; 2) supporting facilities; and 3) sanitation intelligent cloud platform	712,614	OCB	Post (sampling)	1S1E	Q3, 2024	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
EG4-1	86 sets of medical equipment and facilities for PRC-Mongolia International Hospital in Erenhot	Lot 1: 4,494,479 Lot 2: 216,053 Lot 3: 1,085,323 Lot 4: 830,973 Lot 5: 210,995	OCB	Prior for Lots 1 and 2, Post (sampling) for Lots 3-7	1S1E	Q2, 2021	Advertising: International Number of contracts: 7 Prequalification of bidders: No Advance contracting: No Bidding document: Goods E-procurement: No

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
		Lot 6: 534,713 Lot 7: 43,355					

F.2. Non-ADB financed contract packages

Goods, Works, and Nonconsulting Services				
General Description	Estimated Value (cumulative, \$)	Estimated No. of Contracts	Procurement Method	Comments
Erenhot: Inspection area: Joint Inspection center (floor area of 20,000 m ²)	19,420,920	1	OCB	Financed by counterpart funds of EMG Advertising planned: Q1, 2020- Q4 2025 Advertising: National Prequalification of bidders: No Domestic preference applicable: No Advance contracting: No Bidding document: Works E-procurement: Yes
Erenhot - Regional cooperation center - Enclosed fencing, alarm and monitoring system	3,910,154	1	OCB	
Erenhot - Regional cooperation center - clean energy heating supply and network	7,980,985	1	OCB	
Erenhot - Greening - Windbreak forest along the highway, covering an area of 15.05 ha	3,324,926	1	OCB	

EMG = Erenhot Municipal Government, OCB = open competitive bidding.

G. Environmental Safeguard

8. Potential environmental impacts resulting from Erenhot Subproject have been identified in the IEE and mitigation measures have been proposed. It is concluded that the Subproject will not lead to significant adverse environmental impacts that are irreversible, diverse, or unprecedented. Its impacts to the biological environment during both the construction and operational phases can be reduced or eliminated to acceptable levels by implementing the proposed mitigation measures and by following the environmental management plan (EMP) developed for the subproject. The EMP and legal assurances reflected in the project and loan agreement will ensure that the mitigation measures are implemented in an appropriate institutional framework and are supported through comprehensive training, monitoring and reporting arrangements.

H. Environmental Management Plan

9. An EMP was developed for Erenhot Subproject, and is included in the IEE to ensure (i) implementation of identified mitigation and management measures to avoid, reduce, mitigate, and compensate for anticipated adverse environment impacts; (ii) implementation of monitoring and reporting; and (iii) project compliance with the PRC's relevant environmental laws, standards, and regulations and ADB's SPS (2009). Organizational responsibilities and budgets are identified for execution, monitoring, and reporting. The EMP consists of two major components: one for implementing mitigation measures and the other for carrying out the environmental monitoring programs. It covers all phases of project implementation from preparation, construction, commissioning to operation, and aims to ensure the monitoring of environmental impacts and implementation of environmental mitigation measures.

I. Involuntary Resettlement

10. Erenhot Subproject does not involve any land acquisition and house demolition. The construction of this entire subproject will occupy 1,259.50 *mu* of state-owned desert grassland, without ground attachments and affected persons (APs).

11. The construction of Activity 1 will occupy 725.42 *mu* of state-owned desert grassland, among which (i) the construction of inspection area will occupy 663.01 *mu* of state-owned desert grassland, without ground attachments and APs; (ii) the establishment of smart port management system will not involve any land acquisition; (iii) the construction of PRC–Mongolia regional cooperation center will occupy 54 *mu* of state-owned desert grasslands, without ground attachments and APs. (iv) clean energy heating and pipe network in the ECZ will occupy 8.41 *mu* of state-owned desert grassland, without ground attachments and APs.

12. The construction of Activity 2 will occupy 533.25 *mu* of state-owned desert grassland, among which (i) the central axis green belt will occupy 307.50 *mu* of state-owned desert grassland, without ground attachments and APs; (ii) protection green belt along roadsides will occupy 225.75 *mu* of state-owned desert grassland, without ground attachments and APs.

13. The construction of Activity 3 will occupy 0.83 *mu* of state-owned desert grassland, without ground attachments and APs. In addition, a due diligence report has been prepare for the construction of local municipal waste treatment plant (landfill).

14. For the Activity 4, it mainly purchases medical equipment and facilities for the Hospital, no civil works will be carried out. Therefore, this component will not involve any APs.

Mandula Port Subproject: Inner Mongolia Sustainable Cross-Border Development Investment Program in Mandula Port

A. Project description

1. Located in Damaoqi Banner (county) in Baotou Municipality, Mandula Highway Port has been established since 1992. As the only inland port opened all year round in the Midwest IMAR, Mandula Port plays an important role in the country's Belt and Road Initiative, especially in trade with Mongolia and Russia.

2. The purpose of this subproject is to upgrade the Mandula Port International Highway Logistics Park, improving the connectivity in border areas and enhance the service capacity to promote trade. This subproject includes four main activities as follows:

- a) **Activity 1:** Expansion of port freight passage roads;
- b) **Activity 2:** Construction of service area in the International Highway Logistic Park;
- c) **Activity 3:** Construction of customs supervision center in the International Highway Logistic Park; and
- d) **Activity 4:** Institutional capacity building and strengthening.

Table 2-1: Summary of Each Activity

No.	Item	Amount	Unit	Remarks
a) Expansion of Port Freight Passage Roads				
1.	Freight passage roads	6.14	km	Two-way four-lane
2.	Pipe road crossing	12	No.	
3.	Greening	13,513	m ²	
4.	Other associated facilities	Multiple	Set	Traffic marking, fence, electronic monitoring, etc.
b) Construction of service area				
1.	Land area	20.94	ha	
2.	Floor area	10,689	m ²	
3.	Parking lots	1,181	No.	
4.	Service building (4 floors), including hotel, restaurants, stores and related supporting equipment and facilities.	8,679	m ²	Floor area
5.	Vehicle repairing center (single floor)	1,860	m ²	Floor area
6.	Boiler room (electricity-based)	150	m ²	
7.	Other associated facilities	Multiple	Set	Road hardening, water and heating supply, etc.
c) Construction of customs supervision center				
1.	Land area	29.45	ha	
2.	Floor area	44,770	m ²	Floor area
3.	Enclosed warehouse for automatic coal loading and storage	40,645	m ²	250,000 tons of coal storage capacity
4.	Office building (3 floors)	4,126	m ²	Floor area

ha = hectare, km = kilometer, m² = square meter.

Source: Domestic Feasibility Study Report, September 2019.

B. Institutional Arrangement

3. Baotou Municipal Government (BMG) is the implementing agency for this subproject. Baotou Municipal Project Management Office (BPMO) is yet to be established under the Baotou DRC to carry out overall coordination and supervision of subproject preparation and implementation in its level. Damaoqi Pine Boolean Property Service Co., Ltd (Songbuer) has been assigned to act as PIE. DPMO has been established under the Damaoqi County Bureau of Commerce, with three staff during the project preparation period. According to the assessment, DPMO has a relatively low capacity as these staff have no international project experience, additional three staff (engineer, financial staff and asset management staff) will be assigned prior to loan effectiveness. Roles and responsibilities of each agency have been identified in Table 3 in this FAM.

C. Innovations

4. During the preparation period, ADB has emphasized the importance of project sustainability and climate change adaptation and mitigation measures to be included in the project designs. TRTA consultants, DIs, IPMO, BPMO, DPMO and PIE conducted intensive discussions to improve the project designs, including innovations, to achieve and/or amplify the project benefits. Table 2-2 summarizes the innovative practices that will be included in the Mandula Port Subproject.

Table 2-2: Innovation under Mandula Port Subproject

Outputs	Activities	Innovative technology or business model	Remarks
Output 1: Sustainable infrastructure and services for cross-border connectivity and health services improved	Expansion of port freight passage roads	Municipal wastewater treatment to reclaimed water and to be applied for irrigation	<ul style="list-style-type: none"> • Saving water resources in drought area; • Recycling water resources; and • Contribute to climate change adaptation and mitigation
	Construction of service area in the International Highway Logistic Park		
	Construction of customs supervision center in the International Highway Logistic Park	Smart cargo inspection system	The current system calls for 100% inspection as the procedure is not aided by electronic equipment, trucks need to spend about 12 days, including 2 days for the sampling and 10 days awaiting laboratory results. With the proposed smart system installed at the inspection area, trucks will need only 1 day to complete the process.

Source: Asian Development Bank.

D. Costs and Financing

5. The total cost of the Mandula Port Subproject will be €73.49 million of which €37.97 million will be funded by the ADB in Tranche 1, the Damaoqi County Government (DCG) will finance the domestic counterpart fund.

Table 2-3: Cost Estimates by Expenditure Category

No.	Item	CNY Million			€ Million			% of Base Cost	% of Total Cost
		Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost		
A. Base Cost									
1.	Civil Works	100.85	302.55	403.40	12.36	37.09	49.46	78%	67%
	Civil Works Financed by ADB	100.85	302.55	403.40	12.36	37.09	49.46	78%	67%
	Civil Works Financed by NBF	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
2.	Equipment & Materials	32.79	8.20	40.99	4.02	1.00	5.02	8%	7%
	Equipment & Materials Financed by ADB	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
	Equipment & Materials Financed by NBF	32.79	8.20	40.99	4.02	1.00	5.02	8%	7%
3.	Capacity Building	3.16	0.00	3.16	0.39	0.00	0.39	1%	1%
4.	Land Acquisition and Resettlement	0.00	11.02	11.02	0.00	1.35	1.35	2%	2%
5.	Project Management Fee	0.00	61.06	61.06	0.00	7.49	7.49	12%	10%
6.	Environmental Management Fee	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
7.	Initial Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
	Sub-total (A)	136.79	382.82	519.61	16.77	46.93	63.70	100%	87%
B. Contingencies									
1.	Physical	10.94	30.63	41.57	1.34	3.75	5.10	8%	7%
2.	Price	8.15	26.53	34.68	1.00	3.25	4.25	7%	6%
	Sub-total (B)	19.09	57.16	76.25	2.34	7.01	9.35	15%	13%
C. Financing Charges During Implementation									
1.	Interest during construction	2.51	0.00	2.51	0.31	0.00	0.31	0%	0%
2.	Commitment charges	1.07	0.00	1.07	0.13	0.00	0.13	0%	0%
	Sub-total (C)	3.58	0.00	3.58	0.44	0.00	0.44	1%	1%
	Total Project Cost (A+B+C)	159.46	439.98	599.44	19.55	53.94	73.49	115%	100%

Source: Asian Development Bank estimates.

Table 2-4: Cost Estimates by Financier (€ million)

Table 2-4. Cost Estimates by Financier (€ million)						
No.	Item	Total Costs	ADB		County Government	
			Amount	% of Cost Category	Amount	% of Cost Category
A. Base Cost						
1.	Civil Works	49.46	37.58	76%	11.87	24%
	Civil Works Financed by ADB	49.46	37.58	76%	11.87	24%
	Civil Works Financed by NBF					
2.	Equipment & Materials	5.02	0.00	0%	5.02	100%
	Equipment & Materials Financed by ADB					
	Equipment & Materials Financed by NBF	5.02		0%	5.02	100%
3.	Capacity Building	0.39	0.39	100%	0.00	0%
4.	Land Acquisition and Resettlement	1.35		0%	1.35	100%
5.	Project Management Fee	7.49		0%	7.49	100%
6.	Environmental Management Fee					
7.	Initial Working Capital					
	Sub-total (A)	63.70	37.967	60%	25.74	40%
B. Contingencies						
1.	Physical	5.10		0%	5.10	100%
2.	Price	4.25		0%	4.25	100%
	Sub-total (B)	9.35	0.00	0%	9.35	100%
C. Financing Charges During Implementation						
1.	Interest during construction	0.31		0%	0.31	100%
2.	Commitment charges	0.13		0%	0.13	100%
	Sub-total (C)	0.44	0.00	0%	0.44	100%
	Total Project Cost (A+B+C)	73.49	37.967	52%	35.52	48%
	% of Total Project Cost	100%	52%		48%	

Source: Asian Development Bank estimates.

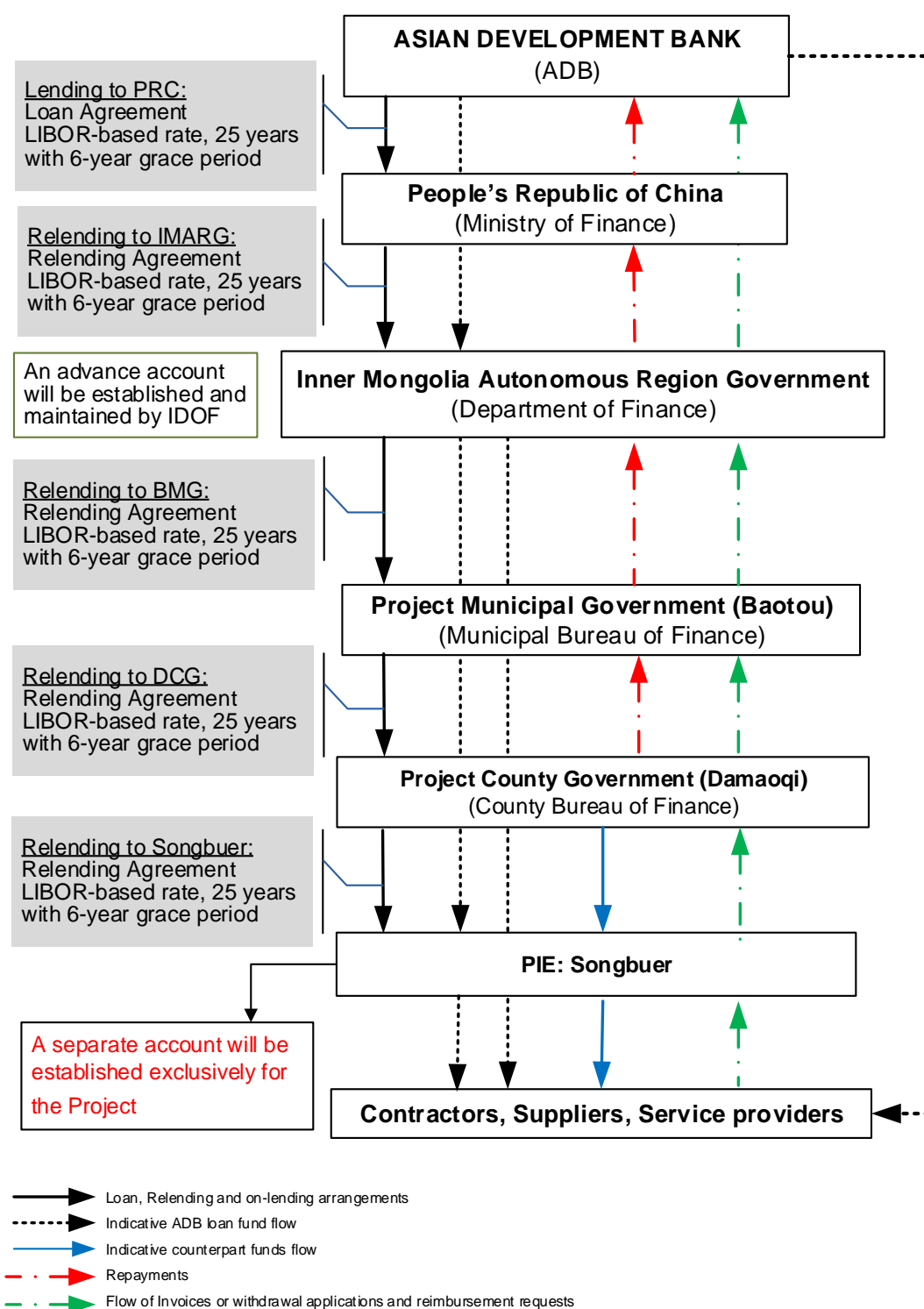
Table 2-5: Cost Estimates by Year (€ million)

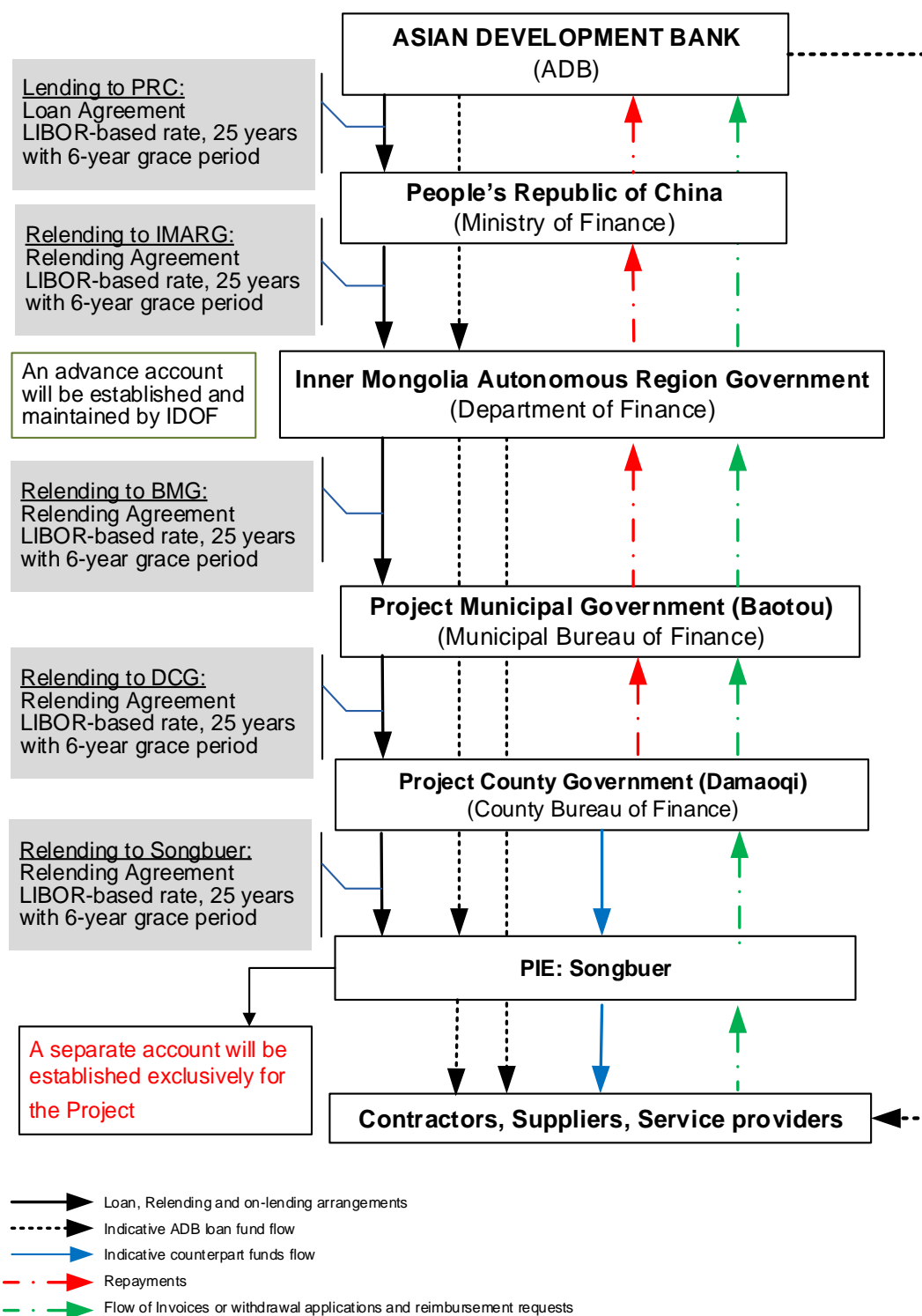
Item	Total Cost	2021	2022	2023	2024	2025	2026
A. Investment Costs							
1. Works	49.46	0.00	9.89	19.78	14.84	4.95	0.00
2. Goods	5.02	0.00	0.00	0.00	5.02	0.00	0.00
3. Capacity Building	0.39	0.02	0.12	0.08	0.08	0.06	0.04
4. Land Acquisition and Resettlement	1.35	1.08	0.27	0.00	0.00	0.00	0.00
5. Project Management Fee	7.49	1.12	2.25	1.87	0.75	0.75	0.75
6. Initial Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Base Cost (A)	63.70	2.22	12.52	21.73	20.69	5.75	0.79
B. Contingencies							
1. Physical Contingency	5.10	0.18	1.00	1.74	1.65	0.46	0.06
2. Price Contingency	4.25	0.04	0.49	1.32	1.67	0.61	0.11
Sub-total (B)	9.35	0.22	1.49	3.06	3.33	1.07	0.17
C. Financing Charges During Implementation							
1. Interest During Implementation	0.31	0.00	0.01	0.04	0.07	0.09	0.10
2. Commitment Charges	0.13	0.03	0.05	0.03	0.01	0.00	0.00
Sub-total (C)	0.44	0.03	0.06	0.07	0.09	0.09	0.10
Total Project Cost (A+B+C)	73.49	2.47	14.08	24.87	24.10	6.92	1.05

Source: Asian Development Bank estimates.

E. Fund Flow Diagram

6. The Government of IMAR will make the loan proceeds available to BMG, further onlending to DCG, and then onlending to Songbuer for the purpose of carrying out the project as stated in the Project Agreement and this FAM, with terms and conditions satisfactory to ADB. The fund flow for this subproject is presented below.





ADB = Asian Development Bank, BMG = Baotou Municipal Government, DCG = Damaoqi County Government, IDOF = Inner Mongolia Autonomous Region Department of Finance, LIBOR = London interbank offered rate, PIE = project implementing entity, PRC = the People's Republic of China, Songbuer = Damaoqi Pine Boolean Property Service Co., Ltd.

* ADB Funds from the Advance Account to/through the BMG are through reimbursement.

Source: Asian Development Bank.

F. Procurement Plan

F.1. ADB financed contract packages

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
MCW1-1	Mandula Port - freight passage roads, with a total length of 4.4 km and a width of 9 m	20,221,166	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works, E-procurement: No
MCW2-1	Mandula Port – service area (317 mu of land area): 1) a closed parking area; 2) a vehicle repair service area; 3) a new 3-floor service building	16,625,611	OCB	Prior	1S1E	Q1, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
MCW3-1	Mandula Port - 1) Customs Inspection Center (400 mu of land area); and 2) a fully enclosed warehousing shed for coal transfer and storage	21,451,417	OCB	Prior	1S1E	Q1, 2022	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No

F.2. Non-ADB financed contract packages

Goods, Works, and Nonconsulting Services				
General Description	Estimated Value (cumulative, \$)	Estimated No. of Contracts	Procurement Method	Comments
Mandula Port – Customs inspection center - enclosed warehousing shed for coal transfer and storage	5,923,169	1	OCB	Financed by counterpart funds of DCG Advertising planned: Q4, 2021 Advertising: National Prequalification of bidders: No Domestic preference applicable: No Advance contracting: NA Bidding document: Goods E-procurement: Yes

DCG = Damaoqi County Government, NA = not applicable, OCB = open competitive bidding.

G. Involuntary Resettlement

7. Tranche 1 is classified as Category B for involuntary resettlement under ADB's SPS (2009). Efficient project designs have helped to reduce the area of land to be acquired and the number of houses to be demolished. Mandula Port Subproject will acquire land for 1,170.77 *mu*, including:

- (i) Freight road upgrading component will acquire land for 362 *mu*, among which, 114 *mu* of village collective land of Eerdengbao village will be acquired, without affected person; 165 *mu* grassland of Eerdengbao village, affect 3 households with 12 persons, all of them are Mongol nationality; and 83 *mu* of state-owned construction land will also be acquired. A draft Resettlement Plan (RP) has been prepared for these 3 households with 12 persons that will be affected by land acquisition. The draft RP has been prepared in accordance with local laws and regulations and ADB's

involuntary resettlement policy requirements. DPMO will be responsible for implementing the RP and will work closely with the relevant bureaus and other government agencies. The land acquisition cost is estimated at CNY 11.02 million. During project implementation and based on final technical design, the RP will be updated and submitted to ADB for review and concurrence.

- (ii) Construction of international logistics parking service area and customs inspection center will occupy 891.66 *mu* state-owned land (construction land), without affected person.

**Xiaoweiayang Subproject: Establishment of Quarantine Station in Mandula Port,
Upgrading of Stud Sheep Breeding Bases and Sheep Industry Comprehensive
Development**

A. Project description

1. Located in Tuyou Banner (county), Damao Banner (county) and Guyang County in Baotou, this subproject aims to increase production capacity by expanding of its stud sheep breeding bases and adopting embryo transplantation technology for improving product quality. It will pilot poverty reduction and income generation mechanisms for small-scale herders and low-income farmers, to maintain a closer connection with the local government, low-income farmers, scaled farming households and farmer cooperatives (Rationale is presented in Annex). This subproject includes seven main activities as follows:

- a) **Activity 1:** Upgrading stud sheep breeding base;
- b) **Activity 2:** Construction of quarantine station in Mandula Port;
- c) **Activity 3:** Upgrading five sheep farming bases;
- d) **Activity 4:** Establishment of product tracing and management system;
- e) **Activity 5:** Establishment of a Poverty Alleviation Program;
- f) **Activity 6:** Construction of sheep slaughtering, processing and logistic park; and
- g) **Activity 7:** Project management and capacity building.

Table 3-1: Summary of Each Activity

No.	Item	Amount	Unit	Remarks
a) Upgrading stud sheep breeding base				
1.	Construction of troughs	1,472	No.	448 in stud sheep area; 1,024 in breeding area
2.	Construction of straw silo	2,000	m ²	
3.	Sheep manure storage silo	300	m ²	
4.	Cremation kiln for dead sheep bodies	150	m ²	
5.	Quarantine area for sick sheep	300	m ²	
6.	Embryo transplant	47,000	No.	
7.	Raising cost for lambs	14,100	No.	14,100 lambs
b) Construction of quarantine station in Mandula Port				
1.	Construction of sheep house	13,000	m ²	20 farming houses
2.	Walking area fence	5,200	m ²	
3.	Cremation kiln for dead sheep bodies	100	m ²	
4.	Facilitated house	1,250	m ²	
5.	Motor-pumped well and associated equipment	1	No.	
6.	Grass silos	720	m ²	
7.	Roads (inside and outside of the sheep house)	43,600	m ²	
8.	Fence around the sheep house	1,500	m	
9.	Environmental protection facilities – seepage proofing	3,000	m ²	
10.	Wastewater treatment facilities	1	Set	
c) Upgrading five sheep farming bases				
<i>C.1 No. 1 sheep farming base (247 mu)^a</i>				
1.	Renovation of management house	532.8	m ²	
2.	Renovation of the rooftop of sheep house	7,798	m ²	
3.	Walking area	3,936	m	
4.	Renovation of wall	5,664	m ²	
5.	Renovation of waste discharge pipeline	7	km	

No.	Item	Amount	Unit	Remarks
6.	Main road renovation	4,000	m ²	
7.	Side road renovation	12,073	m ²	
8.	Fencing wall	600	lm	Linear meter
9.	Greening	2,500	m ²	
10.	Other facilitated renovation, including electricity and water supply	7,273	m ²	
11.	Seepage proofing engineering	36,000	m ²	
12.	Wastewater treatment facilities	1	Set	
C.2 No. 2 sheep farming base (278 mu)				
1.	Renovation of management house	266.4	m ²	
2.	Renovation of ground in the sheep house	4,320	m ²	
3.	Renovation of the rooftop of sheep house	6,126	m ²	
4.	Walking area	5,040	m	
5.	Renovation of wall	3,420	m ²	
6.	Renovation of waste discharge pipeline	5,640	km	
7.	Road renovation (main roads and side roads)	13,784	m ²	
8.	Fencing wall	598	lm	Linear meter
9.	Greening	5,000	m ²	
10.	Other facilitated renovation, including electricity and water supply	7,727	m ²	
11.	Seepage proofing engineering	18,000	m ²	
C.3 No. 3 sheep farming base (267 mu)				
1.	Renovation of management house	355.2	m ²	
2.	Renovation of the rooftop of sheep house	4,084	m ²	
3.	Walking area	4,160	lm	Linear meter
4.	Renovation of wall	2,640	m ²	
5.	Renovation of waste discharge pipeline	5,160	km	
6.	Road renovation (main roads and side roads)	7,465	m ²	
7.	Fencing wall	1,497	lm	Linear meter
8.	Greening	5,000	m ²	
9.	Other facilitated renovation, including electricity and water supply	7,727	m ²	
10.	Seepage proofing engineering	24,000	m ²	
11.	Wastewater treatment facilities	1	Set	
C.4 No. 4 sheep farming base (756 mu)				
1.	Renovation of management house	902	m ²	
2.	Renovation of the fence around walking area in sheep house	1,320	km	Linear meter
3.	Renovation of waste discharge pipeline	16,300	km	
4.	Construction of drainage ditch	600	m	
5.	Road renovation (main roads and side roads)	12,395	m ²	
6.	Fencing wall	2,500	lm	Linear meter
7.	Other facilitated renovation, including electricity and water supply	7,273	m ²	
8.	Seepage proofing engineering	72,000	m ²	
9.	Wastewater treatment facilities	1	Set	
C.5 No. 5 sheep farming base (100 mu) – Guyang County				
1.	Renovation of management house	355.2	m ²	
2.	Renovation of the rooftop of sheep house	4,084	m ²	
3.	Renovation of the fence around the walking area and troughs in sheep house	2,080	lm	Linear meter
4.	Renovation of wall	2,640	m ²	
5.	Road renovation (main roads and side roads)	1,800	m ²	

No.	Item	Amount	Unit	Remarks
6.	Other facilitated renovation, including electricity supply	6,364	m ²	
7.	Seepage proofing engineering	24,000	m ²	
8.	Wastewater treatment facilities	1	Set	
d) Establishment of products traceability and management system				
1.	Network devices	40	Set	
2.	Video surveillance equipment	Multiple	Set	
3.	Big Data Center – equipment supply	8	Set	
4.	Associated equipment for the sheep farming bases	Multiple	Set	
5.	Associated equipment for the mutton processing base	Multiple	Set	
6.	Associated equipment for the marketing system	Multiple	Set	
e) Establishment of a Poverty Alleviation Program^b				
1.	Government + Company + Scaled Farming HHs + Poverty HHs	100	CNY million	2,000 poor HHs, 25 scaled farmer HHs/cooperatives
f) Construction of sheep slaughtering, processing and logistic park in Tuyouqi County				
1.	Small stock area	230	m ²	
2.	Slaughtering area	6,988	m ²	
3.	Refrigerator unit	1	Set	
4.	Thermal insulation system	1	Set	
5.	R&D and office building	2,400	m ²	
6.	Storage room	331.5	m ²	
7.	Wastewater treatment workshop	128	m ²	
8.	Boiler room	274	m ²	
9.	Fire control room	165	m ²	
10.	Parking lots	102	m ²	
11.	Road hardening	20,000	m ²	
12.	Sheep slaughtering and cutting line	1	Set	
13.	Mutton processing and production line	1	Set	
g) Project management and capacity building				
<i>G.1 Project management</i>				
1.	Training to PIU staff – project management	175	PD	Person·day
2.	Recruitment of additional staff in PIU	5	Person	
<i>G.2 Capacity building</i>				
1.	Recruitment of new staff in the Company	279	Person	
2.	Training to staff on the application of EIS system	6,975	PD	Person·day
3.	Training to farmers on the quality and safety management during the production	16,000	PD	Person·day
4.	Training to farmers on the application of EIS system	5,000	PD	Person·day

HH = households, km = kilometer, m² = square meter, No. = number, PIU = project implementation unit, R&D = research and development.

^a A *mu* is a Chinese unit of measurement (1 *mu* = 662.67 square meters).

^b Detailed Poverty Alleviation Program Implementation Arrangement is presented in Annex 2.

Source: IPMO, September 2019.

B. Institutional Arrangement

2. Baotou Municipal Government (BMG) is the implementing agency for this subproject, and the Inner Mongolia Xiao Wei Yang Stock Raising Sciences and Technologies Co., Ltd (Xiaowei Yang), a private animal husbandry enterprise registered in Baotou in 2001, will be the PIE to carry out the daily implementation of this subproject. A PIU has been established inside Xiaowei Yang to carry out overall coordination and supervision of subproject preparation and

implementation. Roles and responsibilities of each agency have been identified in Table 3 in this FAM.

C. Innovations

3. During the preparation period, ADB has emphasized the importance of project sustainability and climate change adaptation and mitigation measures to be included in the project designs. Furthermore, under this subproject, the benefits to the poor households and include them in the sheep value chain to increase their income and livelihood are in the highest priority. TRTA consultants, DIs, IPMO, and Xiaowei yang conducted intensive discussions to improve the project designs, including innovations and sustainable livestock farming, to achieve and/or amplify the project benefits. Table 3-2 summarizes the innovative practices that will be included in the Xiaowei yang Subproject.

Table 3-2: Innovations under Xiaowei yang Subproject

Outputs	Activities	Innovative technology or business model	Remarks
Output 3: Income-generating opportunities expanded	Upgrading stud sheep breeding base (No.4 farming base)	<ul style="list-style-type: none"> Genetic improvement of sheep through embryo transplantation; and Estrus synchronization techniques 	<ul style="list-style-type: none"> For better sheep breed by introducing Australian White (delicious eating, drought resistant and easy care); Improving productivity; and Saving water by increasing mutton output per unit water consumption.
	Establishment of quarantine station in Mandula Port	<ul style="list-style-type: none"> Newly establishment of quarantine station in Mandula Port for disease control 	<ul style="list-style-type: none"> Prevent the ingress of dangerous exotic diseases into the country through imported livestock and livestock products from across the borders (from Mongolia); and Removing infected and potentially infected sheep.
	Upgrading five sheep farming bases	<ul style="list-style-type: none"> Improving sheep farming bases; and Install manure treatment facilities 	<ul style="list-style-type: none"> Improving living conditions of sheep and better disease control; and Improve waste management to reduce pollution and greenhouse gas emissions.
	Establishment of product traceability and management system	<ul style="list-style-type: none"> Applying internet of thing, big data, RFID ear tags, GIS, blockchain technologies to establish a traceability and management system for the entire value chain 	<ul style="list-style-type: none"> Improved safety and security; Information will be collected and stored since hierarchical set, embryo transplantation, cross-breeding, farming process, growth cycle, slaughtering and processing, storage and logistics, and final consumption; and Customers can access such information through mobile APP and WeChat scanning code.
	Establishment of a Poverty Alleviation Program	<ul style="list-style-type: none"> Establish a Poverty Alleviation Program to integrate poor households into the inclusive and resilient sheep value chain 	<ul style="list-style-type: none"> Ewes will be provided for poor households; Artificial insemination technology will be provided for ewes in poor households; Training will be provided to poor households and scaled households and/or cooperatives, including nutrition of sheep, disease control, general management of sheep farmhouses, care of lambs; and Increasing incomes of poor herders and farmers.
	Construction of sheep slaughtering, processing and logistic park	<ul style="list-style-type: none"> Sheep slaughtering line; Segmentation equipment boning equipment; 	<ul style="list-style-type: none"> Strengthening sheep value chain; Reducing wastewater and pollution; and Improving products quality and security control.

Outputs	Activities	Innovative technology or business model	Remarks
		<ul style="list-style-type: none"> • Carcass auto-conveying lines; • Sour discharging; and • Sewage treatment equipment. 	

GIS = geographic information system, RFID = radio frequency identification devices.

Source: Asian Development Bank.

D. Costs and Financing

4. The total cost of the Xiaoweiayang Subproject will be €76.44 million of which €34.28 million will be funded by the ADB in Tranche 1, the Company will finance the domestic counterpart funds.

Table 3-3: Cost Estimates by Expenditure Category

No.	Item	CNY Million			€ Million			% of Base Cost	% of Total Cost
		Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost		
A. Base Cost									
1.	Civil Works	32.64	97.93	130.5690	4.00	12.01	16.01	24%	21%
2.	Equipment & Materials	10.70	2.68	13.3750	1.31	0.33	1.64	2%	2%
3.	Stud Sheep Breeding Program	118.36	29.59	147.9560	14.51	3.63	18.14	27%	24%
4.	Poverty Fund	0.00	100.00	100.0000	0.00	12.26	12.26	18%	16%
5.	Capacity Building	2.85	8.65	11.4938	0.35	1.06	1.41	2%	2%
6.	Land Acquisition and Resettlement	0.00	19.30	19.3014	0.00	2.37	2.37	4%	3%
7.	Project Management Fee	0.00	19.44	19.4361	0.00	2.38	2.38	4%	3%
8.	Environmental Management Fee	0.00	0.00	0.0000	0.00	0.00	0.00	0%	0%
8.	Initial Working Capital	0.00	104.85	104.8489	0.00	12.85	12.85	19%	17%
Sub-total (A)		164.56	382.42	546.9802	20.17	46.88	67.06	102%	90%
B. Contingencies									
1.	Physical	13.16	22.21	35.3705	1.61	2.72	4.34	6%	6%
2.	Price	7.91	29.86	37.7753	0.97	3.66	4.63	7%	6%
Sub-total (B)		21.08	52.07	73.1458	2.58	6.38	8.97	13%	12%
C. Financing Charges During Implementation									
1.	Interest during construction	2.60	0.00	2.6025	0.32	0.00	0.32	0%	0%
2.	Commitment charges	0.76	0.00	0.7642	0.09	0.00	0.09	0%	0%
Sub-total (C)		3.37	0.00	3.3667	0.41	0.00	0.41	1%	1%
Total Project Cost (A+B+C)		189.00	434.49	623.4928	23.17	53.27	76.44	114%	100%

Source: Asian Development Bank estimates.

Table 3-4: Cost Estimates by Financier (€ million)

Table 6-4. Cost Estimates by Financier (€ million)						
No.	Item	Total Costs	ADB		Xiaoweiayang	
			Amount	% of Cost Category	Amount	% of Cost Category
A. Base Cost						
1.	Civil Works	16.01	1.89	11.8%	14.11	88.2%
2.	Goods (Equipment & Materials)	1.64	1.64	100.0%	0.00	0.0%
3.	Service and community participation	18.14	18.14	100.0%	0.00	0.0%
4.	Poverty Alleviation Program	12.26	12.26	100.0%	0.00	0.0%
5.	Capacity Building	1.41	0.35	24.8%	1.06	75.2%
6.	Land Acquisition and Resettlement	2.37			2.37	100.0%
7.	Project Management Fee	2.38		0.0%	2.38	100.0%
8.	Working Capital	12.85		0.0%	12.85	100.0%
	Sub-total (A)	67.06	34.28	51.1%	32.78	48.9%
B. Contingencies						
1.	Physical	4.34		0.0%	4.34	100.0%
2.	Price	4.63		0.0%	4.63	100.0%
	Sub-total (B)	8.97	0.00	0.0%	8.97	100.0%

No.	Item	Total Costs	ADB		Xiaoweiayang	
			Amount	% of Cost Category	Amount	% of Cost Category
C. Financing Charges During Implementation						
1.	Interest during construction	0.32		0.0%	0.32	100.0%
2.	Commitment charges	0.09		0.0%	0.09	100.0%
	Sub-total (C)	0.41	0.00	0.0%	0.41	100.0%
	Total Project Cost (A+B+C)	76.44	34.28	44.8%	42.16	55.2%
	% of Total Project Cost	100%	45%		55%	

Source: Asian Development Bank estimates.

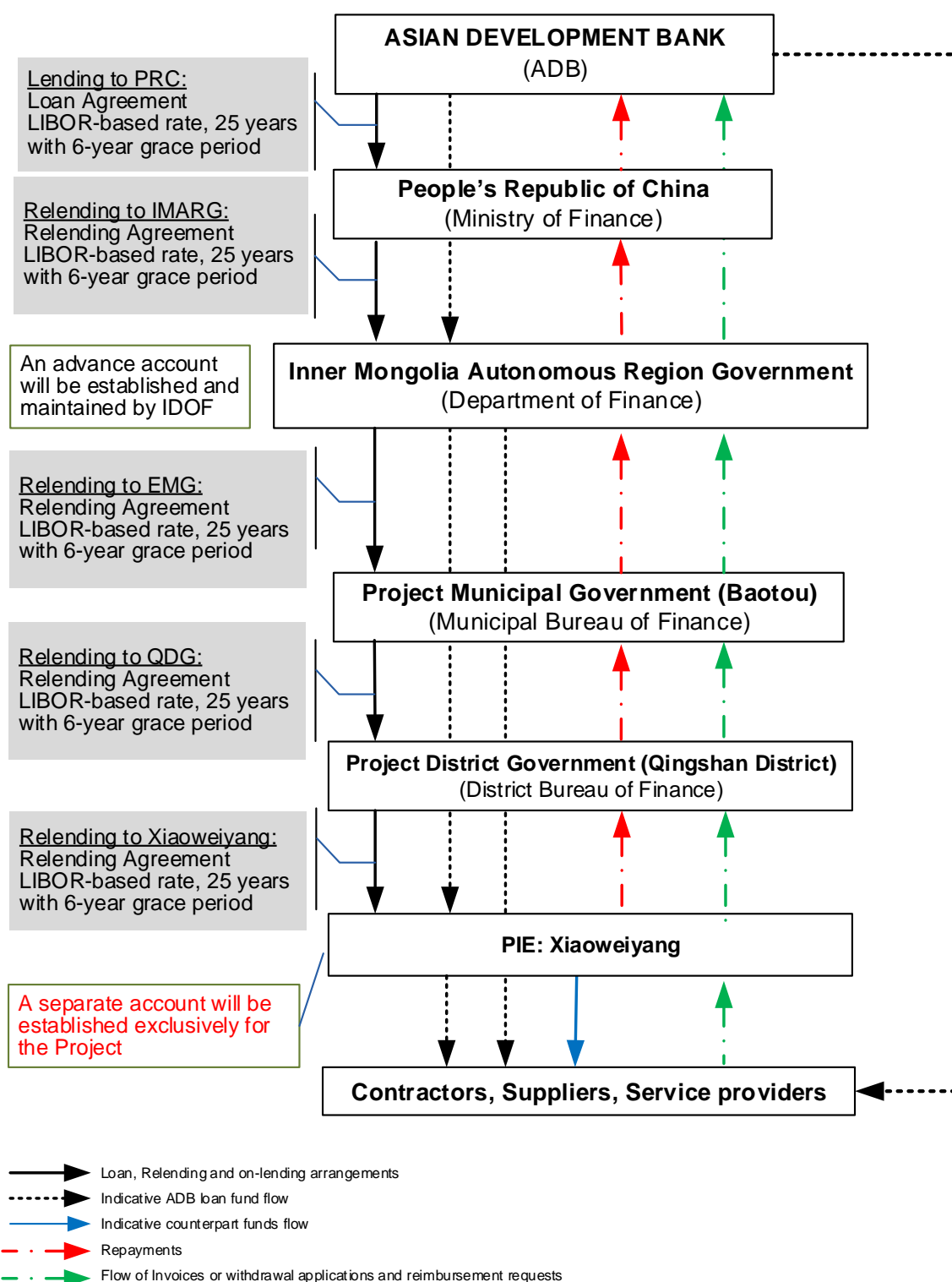
Table 3-5: Cost Estimates by Year (€ million)

Item	Total Cost	2021	2022	2023	2024	2025	2026
A. Investment Costs							
1. Works	16.01	0.00	0.65	3.885	5.18	3.24	3.06
2. Goods	1.64	0.00	0.82	0.820	0.00	0.00	0.00
3. Service and Community Participation	18.14	0.00	9.62	8.516	0.00	0.00	0.00
4. Poverty Fund	12.26	0.00	4.90	3.678	3.68	0.00	0.00
5. FIs (SMEs)							
6.Capacity Building	1.41	0.28	0.56	0.211	0.21	0.07	0.07
7.Land Acquisition and Resettlement	2.37	1.66	0.71	0.000	0.00	0.00	0.00
8.Project Management Fee	2.38	0.48	0.48	0.477	0.48	0.24	0.24
9.Initial Working Capital	12.85	0.00	0.00	0.000	5.14	5.14	2.57
Total Base Cost (A)	67.06	2.41	17.74	17.587	14.69	8.69	5.94
B. Contingencies							
1. Physical Contingency	4.34	0.19	1.42	1.407	0.76	0.28	0.27
2. Price Contingency	4.63	0.05	0.66	1.014	1.23	0.91	0.77
Sub-total (B)	8.97	0.24	2.08	2.421	2.00	1.20	1.03
C. Financing Charges During Implementation							
1. Interest During Implementation	0.32	0.00	0.02	0.056	0.08	0.08	0.08
2. Commitment Charges	0.09	0.03	0.04	0.018	0.01	0.00	0.00
Sub-total (C)	0.41	0.03	0.06	0.074	0.08	0.08	0.09
Total Project Cost (A+B+C)	76.44	2.68	19.88	20.082	16.77	9.97	7.06

Source: Asian Development Bank estimates.

E. Fund Flow Diagram

5. The Government of IMAR will make available to BMG, and further to Xiaoweiayang through Qingshan District Government the proceeds of the Loans provided for the purpose of carrying out the project as stated in the Project Agreement and this FAM, with terms and conditions satisfactory to ADB. The fund flow for this subproject is presented below.



ADB = Asian Development Bank, IDOF = Inner Mongolia Autonomous Region Department of Finance, LIBOR = London interbank offered rate, PIE = project implementing entity, PRC = the People's Republic of China, Xiaowei Yang = Inner Mongolia Xiao Wei Yang Stock Raising Sciences and Technologies Co., Ltd.

* ADB Funds from the Advance Account to/through the BMG are through reimbursement.

Source: Asian Development Bank.

F. Procurement Plan

F.1. ADB financed contract packages

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
XWY-CW-1	Xiaoweiyang - Quarantine station at Mandula Port	3,603,821	OCB	Prior		Q4, 2023	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
XWY-ET-1	Xiaoweiyang - Stud Sheep Breeding Program - Embryo transplantation services – 20,000 pieces	Lot 1: 2,095,496 Lot 2: 2,095,496	OCB	Prior for the first contract, post (sampling) for the second contract	1S1E	Q2, 2021	Advertising: National Number of contracts: 2 Prequalification of bidders: No Advance contracting: No Bidding document: non-consulting services E-procurement: No
XWY-ET-2	Xiaoweiyang - Stud Sheep Breeding Program - Embryo transplantation services – 27,000 pieces	Lot 1: 1,414,461 Lot 2: 1,414,461 Lot 3: 1,414,461 Lot 4: 1,414,461	OCB	Post (sampling)	1S1E	Q2, 2021	Advertising: National Number of contracts: 4 Prequalification of bidders: No Advance contracting: No Bidding document: non-consulting services E-procurement: No
XWY-SSR	Xiaoweiyang - Stud Sheep Breeding Program – stud sheep raising services	11,532,055	Community participation	Prior for the 1 st two contracts, the rest for post (sampling)		Q3 2021	Advertising: No Number of contracts: 300 Prequalification of bidders: No Advance contracting: No Bidding document: community participation agreements E-procurement: No
XWY-G	Xiaoweiyang - Establishment of products traceability and management system	1,932,915	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Goods E-procurement: No

F.2. Non-ADB financed contract package

Goods, Works, and Nonconsulting Services				
General Description	Estimated Value (cumulative, \$)	Estimated No. of Contracts	Procurement Method	Comments
Xiaoweiyang - Construction of a stud breeding base	528,543	1	Commercial practice	Financed by counterpart funds of Xiaoweiyang Advertising planned: Q1, 2020- Q4 2025 Advertising: National
Xiaoweiyang – Upgrading five sheep farming bases	5,938,696	1	Commercial practice	
Xiaoweiyang – Construction of a sheep processing logistics base in Tuyouqi County	8,798,385	1	Commercial practice	

G. Involuntary resettlement

6. For Xiaoweiyang Subproject, land use right transfer procedure for the original construction has been completed and the collective land use certificate obtained. The sheep slaughtering and processing base is transferred by the government and has obtained the land use certificate as well as completed land acquisition work before the transfer. The quarantine station has signed the grassland use right transfer agreement and completed the payment.

Annex 1: Support to IMAR Livestock (Sheep) Sector

A. Sector Overview

1. **Importance of sheep sector in IMAR.** Inner Mongolia Autonomous Region (IMAR) heavily relies on its agricultural sector which contributes over 10.2% to its gross domestic product. The share of livestock in agriculture output is 42.7%. It provides employment to about one million of IMAR's economically active population and involves about 501,720 predominantly small-scale farmer households, which are prominent in the rural and border areas. Constrained with limited productivity, market access, and quality, the farmers around the border areas suffer from low income and high poverty levels. A well-developed sheep value chain with national agricultural industrialization leading enterprises (AILEs)¹ and poverty alleviation leading enterprises (PALEs)² (hereafter jointly called ALEs and described in Paragraph 6) in the border areas can open up new opportunities for agricultural trade and the farmers to be integrated into growing agriculture business, helping improve farmers' livelihoods with sustainable income generating opportunities and thereby helping IMAR to realize its full economic potential.

2. IMAR is known to be the home to numerous sheep and goat producers and is a key mutton producer in the People's Republic of China (PRC). IMAR produced 1.04 million tons of mutton in 2017, accounting for 40% of total meat production in IMAR and 22% of total mutton production in PRC. Although sheep and goat production has increased substantially in the past two decades as demand for meat in the PRC has risen, the overall productivity of the sector is low and below its potential. The main constraints are: (i) low productivity of sheep genetics, (ii) lack of scale in sheep production, and (iii) shortage of skilled farmers with access to improved extension services and high-level technology.

3. **Low productivity of sheep genetics.** The use of genetics is an important tool to help farmers to improve quality, productivity, profitability and sustainability of breeding, lamb and sheep meat enterprises. At present IMAR uses traditional sheep breeds and does not have a program for genetic improvement to increase the productivity of its sheep sector. Introduction of high-quality genetics, through new breeds of sheep or cross breeding, can improve sheep traits such as form, live weight gain, feed use efficiency and lambing rate. Such improvements can help to meet market requirements to supply quality of products, improve overall productivity and profitability. Good genetics form the basis of production systems and should be further enhanced through also improving nutrition and grazing management, use of information, and science to maximize productivity potentials.

4. **Lack of scale in sheep production.** Most of the production in the PRC is by small-scale farmers. This systematic lack of scale in sheep production not only is a contributor to low productivity and efficiency but can also be a significant food safety risk and cause of

¹ Selection criteria is defined in the "Measures for the identification and operation monitoring of key national leading enterprises in agricultural industrialization [NongJingFa, No.11, 2010]" (issued in September 2010 and revised in May 2018), including (1) business type and products; (2) company scale and annual trading value; (3) company liabilities and credit; (4) connections with farmer cooperatives and farmers; (5) market competitiveness of its products; and (6) provincial level ALE. Detailed information is available at: http://www.moa.gov.cn/gk/tzgg_1/tz/201805/t20180517_6142476.htm), and should be recognized by the National Conference on Agricultural Industrialization.

² Selection criteria is defined in the "Notice of the State Council Leading Group on Poverty Alleviation on Improving the Identification and Management System of Leading Enterprises in Poverty Alleviation" (Guo Kai Ban Fa, No. 62 Document, 2017), including (1) business scale; (2) Establish a stable mechanism for poverty alleviation; and (3) good poverty alleviation results. Detail information is available at: http://www.cpad.gov.cn/art/2018/1/4/art_50_76182.html. They are recognized by the Poverty Alleviation Office.

environmental damage. The PRC has been promoting its modern agriculture program which is actively encouraging the development of large-scale farms to enhance food safety and environmental management. However, in reality the predominance of small-scale farmers makes this transformation challenging. To address this challenge there is a need to find new ways to work with and link small-scale producers to reach more efficient levels of production. In the PRC, working through cooperatives and agriculture enterprises has played a critical role to group and work with small-scale farmers.

5. Shortage of skilled farmers with access to improved technology and extension services. Although the PRC has gone through rapid development the supporting public services such as rural agriculture extension services have not kept up with the sector developments. As a result, public extension services are often insufficient to meet the needs of the sector to introduce improved practices and introduce high level technologies which can help deliver higher productivity and quality. Strengthened extension services are necessary to fill the knowledge gap and alternative service providers need to be considered if high value and technical up-to-date services are to be provided.

6. Role of Agriculture Leading Enterprises. The PRC is promoting the industrialization and modernization of its agriculture sector which is underpinned by ALEs which are expected to be the drivers for transformation through the organization of commodity value chains and introducers of new technologies as a means to support farmers with enhanced benefit sharing. ALEs are agricultural enterprises that involve in production, processing or logistics of agricultural products as the main businesses, and have direct linkage with farmers through contracts, cooperation, shareholding and other benefit sharing mechanisms, so that the above-mentioned businesses can be combined and promoted together by the farmers and enterprises. Meanwhile, poverty alleviation leading enterprises refers to those enterprises that voluntarily share the responsibility in poverty alleviation, such as establish a benefit sharing mechanism to support poor villages and poor households to build featured industrial bases, and provide technical services, purchase of agricultural products, benefit sharing in product processing and market risk sharing, and create job opportunities for the poor labors.

7. To undertake this work ALEs are using contract farming business model in the PRC livestock sector and is regarded as an effective strategy to achieve poverty alleviation by local governments. In a typical farming arrangement, the contract farmers are provided with high quality breeding stock (female sheep - ewes), feedstuffs, vaccines, supporting technical extension services from the company, which also promises to pay the contract farmers an adjustable based on certain performance metrics of the farmers, and such fee is not lower than the local market price). This provides the contract farmer with a stable and secure source of income that is not vulnerable to market fluctuations of livestock prices. Given the large number of small-holder farmers in the PRC, local governments often favor the contract farmer with ALE model over disorganized and independent small holder farmer operations due to the added value that such ALE cooperation models can bring in building scale into the operations, introduction of latest technology, improved extension services and increased employment, income and poverty reduction to local villages.

8. Sheep sector development. New approaches are needed to transform the highly fragmented livestock sector to improve productivity and quality of products, address food safety concerns and promote sustainable value chain development. As indicated by the 13th Five-Year Plan (2016-2020), the PRC government views “increasing the level of industrialization of livestock sector to be an effective way to boost productivity and improve food safety and quality. In response to this directive the Government of Inner Mongolia Autonomous Region (IMAR)

prepared the Animal Husbandry Development Plan (hereafter the Plan) which outlined the sector strategy and focus areas for development. The key priorities identified to promote sheep sector development were to: (i) increase product quality, (ii) improve breeding programs by introducing improved sheep genetics to increase productivity, (iii) develop household-level ecological pastures, and (iv) remain the sheep production stable. To achieve the Plan's goals, one of the main driving forces was the need to encourage social capital to invest in sheep farming and speed up the construction of farming facilities, by building better linkages between the private sector seen as leaders for value chain development and household farmers who could increase their production activities as a means to increase household incomes and reduce poverty as well build a stronger value chain by stabilizing the supply of high quality products.

B. Sheep value chain development and poverty reduction

9. In line with the Plan, the Government of IMAR has decided, through this Investment Program, to further strengthen the development of sheep value chain in a more inclusive and resilient manner, in Baotou Municipality due to its proximity to add benefits that can derived through improved trade from the Mandula Port development, with a focus on poverty counties. To develop the proposed Investment Program, **the Government of IMAR has focused on the selection of subprojects with the following criteria:**

- (i) **Geographical location:** The subprojects will be located in the border areas of IMAR, including Alxa, Bayannur, Baotou, Erenhot, and Xing'an;
- (ii) **Sectoral priorities:** The subprojects will fall under the priority sectors of the relevant regional cooperation strategies and action plans of IMAR. subprojects will focus on the development of SMEs, cross-border infrastructure and trade-related services in border economic zones, and improvement of living conditions of the cross- border towns;
- (iii) **Project viability:** The subprojects will be technically, economically, and financially viable;
- (iv) **Project readiness:** The subprojects will have obtained all relevant domestic approvals, and their feasibility studies will have been prepared;
- (v) **Regional cooperation and integration benefits:** The subprojects will clearly demonstrate RCI benefits, with positive spillovers for both sides of the border; and
- (vi) **Financial leveraging:** The subprojects will have the potential of mobilizing financing from other sources, including from local banks. Private sector participation (e.g. through public and private partnerships) will be encouraged.

10. Therefore, based on the above criteria, the Government of IMAR sought cooperation with leading ALEs in IMAR to join with the project to fulfill their responsibilities as national ALEs. After consultation with the ALEs, community, the Government of IMAR, Ministry of Finance, National Development and Reform Commission (NDRC) and Asian Development Bank, one company met the selection criteria and expressed interest in 2016 to undertake the proposed subproject activities with small-scale farmers, and has been formally included in the project in February 2018. The ALE, Xiao Wei Yang Stock Raising Sciences and Technologies Co., Ltd (Xiaowei yang), was established in September 2001 in Baotou in IMAR to conduct business in sheep breeding, livestock farming, food processing, restaurant chains, cold chain and its logistics, big data, feed

sales and ecotourism. Xiaoweiayang was formerly recognized as national AILE and PALE in August 2008³ and June 2010, respectively.

11. **Xiaoweiayang's contribution as an ALE.** Fighting poverty is a big task across all levels of government based on the national-level goal of eliminating extreme, rural poverty by 2020 as directed through the Thirteenth 5-Year Plan. In response, the Government of IMAR has implemented industrialization poverty alleviation programs to integrate poor farmer households into the agricultural value chain to improve access to financial capacity and market opportunities. These programs were led by the Government of IMAR and although initially successful to address and improve sustainability of such programs it is recognized that such programs related to value chain linkages for small-scale farmers is better managed and run through ALEs, albeit with government oversight and independent monitoring and auditing. The Government of IMAR with Xiaoweiayang implemented an ALE led program in Baotou Municipality, in 2018, with an investment of CNY 10.2 million from three local town/township governments through Xiaoweiayang to work with small-scale poor households to integrate them into the sheep value chain. It has been proven that involvement of ALEs such as Xiaoweiayang can help farmers on a long-term basis, which is better than short-term government support programs, as the cooperation is market based and results in win-win for both the small-scale farmers and the ALE through more stable and high-quality market chain development. This cooperation is important as it reinforces previous support and provides continued support to ensure that these households that have recently escaped poverty do not fall back into poverty. It is through now integrating the ALE Xiaoweiayang that the Government of IMAR wants to reinforce its poverty reduction program through further industrialization and development of the sheep value chain.

C. Project Design

12. **Output 3: Income-generating opportunities expanded.** The Investment Program will (a) construct animal quarantine facilities in Mandula Port, (b) establish livestock products traceability and management system, (c) construct a sheep processing logistics park, (d) upgrade stud sheep breeding and carry out stud sheep breeding program, (e) upgrade five sheep farming bases, and (f) establish a Poverty Alleviation Program (PAP) to integrate poor households into the value chain.

a) Construction of animal quarantine facilities in Mandula Port

13. Under this component, Xiaoweiayang will establish a quarantine station in Mandula Port which will be for living animals as well as animal products. The station will serve as an important holding, screening and detection center to prevent the ingress of dangerous exotic diseases into the country through imported livestock and livestock products from across the borders (from Mongolia). The facilities will be open and accessible to the public and other entities as needed.

b) Establishment of livestock products traceability and management system

14. Under this component, a product traceability and management system will be established to improve products safety and security. This system will cover from the household level to the mutton in the market (the entire value chain), and apply internet of thing, big data, RFID ear tags, GIS, blockchain technologies. Information will be collected and stored since hierarchical set,

³ Performance has been evaluated by the Ministry of Agriculture and Rural Affairs, and Xiaoweiayang has been announced as good performance enterprise on 29 November 2018.
(https://www.natesc.org.cn/Html/2018_12_13/2_1878_2018_12_13_456587.html)

embryo transplantation, crossbreeding, farming process, growth cycle, slaughtering and processing, storage and logistics, and final consumption. Customers can access such information through mobile APP and WeChat scanning code.

c) Construction of sheep processing logistic park

15. Under this component, a high standard sheep slaughtering, and processing line will be established. This will include state of the art facilities and processes for efficient energy and resource (water) use, waste management system that reduces wastewater and pollution discharge, and applies food safety standards for better product quality and security control.

d) Upgrading stud sheep breeding base and carrying out stud sheep breeding program

16. Under this component, embryo transplantation technology will be introduced, and 300 households will be engaged as contract farmers for stud sheep raising services. Genetic improvement of sheep will be achieved by introducing a new breed of sheep, the Australian White, which is known for its high meat quality, and strong breed being tolerant to extreme conditions such as drought, high feed efficiency, high fertility with good ewe to lamb ratio and easy care. Improving efficiencies and productivity will result in saving water by increasing mutton output per unit water consumption. As part of the contract breeding services arrangement the, farmers will also receive technical trainings, such as disease control, ewes feeding and lambs care, market information, which will increase the skills of farmers.

e) Upgrading five sheep farming bases

17. Under this component, five existing sheep farming bases will have animal health and welfare and waste management systems upgraded. Key activities will be to: (i) to improve living conditions of sheep including better welfare and disease control, nutrition and waste management; and (ii) install manure treatment facilities and improve water management to reduce pollution and achieve greenhouse gas emission reductions.

f) Establishment of a Poverty Alleviation Program

18. The PAP will help the local government to achieve its poverty alleviation target by having an ALE (Xiaoweiayang) implement inclusive and value chain development activities with small-scale poor households in Baotou Municipality's three priority poverty counties of Damaoqi, Guyang (the poorest county in Baotou) and Tuyouqi. The PAP will help poor households by giving them access to ewes, breeding services, extension services providing animal health, welfare and nutrition advices and services, and buyback guarantee for lambs raised. This will give small-scale farmers an opportunity to raise high-quality lambs with guaranteed sale price, providing income security and access to a more inclusive and resilient sheep value chain. The detailed PAP implementation arrangement is attached in Annex 2.

19. Private sector led public goods.

- **Food safety.** Food safety awareness is increasing and a high priority in the PRC. This requires clean production practices throughout the value chain that can be measured, monitored, traced and verified. This project will add value from Xiaoweiayang's introduction of improved and clean production and processing practices which can be verified through the established product quality and production information traceability system.

- **Climate change.** Greenhouse gas emissions from the livestock sector are a critical priority. Through the activities proposed in this project it can serve as a demonstration project to promote and create awareness to increase understanding and active participation of livestock sector stakeholders to adopt climate smart technical options for climate change adaptation and mitigation such as: (i) increasing carbon sequestration on grazing land, (ii) adoption of improved feeding practices and quality of feed resources, (iii) use of improved genetics to increase efficiency and productivity, and (iv) increasing waste treatment and management and exploring dual benefits such as energy recovery.
- **Public health and biosecurity.** While livestock products are often an important dietary component, they can also pose major health risk. Diseases of animal origin, livestock-induced foodborne diseases and diseases of trade such as foot-and-mouth and swine fever can cause significant economic losses and are basis for improved early warning and control systems such as quarantine stations. At the local level strengthening public-good services such as quarantine facilities are important early response mechanisms to control disease outbreaks.
- **Improved extension services.** Giving small-scale farmers access to up-to-date technology, sheep genetics and extension services is important for value chain development. Traditionally extension services are a public service, however, more often are now delivered from private companies as these companies have better access to latest technology as well as direct access to small-holder farmers through contract farming. Delivery of extension services from the private sector also strengthens their supply chain through quality and regular supply of high quality product meeting the market demands.
- **Poverty reduction and increased employment opportunities.** As the livestock sector develops and becomes industrialized there is a significant risk of excluding small-scale farmers. The need for higher quality and stricter safety standards, greater uniformity of the product, reliable supply, and verifiability of origin cannot be achieved by small-scale farmers due to the economies of scale. Yet quality and safety standards also provide opportunities and can add value and generate employment along the supply chain. Collective action through cooperatives, ALEs, or contract farming help deliver such achievements and integrate small-scale farmers into these developing value chains.
- **Public and private investments.** To develop the livestock sector significant investment is required which is beyond the capability of public finance. To meet the investment need, significant action is required in establishing sound public and private incentive frameworks and in providing supporting investments is needed if livestock is to make a significant contribution to economic development.

Annex 2: Detailed Implementation Arrangement for the Poverty Alleviation Program

A. Introduction

1. Xiaoweiayang will be responsible for implementing the Poverty Alleviation Program (PAP), in an amount up to CNY 100 million (equivalent to € 12.7 million). Through the implementation of PAP, it is targeted to (i) link local government, Xiaoweiayang, scaled households (HHs)/cooperatives, the poor and/or low-income HHs together to achieve the poverty alleviation; (ii) especially engage local poor and/or low-income HHs into the inclusive sheep value chain to increase their incomes and improve their livelihood; (iii) improve sheep farming technical skills of local communities, including disease control; (iv) achieve genetic improvement of sheep in Baotou Municipality by using artificial insemination technology; and (v) increase supply to Xiaoweiayang with better quality products.

2. The PAP will be implemented specifically in three poverty counties in Baotou Municipality, namely Damaoqi County, Guyang County (the poorest county in Baotou) and Tuyouqi County. The main reasons for persistent poverty¹ are: (i) most poor people lack skills and technology in particular with value-added agriculture; (ii) many farmers have insufficient access to agricultural extension services and market information; (iii) poor people are mainly lacking digital-related technology; and (iv) poor people are more likely to have a lower level of agricultural productivity, lack of scale in agricultural production, lack of competitiveness, poor technical and insufficient financial resources.

3. By joining the PAP, local poor will be contracted and will have opportunities to (1) receive certain amount of ewes (i.e., 40 ewes) from Xiaoweiayang to start-up their sheep farming business, (2) receive training and technical guidance that will be provided by the technical teams in Xiaoweiayang, (3) gain proper feed that will be provided by Xiaoweiayang according to the needs of ewes and lambs, (4) supply sheep steadily to scaled HHs/cooperatives and/or Xiaoweiayang which offer better prices than the local market does.

B. Implementation Period and Terms

4. Targeting the poor and/or low-income HHs, the entire PAP implementation period will be 25 years, divided into five consecutive phases, with five years in each phase.

C. Selection Procedures

5. After signing the onlending agreement with Qingshan District Government (represented by Qingshan District Bureau of Finance), Xiaoweiayang will announce the PAP opportunities to potentially interested parties through the company's website, local government website or information disclosure board in villages. These parties can acquire information about the PAP, selection criteria, and contact information. Once the applications (both written and/or oral forms) from potentially interested parties are received, the procedures described below will be followed up for screening.

D.1 Step 1: Selection of scaled HHs/cooperatives

6. Jointly with local government and village committees, Xiaoweiayang will select about 25 scaled HHs and/or cooperatives. The key selection criteria include: (i) willingness to join the PAP,

¹ RRP linked document 20: Social Development and Gender Action Plan.

(ii) at least three years of experience in sheep breeding and farming, (iii) have sufficient sheep house for at least 3,000 sheep, (iv) able to provide collateral (viable both in cash and/or in-kind), (v) good reputation and commit to help the poor or low-income people, and (vi) give priority to women-headed scaled HHs/cooperatives. Through each scaled HHs/cooperative, it is targeted to engage about 80 poor or low-income HHs under each phase (5 years).

D.2 Step 2: Selection of poor or low-income HHs

7. The local government is able to access the poor HHs registration system. Depending upon the willingness of poor HHs, potential candidates will be provided to scaled HHs/cooperatives for their further decisions, and then scaled HHs/cooperatives will share the list of poor households and have village committees' and all villagers' consent on the final list of poor households participating in the project. For the first implementation phase (in 2020-2025), the registered poor households² follow the national poverty line will be given priority to participate in this PAP, along with five selection criteria: (i) having the willingness to conduct sheep farming; (ii) being registered in the national poverty alleviation information system; or if not registered in this system, the annual per capita income is no more than 20% higher than the national poverty line; (iii) having sufficient labor force within the household; (iv) having sufficient sheep house for 40 ewes, and (v) giving priority to women-headed poor HHs.

D.3 Step 3: Sign Tripartite Agreement

8. Xiaowei yang, the selected scaled HHs/cooperatives and poor HHs will jointly sign the **Sheep Farming for Poverty Alleviation Agreement (Tripartite Agreement)**. The key elements of this agreement will include but not limited to, ewe provision of ewe on interest-free credits to poor HHs, buying back lambs from poor HHs, and feed provision for poor HHs; responsibilities and obligations of each party, risk-sharing mechanisms and other necessary clauses. The terms of such agreement will be for 5 years. Meanwhile, scaled HHs/cooperatives should provide collateral (it can be in cash as guarantee deposit, or in-kind, such as fixed assets) to Xiaowei yang. Financial Management Specialist to be recruited after the loan effectiveness will provide support as needed (Terms of Reference has been included in Appendix).

9. The tripartite agreement template, ewe acceptance paper, feed acceptance paper, lamb acceptance paper and other necessary documentation should be developed during the preparation of financial management manual, with the assistance from the Financial Management Specialist, and agreed by the Government of IMAR and the Asian Development Bank (ADB), before the submission of its first ADB loan withdrawal application. The first two tripartite agreements will be prior reviewed by ADB.

D. Detailed Implementation Plan

E.1 Providing ewes to poor HHs

10. Ewes will be provided to each poor HHs on interest-free credits (i.e., 40 ewes, quantity can be changed depends on the actual situation). Ewe purchasing will be carried out by Xiaowei yang in the local or domestic market, and ewes will be delivered to poor HHs, and

² The registered poor households have per capita annual income below the national poverty line of CNY 2,995 (2019). In IMAR, the poor households identification and registration procedures are following the Notice that issued by IMAR Poverty Alleviation Office in 2019 on Poverty Alleviation Dynamic Management, Data and Information Collection, Verification and Approval (Nei Fu Ban Fa No. 111 Document).

acceptance paper will be signed jointly by Xiaowei yang, scaled HHs, and poor HHs.

11. Xiaowei yang's technical team will provide sheep breeding services to the poor HHs by using the artificial insemination technology (free of charge) and make sure such ewes are entering into pregnancy. Other training, including but not limited to the nutrition of sheep, disease control, general management of sheep house, care of lambs and market information will be carried out to all related HHs and cooperatives.

12. Poor HHs will pay back 25% of the ewe cost (i.e., CNY300 for each ewe per year) annually to Xiaowei yang, starting from the 2nd year of the Agreement, till the ewes cost has been repaid in full (the end of the agreement period).

E.2 Providing feed to poor HHs

13. During the feeding period, especially the ewe gestation period (the average gestation length in sheep varies from 142 to 152 days), lamb raising and weaning period (about 3 months), necessary feed will be provided to poor HHs. Feed will be purchased by Xiaowei yang and delivered to poor HHs, acceptance paper will be signed jointly by Xiaowei yang, scaled HHs/cooperatives and poor HHs.

14. The feed cost (i.e., CNY230 per ewe) will be deducted from the payment to poor HHs when buying back of lamb procedure is carried out.

E.3 Buying lambs from poor HHs

15. After the weaning period, lambs (i.e., 40 lambs annually if the poor HH has 40 ewes) will be sold to scale HHs for further fattening for about 3-4 months. Lamb purchasing payment (i.e., CNY800 per lamb) will be paid to poor HHs directly from Xiaowei yang, and the feed cost (i.e., CNY230 per ewe) will be deducted from the lamb payment. Lambs selling and acceptance paper will be signed jointly by Xiaowei yang, scaled HHs/cooperatives and poor HHs.

16. It is estimated that each poor HH will have an annual income of CNY22,800 from the selling of lambs (feed cost has already been deducted), and net income of CNY10,800 after paying back the ewe cost.

E.4 Sheep fattening by scale HHs/cooperatives

17. Scaled HHs/cooperatives will be responsible for the sheep fattening process after getting lambs from the poor HHs, until reaching an average weight of 50-65 kg per sheep. During this period, the feed will be provided by Xiaowei yang to scaled HHs/cooperatives, also Xiaowei yang will assign a technical staff to provide technical guidance to scale HHs/cooperatives. After reaching the weight standard, such sheep will be transferred to Xiaowei yang for slaughtering and processing. Xiaowei yang will pay a raising service fee of CNY20 per sheep to scaled HHs/cooperatives if such standards are met. It is estimated that a scale HH will have a net annual income of CNY64,000.

E.5 Average cost for a lamb

18. Based on the current market price, it is estimated that it will cost CNY2,000 for getting a lamb (including CNY1,200 for a ewe, CNY230 for feed cost, and CNY570 for purchasing lamb) in the first year of the agreement, CNY800 for getting a lamb from Year 2 to Year 5 (since an ewe

would normally be productive for 5 years) (Figure 1).

E.6 Implementation Arrangements for the PAP

19. The PAP will be implemented in accordance with the Project Implementation Agreement (PIA) to be signed between the Government of IMAR and Xiaowei yang, which will specify the terms and conditions for onlending ADB loan proceeds for the establishment of a revolving fund in the amount of \$13.98 million, that will provide financing to Xiaowei yang for supplying ewes, feeds, veterinary services to 2,000 households in return for growing and fattening lambs as part of the household income generation. Due to the absence of a single market for acquiring ewes and scattered location of beneficiary households, Xiaowei yang will use the revolving fund to procure ewes from local households based on prevailing prices in the districts, where quality ewes are available. These arrangements are in line with the basic principles of economy and efficiency and therefore are acceptable to ADB.

E.7 ADB Disbursement

20. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),³ and detailed arrangements agreed upon between the government and ADB.

E.8 Monitoring

21. To verify the progress that Xiaowei yang delivered as part of the PIA, the following documents should be provided to IPMO, namely: (i) provision of ewes and feed to households; (ii) provision of veterinary services to households; and (iii) lamb buyback from households. For audit purposes, Xiaowei yang shall retain until the end of the PIA all relevant documents including but not limited to: (i) ewes and feed acceptance by scaled households and poor households; (ii) records for providing breeding services; (iii) receipts for purchasing lambs from poor households; (iv) list of training participant and training records. Before actual disbursement, the Sustainable Livestock Farming Specialist to be recruited through the PICs will verify achievements, supporting documents and related claims. Detailed arrangement will be included in the PIA between the Government of IMAR and Xiaowei yang, through Qingshan District Government.

³ The handbook is available electronically from the ADB website (<https://www.adb.org/documents/loan-disbursement-handbook>) .

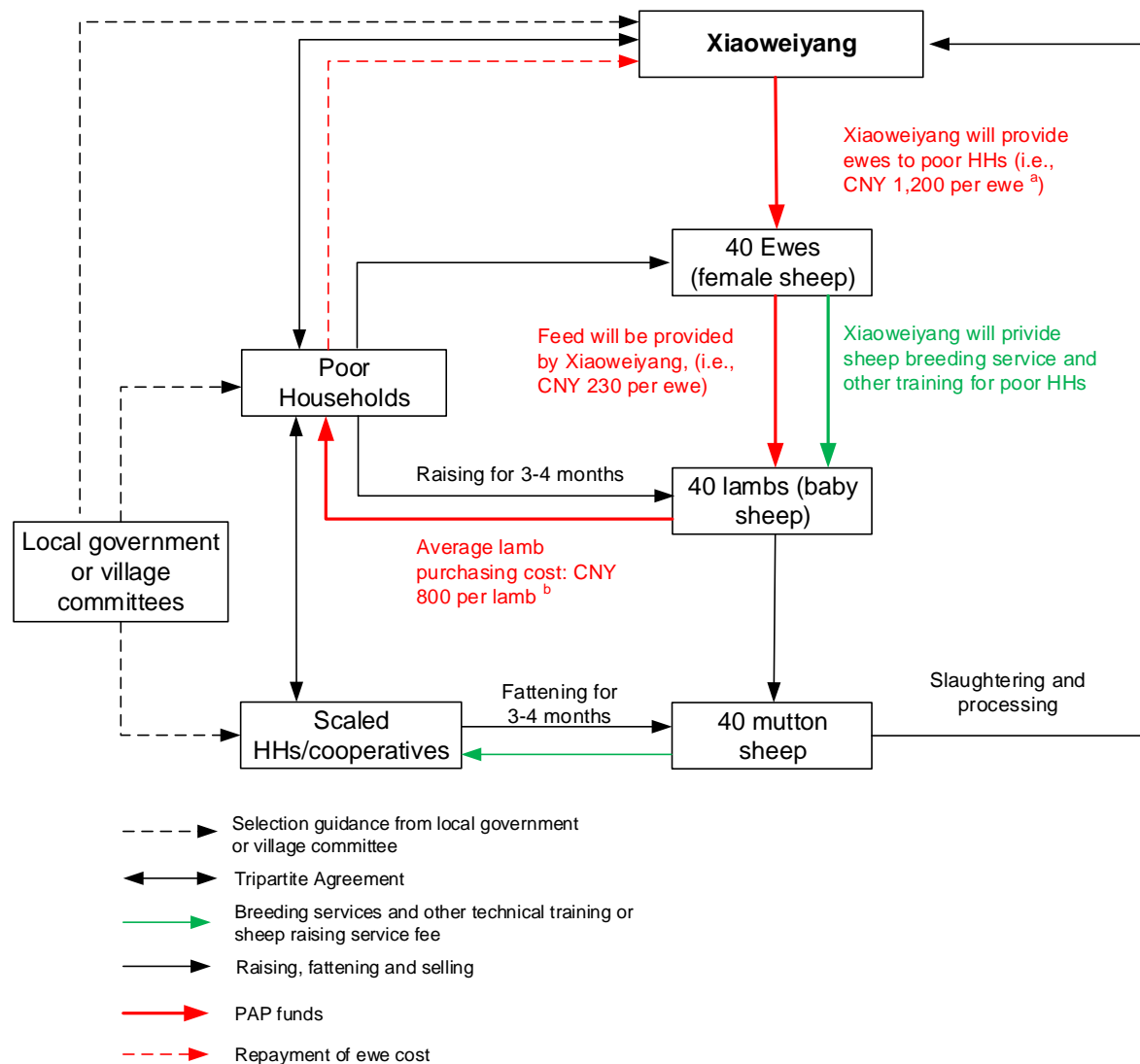


Figure 1: implementation procedures and fund flow diagram

HHs = households.

^a Poor HHs will start to pay back the ewes cost to Xiaowei yang from Year 2 to Year 5, in an annual repayment of 25% of the total ewe cost.

^b Feed cost will be deducted from the lamb purchasing payment, which means, poor HHs will receive CNY 570 per lamb eventually.

Source: Xiaowei Yang and TRTA consultants, September 2019.

E. PAP Sustainability and Performance Evaluation

22. During the first year 2020 of the first implementation phase (2020–2025), 1,250 poor small-scale farmer households will be contracted, and will be increased to 2,000 households in Year 5 (2025). The PAP is based on revolving fund basis; as contracted households repay their initial investment for the ewes that they received at the beginning, Xiaoweiayang will use such the repayments to purchase more ewes and involve more households in the PAP. The PAP will have a significant positive impact being able to reach more than 30% of the local poor population. Furthermore, the PAP is also expected to result increased job opportunities with additional labor required by scaled households and cooperatives that will be responsible for secondary raising of lambs to slaughtering maturity. It is estimated that 100 job opportunities can be provided for poor

HHs annually through the implementation of PAP.

23. The PAP will be effectively operated throughout the entire duration of the project implementation until the ADB loan has been repaid in full (25 years). During the entire implementation period, Xiaoweiayang will provide technical support to the poor and/or low-income HHs and scaled HHs/cooperatives, including breeding services, quarantine and anti-epidemic control, sheep farming technical training and other necessary support as found during the implementation period, to minimize the risks of all parties. The progress of PAP implementation will be reported semiannually through project progress reports and submitted to ADB through the Government of IMAR.

24. The Government of IMAR will evaluate the performance of the implementation of PAP, after the completion of each implementation phase (5 years), until the ADB loan has been repaid in full. The objectives of evaluation will include but not limited to: (i) analysis of performance and poverty alleviation impacts; (ii) assess how and what the implementation mechanism contributing to poverty alleviation; (iii) make clear conclusion on necessity of the next round implementation and specific recommendations on the next round implementation arrangement if necessary, including the selection criteria of poor HHs and scaled HHs/cooperatives.

25. In the event that the PAP is discontinued, for any reason whatsoever, at any time during the implementation of the Investment Program until the ADB loan has been repaid in full, the Government of IMAR will cause Xiaoweiayang to immediately repay all amounts and charges outstanding and due to the Government of IMAR.

F. Special Poverty Alleviation Account

26. Xiaoweiayang is committed to making their contributions to the local poverty alleviation. According to the estimation of Xiaoweiayang, after processing and selling products to the market, the company can earn CNY 200 per sheep. Therefore, to maximize the poverty alleviation impact, Xiaoweiayang is committed to allocate CNY 80 to each sheep it purchases under the PAP to a special account to further strengthen risk control, capacity and technical knowledge of local communities. It is expected that in Year 1, this special account will have an amount up to CNY 4 million. This special account will be opened in the local commercial bank (Xiaoweiayang should acquire no objections from the Government of IMAR) and managed jointly by the Government of IMAR and Xiaoweiayang. Funds in this special account can be used for (i) covering any defaults that will happen; (ii) covering any costs of training and capacity building to local communities (including project-related and non-related HHs and cooperatives); (iii) purchasing more ewes for poor HHs, either for those who signed the agreement or other poor HHs, to amplify the impact; and (iv) any other expenditures as agreed between the Government of IMAR, ADB and Xiaoweiayang. The use of such funds will be reported through semiannual progress reports, and submitted to ADB through the Government of IMAR.

Financial Intermediation Loan: SMEs in Cross-Border Businesses Expansion in IMAR

1. Many of the small and medium-sized enterprises (SMEs) in the border areas of the People's Republic of China (PRC) and Mongolia are confronted with difficulties in accessing financing as one of the main restrictions in growing and improving their businesses. The SME financing component under Tranche 1 of the Investment Program will provide financing to SMEs in Inner Mongolia Autonomous Region (IMAR), especially in Alxa, Bayannur, Baotou, Erenhot, and Xiang'an municipalities, through financial intermediaries (FIs) by using the financial intermediation loan (FIL) modality. The financing provided is expected to enable qualified SMEs to gain access to competitively priced, medium to long term debt in order to fund their value addition proposals and increase the profitability of their business and productivity of the cities and counties in which they operate. The first tranche loan for SME financing amounts to €16.97 million (equivalent to \$20.00 million).

A. Costs and Financing

2. The total cost of the financial intermediation loan will be €38.25 million of which €17.14 million will be funded by the ADB in Tranche 1, including €16.97 million for SME financing, and €0.17 million for capacity building. FIs will finance the domestic counterpart funds.

Table 4-1: Cost Estimates by Expenditure Category

No.	Item	CNY Million			€ Million			% of Base Cost	% of Total Cost
		Foreign Exchange	Local Currency	Total Cost	Foreign Exchange	Local Currency	Total Cost		
A.	Base Cost								
	1. Civil Works	-	-	-	-	-	-	-	-
	Civil Works Financed by ADB	-	-	-	-	-	-	-	-
	Civil Works Financed by NBF	-	-	-	-	-	-	-	-
	2. Equipment & Materials	-	-	-	-	-	-	-	-
	Equipment & Materials Financed by ADB	-	-	-	-	-	-	-	-
	Equipment & Materials Financed by NBF	-	-	-	-	-	-	-	-
	3. Fis	221.43	55.36	276.78	27.15	6.79	33.93	99.5%	88.7%
	Fis Financed by ADB	110.71	27.68	138.39	13.57	3.39	16.97	49.7%	44.4%
	Fis Financed by NBF	110.71	27.68	138.39	13.57	3.39	16.97	49.7%	44.4%
	4.Capacity Building	1.42	0.00	1.42	0.17	0.00	0.17	0.5%	0.5%
	5.Land Acquisition and Resettlement	-	-	-	-	-	-	-	-
	6.Project Management Fee	-	-	-	-	-	-	-	-
	7.Environmental Management Fee	-	-	-	-	-	-	-	-
	8.Initial Working Capital	-	-	-	-	-	-	-	-
	Sub-total (A)	222.85	55.36	278.21	27.32	6.79	34.11	0.5%	0.5%
B.	Contingencies								
	1. Physical	17.83	4.43	22.26	2.19	0.54	2.73	8.0%	7.1%
	2. Price	7.45	2.29	9.74	0.91	0.28	1.19	3.5%	3.1%
	Sub-total (B)	25.28	6.71	31.99	3.10	0.82	3.92	11.5%	10.3%
C.	Implementation								
	1. Interest during construction	1.59	0.00	1.59	0.19	0.00	0.19	0.6%	0.5%
	2. Commitment charges	0.22	0.00	0.22	0.03	0.00	0.03	0.1%	0.1%
	Sub-total (C)	1.81	0.00	1.81	0.22	0.00	0.22	0.7%	0.6%
	Total Project Cost (A+B+C)	249.94	62.07	312.01	30.64	7.61	38.25	112.2%	100.0%

Source: Asian Development Bank estimates.

Table 4-2: Cost Estimates by Financier (€ million)

No.	Item	Total Costs	ADB		FIs	
			Amount	% of Cost Category	Amount	% of Cost Category
A.	Base Cost					
1.	Civil Works	0	0	0%	0	0%
2.	Goods (Equipment & Materials)	0	0	0%	0	0%
3.	SME Financing	33.93	16.97	50%	16.97	50%
	<i>ADB Financed</i>	16.97	16.97	100%	0.00	0%
	<i>Non-ADB Financed</i>	16.97		0%	16.97	100%
4.	Capacity Building	0.17	0.17	100%	0.00	0%
5.	Land Acquisition and Resettlement	0	0	0%	0	0%
6.	Project Management Fee	0	0	0%	0	0%
7.	Working Capital	0	0	0%	0	0%
	Sub-total (A)	34.11	17.14	50%	16.97	50%
B.	Contingencies					
1.	Physical	2.73		0%	2.73	100%
2.	Price	1.19		0%	1.19	100%
	Sub-total (B)	3.92	0.00	0%	3.92	100%
C.	Financing Charges During Implementation					
1.	Interest during construction	0.19		0%	0.19	100%
2.	Commitment charges	0.03		0%	0.03	100%
	Sub-total (C)	0.22	0.00	0%	0.22	100%
	Total Project Cost (A+B+C)	38.25	17.14	45%	21.11	55%
	% of Total Project Cost	45%	44.81%			

Source: Asian Development Bank estimates.

Table 4-3: Cost Estimates by Year (€ million)

No.	Item	Total Costs	2022					
			2021	2022	2023	2024	2025	2026
A.	Base Cost							
1.	Civil Works	0	0	0	0	0	0	0
	Goods (Equipment & Materials)	0	0	0	0	0	0	0
2.	SME Financing	33.93	6.79	20.36	6.79	0.00	0.00	0.00
4.	Capacity Building	0.17	0.03	0.07	0.03	0.02	0.01	0.02
	Land Acquisition and Resettlement	0	0	0	0	0	0	0
6.	Project Management Fee	0	0	0	0	0	0	0
7.	Working Capital	0	0	0	0	0	0	0
	Sub-total (A)	34.11	6.82	20.43	6.81	0.02	0.01	0.02
B.	Contingencies							
1.	Physical	2.73	0.55	1.63	0.55	0.00	0.00	0.00
2.	Price	1.19	0.12	0.71	0.36	0.00	0.00	0.00
	Sub-total (B)	3.92	0.66	2.34	0.91	0.00	0.00	0.00
C.	Financing Charges During Implementation							
1.	Interest during construction	0.19	0.00	0.02	0.04	0.04	0.04	0.04
2.	Commitment charges	0.03	0.01	0.01	0.00	0.00	0.00	0.00
	Sub-total (C)	0.22	0.02	0.03	0.04	0.04	0.04	0.04
	Total Project Cost (A+B+C)	38.25	7.50	22.81	7.76	0.06	0.05	0.06

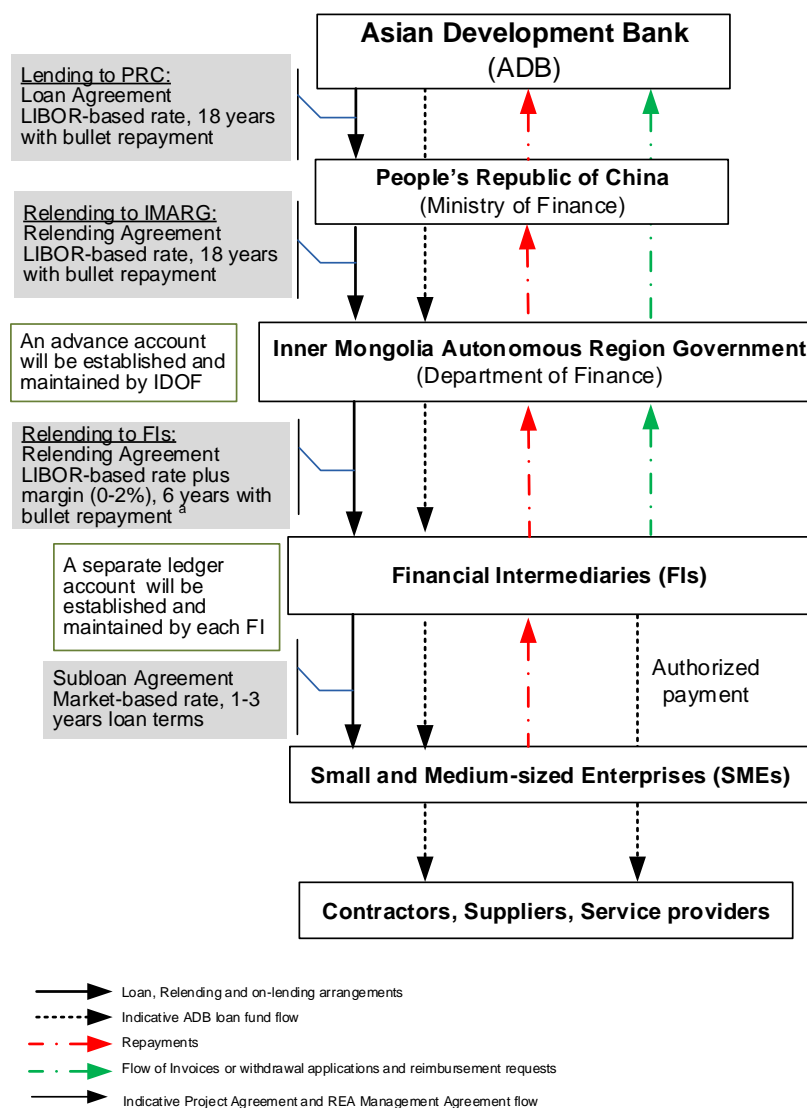
Source: Asian Development Bank estimates.

3. A number of measures have been adopted in designing this project to address the financing barriers for SMEs in border areas. Accordingly, the FIL modality was chosen to (i) allow multiple rollovers of the ADB loan amount; thus, providing larger investments for SMEs over the loan tenor; (ii) build knowledge and capacity of the IMAR government and domestic financial institutions in evaluation and risk assignments on SME lending; (iii) reduce transaction complexities and costs due to familiarity and experience gained by both the IPMO and financial intermediaries from qualified subprojects; and (iv) enhance governance and improve safeguard

compliance for SME investments beyond Tranche 1.

4. The financial intermediary (FI) in Tranche 1 include Bank of Inner Mongolia (BOIM). BOIM was selected based on the ADB's set of eligibility criteria (Appendix 3) for lending transactions of this nature. These criteria include their financial creditworthiness, institutional capabilities to manage an SME financing scheme of this nature, extent of reach to SME markets in IMAR, and ability to fulfill the ADB's reporting standards, including in areas of environmental and social safeguards management. The same eligibility criteria will be applied for selecting other FIs during the implementation period.

5. **Fund Flow.** The borrower will be the PRC through the Ministry of Finance (MOF). Loan proceeds will be relented by MOF to the IMAR Department of Finance (IDOF) on the same terms and conditions as the loan between ADB and the PRC. The Government of IMAR, through the IPMO will serve as the executing agency for daily management of the overall transaction. IDOF will make available the loan proceeds to FIs, under the terms and conditions set in the onlending agreement between IDOF and FIs. FIs will approve, sign subloan agreement, disburse, monitor, and collect subloan repayments extended to SMEs in IMAR. FIs will earn interest rate differential between the FIL on-lending rate to the subborrowers and interest rate receiving from IDOF. FIs will establish its project implementing unit (PIU) to manage the implementation of this transaction. Each FI will establish a separate FI ledger account (FIA) to ensure that the account is kept distinct from FI's own assets. The FIA further provides protection against adverse results from other financial operations. For subsequent qualified SME subborrowers of qualified subprojects, FIs will on-lend the repayment proceeds to the qualified subborrowers. The fund flow is presented in below Figure.



^a The loan will be renewed after the repayment and the interest rate margin can be adjusted based on the performance of the FIs and market interest rate.

ADB = Asian Development Bank, LIBOR = London interbank offered rate, FI = financial intermediary, IDOF = Inner Mongolia Autonomous Region Department of Finance, PRC = the People's Republic of China.

* ADB Funds from the Advance Account to FIs are based on the signed of subloan agreements.

Source: Asian Development Bank.

6. Loan disbursement. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time). A separate advance account will be established at IMAR level and will be managed by IDOF. IDOF will make available the loan proceeds to FIs, under the terms and conditions of the Onlending Agreement. The loan proceeds will be transferred from the Advance Account to the FI Account after the receipt of funds by IDOF from ADB, following the necessary domestic procedures. The advance to the advance account will not exceed 6 months' estimated cash flow required for payments to be made to subborrowers for qualified subprojects. Each FI will be responsible to make final decisions for the selection of qualified SME subborrowers, based on the eligibility criteria as agreed with the Government of IMAR and ADB. Considering the executing agency's and IDOF's administration of attaching voluminous documentation for numerous and small amounts of subloans to withdrawal applications (WAs), the state of expenditure (SOE) for FIL loan

procedures will be applied. The SOE ceiling under the FIL is set at the free limit of the SME loans, i.e., CNY15 million. If an individual loan size exceeds the SOE ceiling, a draft subloan agreement and SME subproject summary sheet will need to be submitted for ADB's prior review and approval.

7. The initial advance request should be submitted with WA together with an estimate of expenditure for the forthcoming 6 months to support the amount of the initial advance. For liquidation and replenishment of the advance account, WA and SOE, or WA and summary sheet above the SOE ceiling will be submitted by IDOF to ADB. Before the submission of the first withdrawal application, the Borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Government of the PRC, together with the authenticated specimen signatures of each authorized person. The minimum value of \$100,000 per withdrawal application is in accordance with the *ADB's Loan Disbursement Handbook (2017, as amended from time to time)*.

8. Each FI shall at all times make adequate provision to protect itself against any loss resulting from changes in the rate of exchange between its CNY income from Subloans and its EURO payment obligations as stated in the Onlending Agreement.

9. **Lending Terms for FIs.** The financial intermediation modality loan will have 18 years term with a bullet payment method, an interest rate determined in accordance with ADB's LIBOR-based lending facility, an applicable commitment charge, and such other terms and conditions set forth in the loan and project agreements. The longer grace period is essential to maximize the benefits of FIL so that the full amount of the loan is available for relending to a greater number of SME borrowers. The €16.97 million (equivalent to \$20.00 million) FIL from ADB is expected to fully revolve about two to three times, supporting additional financing for SMEs.

10. The ADB loan proceeds will be onlent to FIs through the Government of IMAR (represented by IDOF) with a 6-year term in EURO currency. The interest rate will be determined by the Government of IMAR with consideration of FIs' comparable funding cost, hedging cost for foreign exchange rate risk, performance, and additional due diligence cost to meet ADB requirements. The Government of IMAR and FIs have agreed that that interest rate to FIs will be the same interest rate from ADB to the Government of IMAR with addition of 0.0%-2.0% margin (subject to further negotiation between the Government of IMAR and FIs). The loan can be renewed after the repayment and the interest rate margin can be adjusted based on the performance of the FIs and market interest rate. ADB loan proceeds is expected to be fully revolved about two to three times, supporting additional financing for SME. The loan currency will be in EURO, in an equivalent amount of \$10 million for each FI. The ADB loan proceeds should not be co-mingled with FIs own asset and need to be separately managed for tracking and monitoring purpose.

11. **Lending terms for SMEs.** To maximize the benefit from the revolving nature of the financing, the term of each subloan will be no more than five years. The onlending interest rate will be set at the range of prevailing market rate for SME loans for similar terms. In specific, the onlending interest rate will be determined by reflecting the funding cost of FIs, hedging cost for currency exchange risk, and credit spread applied to the SMEs. Only qualified subborrowers satisfying the eligibility criteria set and agreed among ADB, the Government of IMAR, and FIs will be financed.

12. **Interest Rate Differential Account (IDA).** The Government of IMAR, through IDOF, will

establish an IDA at a commercial bank after loan effectiveness to receive the interest payment and loan proceeds repayment from FIs. The account will be principally funded from the interest rate differential between ADB loan to IAMRG and the Government of IMAR loan to FIs as well as the reflow of the principal amount. The accrued interest rate differential will be used to (i) support guarantee fee for SME subborrowers, (ii) cover any cost related to currency exchange risk management of the loan; (ii) function as loan loss reserve, (iii) cover any costs of capacity building activities under the Investment Program, (iv) project management related costs, and (v) any other expenditures as agreed between ADB and the Government of IMAR.

13. **Eligibility criteria.** The selection of subborrowers will be guided by the following eligibility criteria as well as FIs' due diligence on the loan applicants. Specific eligibility criteria of SMEs as subborrowers will be guided by the following criteria:

- (i) The targeted SMEs should be legally registered;
- (ii) Priority will be given to those SMEs that are engaged in cross-border trade and logistics, agribusiness, manufacturing, and cross-border tourism;
- (iii) The targeted SMEs should have sustainable business models, and sound business strategy and corporate governance;
- (iv) Proper safeguards due diligence will be conducted in accordance with the Environment and Social Management System (ESMS) and ADB's environmental and safeguards policies and standards;
- (v) Any subprojects classified as Category A for environment, involuntary resettlement, indigenous peoples within the meaning of ADB SPS will be excluded from financing;
- (vi) No FIL subloans will finance activities included in ADB's prohibited investment activity list;
- (vii) Average SME subloan size is not to exceed CNY10 million and the maximum is not to exceed CNY20 million; and
- (viii) To facilitate financial inclusiveness for women, FIs will ensure that at least 20% of SMEs receiving financing from the FIs are owned or led by women.

14. The selection of candidate SME subborrowers will be carried out by the financial intermediary, with support from IPMO as needed. Once loan applications from the candidate SMEs' are submitted, the FI will (i) carry out detailed credit assessment and safeguards screening in accordance with the ESMS, (ii) financial due diligence of the SME; and (iii) decide to approve or reject the applications. The subloan agreement will be signed between the subborrower and the FI.

15. **Accounting.** The FIs will maintain separate ledger accounts and records by funding source for all subloans. FIs will submit to IDOF and the IPMO semiannual progress reports. IPMO will compile the consolidated project accounts and related financial statements. Project accounts will follow international accounting principles and practices prescribed by the Accounting Law of the PRC.

16. **Audit.** The Government of IMAR will cause the detailed consolidated project accounts to be audited in accordance with international standards on auditing by an auditor acceptable to ADB. The audited accounts will be submitted in the English language to ADB within six months of the end of the fiscal year by the executing agency. The annual audit report will include a separate audit opinion on the IDOF advance account, the FIA, and the IDA, the use of the loan proceeds, and compliance with the financial covenants of the loan agreement. The executing agency, FIs have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the

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

17. The audited entity financial statements of FIs, together with the auditor's report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the relevant authority, for monitoring the total liabilities to total assets ratio and financial standing of each FI as they are on a corporate level.

18. **ESMS Implementation.** The financial intermediation modality loan is categorized as financial intermediary. FIs will develop an ESMS covering environmental and social policies, safeguards screening, categorization and review process, institutional arrangements, and monitoring and reporting procedures for qualified subprojects under the FIL, prior to loan effectiveness and will maintain and diligently implement the ESMS. The ESMS will exclude subprojects that will trigger Category A for environment, involuntary resettlement and indigenous persons, and that are in the prohibited investment list as per ADB Safeguard Policy Statement (2009). Subprojects classified as Category B or C for environment will be subject to requirements set out in the ESMS. As part of ESMS, the ESMS Unit of each FI will submit to ADB for prior review and approval the proposed safeguards classifications and a project description for the first two qualified subprojects of a target sector classified as environment Category B. If satisfactory, then other qualified subprojects will only be subject to post review in the semiannual ESMS monitoring progress report. ESMS will ensure that SMEs supported are not engaged in commercial development of cultural resources of Indigenous Peoples without their consent. Each subproject will undergo due diligence based on the criteria in the ESMS.

19. **Reporting and communications.** The IPMO will provide ADB with (i) semiannual project progress reports in a format consistent with ADB's project performance reporting system (Appendix 6), (ii) semiannual ESMS monitoring progress report (Appendix 9), (iii) audited financial statements not later than 6 months after the closure of fiscal year, (vi) entity audited financial statements in 1 month after the completion and their approval by relevant authorities, and (v) a project completion report within six months of physical completion of the project.

Institutional Capacity Building and Strengthening in Tranche 1

1. According to the due diligence and assessment carried out by the TRTA team, Tranche 1 project has “**substantial**” risk in financial management due to implementing agencies and PIEs lack familiarity with ADB financial management, disbursement procedures and requirements. Procurement risk assessment concluded that Tranche 1 project would have “**medium**” risk due to lack of familiarity with ADB procurement requirements, or lack of proper procurement staff. The institutional capacity assessment also indicates that the implementing agencies and PIEs lack the familiarity of ADB project experience and proper staffing, especially for DPMO and Songbuer. Mitigation measures should be taken to address such risks, including but not limited to: (1) recruit PICs to facilitate the project implementation; (2) provide extensive training, workshop and seminars to strengthen the project management and institutional capacity; (3) engage a procurement agency with good English skills and proper experience of World Bank/ADB financed projects; (4) recruit qualified professional staff in PIEs to improve human resources capacity, including at least, but not limited to the financial accountant, procurement staff and engineers.

A. Development Plan for Project Management

2. To strengthen the capacity in project management, monitoring and reporting, the indicative list of following training is suggested to reduce the risk of delay in project implementation (Table 5-1). Project management support focuses on directly supporting the PMOs and PIEs in all aspects related to project management, implementation, monitoring, reporting, procurement, contract management and financial management throughout the implementation period of Tranche 1 project and in the form of day-to-day support, on-the-job training, training events, and other forms of project implementation, supervision, monitoring and evaluation support as requested by the government and in coordination with ADB.

Table 5-1: Indicative list of Training for Project Management, Monitoring, and Reporting ^a

Training Program	Scope of Training	Trainer	Participants
ADB disbursement procedures and financial management	<ul style="list-style-type: none"> • ADB loan disbursement procedures; • Roles and responsibilities of stakeholders; • Flow of funds and utilization of loan proceeds; • Risks of disbursement delays. 	ADB staff, PICs	PMOs, PIEs, FIs, IDOF, BOFs
Project financial management system and financial audits	<ul style="list-style-type: none"> • Basic financial management of the project by implementing agencies; • Annual financial audit requirements of ADB and PRC. 	ADB staff, PICs	PMOs, PIEs, FIs, IDOF, BOFs
Procurement and contract management	<ul style="list-style-type: none"> • ADB procurement policy; • ADB procurement procedures; • Bidding document preparation; • ADB bid evaluation guidelines, bid evaluation report preparation; • Risks and implications of improper tendering and corrective measures; • Variation orders and contract management. 	PICs	PMOs, PIEs, Procurement agency
Corruption risks and anti-corruption measures	<ul style="list-style-type: none"> • Definition, nature and types of corruption; • Risks of corruption in project implementation; • What to do in case that corruption is identified and mitigation measures; • Case studies and international best practices. 	PICs	IMARG, PMOs, PIEs, FIs, BOFs, Contractors
Project management,	<ul style="list-style-type: none"> • Basic principles of project management; • Project scheduling; 	PICs	IMARG, PMOs, PIEs

Training Program	Scope of Training	Trainer	Participants
scheduling, and budgeting	<ul style="list-style-type: none"> • Project budgeting, forecasting, monitoring. 		
Report preparation and record-keeping	<ul style="list-style-type: none"> • Templates of progress reports; • Schedule for report preparation; • Records storage and retention; • Organization of electronic files; • Security of documents (hard copy and electronic). 	PICs	IMARG, PMOs, PIEs, FIs, other agencies and staff involved in the project
Environmental monitoring	<ul style="list-style-type: none"> • ADB environmental requirements; • Project EMP; • ESMS for FIs; • Monitoring and reporting. 	PICs	IMARG, PMOs, PIEs, FIs, EEBs
Land acquisition and resettlement, Ethnic Minority Development	<ul style="list-style-type: none"> • ADB and government social, resettlement and compensation requirements; ethnic minority development • Project RPs; • Monitoring and reporting; • Grievance procedures and corrective actions. 	PICs	IMARG, PMOs, PIEs, FIs, LRBs, local governments as applicable
Implementation of SDGAP and ESMS, and other ADB requirements	<ul style="list-style-type: none"> • Establishing effective monitoring and information flow mechanism; • Key indicators and methodology of data collection; • SDGAP update, implementation, monitoring, and reporting; • ESMS implementation; • Community development and participation; • Prevention and control of transmissible diseases and HIV/AIDS; human trafficking 	PICs	IMARG, PMOs, PIEs, FIs, LRBs, local governments as applicable
Project benefit monitoring and evaluation	<ul style="list-style-type: none"> • PPMS; • Roles and responsibilities for the implementation of PPMS; • Mechanisms for measurement of project outputs and outcomes; • Beneficiary surveys on public perceptions of infrastructure and service delivery. 	PICs	IMARG, PMOs, PIEs, FIs, EEBs, SPBs others as concerned
Workshops on key project issues	<ul style="list-style-type: none"> • As needed, workshops on project progress, execution, and implementation issues; • ADB project experience sharing; • Project replication over the regional ECZs. 	PICs	PMOs, PIEs, others as concerned

ADB = Asian Development Bank, BOF = Bureau of Finance, DMF = design and monitoring framework, ECZ = economic cooperation zone, EEB = ecological and environment bureau, EMP = environmental management plan, ESMS = environmental and social management system, FIs = financial intermediaries, IDOF = Inner Mongolia Autonomous Region Department of Finance, IMARG = Government of Inner Mongolia Autonomous Region, LRB = land resources bureau, PICs = project implementation consultants, PIE = project implementing entity, PMO = project management office, PPMS = program performance monitoring system, PRC = People's Republic of China, RP = resettlement plan, SDGAP = social development and gender action plan, SPB = social protection bureau.

^a Training listed in this table is only indicative and not in chronological order. IPMO and PICs will develop details based on needs assessment.

Source: Asian Development Bank.

B. Development Plan for Capacity Building

3. **Capacity building** including institutional development and practical training to PMOs and PIEs, policy dialogue with the Mongolian government and concerned local government agencies, other provinces in PRC and/or other ADB developing member countries, to improve knowledge and management skills to ensure project investment sustainability, enable smooth implementation and sustainable operation and maintenance of the project facilities and enhancing the benefits and synergies from the investments. It includes the following capacity building activities (CBAs), which are to be implemented throughout the implementation period of Tranche 1 and in the form of on-the-job training, a series of training events for each CBA and covering a comprehensive set of subtopics and involving the entire PIC team and possibly additional resource persons as needed, preparation of domestic and international training on the CBA topics, and other forms of support as requested by the government, and in coordination with ADB. An indicative list of the following training is suggested in Table 5-2. Institutional capacity development and policy dialogue for the concerned implementing agencies, government agencies, PMOs and PIEs include but is not limited to:

- (i) **CBA 1:** Policy dialogue among IMAR, Mongolia, other provinces in PRC or other ADB developing member countries in topics of trade and logistics, tourism development and cooperation, SME development, culture exchange, project experience sharing;
- (ii) **CBA 2:** Climate resilience design for all subprojects;
- (iii) **CBA 3:** smart port management, including the supervision of products importing and exporting, especially the capacity of customs staff to identify animal and animal products trafficking;
- (iv) **CBA 4:** Irrigation facilities design, construction, management, operation and maintenance in Erenhot for the ecological restoration;
- (v) **CBA 5:** Operation capacity development for PRC-Mongolian International Hospital in Erenhot, including but not limited to customer service, diagnosis and surgery skills, and doctor/nurse treatment skills, ward management, hospital operation, and transboundary disease and epidemic disease prevention and control;
- (vi) **CBA 6:** Human resource development for Xiaoweiayang, especially on-job training on sheep farming and ET to the technical teams; Human resource development for Songbuer, especially financial accountant, procurement staff and civil engineers;
- (vii) **CBA 7:** Livestock manure treatment in Xiaoweiayang's sheep farming houses and those in the cooperation poor households, scaled farmer households and/or cooperatives; and
- (viii) **CBA 8:** ESMS implementation capacity in the FIs improved and integrated into its normal loan processing procedures, apart from ADB subloans and revolving loan proceeds.

Table 5-2: Indicative List of Training to be Provided for Capacity Building

Training Program	Scope of Training	Trainer	Participants
Regional cooperation and integration	<ul style="list-style-type: none"> Facilitation and institutionalization of communications and coordination channels among the project cities and Mongolian provinces; Promotion and training on regional cooperation in areas of trade and logistics, tourism development and cooperation, SME development, culture exchange; and Facilitate identification of specific projects and 	PICs	IMARG, PMGs, PMOs, PIEs, FIs and other government agencies as needed

Training Program	Scope of Training	Trainer	Participants
	cooperation initiatives and support implementation of such initiatives.		
Climate resilience design	<ul style="list-style-type: none"> • Incorporate measures from climate change projections to mitigate related climate risks. 	PICs	PMOs, PIEs and DIs
Smart port management	<ul style="list-style-type: none"> • Procurement of advanced equipment for the port; • On-job training on animal and animal products trafficking; and • Improving the efficiency of port customs clearance. 	PICs	PMOs, PIEs, Port management offices, Customs
Smart irrigation	<ul style="list-style-type: none"> • Design of irrigation facilities for the Erenhot ecological restoration component; • Operation of irrigation facilities by using reclaimed water; and • Irrigation facilities maintenance. 	PICs	EPMO
Operation capacity development for Erenhot International Hospital	<ul style="list-style-type: none"> • On-job training to doctors and nurses; • Training to hospital management on operation; • Customer service (increase reception and retail skills); • Diagnosis skills and treatment skills; • General practices and ward management; and • Transboundary disease and epidemic disease prevention and control. 	PICs and/or resource person	Hospital staff
Livestock manure treatment	<ul style="list-style-type: none"> • Design of waste treatment facilities in sheep farms; • Operation and maintenance of such facilities; and • Awareness-raising on livestock waste management in the community. 	PICs	Xiaoweiyang, cooperation farmers and cooperatives
SME Development and Promotion	<ul style="list-style-type: none"> • Providing services, including loan proceeds to SMEs that are involved in border trading business; • Enabling environment for business development, expansion, and diversification; • Women entrepreneur and development services. 	PICs	ADB, PMOs, FIs, SME borrowers and others concerned
Embryo transplantation monitoring	<ul style="list-style-type: none"> • Recruit professional staff for sheep ET and/or artificial insemination; • On-job training on ET to the technical team; • ET efficiency monitoring. 	PICs	Xiaoweiyang
Sheep farming technology	<ul style="list-style-type: none"> • Nutrition of sheep; • Disease control of sheep; • General management of farmhouses; • Care of lambs; and • The marketing of sheep and sheep products. 	PICs and/or resource person	Xiaoweiyang, cooperation farmers and cooperatives

ADB = Asian Development Bank, DIs = design institutes, EPMO = Erenhot Project Management Office, ET = embryo transplantation, FIs = financial intermediaries, IMARG = Government of Inner Mongolia Autonomous Region, PICs = project implementation consultants, PIE = project implementing entity, PMO = project management office.

Source: Asian Development Bank, September 2019.

4. During the project implementation, IPMO will be responsible for implementing the capacity building and strengthening activities, including but not limited to, the recruitment of consultant for

support the project start-up and implementation, organizing international and domestic training workshops, seminars and other capacity building activities, in addition to project management.

C. Budget

5. The total budget for project management and capacity building under Tranche 1 is € 1.82 million, which will be fully financed through ADB loan (details of expenditures are presented in Table 5-3). Such budget is allocated to each subproject and financial intermediation modality loan based on the proportion of ADB loan amount that each of them will receive. IAs and FIs will be responsible for the repayment.

6. The Government of IMAR, through the IPMO will carry out daily implementation for the activities for project management and institutional capacity building. IPMO will prepare the payment requests and submit to IDOF for review and approval. Furthermore, IPMO will sign the contract with the consulting firms and manage the PICs.

7. Project management consulting services for project implementation support and capacity development will be engaged through quality- and cost-based selection (QCBS) selection method with a standard quality: cost ratio of 90:10 with full technical proposal procedure. TORs for start-up consultants and PICs are listed in Appendix 4.

Table 5-3: Budget for Project Management and Capacity Building

No.	Item	Amount (\$)	Remarks
1	IPMO Project Management	691,000	
1.1	Project start-up consultants (Individual)	80,000	4 ICS contracts
1.2	Resource persons (including per diem and travel cost)	20,000	Multiple
1.3	Training workshops and working meetings	186,000	IPMO will provide meeting rooms
1.4	IPMO Office operation, including office supplies	405,000	
2	Consulting service and capacity building	1,059,000	
2.1	Project implementation consultant (consulting firm)	841,500	CS-1 - QCBS (90:10), FTP
2.2	Capacity building - Workshop, training and seminars (domestic)	197,500	
2.3	Social survey (biennial)	20,000	Three times during the implementation period of Tranche 1
3	External environmental monitoring and evaluation	220,000	CS-2 - CQS
4	Contingencies	30,000	
	Total	2,000,000	

CQS = consultants' qualifications selection, CS = consulting service, FTP = full technical proposal, ICS = individual consultant selection, IPMO = Inner Mongolia Autonomous Region Project Management Office, QCBS = quality and cost-based selection.

Source: Asian Development Bank estimates.

D. Procurement Plan

Consulting Services							
Package No.	General Description	Estimated value (\$)	Selection method	Review	Type of Proposal	Advertisement Date (quarter, year)	Comments
ICS-1	Project start-up support – Municipal Engineer	23,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 3 person-months
ICS-2	Project start-up support – Procurement and Contract Management Specialist	23,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 3 person-months
ICS-3	Project start-up support – Environment Safeguard and ESMS Specialist	17,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 2 person-months
ICS-4	Project start-up support – Social Safeguard and ESMS Specialist	17,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 2 person-months
CS-1	Project implementation consulting services for project management support and capacity building	1,059,000	QCBS	Prior	FTP	Q2, 2021	Quality-cost ratio of 90:10
CS-2	External environment monitoring services	220,000	CQS	Prior	STP	Q2, 2021	

EOI = expression of interest, ICS = individual consultant selection, FTP = full technical proposal, QCBS = quality- and cost-based selection, STP = simplified technical proposal.

Appendix 2: Eligibility Criteria of Small and Medium-Sized Enterprises

1. The selection of subborrowers will be guided by the following eligibility criteria as well as financial intermediaries' due diligence on the loan applicants. Specific eligibility criteria of small and medium-sized enterprises (SMEs) as subborrowers will be guided by the following criteria:

- (i) be legally registered, and in compliance with the national laws;
- (ii) preferably be engaged in cross-border trade and logistics, agribusiness, manufacturing, and cross-border tourism;
- (iii) have sponsors with proven track record of successfully developing, financing and operating projects similar to the Qualified Subproject or have made formal or contractual arrangements with third parties with such proven track record;
- (iv) have sustainable business models, and sound business strategy and corporate governance structure;
- (v) have equity, or be able to procure equity, equal to at least 30% of the total cost of the relevant Qualified Subproject;
- (vi) have, or its sponsors will be able to provide, adequate resources and financial capability to raise and maintain resources to complete and operate the relevant Qualified Subproject successfully;
- (vii) not be, and nor will its sponsors be, in default of any prior loan in the People's Republic of China (PRC);
- (viii) be able to provide security as required;
- (ix) maintain appropriate financial records of income and expenditure to the satisfaction of the Asian Development Bank (ADB);
- (x) be willing to conduct proper safeguards due diligence in accordance with the Environmental and Social Management System (ESMS) and ADB's Safeguard Policy Statement (2009) (SPS); and
- (xi) comply with and ensure that its relevant Qualified Subproject complies with the SPS, and national laws and regulations relating to environment, involuntary resettlement and indigenous peoples.

Selection Criteria for Qualified Subprojects

2. Financial intermediaries (FIs) will ensure that each Qualified Subproject will:

- (a) form an integral part of the Inner Mongolia Autonomous Government's (IMARG) priority plan for cross-border trade and logistics, agribusiness, manufacturing, and cross-border tourism;
- (b) use technology which has a successful track record;
- (c) be financially viable with robust and predictable cash flows and be capable of generating sufficient revenues for repaying the Subloan; in the case of a Euro-denominated Subloan, be capable of generating sufficient foreign exchange revenues or revenue indexed to Euro or demonstrate sufficient capacity to mitigate the currency risk for such repayments;
- (d) result in increased rural income and reduced rural poverty through promoting agricultural development;
- (e) obtain all necessary PRC's approvals and licenses, and comply with the national laws and regulations relating to environment, involuntary resettlement and indigenous peoples;

- (f) comply with SPS and ESMS, and fall within Category B or C for SPS purposes; and
- (g) have an economic rate of return of not less than 12%.

Subloans

3. FIs will ensure that:

- (a) no Subloan will finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS;
- (b) each Subloan will carry interest at an appropriate rate, which allows the FIs to earn a risk-adjusted return and will be made on terms under which FIs obtain rights adequate to protect the interests of ADB and PRC;
- (c) each subloan agreement shall appropriately reflect the obligations that the FIs and the Qualified Subborrowers assumed under the loan and project agreements in respect of the Qualified Subproject;
- (d) the maximum amount of each Subloan to a Qualified Subborrower does not exceed the equivalent of CNY15,000,000, except that with prior approval of ADB the Subloan may exceed the limit and be up to CNY20,000,000 with an unusually high developmental impact; and
- (e) women shall sign or co-sign at least 20% of the Subloans to facilitate financial inclusiveness for women.

Appendix 3: Eligibility Criteria for Financial Intermediaries

1. The Borrower will (a) cause each financial intermediary to ensure that it remains financially sound throughout Tranche 1 implementation period; and (b) through the Government of Inner Mongolia Autonomous Region (IMAR) monitor such compliance and promptly report any non-compliance to the Asian Development Bank (ADB). Specifically, each financial intermediary shall satisfy and maintain:
 - (a) the regulatory and prudential ratios, as required by the China Banking and Insurance Regulatory Commission for banks, and as applicable from time to time;
 - (b) the capital adequacy ratio above 10.5%;
 - (c) the ratio of non-performing asset below 5%;
 - (d) liquidity ratio higher than 25%; and
 - (e) no default history on their own payment obligations.

2. The People's Republic of China (PRC) will cause each financial intermediary to:
 - (a) have sufficient experience and on-site operations on small and medium-sized enterprise (SME) lending in IMAR;
 - (b) have a branch network in IMAR which is sufficient for the implementation of the SME support program and financing the target segment;
 - (c) have a sound ownership and management structure, and a business plan for the SME sector;
 - (d) have recognized auditors;
 - (e) have a dedicated team handling SME relationship and risk management, and have in place, or be developing, an acceptable underwriting and servicing platform; and
 - (f) establish a fully functional environmental and social management system (ESMS) to ensure adequate due diligence and mitigation of adverse impacts in all stages of implementation of the Qualified Subprojects in accordance with ADB's Safeguard Policy Statement (2009).

Appendix 4: Terms of Reference for Consultants

1. The consulting services to be financed by the loan include six contract packages: (i) 4 individual national consultants for project implementation start-up support; (ii) CS-1: Consulting services for project management and implementation support and capacity development and training (international firm); and (iii) CS-2: External environment monitoring services (national institute).

2. The scope and tasks of the consulting services financed by the loan are described below. The Inner Mongolia Autonomous Region project management office (IPMO) on behalf of the Government of IMAR will support the implementing agencies and project implementing entities (PIEs) engaging the six consulting service contracts in accordance with the Asian Development Bank's (ADB) Procurement Policy: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time)¹ and Procurement Regulations for ADB Borrowers: Goods, works, Nonconsulting and Consulting Services (2017, as amended from time to time).²

A. Consultant's Terms of Reference for Project Implementation Startup Support Consulting Services - (Individual Consultants)

A.1 Objectives and Scope of Work

3. Individual consultants will be engaged directly by the IPMO. The purpose of the project implementation start-up support consulting services is to assist the IPMO in project implementation start-up activities to accelerate and facilitate timely implementation before the PICs under package CS 1 is engaged. The individual consultants are expected to (i) procure national individual consultants for construction supervision; (ii) procure an international company for project support and capacity development; (iii) assist the IPMO and PIEs in preparing civil works and goods bidding documents and contracts; (iv) update and provide further detailed environmental management plans for advance procurement packages; (v) establish a filing system for document reporting, tracking, and retaining, (vi) support project financial management, withdrawal application preparation and disbursement; and (vii) provide training as necessary.

A.2 Consultant Inputs

4. The start-up support consulting services will include a total input of 10 person-months by 4 individual national consultants to work directly with the IPMO and PIEs. The consultants will be selected and engaged following the individual consultant selection (ICS) method and will work on an intermittent basis with a schedule agreed with the IPMO (contract period will be 9 months). The six consultants to be recruited are in Table 1.

Table 1: Summary of Project Implementation Start-up Consultants

No.	Area of expertise	National (person-month)	Budget (\$)
1	Municipal engineer	3	23,000
2	Procurement and contract management specialist	3	23,000
3	Environment safeguard and ESMS specialist	2	17,000
4	Social safeguard and ESMS specialist	2	17,000
Total		10	80,000

ESMS = environmental and social management system.

¹ Available at: <https://www.adb.org/documents/adb-procurement-policy>

² Available at: <https://www.adb.org/documents/procurement-regulations-adb-borrowers>

Source: Asian Development Bank estimates.

ICS1: Municipal engineer (national, 3 person-months, intermittent)

5. The specialist will have a university degree or above in civil engineering, municipal engineering design field with demonstrated knowledge in at least building design, roads, heating supply, water supply, fire protection engineering and electrical engineering. S/he will have at least 10 years of experience in municipal engineering, preferably on projects funded by the ADB or other international funding agencies. This position requires English language proficiency. The specialist will conduct technical review, supervision of project implementation, and capacity building for civil works and infrastructure construction, including:

- (i) Review detailed design drawings, and guide the design institutes (DIs) and PIEs to include climate change adaptation and mitigation measures in the detailed designs;
- (ii) Provide technical support in design review, bill of quantities and bidding document review, technical specification review, and other procurement documents review;
- (iii) Guide the construction contractors in carrying out their services for construction supervision and quality control of the works;
- (iv) Verification with the contractor on labor and equipment mobilization and deployment at work sites and notify contractors if the resources are not adequate;
- (v) Attend site meetings and record the minutes of meetings;
- (vi) Assist the PMOs and PIEs to prepare the first semiannual project progress report;
- (vii) Coordinate with all the concerned agencies for compliance of all the required formalities to ensure smooth implementation of civil works, and
- (viii) Handover documents and files to the project implementation support consultant firm (CS-1) and report on the status and outstanding issues.

ICS2: Procurement and contract management specialist (national, 3 person-months, intermittent)

6. The specialist will have a university degree or above in management, accounting, or related field with demonstrated knowledge in procurement procedures and processes. S/he will have at least 10 years of experience in procurement of civil works, goods, and services in the PRC, including international competitive bidding, preferably on projects funded by the ADB or other international funding agencies. Knowledge of ADB or other international funding agency procurement guidelines and procedures will be required. This position requires English language proficiency. Tasks and responsibilities of the specialist include but are not limited to the following:

- (i) Organize and maintain a project filing system according to specifications by the IPMO and ADB in both hard copy and electronic files and will be used by all startup consultants and IPMO;
- (ii) Assist in the preparation of procurement packages for advance contracting;
- (iii) Assist IPMO in updating the procurement plan as needed;
- (iv) Provide technical support in design review, bill of quantities and bidding document review, technical specification review, and other procurement documents review;
- (v) Organize procurement processes and prepare documents, including bidding documents, specifications, bid evaluation reports, etc., for preparation of procurement packages intended for advance contracting;
- (vi) Provide assistance to the PMOs and PIEs, and to the bid evaluation committee during the bidding process in preparing the following in accordance with ADB procurement guidelines: (a) detailed terms of reference for relevant packages in consultation with relevant technical experts, (b) invitations to bid, (c) answers to bidders' queries, and (d) bid evaluation reports;

- (vii) Coordinate with ADB during bid evaluation;
- (viii) Assist the PMOs and PIEs in preparing necessary documents for contract signing and contractor/consultant mobilization;
- (ix) Prepare a report on the status of project startup and procurement; and
- (x) Handover documents and files to the project implementation support consulting firm (CS-1) and report on the status and outstanding issues.

ICS3: Environment Safeguard and ESMS specialist (national, 2 person-months, intermittent)

7. The Specialist will have a university degree or above in environmental or civil engineering, or related field with demonstrated relevant experience. S/he is proficient in English and shall have at least 10 years of experience in environmental impact assessment in the PRC on projects funded by ADB or other international funding agencies. Knowledge in environment safeguard policies and procedures by ADB or other international funding agencies is required. Tasks and responsibilities of the specialist include, but are not limited to the following:

- (i) Provide capacity building training on environmental management plan (EMP) and environment and social management system (ESMS) to PIEs, financial intermediaries (FIs), contractors, construction supervision companies;
- (ii) Visit the projects sites of Tranche 1 and assist the PIEs in supervising the implementation of the EMP;
- (iii) Provide advice and support to the PIEs to ensure compliance with the PRC's environmental laws and regulations, ADB's Safeguard Policy Statement (2009) and ADB's Access to Information Policy;
- (iv) Assist the PMOs and PIEs in establishing an internal environmental monitoring and reporting system, which will be included in semiannual project progress reports and environmental safeguard monitoring reports;
- (v) Assist PMOs and/or PIUs to establish an effective grievance redress mechanism with reporting of complaints, follow-up actions, and results;
- (vi) Assist the FIs in screening and categorization of the subprojects under the FIs;
- (vii) Visit each subproject site under FIs, make sure domestic EIA approval is prepared and approved. If necessary, participate in an additional meaningful public consultation if needed, including survey with representatives of affected communities (neighboring residents and businesses), who are located within the area of influence of the subproject;
- (viii) Prepare reports for qualified subprojects under FIs in accordance with the ESMS requirements;
- (ix) Document and promptly report to FIs any actual or potential breach of the compliance requirements of any qualified subprojects;
- (x) Prepare consolidated semiannual environmental and social monitoring reports during the FIs implementation stage;
- (xi) Prepare semiannual ESMS implementation reports during the FIs implementation stage and submit them to FIs;
- (xii) Assist PMOs and PIEs in handing over relevant documents and files on project implementation support to the consulting firm (CS-1) and brief on the preparation and implementation status and outstanding issues.

ICS4: Social Safeguard and ESMS specialist (national, 2 person-months, intermittent)

8. The specialist should have a Master's degree or above in social sciences and at least 10 years of experience in carrying out social, poverty and gender analysis, developing frameworks

for social safeguard action plans implementation and monitoring under projects financed by international financial institutions in PRC. Knowledge in environment safeguard policies and procedures by ADB or other international funding agencies is required. Tasks and responsibilities of the specialist include, but are not limited to the following:

- (i) Ensure compliance of ADB's social safeguard policies on involuntary resettlement, gender, and indigenous people by guiding the implementations of the resettlement plan (RP), social development and gender action plan (SDGAP) and ESMS;
- (ii) Provide social safeguard and gender mainstreaming training for PMOs, PIEs, FIs;
- (iii) Assist PMOs and PIEs to develop a framework of sex-disaggregated data collection methods for the SDGAP implementation and monitoring;
- (iv) Assist FIs to develop a framework of sex-disaggregated data collection methods for SDGAP implementation and monitoring.
- (v) Assist PMOs, PIEs and FIs to implement all targets and activities identified in the SDGAP;
- (vi) Assist FIs to implement all safeguard requirements and checklists specified in the ESMS;
- (vii) Assist IPMO and Xiaoweiyang to implement the PAP, including develop tripartite agreement template, selection of scaled households/cooperatives, poor households or other households to participate the stud sheep raising program;
- (viii) Assist PMOs and PIEs in preparing the semiannual social safeguard monitoring report, semiannual ESMS monitoring progress report; and
- (ix) Assist PMOs and PIEs in handing over relevant documents and files on project implementation support to the consulting firm (CS-1) and brief on the preparation and implementation status and outstanding issues.

B. Consultants' Terms of Reference for Project Implementation Support Consulting Services - (International consulting firm – CS-1)

B.1 Consultant Inputs

1. Project management consulting services for project implementation support and capacity building will be engaged through QCBS selection method with a standard quality: cost ratio of 90:10 requiring the full technical proposal. The estimated input includes 95 person-months of national consultant input. Table 2 shows the summary of consultants' inputs. All national specialists must have a relevant academic degree and at least 10 years (team leader: at least 15 years) of relevant work and project experience. National specialists should be fluent in English and experience from working with international agencies will be an advantage.

Table 2: Summary of Consultant Inputs

No.	Area of Expertise	National (person-month)
1.	Civil Engineer and construction management specialist/team leader	20
2.	Procurement and contract management specialist	15
3.	Environment safeguard and ESMS specialist	10
4.	Social safeguard and ESMS specialist	10
5.	Financial management specialist	10
6.	Regional cooperation and integration specialist	5
7.	SME business and trade development specialist	5
8.	Sheep breeding specialist	5
9.	Sustainable livestock farming specialist	5
10.	Health specialist	5
11.	Wildlife trafficking specialist	5
Total		95

ESMS = environmental and social management system, SME = small and medium-sized enterprise.

Source: Asian Development Bank estimates.

2. The consulting services package CS-1 will include:
 - (i) **Project management support** focusing on directly supporting the PMOs and PIEs in all aspects related to project management, implementation, monitoring, reporting, procurement, contract management and financial management; and
 - (ii) **Capacity building** including institutional development and practical training to PMOs and PIEs, policy dialogue with the Mongolian government and concerned local government agencies, other provinces in PRC and/or other ADB developing member countries, to improve knowledge and management skills to ensure project investment sustainability, enable smooth implementation and sustainable operation and maintenance of the project facilities and enhancing the benefits and synergies from the investments. It includes the following capacity building activities (CBAs), which are to be implemented throughout the implementation period of Tranche 1 subprojects and in the form of on-the-job training, a series of training events for each CBA and covering a comprehensive set of subtopics and involving the entire PIC team and possibly additional resource persons as needed, preparation of domestic and international training on the CBA topics, and other forms of support as requested by the government, and in coordination with ADB. Institutional capacity development and policy dialogue for the concerned implementing agencies, government agencies, PMOs and PIEs include but is not limited to:
 - **CBA 1:** Policy dialogue among IMAR, Mongolia, other provinces in PRC or other ADB developing member countries in topics of trade and logistics, tourism development and cooperation, SME development, culture exchange, project experience sharing;
 - **CBA 2:** Climate resilience design for all subprojects;
 - **CBA 3:** smart port management, including the supervision of products importing and exporting, especially the capacity of customs staff to identify animal and animal products trafficking;
 - **CBA 4:** Irrigation facilities design, construction, management, operation and maintenance in Erenhot for the ecological restoration;
 - **CBA 5:** Operation capacity development for PRC-Mongolian International Hospital in Erenhot, including but not limited to customer service, diagnosis and surgery skills, and doctor/nurse treatment skills, ward management, hospital operation, and transboundary disease and epidemic disease prevention and control;
 - **CBA 6:** Human resource development for Xiaoweiayang, especially on-job training on sheep farming and embryo transplantation to the technical teams; Human resource development for Songbuer, especially financial accountant, procurement staff and civil engineers;
 - **CBA 7:** Livestock manure treatment in Xiaoweiayang's sheep farming houses and those in the cooperation poor households, scaled farmer households and/or cooperatives;
 - **CBA 8:** ESMS implementation capacity in the FIs improved and integrated into its normal loan processing procedures, apart from ADB subloans and revolving loan proceeds; and
 - **CBA 9:** Awareness raising and training on preventing human trafficking through the boarder areas.
 - (iii) **Social survey.** To identify the benefits accompanied by the promotion of RCI to local people, social survey will be conducted biennially. Number of sampled households

will be identical as it was conducted during preparation period. The social survey results³ gained from the preparation period can be used as baseline if applicable.

B.2 Detailed Terms of Reference

Civil Engineer and construction management specialist/Team Leader (national, 20 person-months, intermittent)

3. The team leader should have (i) a relevant university degree and extensive experience in project management, municipal engineering (should include the following fields: construction water supply, district heating, electricity supply, road), construction supervision and procurement, familiar with World Bank (WB)/ADB's procurement guidelines, FIDIC clauses and domestic standards; (ii) strong ability on project detailed design review, bidding documents preparation and review and design engineering institute coordination; (iii) preferred 15 years of relevant experience in urban infrastructure and port project planning, design and implementation, including projects financed by WB/ADB; (iv) at least two completed project experience as team leader or key expert in WB/ADB or other international organization project in the PRC; and (v) fluent in English. Detailed Tasks will include but will not be limited to:

- (i) Overall project management and capacity building with combined support by all national specialists;
- (ii) Closely interact with ADB, PMOs and PIEs for smooth project implementation, and establish PPMS, including internal procedures of routine data filing, information exchange, procurement, disbursement, financial management, and required reporting on project progress and safeguards;
- (iii) Review the identification of training needs of customs and port management officials and EA, IA, and PIE staff and monitor administration of training programs;
- (iv) Monitor procurement of civil works and goods in the Procurement Plan in accordance with ADB guidelines and procedural requirements;
- (v) Coordinate all consultant inputs; supervise collecting information for reporting requirements of ADB including, semiannual project progress reports, project performance monitoring system (PPMS) and Facility Administration Manual (FAM) updates for ADB's mission;
- (vi) Update subproject status of Tranche 1;
- (vii) Provide training, and capacity building on project management, procurement and financial management, as specified in CBAs 1-4;
- (viii) Provide technical support in design review, bill of quantities and bidding document review, technical specification review, and other procurement documents review;
- (ix) Monitor of the subprojects on site and guide the construction contractors in carrying out their services for construction supervision and quality control of the works;
- (x) Inspect of the works and ensure that the quality of works executed are as specified;
- (xi) Check and approve testing of materials and works and maintain the record of test results and certificates;
- (xii) Verify with the contractor on labor and equipment mobilization and deployment at work sites and notify contractors if the resources are not adequate;
- (xiii) Verify of measurement of works at site and certification of the contractor's interim payments;
- (xiv) Attend site meetings and record the minutes of meetings.

³ RRP supplementary document Poverty, Social, and Gender Analysis.

- (xv) Prepare progress reports, midterm report and project completion report in approved format; and coordinate with the entire team in finalization of the reports;
- (xvi) Coordinate with all the concerned agencies for compliance of all the required formalities to ensure smooth implementation of civil works;
- (xvii) Verify the Contractor's As-built drawings;
- (xviii) Assist IPMO in review and screening subproject proposals for future Tranche 2; and
- (xix) Other necessary works assigned by IPMO.

Procurement and contract management specialist (national, 15 person-months, intermittent)

4. The specialist will have a university degree or above in engineering, management, accounting, or related field with demonstrated knowledge in procurement procedures and processes. S/he will have at least 10 years of experience in procurement of civil works, goods, and services in the PRC, including international competitive bidding, preferably on projects funded by the ADB or other international funding agencies. Knowledge of ADB or other international funding agency procurement guidelines and procedures will be required. This position requires English language proficiency. Tasks and responsibilities of the specialist include but are not limited to the following:

- (i) Assist PMOs and PIEs to carry out procurement of civil works, equipment purchase, and other contracts in accordance with the PRC and ADB policies and procedure requirements;
- (ii) Assist IPMO in updating the procurement plan;
- (iii) Assist the Team Leader and IPMO in establishing the PPMS;
- (iv) Provide procurement training to PMOs, PIEs and procurement agency staff;
- (v) Provide technical support in design review, bill of quantities and bidding document review, technical specification review, and other procurement documents review;
- (vi) Provide assistance to the PMOs and PIEs and to the bid evaluation committee during the bidding process in preparing the following in accordance with ADB procurement guidelines: (a) detailed terms of reference for relevant packages in consultation with relevant technical experts, (b) invitations to bid, (c) answers to bidders' queries, and (d) bid evaluation reports;
- (vii) Coordinate with ADB during bid evaluation;
- (viii) Assist the PMOs and PIEs in preparing necessary documents for contract signing and contractor/consultant mobilization;
- (ix) Update the procurement plan as necessary and submit to ADB for approval;
- (x) Participate in ADB regular review missions;
- (xi) Provide administrative and operational assistance to the PMOs and PIEs;
- (xii) Assist the Team Leader in preparing semiannual project progress reports, midterm report and project completion report;
- (xiii) Assist IPMO in review and screening project proposals for future Tranche 2; and
- (xiv) Other necessary tasks assigned by the Team Leader.

Environment Safeguard and ESMS specialist (national, 10 person-months, intermittent)

5. The specialist will have a university degree or above in environmental or civil engineering, or related field with demonstrated relevant experience. S/he is proficient in English and shall have at least 10 years of experience in environmental impact assessment in the PRC on projects funded by ADB or other international funding agencies. Knowledge in environment safeguard

policies and procedures by ADB or other international funding agencies is required. Tasks and responsibilities of the specialist include, but are not limited to the following:

- (i) Ensure project environmental readiness, including: (i) confirmation that the project scope has not changed; review of the detailed engineering designs; and clarification of whether the EMP needs to be updated; (ii) all contractor contracts include, and will comply with, the EMP; and (iii) relevant sections of the EMP are incorporated in construction plans and contracts.
- (ii) Provide capacity building training on EMP and ESMS to PIEs, FIs, contractors, construction supervision companies;
- (iii) Assist the Team Leader and IPMO in establishing the PPMS;
- (iv) Visit the projects sites of Tranche 1 and assist the PIEs in supervising the implementation of the EMP;
- (v) Update the IEE/EMPs including monitoring plan due to the scope or design changes of Tranche 1 including additional environmental mitigation and monitoring measures, budget, institutional arrangements, etc.
- (vi) Provide advice and support to the PIEs to ensure compliance with the PRC's environmental laws and regulations, ADB's Safeguard Policy Statement (2009) and Access to Information Policy;
- (vii) Provide training to Xiaoweiayang Subproject related farmer households for sheep manure management and treatment (CBA 7);
- (viii) Assist PMOs and PIEs in implementing the grievance redress mechanism (GRM), conduct regular EMPs' compliance verification, undertake site visits as required, identify any environment-related implementation issues, propose necessary corrective actions, and reflect these in a corrective action plan;
- (ix) Assist PIEs to prepare environment safeguard monitoring reports for Tranche 1 semiannually during construction and annually during operation, and progress reports to ADB, and the relevant part of project midterm report and project completion report as required;
- (x) Assist PIEs to conduct ongoing public consultations with affected persons and local communities;
- (xi) Assisted the FIs in screening and categorization of the qualified subprojects under the FIs;
- (xii) Visit each subproject site under FIs, make sure domestic environmental impact assessment (EIA) approval is prepared and approved. If necessary, participate in an additional meaningful public consultation if needed, including survey with representatives of affected communities (neighboring residents and businesses), who are located within the area of influence of the subproject;
- (xiii) Monitor the subprojects and confirm that the subprojects are undertaking the obligations of compliance with all applicable environmental and social safeguard requirements, including the PRC regulations, GRM, CAP, EMP, and EMoP as applicable;
- (xiv) Visit each subproject site of FIs to monitor the implementation of subproject-specific GRM, and applicable CAP, EMP, and EMoP;
- (xv) Prepare semiannual ESMS monitoring progress reports during the FIs implementation stage and submit them to FIs and IPMO;
- (xvi) Carry out capacity building activities for ESMS units in FIs (CBA 8);
- (xvii) In the event of an unanticipated impact or major change in the scope of qualified subprojects under FIL, prepare a CAP in accordance with SPS requirements;
- (xviii) Document and promptly report to FIs any actual or potential breach of the compliance requirements of any qualified subprojects;
- (xix) Assist IPMO in review and screening project proposals for future Tranche 2; and

(xx) Other necessary tasks as assigned by the Team Leader.

Social safeguard and ESMS specialist (national, 10 person-months, intermittent)

6. The specialist should have a Master's degree or above in social sciences and at least 10 years of experience in carrying out social, poverty and gender analysis, developing frameworks for social safeguard action plans implementation and monitoring under projects financed by international financial institutions in PRC. Knowledge in environment safeguard policies and procedures by ADB or other international funding agencies is required. Tasks and responsibilities of the specialist include, but are not limited to the following:

- (i) Lead implementation of the SDGAP, RP and ESMS;
- (ii) Ensure compliance of ADB's social safeguard policies on involuntary resettlement, gender, and indigenous people by guiding the implementations of the SDGAP, RP, and ESMS;
- (iii) Provide gender mainstreaming training for PMOs, PIEs, FIs;
- (iv) Assist PMOs to organize public consultation for awareness raising for human trafficking and provide training to local customs staff, and other related government official for preventing human trafficking in the border areas;
- (v) Assist PMOs, FIs and PIEs to develop a framework of sex-disaggregated data collection methods for the SDGAP implementation and monitoring;
- (vi) Assist the Team Leader and IPMO in establishing the PPMS;
- (vii) Assist PMOs, PIEs, FIs to implement all targets and activities identified in the SDGAP;
- (viii) Assist FIs to implement all safeguard requirements and checklists specified in the ESMS;
- (ix) Assist PMOs, PIEs, FIs in preparing the semiannual social safeguard monitoring report, semiannual ESMS monitoring progress report;
- (x) Lead and manage all the activities during the data collection (including sex-disaggregated data collection) in the field for the biennial social surveys, including social survey plan and budget, data entry program (CAPI), and all other aspects of the survey. Ensure that mechanisms are in place to guarantee quality of data generated is at par with the highest standards during field work, data entry (using CAPI), transmission and reporting (including gender analysis);
- (xi) Facilitate communication between different stakeholders – government and non-government;
- (xii) Assist IPMO and Xiaoweyang to implement the PAP, including selection of scaled households/cooperatives, poor households or other households to participate the stud sheep raising program;
- (xiii) Develop tripartite agreement for the PAP, jointly with financial management specialist;
- (xiv) Assist IPMO in review and screening project proposals for Tranche 2; and
- (xv) Other necessary tasks as assigned by the Team Leader.

Financial management specialist (national, 10 person-months, intermittent)

7. The specialist shall have a bachelor degree or higher in financial management or accounting or economics related fields; and 15 years working experience as an accountant. S/he is proficient in English and shall have at least 10 years of experience in preparation or implementation of World Bank/ADB funded projects. The specialist will be responsible to provide support for the project implementation in compliance of ADB and domestic requirements on financial management, financial and economic analysis, disbursement and

other financial and economic tasks. Tasks and responsibilities of the specialist include, but are not limited to the following:

- (i) Establish an efficient and effective financial management system for the project implementation in accordance with ADB's policy and procedural requirements, and implement such financial management system;
- (ii) Assist IDOF and IPMO to set up the project accounts through IT electric accounting system;
- (iii) Assist IDOF and IPMO to develop financial management manual and interest rate differential account (IDA) guidelines;
- (iv) Assist IDOF, IPMO and Xiaowei yang to develop a guideline for the implementation of PAP and the special poverty alleviation account;
- (v) Assist Xiaowei yang to prepare agreement templates with scaled households/cooperatives and poor households, special attention should be paid to the risk control, collateral requirements, and risk-sharing;
- (vi) Identify areas for improvement and training needed with respect to the quality of financial statements, disclosure, and notes to the financial statements; and develop templates for the annual financial statements, and prepare project annual financial statements;
- (vii) Provide the PMOs, PIEs, FIs with assistances in preparing loan withdrawal application including collecting the supporting documents/evidence and filling the application formats, and review disbursement applications and supporting documents;
- (viii) Prepare quarterly contract awards and disbursement targets and monitor closely the progress to ensure timely contract awards and disbursement;
- (ix) Assist the PMOs and PIEs, and local Bureau of Finance (BOFs) in establishing and implementing the financial management system;
- (x) Conduct economic and financial analyses of the overall project and each subproject to determine economic internal rate of return (EIRR) and financial internal rate of return (FIRR) of the overall Tranche 1 and each project, at the midterm of project implementation (in about three years after the implementation start) and at physical completion of the project;
- (xi) Provide input for training and capacity development, coordinate with the Team Leader and other team specialists to carry out training program and provide support to the capacity development activities for financial management and loan disbursement, as necessary;
- (xii) Provide support to the Team Leader in preparing the required reports;
- (xiii) Assist IPMO in review and screening project proposals for future Tranche 2; and
- (xiv) Other necessary tasks as assigned by the Team Leader.

Regional cooperation and integration specialist (national, 5 person-months, intermittent)

8. The specialist will have expertise, experience, and knowledge in regional cooperation and integration (RCI). The specialist will have at least 10 years of relevant experience, and a bachelor degree or above in law, business, finance, accounting, economics, management, or other relevant fields. Fluency in English is essential, with proficiency in Mongolian an advantage. The specialist will, under the guidance of the IPMO, assist the implementation of Tranche 1 of the Multitranchise Financing Facility (MFF) in all aspects with regard to RCI. Specific responsibilities of the consultant will include but not be limited to the following.

- (i) Plan and implement RCI related events and activities, and preparing required documents;
- (ii) Assist PMOs to organize and implement events and activities concerning coordination between Erenhot and Zamyn-Uud economic cooperation zone, especially concerning coordination on ADB loan projects for Erenhot and for Zamyn-Uud;
- (iii) Assist IPMO to strengthen coordination at Juangadabuqi port in PRC with Bichigt port over the border in Mongolia where an ADB financed-project is ongoing;
- (iv) Prepare reports or other materials regarding RCI and contribute to semiannual project progress reports as necessary;
- (v) Assist IPMO in review and screening project proposals for future Tranche 2; and
- (vi) Other necessary tasks as assigned by the Team Leader.

SME business and trade development specialist (national, 5 person-months, intermittent)

9. The specialist will have strong expertise in the PRC SME sector and sufficient expertise in legal and regulatory areas of the SME sector. The specialist should have at least 10 years of relevant experience, and an undergraduate degree or above in law, business, finance, accounting, economics, management, or other relevant fields. Fluency in English is essential, with experience in IMAR will be an advantage. The specialist will assist the IPMO and FIs to the implementation of Tranche 1 in all aspects with regard to SME financing. Specific responsibilities of the consultant will include but not be limited to the following:

- (i) Assist IPMO and FIs in organizing SME development training and workshops (CBA 1), special focus should be paid to women entrepreneur or SMEs owned or led by women;
- (ii) Advise ADB, FIs and the Government of IMAR on the major SME development policy and regulatory constraints in IMAR;
- (iii) Conduct trade assessment in BCPs, i.e., Erenhot, Mandula, Ulji, Ganqi-maodu and Arxan ports, and advise the local governments with recommendations that are appropriate from the viewpoint of (a) legal and institutional environment, and (b) market reality;
- (iv) Provide necessary inputs to the progress reports and other reports as required;
- (v) Assist IPMO in review and screening project proposals for future Tranche 2; and
- (vi) Other necessary tasks as assigned by the Team Leader.

Sheep breeding specialist (national, 5 person-months, intermittent)

10. The specialist will have (i) a Master's degree in animal husbandry, animal science, or a relevant discipline; and (ii) at least 10 years of working experience in the PRC on sheep embryo transplantation and artificial insemination. The specialist will provide guidance to Xiaowei yang on the selection of embryo transplantation service providers, and carry out capacity building for Xiaowei yang internal technical team. Specific responsibilities of the consultant will include but not be limited to the following:

- (i) Provide technical support to Xiaowei yang in preparing bidding documents and contracts for recruiting embryo transplantation service providers;
- (ii) Review all the original documents of embryo transplantation service contracts, and monitor the efficiency;
- (iii) Report to IPMO on a monthly basis on the progress of embryo transplantation, and report to IPMO and ADB if any significant issues;

- (iv) Assess the internal human resource capacity in Xiaoweiayang in regarding breeding services, including embryo transplantation and artificial insemination, and advise Xiaoweiayang about how to improve its technical strength;
- (v) Support Xiaoweiayang in implementing the Poverty Alleviation Program, especially for the breeding services to be provided to poor households and other stakeholders;
- (vi) Jointly with sustainable livestock farming specialist to implement the training plan and capacity building activities under CBA 6 and CBA 7;
- (vii) Provide necessary inputs to the progress reports and other reports as required; and
- (viii) Other necessary tasks as assigned by the Team Leader.

Sustainable livestock farming specialist (national, 5 person-months, intermittent)

11. The specialist will have (i) a Master's degree in animal husbandry, animal science, or a relevant discipline; and (ii) at least 10 years of working experience in the PRC on environmental sustainable livestock and intensive livestock systems. The specialist will provide guidance and training to the Xiaoweiayang and its related farmer households and cooperatives on sustainable sheep production. Specific responsibilities of the consultant will include but not be limited to the following:

- (i) Develop an eco-livestock farming (production and/or processing) plan with capacity development requirements that clearly provides the business proposition for sustainable sheep farming;
- (ii) Advise Xiaoweiayang on the design and introduction of appropriate technologies and practices for all aspects of sheep production, including (a) breeding and fattening, (b) balanced feeding for improved productivity, (c) greenhouse gas (GHG) emission reduction strategies, (d) animal health and biosecurity, (e) human and animal welfare, (f) beneficiary farmers and/or cooperatives and gender participation, and (g) integration of the eco-livestock practices into the business;
- (iii) Support IDOF and IPMO to verify the prices of ewes and feed as provided in the withdrawal applications from Xiaoweiayang, as well as the price for buying back lambs from the poor households;
- (iv) Jointly with sheep breeding specialist to implement the training plan and capacity building activities under CBA 6 and CBA 7; and
- (v) Provide necessary inputs to the progress reports and other reports as required;
- (vi) Other necessary tasks as assigned by the Team Leader.

Health specialist (national, 5 person-months, intermittent)

12. The specialist will have a minimum postgraduate degree in health care and with a minimum of 10 years of relevant professional experience conducting and leading facilities planning particularly in the health sector. Fluency in English is essential. The specialist will be responsible to carry out the training (CBA 5) for PRC-Mongolia International Hospital in Erenhot. Specific responsibilities of the consultant will include but not be limited to the following:

- (i) Carry out human resources assessment for the Hospital and develop a detailed training program;
- (ii) Implement the training program and report on the progress through semiannual project progress reports or other reports as agreed with IPMO and ADB;
- (iii) Assist IPMO, EPMO and the Hospital to organize training outside IMAR; and
- (iv) Other necessary tasks as assigned by the Team Leader.

Wildlife trafficking specialist (national, 5 person-months, intermittent)

13. The specialist will have a minimum postgraduate degree with a minimum of 10 years of relevant professional experience in the implementation of programs to combat wildlife trafficking. Fluency in English is essential, with proficiency in Mongolian an advantage. The specialist will support project municipal governments with the development and implementation of wildlife trafficking capacity building training programs, cross-border dialogue on wildlife trafficking issues and assessment and reporting for future Tranches. Specific responsibilities of the consultant will include but not be limited to the following:

- (i) Coordinate with the various organizations working to combat illegal wildlife trade and wildlife enforcement capacity building to develop a wildlife trafficking plan for the program (CBA 3);
- (ii) Implement a wildlife trafficking training program during the implementation of Tranche 1 and provide training to port inspection staff on identification of illegal wildlife products;
- (v) Support IPMO and ADB with the identification of cross-boundary wildlife trafficking issues associated with Tranche 2 subprojects and provide inputs for the environmental assessment report and environmental management plan;
- (iii) Support IPMO and ADB to integrate wildlife trafficking into the bilateral dialogue and collaboration mechanism on trade between PRC and Mongolia;
- (iv) Monitor and report on progress with implementation of the wildlife trafficking awareness training program to the IPMO and ADB, through semiannual project progress reports and semiannual environment safeguard monitoring report; and
- (v) Carry out assessment of wildlife trafficking situation in Tranche 2 port and assist IPMO in review and screening project proposals; and
- (vi) Other necessary tasks as assigned by the Team Leader.

B.3 Cost Estimate of the Consulting Services Package CS-1

14. The costs for the consulting services CS-1 are estimated as follows:

Table 3: Budget for Project Management and Capacity Building

No.	Item	Amount (\$)	Remarks
Consulting service and capacity building			
1	Project implementation consultant (international consulting firm)	841,500	CS-1 QCBS (90:10), FTP
2	Capacity building - Workshop, training and seminars (domestic)	197,500	
3	Social survey (biennial)	20,000	Three times during the implementation period of Tranche 1
Total		1,059,000	

CS = consulting service, FTP = full technical proposal, QCBS = quality and cost- based selection.

Source: Asian Development Bank, September 2019.

B.4 Reporting Requirements for the Consulting Services Package CS-1

15. For each report as indicated in Table 4, a soft copy of the English version will be submitted to ADB and soft copies of the English and Chinese versions will be submitted to IPMO.

Table 4: Reporting Requirements for CS-1

No.	Report	Timing	Reference	Remarks
1.	Semiannual project progress reports	Semiannually (January, July)	Project agreement, schedule	Template in Appendix 6
2.	Semiannual environmental monitoring reports			
	• During the construction period	• Semiannually (January, July)	Project agreement, schedule	Template in Appendix 7
	• During the operation period	• Annually (January)		
3.	Semiannual social monitoring reports	Semiannually (January, July)	Project agreement, schedule	Template in Appendix 8
4.	Semiannual ESMS progress monitoring reports	Semiannually (January, July)	Project agreement, schedule	Template in Appendix 9
5.	Project audited financial statements	Not later than 6 months after the closure of fiscal year	Project agreement, schedule	
6.	Project midterm report	Three years after the project implementation starts	Project agreement, schedule	
7.	Project completion reports	Not later than 6 months after the physical completion of each tranche	Project agreement, schedule	

ESMS = environmental and social management system.

Source: Asian Development Bank.

C. Terms of Reference for External Environmental Monitoring and Evaluation - (National institute – CS-2)

A. Introduction

1. The objective of the external environmental monitoring and evaluation (M&E) services is to monitor the environmental performance of the implementation of Tranche 1 of the Multitranchise Financing Facility (the MFF) for Inner Mongolia Sustainable Cross-border Development Investment Program (Investment Program) in Inner Mongolia Autonomous Region (IMAR) of the People's Republic of China (PRC).

B. Implementation Arrangements

2. The direct client of the M&E services is the IMAR project management office (IPMO), which is under the Government of Inner Mongolia Autonomous Region (IMAR) (executing agency of the project). There are two implementing agencies (IAs) under Tranche 1 of the Investment Program, namely, Erenhot Municipality and Baotou Municipality.

3. The external environmental M&E services will be carried out by a team of specialists through the competent independent external environmental monitoring agency (EMA), which should be a firm/institute or qualified non-government organization (NGO) or community based organization (CBO). The M&E will be financed by ADB, and the EMA with a team of qualified and experienced external environmental M&E specialists will be recruited by the IPMO through consultant's qualification selection method (CQS) with the simplified technical proposal procedure, in accordance to ADB's Procurement Regulations (2017, as amended from time to time). The IPMO and IAs will provide assistance to the EMA, particularly in the aspects of field survey and logistics.

C. Scope of Services

4. Tasks and responsibilities of the EMA will include, but not be limited to the following:

- (i) Collect relevant information from the IAs and relevant local government agencies on

- the environment and project related data;
- (ii) Assess the relevance and adequacy of the monitoring variables and proposed monitoring frequencies listed in the EMP for external monitoring, if needed;
 - (iii) Assist the IPMO in updating the EMP, including the environmental monitoring plan as necessary to revise or incorporate additional environmental mitigation and monitoring measures, budget and institutional arrangements, based on the detailed engineering design;
 - (iv) Recommend additional variables and/or changes in monitoring methods or frequencies to the EMP to ensure that key environmental impacts are sufficiently monitored, and to improve the likelihood for early identification of impacts;
 - (v) Design an environmental monitoring plan that includes: (a) a clear methodology and work schedule; (b) the specific variables listed in the EMP for external monitoring; and (c) any additional recommended variables to be included in monitoring. Provide a clear rationale for any proposed changes to external monitoring in the EMP;
 - (vi) Design and establish a database (e.g. in Excel) to store all the collected data, which should be entered and stored in a clear and simple format that enables temporal and spatial comparisons of environmental values;
 - (vii) Implement the external environmental monitoring program (including sampling and analyzing) to review the project progress and compliance with the EMP;
 - (viii) Undertake site visits as required to assess the implementation of the EMP and conduct independent verification of the implementation of the environmental protection and mitigation measures specified in the EMP; assess the effectiveness of the mitigation measures, and suggest remedial and enhancement measures, as required;
 - (ix) Identify any environment-related implementation issues and suggest necessary corrective actions, and reflect such corrective actions in a corrective action plan;
 - (x) Report to the PIEs immediately about any cases of non-compliance with the EMP monitoring standards and/or any other environmental management issues that may be observed while on site;
 - (xi) Participate in ongoing stakeholder consultations and evaluation and reporting on how environmental grievances, if any, are handled and make recommendations to resolve any issues or problems, and providing independent advice to the IPMO and PIEs;
 - (xii) Work closely with the IPMO, PIEs, contractors, construction supervision companies, loan implementation consultants, communities, and other stakeholders as necessary, to carry out the external environmental monitoring program effectively; and
 - (xiii) Prepare and submit external monitoring reports as specified in the "Reporting Requirements" section. At the end of the monitoring, prepare and submit a final report to summarize the results, conclusions, lessons learned; and recommendations from the external environmental monitoring program over the project implementation period. All raw data will be handed over to the IPMO and PIEs.

D. Applicable Standards and Regulations

5. In undertaking the external environmental monitoring and evaluation, the applicable national standards and regulations that shall be complied with include, but are not limited to, the following:

National Environmental Laws and Acts:

- ✓ Environmental Protection Law (1 Jan 2015)
- ✓ EIA Law (2019)
- ✓ Air Pollution Control Act (2018)
- ✓ Water Pollution Control Act (2018)

- ✓ Solid Waste Pollution Control Act (2016)
- ✓ Noise Control Act (2019)
- ✓ Water Act (2016)
- ✓ Water and Soil Conservation Law (2011)
- ✓ Flood Control Law (2015)

Relevant Rules and Regulations in Environmental Protection

- ✓ Rules on Environmental Protection Management for Project Construction (No. 253 Decree of State Council)
- ✓ Rules on Soil and Water Conservation (No.120 Decree of State Council)
- ✓ Rules on River Works Management (No.167 Decree of State Council)
- ✓ Comments on Strengthening Environmental Protection Works (No.35 GuoFa 2011)
- ✓ Notice on Effective Control of Flowing Dust in Urban Cities) (No.35 MOEP/MOHURD)
- ✓ Air Pollution Control Action Plan (No.37 2013)

Environmental Protection Standards

- ✓ Air Quality Standards (GB 3095-2012)
- ✓ Air Pollutants Emission Standards (GB 16297-1996)
- ✓ Surface Water Quality Standards (GB 3838-2002)
- ✓ Sewage Discharge Standards (GB 8978-1996)
- ✓ Sonic Environment Quality Standards (GB 3096-2008)
- ✓ Noise Standards in Construction Site (GB 12523-2011)
- ✓ Hazardous Wastes Identification Standards (GB 5085-2007)
- ✓ Hazardous Wastes Storage Pollution Control Standards (GB 18597-2001)

Relevant Project Documents

- ✓ EMPs of Project Activities
- ✓ IEE and Domestic EIAs of Project
- ✓ Official Approval Documents of Domestic EIAs.

6. The above applicable national standards and regulations should be updated to the latest versions where applicable.

E. Reporting Requirements

7. The EMA will submit to the ADB and IPMO the external environmental M&E reports regularly on a semiannual basis during the implementation of Tranche 1 to verify whether sound environmental management practices are applied and the pre-set environment targets are achieved.

8. For each report, a soft copy of the English version will be submitted to ADB and soft copies of the English and Chinese versions will be submitted to each of the IPMO and PIEs. The EMA will submit a consolidated final environmental M&E report in both English and Chinese within two months after the project completion.

9. The EMA will take full responsibility of the content and quality of the reports, and if necessary, must revise the reports based on the comments by ADB. The format of the environmental M&E reports will be proposed by the EMA in the technical proposal.

F. Qualifications

10. The EMA should be an experienced environmental organization (research institution, design institute, consulting institution and/or firm, university nongovernment organization, or community based organization), which is accredited for relevant activities in environmental monitoring, and has no direct administrative subordination relations with the EA and IAs.

11. The EMA should have experience in undertaking similar projects in the PRC. Preferably, the EMA is familiar with ADB's or World Bank's environmental policies and procedures, and has at least 10 previous M&E experiences for projects funded by ADB or World Bank.

12. Specialists of the EMA should be qualified with respective relevant academic degrees and relevant work experiences in their respective fields relevant to the project's requirements. The indicative level of efforts by the external environmental monitoring specialists are described below:

1. Environmental Specialist/Team Leader

13. The environmental specialist/team leader will undertake the following tasks: (i) lead all the activities of the environmental monitoring team; (ii) lead and set up the monitoring methodology, including the design of baseline surveys; (iii) lead and conduct the external environmental M&E activities and required surveys to collect data and information at office and project sites, and then analyze the findings; (iv) work and coordinate with relevant agencies and/or organizations to implement the tasks of the external environmental M&E activities; (v) prepare external environmental M&E reports that include conclusions and recommendations; (vi) discuss the findings with the IPMO and IAs to reach agreements on follow-up actions; and (vii) participate in ADB review missions. Specifically:

- (i) To coordinate the overall M&E activities in compliance with contractual requirements;
- (ii) To develop a detailed work plan;
- (iii) To develop detailed environmental M&E procedures;
- (iv) To conduct regular site visits to provide guidance to local site workers;
- (v) To held regular meetings to review work progress and propose actions for improvement;
- (vi) To review the M&E work plan and training programs;
- (vii) To propose suggestions based on the progress;
- (viii) Participate in handling pollution accidents or any unexpected emerging environmental issues;
- (ix) To review variations in relation to environmental components and provide advice;
- (x) To review environmental sections contained in the construction management plan, and to review compliance of environmental protection systems developed by contractors; and
- (xi) To review the M&E reports and prepare a consolidated M&E report at completion.

2. Technical Personnel of External Environment Monitoring Agency

14. The technical personnel will (i) assist the environmental specialist/team leader in carrying out the external environmental monitoring on the project implementation to ensure that the project implementation is in compliance with the environmental management plan (EMP); (ii) under the guidance of the environmental specialist, carry out field surveys and monitoring; (iii) analyze the data collected from the field surveys and monitoring; (iv) provide assistance to the environmental

specialist for the preparation of external environmental M&E reports; and (v) conduct any other duties assigned by the environmental specialist/team leader. Specifically:

- (i) To undertake field surveys and inspection under the guidance of the Team Leader;
- (ii) To participate in preparing the environmental M&E procedures;
- (iii) To conduct environmental monitoring at project sites;
- (iv) To identify issues, report in a timely manner and propose mitigation measures;
- (v) To arrange site meetings for effective coordination with the IPMO, IAs and contractors;
- (vi) Provide training on a needed basis;
- (vii) Evaluate the effectiveness of pollutant control for compliance with relevant environmental standards and regulations;
- (viii) To participate in handling pollution accidents or any unexpected emerging environmental issues under the guidance of Team Leader;
- (ix) To assist the Team Leader in reviewing variations in relation to environmental components;
- (x) To assist in preparing external environmental M&E reports and the consolidated M&E report; and
- (xi) To undertake other tasks assigned by the Team Leader.

G. Inputs and Cost Estimate

Table 5: Tentative Consultants' Inputs (person-months)

Position	National
Environmental specialist / Team Leader	12
Field Surveyors	12
Total	24

Source: Asian Development Bank estimates

Table 6: Indicative Cost Estimate

No.	Description	Total Cost (US\$)
1	Consultants' remuneration and other expenses for national specialists (24.0 person-months) ^a	150,000
2	Provisional sums ^b	60,000
3	Contingency	10,000
	Total	220,000

^aThe remuneration and other expenses include all activities and inputs in the terms of reference but not limited to per diem, travel, miscellaneous travel expenses, report preparation, production, transmission, land transportation, communication, etc.

^bProvisional sums include lab testing of samples.

Source: Asian Development Bank estimates.

Appendix 5: ADB Prohibited Investment Activities List

The following do not qualify for Asian Development Bank financing:

- (i) production or activities involving harmful or exploitative forms of forced labor¹ or child labor;²
- (ii) production of or trade in any product or activity deemed illegal under host-country laws or regulations, or international conventions and agreements, or subject to international phase outs or bans, such as (a) pharmaceuticals,³ pesticides, and herbicides;⁴ (b) ozone-depleting substances;⁵ (c) polychlorinated biphenyls⁶ and other hazardous chemicals;⁷ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora;⁸ and (e) trans-boundary trade in waste or waste products;⁹
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹⁰
- (v) production of or trade in tobacco;¹⁰
- (vi) gambling casinos and equivalent enterprises;¹⁰
- (vii) production of or trade in radioactive materials,¹¹ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;¹²
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- (x) marine and coastal fishing practices, such as large-scale pelagic drift-net fishing and fine-mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats;
- (xi) use of all asbestos containing materials;
- (xii) activities that do not enforce the strict prohibition of illegal timber trade; and
- (xiii) activities that spread HIV/AIDS.

¹ Forced labor means all work or services not voluntarily performed, that is, work or services extracted from individuals under threat of force or penalty.

² Child labor means the employment of children whose age is below the host country's statutory minimum age of employment, or the employment of children in contravention of International Labor Organization Convention No. 138, "Minimum Age Convention" (www.ilo.org).

³ A list of pharmaceutical products subject to phase outs or bans is available at <http://www.who.int>

⁴ A list of pesticides and herbicides subject to phase outs or bans is available at <http://www.pic.int>

⁵ The chemical compounds that react with and deplete stratospheric ozone, resulting in the widely publicized ozone holes, are listed in the Montreal Protocol, together with target reduction and phase out dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>

⁶ A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

⁷ A list of hazardous chemicals is available at <http://www.pic.int>

⁸ A list is available at <http://www.cites.org>

⁹ As defined by the Basel Convention; see <http://www.basel.int>

¹⁰ This does not apply to project sponsors that are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

¹¹ This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any other equipment for which ADB considers the radioactive source to be trivial or adequately shielded.

¹² This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

Appendix 6: Template for Semiannual Project Progress Report

---- Tranche 1

Reporting period 报告期		Date of Submission 提交日期	
A. INTRODUCTION AND BASIC DATA 项目介绍及基础数据			
1. 项目基础信息 (Basic Project Information)			
Project/Loan Number 项目号	PRC: 51192-001		
Project Title 项目名称			
Executing Agency 项目执行机构			
Implementing Agency 项目实施单位			
Project Summary Cost Estimates 项目汇总费用表 (€ million)			
Item	Amount		
A. Base Cost			
1.			
2.			
3.			
4.			
Subtotal (A)			
B. Contingencies			
C. Financial Charges During Implementation			
Total Project Cost (A+B+C)			
项目融资计划 (Project Summary Financing Plan)			
Source 资金来源	Amount (€ million)	Share of Total (%) 占比	
Asian Development Bank 亚行			
Ordinary Capital Resources 普通资金来源			
Government 政府			
Financial intermediaries 中介银行			
Private-owned enterprise 私营企业			
Total Project Cost 总投资			
2. Project Approval, Effectiveness and Closing Dates 项目批准、生效及关账日			
Approval date 批准日期		[Elapsed project period (original)] 项目实施期限 (原)	
Loan signing date 贷款协定、项目协定签字日		Elapsed project period (revised) 项目实施期限 (修改后)	
Loan effective date 贷款生效日期		Loan closing date (original) 关帐日(原定)	
亚行上次项目检查时间 (Date of last ADB review mission)		Loan closing date (revised) 关帐日(修改后)	

B. UTILIZATION OF FUNDS 项目资金使用情况**Table 1: Withdrawal Progress of Investment Loan and financial intermediation modality loan (Tranche 1)**

(Tranche 1)									
No.	Subproject	Total ADB Loan Amount	ADB Loan Withdrawal Progress						
			Cumulated Amount		Amount in This Period		Cumulative Amount		Progress
		€	€	CNY	€	CNY	€	CNY	%
Investment Loan									
1.	Erenhot								
2.	Mandula Port								
3.	Xiaoweiayang								
4.	IPMO								
Subtotal									
Financial intermediation modality loan									
5.	BOIM								
6.									
Subtotal									
Total									

Table 2: Domestic Counterpart Funds Progress (Tranche 1)

Table 2: Domestic Counterpart Funds Progress (Tranche 1)										
No.	Subproject	Total Domestic Counterpart Funds		Total Domestic Counterpart Funds Progress						
				Cumulated Amount		Amount in This Period		Cumulative Amount		Progress
		€	CNY	€	CNY	€	CNY	€	CNY	%
Investment Loan										
1.	Erenhot									
2.	Mandula Port									
3.	Xiaoweiyang									
4.	IPMO									
Financial intermediation modality loan										
5.	BOIM									
6.										
	Total									

Table 3: Total Investment Progress (Tranche 1)

Table 3. Total Investment Progress (Tranche 1)										
No.	Subproject	Total Investment		Total Investment Progress						
				Cumulated Amount		Amount in This Period		Cumulative Amount		Progress
		€	CNY	€	CNY	€	CNY	€	CNY	%
Investment Loan										
1.	Erenhot									
2.	Mandula Port									
3.	Xiaoweiayang									
4.	IPMO									
Financial intermediation modality loan										
5.	BOIM									
6.										
	Total									

Table 4: Summary of Subloans to Qualified SME Subborrowers (Tranche 1)

No.	Subloan Description	Subloan Amount (CNY)	Loan Terms	Interest Rate	Subloan Agreement Signing Date	Payback Method
A. Bank of Inner Mongolia						
1.						
2.						
B. Bank of XXX						
1.						
2.						
3.						

Table 5: Summary of Subloans to Qualified SME Subborrowers (Tranche 1)

No.	Qualified Subproject Description	Subloan Amount (CNY)	Loan Terms	Interest Rate	Subloan Agreement Signing Date	Payback Method
A. Bank of Inner Mongolia						
1.						
2.						
B. Bank of XXX						
1.						
2.						
3.						

Table 6: Payback Progress of Subloans to Qualified SME Subborrowers (Tranche 1)

Table C.1: Payback Progress of Subloans to Qualified SME Subborrowers (Panels A, B)									
No.	Subloan Description	Subloan Amount (CNY)	Interest Payment Progress (CNY)		Subloan Repayment Progress (CNY)				
			Cumulated Amount	Amount in This Period	Cumulative Amount	Cumulated Amount	Amount in This Period	Cumulative Amount	%
A. Bank of Inner Mongolia									
1.									
2.									
3.									
B. Bank of Inner XXX									
1.									
2.									
3.									
C. IMPLEMENTATION PROGRESS 项目实施进度									
1. Project Implementation Progress during the Reporting Period by Output 报告期间项目实施进度情况									
[State the progress and achievements in implementation by output since the last progress report] 阐述自上期进度报告以来的主要进展和成果（按产出顺序说明）									
2. Project Implementation Arrangements 项目实施安排									
State assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO] 阐述项目执行安排方面的进展，例如，项目办的建立、人员到位情况和资金使用									

3. Assessment of Project Progress 项目进度评价 (Assess progress in implementing the overall project to date in comparison with the original implementation schedule - quantifiable and monitorable targets are shown in <i>the Design and Monitoring Framework (DMF)</i> (You can append existing chart/table/graph showing physical and financial progress as appendixes, if any.) 依据项目设计和监测框架中的各个指标、目标值、完成情况等评价进度和绩效，包含工程进度、财务进度等。如需请另附表格说明。
4. Implementation of EMP 环境管理计划的实施 (Include implementation of activities in the environmental management plan for subprojects) 阐述环境管理计划中各项活动的执行情况（按子项目分）
5. Implementation of SDGAP 社会发展和性别行动计划的实施 (Include implementation of activities in the SDGAP for subprojects) 阐述社会发展行动计划中各项活动的执行情况（按子项目分）
6. Implementation of ESMS 环境和社会管理体系的实施情况 (Include implementation of activities in the ESMS, including subloan processing procedures and monitoring after subloan disbursement) 阐述环境和社会管理体系中各项活动的执行情况，包括子贷款审批中与环境和社会有关的程序，以及贷后监测等
D. PROJECT PURPOSES 项目建设目标
1. Status of Project Scope/Implementation Arrangements 建设内容/实施安排现状 [Assess the status of project scope/implementation arrangements compared with those in the project document, and whether major changes have occurred or will need to be made] 阐述项目的范围、建设内容、实施安排等是否有重大变动。
2. Likelihood of Achievement of the Project Outcomes and Remedial Measures 项目成果实现的可能性及补救措施 Assess 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] 根据项目实施的现状，阐述是否需要采取一些补救措施，以实现项目的目标。

3. Changes to the Key Assumption and Risks 主要设想和风险变更 [If applicable, assess changes to the key assumptions and risks that affect attainment of the development objectives] 在设计和监测框架中有鉴定出的风险，请阐述这些风险是否有变化。例如，其他新增风险等。
E. COMPLIANCE WITH COVENANTS 相关条款的合规性 [Summarize the status of the borrower's and EA's compliance with key financial, safeguards, and other covenants, particularly, for those covenants on due] 阐述各法律文件中的主要条款合规性（包括但不限于财务、安全保障以及其他法律条款）
F. MAJOR PROJECT ISSUES AND PROBLEMS 主要问题与困难 [If applicable, summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of loan proceeds)] 如适用，请归纳影响或有可能影响项目实施进度、法律条款要求、实现项目目标等的主要问题，并提出解决这些问题的建议（如变更项目范围、项目实施安排及贷款资金的再分配）
G. 下一季度工作计划 (WORK PLAN FOR THE NEXT 6 MONTHS)

Appendix 7: Template for Semiannual Environmental Safeguard Monitoring Report

1. Introduction

General description of Tranche 1 subprojects, potential impacts and benefits of the subproject.

2. Project implementation progress

General description of the project implementation progress including outputs and the implementation plan for the next years.

3. Implementation of the environmental management plan

Detailed description of implementation of the environmental management plan (EMP) including mitigation measures, environmental monitoring plan and monitoring results, capacity building, information disclosure, public consultation and Grievance Redress Mechanism (GRM) and establishment and operation of environmental management institute.

4. Conclusions and recommendations

Presents conclusions drawn from the environmental monitoring report and recommendations.

If non-compliance is observed, correction action plan (CAP) will be developed with costs and schedule and implemented. Implementation of CAP will be included in the next environmental monitoring report.

5. Appendices

Supporting documentation of the environmental monitoring report.

Appendix 8: Template for Semiannual Social Safeguard Monitoring Report

1. Overall Project Progress
2. Progress of SDGAP Implementation
3. SDGAP Monitoring
4. Key Issues and Main Findings from Monitoring
5. SDGAP Implementation and Monitoring Table

Actions	Targets/Indicators	Budget	Time	Responsible Agencies	Progress by XX period
Output 1: Sustainable infrastructure for cross-border connectivity and health services improved.					
Action 1					
Action 2					
...					
Output 2: Ecological environment in key border towns improved.					
Action 1					
Action 2					
...					
Output 3: Income-generating opportunities expanded.					
Action 1					
Action 2					
...					
Output 4: Cross-border cooperation mechanisms, technical project management, and institutional capacity strengthened.					
Action 1					
Action 2					
...					

Appendix 9: Template for Semiannual ESMS Monitoring Progress Report

Subproject		Subproject number	
Report prepared by		Date	
Item	Details, comments		
Institutional Aspects: Whether there have been any changes to the ESMS, staffing of ESMS Units at FIs, budget available for ESMS implementation) Whether there have been any major difficulties in implementing ESMS and if so the remedial actions taken.			
Due diligence and/or audits undertaken during the reporting period (List the number and type of investigations undertaken.)			
Exclusion of any subprojects which have impact on involuntary resettlement and indigenous people (If there were subprojects assessed that have potential involuntary resettlement and ethnic minority impacts that were excluded from financing)			
Non-compliance report (NCR) and corrective actions report (CAR) Whether the qualified subprojects regularly submit the environment and social reports and the status of compliance of subprojects with EMP and other relevant environment and social requirements. If there are major gaps or defects, the remedial actions taken by FIs.			
Environmental Incidents (Any incidents reported by qualified subborrowers, provide details)			
Training delivered			
Other environmental including health and safety or social issues (if any) (Describe any other issues arising)			

Appendix 10: Risk Assessment and Risk Management Plan

1. The risk assessment for Tranche 1 under the proposed Multitranche Financing Facility: Inner Mongolia Sustainable Cross-Border Development Investment Program has been conducted following the Asian Development Bank's governance and anticorruption policy^a to identify risks associated with project implementation. Mitigation measures built into the project design are identified, and the residual risk with the mitigation measures in place is assessed.

No.	Risk Description	Risk Assessment	Mitigation measures and Management Plan
A. Investment Loan			
1.	Weak coordination between the governments of the PRC and Mongolia on border area development	Low	Strengthen the bilateral policy and operational coordination, including the relevant sector working groups and RCI Forum, and other policy dialogues.
2.	Weak institutional and staff capacities to implement the program, particularly for procurement	Low-Moderate	(i) Recruit qualified staff and consultants to support the executing agency, implementing agencies, and PIEs; and (ii) Provide training on project implementation including procurement, financial management, and safeguards.
3.	Inappropriate treatment of animal waste in the livestock bases causes environment pollution (Xiaoweiayang Subproject)	Low	(i) EMP developed and implemented by IPMO will require installation of proper animal waste disposal system; (ii) Internal and external environmental monitoring will be carried out as stated in the EMP; and (iii) Environment Safeguard and ESMS Specialist will be recruited through PICs to support the implementation of EMP.
4.	Weak capacity of project municipalities and/or counties in providing counterpart funds	Moderate	Include the counterpart funds in annual budget plan of local government.
5.	Lack of experience of financial management of ADB project at the implementing agencies and PIEs level	Moderate	(i) Financial staff will be provided training on ADB financial management and reporting policies and disbursement procedures during project implementation; and (ii) Financial Management Specialist will be recruited through PICs to support the preparation of withdrawal applications, financial management, including accounting, reporting, and other related tasks.
6.	Implementation delay due to multiplication of implementing agencies, lending instruments, and investment modalities	Low	(i) Capacity building will be conducted to all-level government officials; (ii) Sufficient human resources will be allocated by the Government of IMAR, implementing agencies and PIEs; and (iii) Individual consultants for project start-up will be recruited before loan effectiveness, and PICs will be recruited after the loan effectiveness.
B. Financial intermediation modality loan			
1.	Weak capacity of executing agency and FIs in implementing the financial intermediation modality loan	Low	(i) Select FIs carefully based on ADB's Operations Manual ^b and the government's prudential requirements; (ii) Follow best practices for SME lending operations and management; and (iii) Carry out annual review mission to assess the progress and performance of FIs, remediation measures will be taken as necessary.
2.	FIs do not perform satisfactorily in implementing the ESMS and applying eligibility criteria for SMEs	Moderate	(i) Requirements of the ESMS, eligibility criteria, and anticorruption provisions to be included in subloan agreements, in addition to training and assistance provided to FIs;

No.	Risk Description	Risk Assessment	Mitigation measures and Management Plan
			<ul style="list-style-type: none"> (ii) Set up ESMS Unit in the FIs, capable staff will be assigned to carry out the safeguard screening of SME applicants and its subprojects; (iii) ADB annual review mission, jointly with IPMO, will be conducted to assess the implementation of ESMS and application of eligibility criteria by FIs; (iv) The IMAR Audit Office will carry out external audit for the Project, including FIs' participation; and (v) Consultants will be recruited to support the implementation of ESMS and reporting.
3.	Weak demand from the SMEs slows implementation	Low	<ul style="list-style-type: none"> (i) The initial market assessment has indicated strong demand; and (ii) The FIs have already begun searching for suitable SMEs.
4.	Accounting policies, procedures, and financial management systems differ with ADB requirements and procedures	Low	Capacity training on ADB requirements and procedures for loan disbursement and accounting will be provided to ensure staff understand them in advance.
OVERALL		Low to Moderate	

ADB = Asian Development Bank, EMP= environmental management plan, ESMS = environmental and social management system arrangement, FI = financial intermediaries, IMAR = Inner Mongolia Autonomous Region, IPMO = Inner Mongolia Autonomous Region project management office, PICs = project implementation consultants, PIE = project implementing entity, PRC = People's Republic of China, SMEs = small and medium-sized enterprises.

^a Available at: <https://www.adb.org/documents/anticorruption-policy>

^b ADB. 2013. Financial Intermediation Loans. *Operations Manual*. OMD6/BP and D6/OP. Manila.

Source: Asian Development Bank.

Appendix 11: Statement of Utilization of Funds for FI

Annual Statement of Utilization of Funds for FIs

Name of FI:

For the Year Ended [dd/mm/yy]

	Note *	Year 1	Year 2	...	Cumulative
A. Opening cash balance					
I. Sources of funds					
1. ADB loan proceeds (FIA1, FIA2)					
2. Reflows (repayments from FIA1)					
3. Reflows (repayments from FIA2)					
Total (1+2+3)					
II. Use of funds **					
1. Subloan to qualified subborrower					
2. Subloan to qualified subborrower					
...					
Total (sum 1 to ...)					
B. Net cash activity (I-II)					
C. Ending cash balance (A-B)					

* please provide accompanying note disclosures (including below) and supplementary schedules necessary to explain the main statement.

** should include subloans using reflows and identify which cycle.

* Note Disclosures for FIs

(in EURO €)

All columns below, in local currency

1. Subloan No.	2. Name of Subborrower	3. Loan Amount	4. Tenor

Note: This information is entirely obtained from the books and records for the FI, and the auditor should be able to verify, including getting confirmations from the subborrowers of the statement of account of balance outstanding or both. Where the FI sanctioned and disbursed loan figure is MORE than the amount allocated to ADB loan, it will be the responsibility of the auditor, to verify that the reporting is accurate.

Appendix 12: Indicative Pipeline of Subprojects for Tranches 2 and 3 of the Investment Program

A. Tranche 2 Subprojects

1. Tranche 2 of the Investment Program will be processed in 2021-2022 and will include the following subprojects and activities for which ADB will provide \$ 118.40 million:

No.	Subproject Name	Total Investment (million CNY)	ADB loans (\$ million)	Major Activities	Location	Abbreviation	Timeline
1.	Border Eco-environment Protection of Uliji Port (Phase I)	146.71	10.25	<ul style="list-style-type: none"> Ecological protection forest belt within the planned construction area of the port, and Associated facilities, i.e., water supply, electricity supply, and roads. 	Alxa	Uliji Port subproject	2021-2025
	Connectivity Road of Uliji Port (Phase II)	244.90	17.11	Construction of 10.8 km roads and associated facilities, including lighting, water supply and wastewater discharge			2021-2022
	PRC-Mongolia Uliji Port Smart Port Construction	30.49	2.13	<ul style="list-style-type: none"> Smart Port Unified Management Platform; Internet Data Center; Smart Port Cargo Inspection System; Smart Port Passenger Inspection System; and Smart port single window system. 			2021-2022
2.	Expansion and Upgrading of Ganqi-maodu Port	385.60	26.94	<ul style="list-style-type: none"> Construction of parking lots and associated functioning area in Exit Service Area, with a total area of 736 mu; and Road connecting with the urban area. 	Bayannur	Ganqi-maodu Port subproject	2019-2022
	Expansion and Upgrading of Inspection Facilities for Ganqi-maodu Port	365.85	25.56	<ul style="list-style-type: none"> Expansion of inspection and examination facilities - 8,000 m²; Road hardening and greening - 500,000 m²; and Construction of 3.8 km Guomen Avenue. 	Bayannur		2021-2023
3.	Construction of Mutual Trade Zone in Arxan Port	70.42	4.92	<ol style="list-style-type: none"> Arxan Port Mutual Trade Zone, including: <ul style="list-style-type: none"> Tourist Information Center: 2,435 m²; and Hall of mutual trade market: 8,000 m². Arxan Port Trade Zone Municipal Engineering, including: <ul style="list-style-type: none"> 30 parking lots with a covering area of 5,050 m² (10 for buses and 20 for autocars); Ground hardening: 13,800 m²; Greening area: 100,746 m²; and Road inside port: about 1 km in length and 3m in width Supporting facilities, including: <ul style="list-style-type: none"> 1.5 km of heating pipe network; 2.5 km water supply pipelines; 	Xing'an	Arxan port subproject	2019-2021

No.	Subproject Name	Total Investment (million CNY)	ADB loans (\$ million)	Major Activities	Location	Abbreviation	Timeline
				<ul style="list-style-type: none"> 2.7 km drainage pipelines; 200 m cable network; and 4 km line of communication. 			
4.	Subloans to SMEs through FIL modality	422.10	29.49	FIL provided to SMEs in cross-border trade, tourism, manufacturing, and agriculture in partnership with local commercial banks	IMAR	FIL	2022-2028
5.	Institutional capacity building and strengthening	14.31	2.00	Project management and capacity building to PMOs, PIEs and FIs, including recruit PICs, training to be conducted by PICs or resource person, domestic and international workshops.	IMAR		2022-2028
Total		1,647.8	118.40				

FIL = financial intermediation loan, FIs = financial intermediaries, IMAR = Inner Mongolia Autonomous Region, PIE = project implementing agency, PMO = project management office, SMEs = small and medium-sized enterprises.
Source: IPMO, September 2019.

B. Tranche 2 Subprojects Readiness

B.1 Ulji Port Subproject

2. **Institutional arrangement.** Alxa Municipal Government (AMG) is the implementing agency for the Ulji Port subproject. Alxa Municipal Project Management Office (APMO) will be established under its concerned DRC to carry out overall coordination and supervision of subproject preparation and implementation in its level. At the local level, Ulji Port Management Office has been assigned to act as PIE. A project implementing unit (PIU) will be established inside the PIE to carry out the daily implementation of this subproject, starting from 5 staff, and more human resources will be assigned as needed during the Tranche 2 subproject processing period.

3. **Project readiness.** As of September 2019, preliminary feasibility study report (FSR) has been prepared, subproject activities are proposed with total cost estimations. This preliminary FSR will be reviewed by the Tranche 2 consultants, designs will be further improved. During the processing of Tranche 1, Ulji PIE has participated all ADB missions, and reported their project content, initial budget and progress. Initial training on ADB procurement policies and safeguard have also provided to them.

B.2 Ganqi-maodu Port Subproject

4. **Institutional arrangement.** Bayannur Municipal Government will be the implementing agency for the Ganqi-maodu Port Subproject. Ganqi-maodu Project Management Office (GPMO) will be established under Ganqi-maodu Port Management Committee, starting from 10 staff and more human resources can be assigned as needed after the commencement of Tranche 2 processing. Meanwhile, Ganqi-maodu Port Management Committee (GPMC) will serve as the PIE.

5. **Project readiness.** As of September 2019, preliminary FSR has been prepared, subproject activities are proposed with total cost estimations. This preliminary FSR will be reviewed by the Tranche 2 consultants, designs will be further improved. During the processing of Tranche 1, GPMC has participated all ADB missions, and reported their project content, initial budget and progress. Initial training on ADB procurement policies and safeguard have also provided to them.

B.3 Arxan Port Subproject

6. **Institutional arrangement.** Xing'an Municipal Government (XMG) is the implementing agency for the Arxan port subproject. Arxan Project Management Office (APMO) has been established under the Arxan Port Management Office carry out daily coordination and subproject preparation and implementation. Currently APMO has five staff and 1 external financial accountant. Mulin Port Development Co., Ltd (SOE) will act as PIE. A PIU will be established inside the PIE to carry out the daily implementation of this subproject. More human resources will be assigned as needed after the commencement of Tranche 2 processing. During the inception mission of Tranche 1 processing, the project team has made site visit to Arxan and conducted initial discussions on the subproject content and designs.

7. **Project readiness.** As of the loan fact finding mission of Tranche 1 (September 2019), FSR and domestic EIA report have been prepared. Furthermore, the EIA report has been approved by local EEB. These documents will be further reviewed by the Tranche 2 consultants, designs will be further improved.

C. Tranche 3 Subprojects

8. Tranche 3 of the Investment Program will be processed in 2023-2024 and will include the following subprojects and activities for which ADB will provide \$ 105.30 million:

No.	Subproject Name	Total Investment (CNY million)	ADB loans (\$ million)	Major Activities	Location	Abbreviation	Timeline
1.	Erenhot PRC-Mongolia Ecological Restoration Project				Erenhot	Erenhot Eco subproject	2025
1.1.	Protection Forest on both sides of the East 3rd Ring Road	45.07	3.15	10 m width of windbreak along each side of East 3rd Ring Road (~7.1km), with a total coverage area about 14.2 ha.			
1.2.	Protection Forest Project on both sides of Erguang Highway	552.11	38.57	1. 50 m width of windbreak along each side of Er'guang Road (~20 km), with a total coverage area about 200 ha; 2. 10 m of landscape shelter forest in the central of Erguang Road, with a total coverage area about 25 ha.			
1.3.	Water supply for drip irrigation system	127.22	8.89	1. 1 water intake well group; 2. 1 water intake pump station; 3. 1 pressure increasing pump station; 4. 1 6,000 m ³ water reservoir; and 5. 2 km water supply pipelines (DN 400).		Erenhot Urban Subproject	Up to 2025
2.	Urban Infrastructure Improvement	543.48	37.97	1. 2.42 km main road in Tumote Street (Shugang Highway - Fangzheng Road); 2. 1.45 km main road in Genghis Khan Street (Shugang Highway – Hexie Road);			

No.	Subproject Name	Total Investment (CNY million)	ADB loans (\$ million)	Major Activities	Location	Abbreviation	Timeline
				3. 450 m secondary road in Kent Street (Shugang Highway - Hexie Road); 4. Renovation of 500 m secondary road in Fangzheng Road (Dinosaur Avenue - Kent street); 5. 472 m main road in Tumote Street (Qianjin Road - Youyi Road); 6. Renovation of 3.9 km secondary road in Hexin Road (Kerchin Street - Genghis khan Street); 7. 981 m secondary road in Youyi Road extension (Genghis khan Street - Tumote Street); 8. 1 km branch road in Tuanjie Road extension (Genghis khan Street - Tumote Street); 9. 7 km main road in Yilin Avenue (Beijiang Street – Nanshi Gate); 10. Renovation of 45.73 km sidewalk in Genghis khan Street (Yilin Avenue - Qianjin Road), Jianshe Road (Xilin Street - Genghis khan Street), Dinosaur Street (Yilin Avenue - Chengxin Road), Dinosaur Street (Tuanjie Road - Yingbin Road); and 11. 1.5 km secondary road in Beijiang Street (Jingliu Road -Chuangye Road).			
3.	Border River Scenic Area Construction in Arxan Port	126.39	8.83	1. Halaha River Eco-tourism: <ul style="list-style-type: none"> Construction of 1 port wharf, with 2000 m² building area, 3000 m² revetment, 1500 m² service facilities (public toilets, medical and rescue facilities and catering), and 1.5 km road. 2. Infrastructure for the port: <ul style="list-style-type: none"> Construction of solid waste and wastewater collection and treatment facilities; Renovation of heating and water supply facilities; 3.7 km tourists sightseeing pathway; and One national gate in the port. 	Xing'an League	Arxan Port subproject	2021-2025
4.	SME development services	84.31	5.89	Provide IMARG support in SME development	IMAR		2024-2030

No.	Subproject Name	Total Investment (CNY million)	ADB loans (\$ million)	Major Activities	Location	Abbreviation	Timeline
5.	Institutional capacity building and strengthening	14.31	2.00	Project management and capacity building to PMOs, and PIEs, including recruit PICs, training to be conducted by PICs or resource person, domestic and international workshops.	IMAR		2024-2030
Total		1,492.89	105.30				

ha = hectare, IMAR = Inner Mongolia Autonomous Region, PIE = project implementing agency, PMO = project management office, SMEs = small and medium-sized enterprises.

Source: IPMO, September 2019.

D. Tranche 3 Subprojects Readiness

9. **Institutional arrangement.** The institutional arrangement for Erenhot subprojects and Arxan Port subproject under the Tranche 3 will apply the same structure as in Tranches 1 and 2.

10. **Project readiness.** As of September 2019, EPMO and APMO proposed subproject activities and estimated cost. EPMO and APMO also had initial discussions with their DIs for the subproject designs.

E. Environmental safeguards for Tranches 2 and 3

11. Screening, categorization, assessment, planning, and institutional arrangement of Tranches 2 and 3 subprojects will follow the guidance in EARF, which is already prepared. Based on the initial construction activities in Tranches 2 and 3, these subprojects are initially classified as environment category B. An IEE report will be prepared for both Tranches 2 and 3 subprojects, based on its environment category.

F. Social safeguards for Tranches 2 and 3

12. An Ethnic Minority Development Framework (EMDF) has been prepared to guide the executing agency and the implementing agencies in screening project impacts on ethnic minorities, identifying the affected ethnic peoples, and preparing EMDPs in Tranches 2 and 3 in case they trigger ethnic minority/indigenous peoples safeguards policy requirements.

13. **Gender dimension.** The project is classified as effective gender mainstreaming. During the processing of Tranches 2 and 3, gender analysis will be carried out based on available statistics in project municipalities, sex-disaggregated household survey data, focus group discussions with local women, and interviews with SMEs owned or led by women and the Social Security Bureaus and the Women Federation. Social development and gender action plans (SDGAPs) will be prepared under each tranche, to promote women participation and equal share in project benefits among poor households, maximize positive gender equality impacts and mitigate possible risks and negative impacts.

G. Involuntary resettlement

14. Resettlement Framework has been prepared for the subprojects in Tranches 2 and 3. After the commencement of Tranches 2 and 3 processing, IPMO will identify all subproject facilities together with the local PMOs, local Bureau of Natural Resources and the House Demolition Management Office, to discover the past and potential resettlement impact as early as possible. Once the inevitable behaviors of land acquisition during the implementation of subprojects are

determined, the quantity of land acquisition and its impact on resettlement will be estimated. Based on this information and the Resettlement Framework, a RP will be prepared. In addition, due diligence survey on resettlement will be carried out on completed land acquisition activities; If the subproject has occurred in the past or has completed land acquisition or involuntary resettlement activities, IPMO will request local PMOs to carry out due diligence survey to determine whether there is any problem of compensation or resettlement, or unresolved disputes and complaints. If there is indeed any remaining involuntary resettlement problem, the IPMO will report the specific situation to the ADB, including the actions and measures to be taken on the issues, for ADB's review and consideration.

Appendix 13: Strategic Procurement Planning Report

Section 1: Project Concept

Project Title	Inner Mongolia Sustainable Cross-Border Development Investment Program
Country	People's Republic of China
Executing agency	Government of Inner Mongolia Autonomous Region
Implementing agency	Erenhot Municipal Government and Baotou Municipal Government
Project development objectives	<p>The investment program will promote sustainable development of cross-border areas and mutually beneficial regional cooperation and integration between the PRC's Inner Mongolia Autonomous Region (IMAR) and Mongolia. The program will improve economic inclusion, ecosystems, and crucial services in the five IMAR border crossing point (BCP) communities and surrounding areas on both sides of the 3,200-kilometer (km) PRC–Mongolia frontier, which lags in economic and social development and confronts significant transboundary risks in relation to fragile ecosystems, health security, and other areas. Expanded financial and business support to small and medium-sized enterprises (SMEs) in border regions will spur local income growth. Establishment of an agricultural value chain will enhance livelihoods on both sides of the frontier. The program will have strong regional spillover benefits to Mongolia: improvement in infrastructure and services at IMAR–Mongolia BCPs will boost the volume and quality of trade, creating about 3,300 direct and indirect jobs in Mongolia.</p> <p>The Investment Program will result in the following outcome: sustainable economic opportunities and living conditions in areas along the IMAR–Mongolia border improved. The Investment Program will be aligned with the following impact: sustainable economic development and shared prosperity for CAREC region achieved.</p>
Project description	<p>The Investment Program will deliver five major outputs to address the key constraints:</p> <ul style="list-style-type: none"> (i) Output 1: Sustainable infrastructure for cross-border connectivity and health services improved. The investment program will support sustainable infrastructure and institutional changes at five key BCPs stretched over 2,000 km along the border between IMAR and Mongolia. This output comprises: (i) establishing a smart port management systems including one-stop inspection and intelligent vehicle queuing; (ii) installing a wind-powered, clean energy heating supply for the Erenhot–Zamyn-Uud Economic Cooperation Zone (ECZ); (iii) building connecting and access roads at ECZs and BCPs; (iv) improving a transit systems to smooth and speed up BCP logistics and reduce transboundary health risks including storage and transshipment facilities, customs clearance systems, and sanitary and phytosanitary clearance facilities; and (v) enhancing capacity and quality of services at the PRC–Mongolia International Hospital in Erenhot through the provision of advanced medical equipment and technical training on regional health security issues. (ii) Output 2: Ecological environment in key border towns improved. This output includes: (i) creating protective forest strips to safeguard BCP communities from sandstorms and improving their environmental

	<p>conditions using smart forestation technologies such as advanced reclaimed water irrigation and intelligent fertilization; (ii) piloting a smart municipal waste collection system and introducing recycling systems to reduce negative impacts from human activities on the environment.</p> <p>(iii) Output 3: Income-generating opportunities expanded. This output comprises: (i) providing local currency loans to SMEs engaged in cross-border businesses through a financial intermediation loan (FIL); (ii) strengthening IMAR's business development service system for SMEs with particular support going toward piloting a program to support female entrepreneurs and SMEs led by women; (iii) developing an inclusive sheep value chain to create economic opportunities for farmers in border areas by building (a) animal quarantine facilities; (b) sheep processing logistics park; (c) stud sheep breeding and farming bases at the Mandula port, and (d) a livestock tracing and management system; and (iii) establishing the Poverty Alleviation Program (PAP) to ensure that poor households, including those headed by women, are integrated into the value chain.</p> <p>(iv) Output 4: Cross-border cooperation mechanisms, technical project management, and institutional capacity strengthened. This output includes: (i) annual international workshops to support existing bilateral coordination mechanisms at the Erenhot–Zamyn-Uud BCP and facilitate cross-border policy dialogue between the PRC and Mongolia; (ii) training for agricultural enterprises, farming households, and rural cooperatives to improve their use of livestock farming technology, animal disease prevention, and livestock waste management; and (iii) training for executing agency, implementing agencies, project implementing entities (PIEs), and counterpart Mongolian officials in safeguards, procurement, financial management, gender equality, and awareness of sexual exploitation and harassment.</p>																
Description of indicative contract packages	<p>10 civil works and 3 equipment contract packages are proposed for ADB financing. Six nonconsulting service contracts for embryo transplantation services through open competitive bidding (OCB), 300 sheep raising services contracts between Xiaoweiayang and local households/herders through community participation method are proposed for ADB financing. Six ADB financed consulting service contracts through individual consultant selection (ICS), quality- and cost- based selection (QCBS) or Consultants' Qualifications Selection (CQS) will be signed. Meanwhile, the PAP will be implemented in accordance with the Project Implementation Agreement (PIA) to be signed between the Government of IMAR and Xiaoweiayang, which will specify the terms and conditions for onlending ADB loan proceeds for the establishment of a revolving fund in the amount of \$13.98 million, that will provide financing to Xiaoweiayang for supplying ewes, feeds, veterinary services to 2,000 households in return for growing and fattening lambs as part of the household income generation. Due to the absence of a single market for acquiring ewes and scattered location of beneficiary households, Xiaoweiayang will use the revolving fund to procure ewes from local households based on prevailing prices in the districts, where quality ewes are available. These arrangements are in line with the basic principles of economy and efficiency and therefore are acceptable to ADB.</p> <table><tr><th>Type of contract</th><th>No. of contract</th><th>Procurement method</th><th>Estimated value (\$)</th></tr><tr><td>Civil works</td><td>10</td><td>OCB</td><td>139,704,832</td></tr><tr><td>Goods</td><td>9</td><td>OCB</td><td>23,697,669</td></tr><tr><td>Non-consulting Service (Embryo</td><td>6</td><td>OCB</td><td>9,522,546</td></tr></table>	Type of contract	No. of contract	Procurement method	Estimated value (\$)	Civil works	10	OCB	139,704,832	Goods	9	OCB	23,697,669	Non-consulting Service (Embryo	6	OCB	9,522,546
Type of contract	No. of contract	Procurement method	Estimated value (\$)														
Civil works	10	OCB	139,704,832														
Goods	9	OCB	23,697,669														
Non-consulting Service (Embryo	6	OCB	9,522,546														

	Transplantation Services)			
	Sheep raising services	300	Community participation	11,150,000
	Individual consultants	4	ICS	80,000
	Consulting services for project management support and capacity building	1	QCBS (90:10)	1,059,000
	Consulting services external environmental monitoring firm	1	CQS	220,000
	Total	331		186,954,392
Summary of the financing agreement	The overall ADB financing ratio is tentatively set at 47.28% for the Investment Program, 48.2% for Tranche 1, 45.2% for the Tranche 2, and 47.9% for the Tranche 3.			

^a The PAP will help the local government achieve its poverty alleviation target by having an agricultural leading enterprise (ALE) or Poverty Alleviation Leading Enterprise (PALE) to implement inclusive value chain development activities with poor households. The PAP will help poor households with breeding and extension services providing animal health, welfare and nutrition advices and services, and buyback guarantee for lambs raised. This will give small-scale farmers an opportunity to raise high-quality lambs with income security and access to a more inclusive and resilient sheep value chain. The selected ALE (and PALE), Xiaowei yang, will implement the PAP according to the detailed implementation arrangement in the Onlending Agreement and Project Implementation Agreement to be signed between the Government of IMAR and the ALE, which will stipulate the onlending terms and conditions and detailed implementation arrangements specifying the agreed scope and activities, the requirements for supporting selected cooperatives and poor households, and the fund flow and disbursement requirements. Such agreements will be on terms and conditions acceptable to ADB and will specify a clear and succinct monitoring system to ensure effective implementation of PAP (details are in Appendix 1 of FAM).

Section 2: Operating Environment

A. Capacity and Capability Assessment of the Borrower

Strengths	Weaknesses
<ul style="list-style-type: none"> • The Government of Inner Mongolia Autonomous Region (IMAR) has recent preparation and implementation experience of a large number of ADB financed projects; • The implementing agencies have experience of procurement and construction management of similar projects under government finance; • Well-developed legal and institutional systems for procurement; • Wide availability of procurement agencies; and • Widespread adoption of e-procurement and compulsory use of public resources trading centers (PRTCs). 	<ul style="list-style-type: none"> • The IMAR PMO (IPMO) is led by the IMAR Development and Reform Committee (IDRC) and takes a hands-off management approach, preferring the municipal governments to take the procurement responsibility; • The implementing agencies lack prior experience in ADB procurement policies and regulations; • Lack of English language skills in the implementing agencies; and • Limited pool of procurement specialists in IMAR with ADB project experience and English skills.
Opportunities	Threats
<ul style="list-style-type: none"> • Use of Multitranches Financing Facility provides motivation to invest in skills improvement for ADB financed projects; • Municipalities have prime locations on key regional transport corridors and have large land resources available for the development of logistics or service industries; and • Private sector participation and collaboration to improve the effective use of funds and quality of project outcomes. 	<ul style="list-style-type: none"> • Existing high levels of government debt and debt ceilings may limit ability to raise domestic counterpart funds; • Potential delays in fund reimbursements due to multiple sources of funding for the project; • Project benefits may not flow to the poor and further increase inequality; • Competition between procurement agencies has led to low fees and scope focused on processing rather than quality consulting.

B. Support Requirements

Procurement capability and capacity	<p>Low. The implementing agencies have experience of procurement and construction management under government financed projects, but not under ADB procedures or in English;</p> <p>Xiaoweiyang, as one of the PIEs and a privately owned enterprise (POE), their procurement follows commercial practices, and their procurement experience for civil works is limited. Shopping or invited bidding is usually used for civil works and goods contracts.</p> <p>Xiaoweiyang received some government subsidies for poverty alleviation projects before but the government was not involved in their procurement process. It is rather reimbursed certain part of works or goods in the form of subsidies.</p>
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	There is no comprehensive training program for procurement accreditation or professionalization.
Experience in implementing similar projects	<p>Two State-owned enterprises (SOEs), Erenhot Yixin Urban & Rural Development and Construction and Asset Management Co., Ltd (Yixin) and Damaoqi Pine Boolean Property Service Co.,Ltd (Songbuer) have good knowledge and experiences in port construction projects. However, those were domestic government financed and only domestic contractors used.</p> <p>The POE - Xiaoweiyang has limited experience in government financed projects, and no experience with ADB financed projects. However, they are familiar with stud sheep breeding, sheep farming, sheep processing and marketing, and poverty alleviation programs.</p>
Contract management capability and experience	<p>Two SOEs have good experience in contract management, but only limited to government financed projects, and using domestic contractors;</p> <p>Xiaoweiyang is familiar with managing commercial projects.</p>
Level of reliance on external consultants	Very high reliance on external consultants for ADB financed projects.
Existence and description of complaints management system	Fair. Widespread adoption of e-procurement systems and PRTCs has included online processing of complaints.

C. Key Procurement Conclusions

<p>Two SOEs have good experience in procurement and contract management of similar projects, but under government procurement systems;</p> <p>Limited role by the executing agency, heavily rely on the implementing agencies. The implementing agencies do not have sufficient staff with good English and procurement experience. During the project implementation, they will strongly rely on the support from procurement consultant for ADB regulations in English language;</p> <p>Limited pool of procurement specialists in IMAR with ADB project experience and English skills;</p> <p>Xiaoweiyang has limited experience with government financed and no experience with ADB funded projects; and</p> <p>Training on ADB procurement policies and regulations was provided and well-received by all the implementing agencies and PIEs, and procurement training will be provided continuously during the implementation period.</p>

D. External Influences Analysis

Governance	<p>There is a stable government environment for project implementation.</p> <p>The administrative functions of the government are also supportive of the project;</p> <p>Currently, two laws govern public procurement: The Law of Tendering and Bidding (2000) and the Government Procurement Law (2012).</p>
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	Issues: a) Consulting services are not clearly addressed in the two national procurement laws; and b) National procurement laws are not clear on participation of SOEs.
Economic	<p>The economic environment presents as predictably stable for the life of the Investment Program;</p> <p>Central government efforts to control local government debt risk suspension of projects, or hinder efforts to raise counterpart funds; and</p> <p>Labour supply: Due to remote geological location of the ports, labour shortage is prevalent.</p>
Sustainability	<p>Climate change impact - The smart forestation, precision drip irrigation system, fertigation technology, reclaimed water utilization and heating storage through electrical boiler system will have a positive impact for climate change adaptation and mitigation.</p> <p>Waste disposal and recycling capacities - infrastructure is in place due to other similar projects.</p> <p>Local environmental standards - strict standards and monitoring systems are in place which requires adhere.</p> <p>Other risks - For Outputs 3 and 4, which involve the private sector and SME participation may have some risks in the long run depending on the market and commercial circumstances involved.</p>
Technology	Widespread use of e-procurement through government provincial procurement portal. Random selection of bid evaluators from a pool. Automatic financial evaluation by software. Technical and financial scoring, with financial score based on proximity to the average bid price excluding outliers.

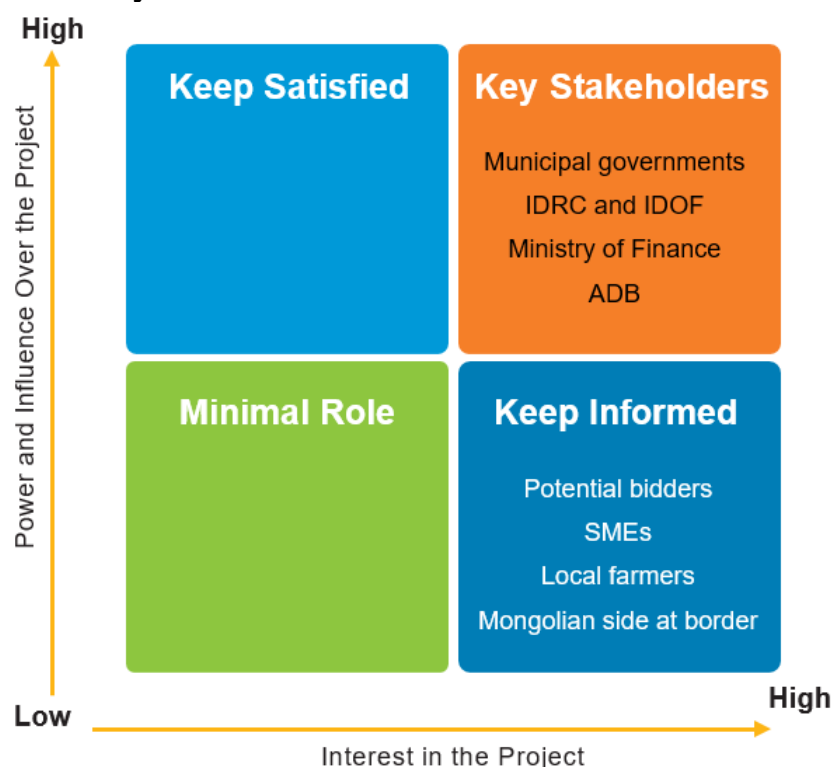
E. Key Procurement Conclusions

Bid evaluation of government financed projects applies technical and financial scoring, with financial score based on proximity to the average bid price excluding outliers - this aims to reduce issues associated with low-ball bids, but is incompatible with ADB systems. Under this project, ADB procurement systems, policies, regulations, and procedures will be applied.

ADB's prior review will be applied to (i) all ADB-financed contracts with advance contracting, and (ii) the first ADB-financed contract of each type (OCB advertised internationally or nationally) for civil works and goods under each PIE. For Xiaoweiayang Subproject, the first embryo transplantation service contract, the first two contracts under Community Participation method, and the first two tripartite agreements under the PAP will be required for prior review. For the financial intermediation modality loan, ADB will prior review the first two SME subloan agreements and qualified SME subproject summary documents from each financial intermediary (FI). If an individual loan size exceeds the free limit (CNY 15 million), a draft subloan agreement and a qualified SME subproject summary sheet will need to be submitted for ADB's prior review and approval. Subsequent contracts can be post reviewed (sampling).

E-procurement through government e-procurement PRTC will not be adopted. The possibility of using the PRTC for ADB project is explored. However, bids using PRTC will need to follow domestic procedures and requirements for documentation and approvals. ADB project may not be able to get all the approvals required by various government agencies. In addition, advertisement for ADB projects can reach wider potential bidders especially for internationally advertising, while PRTC covers limited range.

F. Stakeholder Analysis and Communication Plan



G. Stakeholder Communication Plan

Stakeholder Name and Role	Municipal government	IDRC and IDOF	Potential bidders	Herders and SMEs
Interest in the Project	Implementing agency	Leading agencies in IPMO	Bidder	Community participation
Support and Influence Level	Project champion / Decision maker in municipal level	Project champion / decision maker	Follower	Follower
Objections, Drivers, Needs, and Levers		Supports development initiatives Wants strict control procedures.	Bidding for ADB financed projects is more challenging than for government financed projects. Conventional advertising may not reach potential bidders for specialist companies for smart port and their equipment coal handling facilities etc.	The drivers for this group include seeking benefits and seeking information.
Action		Open dialogue regarding debt carrying capacity, availability of counterpart funds, and procurement plan.	PIEs need professional approach to bidding: provide clear, complete information to bidders. Seek feedback on potential bidders. Market survey to identify potential bidders for equipment,	Generally, the stakeholders in this group have a positive approach and outlook in the project. Actions required will support the

Stakeholder Name and Role	Municipal government	IDRC and IDOF	Potential bidders	Herders and SMEs
			direct issue of advertisement to those companies in addition to conventional advertising.	continuation of this positive outlook.
Responsible, Accountable, Consulted, or Informed	Responsible	Consulted	Consulted	Consulted
Communicate What, When, and How?		Face to face meeting. Prior to RRP	Implementing agencies, PIEs and TRTA consultant carried out market survey during the procurement planning	Most communication will be led by face-to-face communications for this stakeholder group. However face to face opportunities will also supported by reporting, presentations, meetings and paper-based documentation. Communication will be scheduled and conducted on a regular base (no less than monthly as required or as agreed), as well as ad-hoc as required.

ADB = Asian Development Bank, IDOF = Inner Mongolia Autonomous Region Department of Finance, IDRC = Inner Mongolia Autonomous Region Development and Reform Commission, IPMO = Inner Mongolia Autonomous Region Project Management Office, PIE = project implementing entity, TRTA = transaction technical assistance, RRP = Report and Recommendation of the President to the Board of Directors.

H. Key Procurement Conclusions

Gatekeeper agencies are IDRC and IDOF. Open dialogue regarding debt carrying capacity, availability of counterpart funds, and procurement plan is required.

Most of the proposed contracts have conventional content with a ready supply of potential bidders (roads, buildings, and medical equipment). Special attention should be paid for more specialized contracts particularly for the smart port and their equipment, coal handling facilities and embryo transplantation services. Reliance on conventional advertising may be insufficient for that case. The market survey should be carried out to identify potential bidders, and communications and the result of the survey shall be documented and used for defining the bidding requirements and contract conditions optimally.

Xiaoweiayang Subproject includes a Stud Sheep Breeding Program, which will involve a lot of community participation. Sufficient consultation shall be made with local households, farmers/herders. A communication plan and monitoring mechanism should be in place prior to implementation.

Section 3: Market Analysis

A. Porter's Five Forces

1. The analysis was made for two groups of contracts under the two state-owned PIEs, including:

- a) conventional contracts for roads, buildings and medical equipment; and
- b) contracts for smart port system and coal transport and storage facilities, which are more specialized. Market research results are included in the annexes. (Annex 1 Potential Bidders for Smart Port System; Annex 2 Potential Bidders for Coal Handling Facilities).

2. Another group of contracts is for Xiaoweiayang, the POE, who specialize in sheep breeding and farming, and managing agricultural sector PAP. The contracts involve a special market of community participation, joint agreements/corporation with private sector, scaled households/herders and low-income households/ herders. Therefore, special attention is paid when selecting procurement methods. Market analysis was carried out for embryo transplantation where a certain level of competition exists. OCB non-consulting service is chosen over limited competitive bidding (LCB) selecting service providers for embryo transplantation based on the market research of existing service providers. (Annex 3: Potential Bidders for Embryo Transplantation Services).

Erenhot Subproject and Mandula Port Subproject

Competitive rivalry	<ul style="list-style-type: none"> a) Conventional contracts: there is strong competition for standard works such as roads and buildings. b) Specialized contracts: Smart port equipment (border control and inspection system, public service system, data system), customs inspection area (warehouse and coal storage and transport facilities, including civil works and M&E).
Bargaining power of buyers	<ul style="list-style-type: none"> a) Conventional contracts: High b) Specialized contracts: High for separate contracts procurement. Low for supply of turnkey solution.
Bargaining power of suppliers	<ul style="list-style-type: none"> a) Conventional contracts: Low b) Specialized contracts: Low for separate contract packages. High for supply of turnkey solution.
Risk of new entrants	<ul style="list-style-type: none"> a) Conventional contracts: Medium. Remoteness of location and short construction season deter new entrants. b) Specialized contracts: Low. Remoteness of location and short construction season deter new entrants.
Risk of substitutes	<ul style="list-style-type: none"> a) Conventional contracts: no substitutes available b) Specialized contracts: Separate procurement of equipment could reduce pricing power of suppliers compared to turnkey solutions, but smaller contract size might also reduce attractiveness to equipment suppliers. Separate procurement contracts would require careful design and specifications to ensure compatibility of solutions.

Xiaoweiayang Subproject

Competitive rivalry	<ul style="list-style-type: none"> a) Embryo transplantation activities: service providers would be either firms or individuals. Limited number of providers in this sector. b) Sheep raising services: Community contracting to around 300 households, who are willing to participate in the program, and satisfy the basic requirements for raising sheep.
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	c) PAP: Xiaoweiayang will enter into contracts (tripartite agreements) with around 25 scaled households and 80 poor and/or low-income households/herders that engaged by each scaled households. Scaled households will be selected based on their willingness, facilities, management and financial capacities.
Bargaining power of buyers	a) Embryo transplantation services: High. Price is more or less fixed based on previous contract experience. Buyer's bargaining power is strong. b) Sheep raising services. High. Price is fixed by the POE according to previous contracts and market practice and reviewed by government. c) PAP. High. Price is more or less fixed by Xiaoweiayang and reviewed by government.
Bargaining power of suppliers	a) Embryo transplantation services: Medium. Service providers' work is performance-based and they would like to get more work for a long term. b) Sheep raising services. Low. Government is involved and Xiaoweiayang will manage the project. Local households would be confident with the program. c) PAP. The nature of the work is poverty alleviation. Price and competition are not major issues.
Risk of new entrants	The nature of the work is its social and economic benefits for promoting sheep production industry and incorporate local herders into the value chain. It encourages community participation. Due to specialized nature of the requirements, there is low competitive rivalry and a smaller market, as well as low likelihood of new entrants.
Risk of substitutes	No substitutes available.

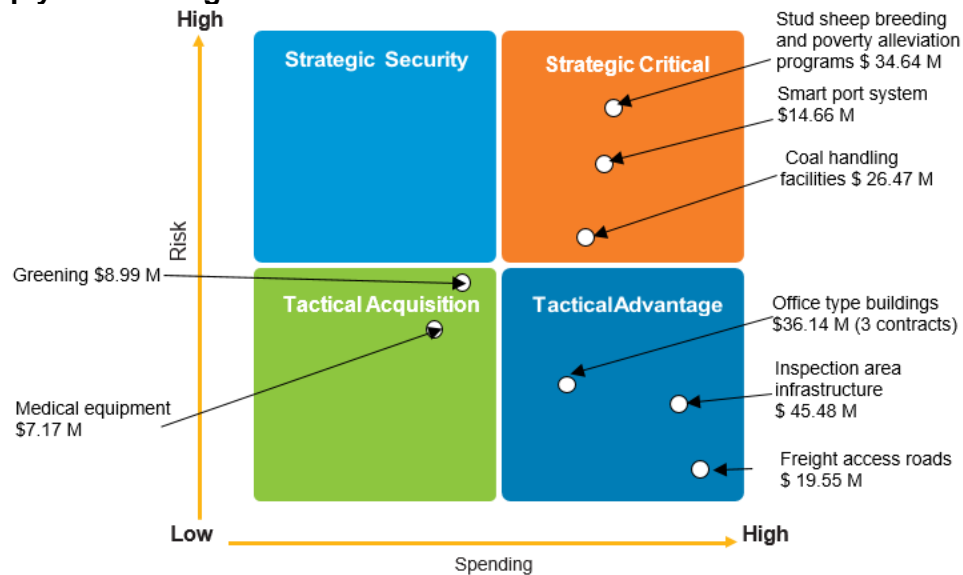
B. Key Procurement Conclusions

There are no particular issues for procurement of conventional works packages for roads and buildings. The locations are remote which discourage new entrants. However, there is already an available pool of contractors. Special attention should be paid to specialized contracts for smart port system, coal transport and storage facilities. Separate procurement of packages could reduce pricing power of suppliers compared to turnkey solutions, but smaller contract size might also reduce attractiveness to equipment suppliers. Separate procurement would require careful design and specification to ensure compatibility of various systems solutions.

Embryo transplantation services will adopt OCB for non-consulting services. LCB was considered but given the relatively high value of the contracts we think OCB is more suitable in this case.

Sheep raising services involve local communities, use more local knowledge and materials, and use labor-intensive and stud breeding technologies. To ensure sustainability and to achieve the social objectives of the subproject, community participation approach is more suitable due to the specific features of Xiaoweiayang subproject in agricultural sector.

The PAP will be implemented in accordance with the PIA to be signed between the Government of IMAR and Xiaoweiayang, which will specify the terms and conditions for onlending ADB loan proceeds for the establishment of a revolving fund in the amount of \$13.98 million, that will provide financing to Xiaoweiayang for supplying ewes, feeds, veterinary services to 2,000 households in return for growing and fattening lambs as part of the household income generation. Due to the absence of a single market for acquiring ewes and scattered location of beneficiary households, Xiaoweiayang will use the revolving fund to procure ewes from local households based on prevailing prices in the districts, where quality ewes are available. These arrangements are in line with the basic principles of economy and efficiency and therefore are acceptable to ADB.

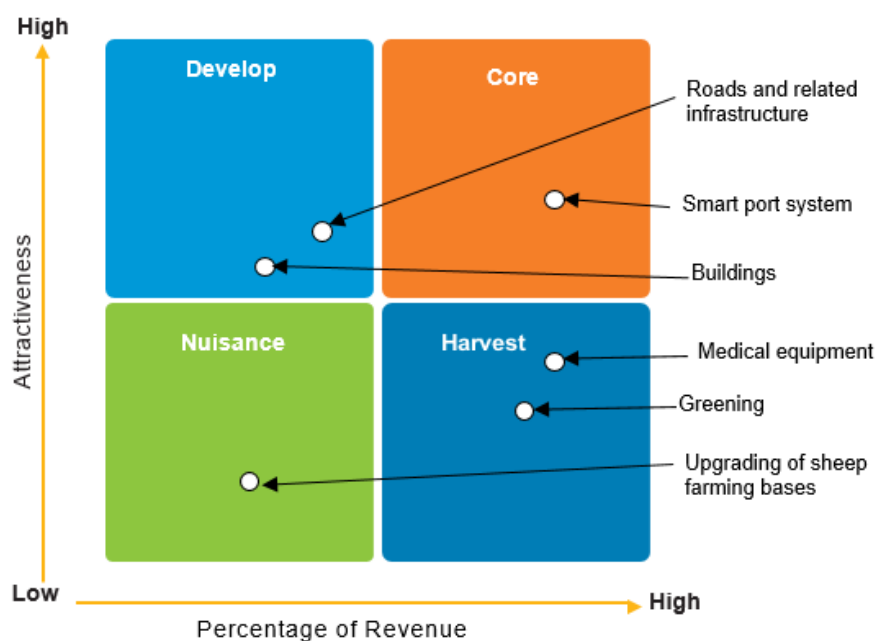
C. Supply Positioning**D. Key Procurement Conclusions**

Contract packages for Office type buildings, inspection area infrastructure and roads are standard with low procurement risk, categorized as tactical acquisition and tactical advantage.

Greening contract has relatively low value, but may have maintenance and operational risks and is categorized as tactical acquisition category.

Mandula Port customs inspection area and its systems, stud sheep breeding (embryo transplantation services) are more specialized and with higher contract value hence categorized as strategic critical category.

E. Supplier Preferencing



F. Key Procurement Conclusions

Building and road civil works in China rarely receive bids from international bidders due to the competitive pricing of domestic contractors.

Medical equipment contract package has substantial value and likely attractive to bidders. Such facilities may receive bids from international bidders due to the competitive pricing of some foreign brand equipment.

The smart port system contract package worth \$14.66 million, which is a large-scale facility, so should be attractive to bidders. There are many domestic suppliers, and international bidders would not be expected to participate.

For coal handling facilities at customs inspection area in Mandula Port, if procuring on a turnkey basis, the number of domestic suppliers is more limited. However, since the package includes civil works and supply and installation of equipment, so it would be procured using separate Works and equipment contracts, and a local partner or subsidiary is considered essential.

Section 4: Risk Management

A. Project Procurement Risk Assessment Risk Register

Risk Description	Likelihood ("L") (1–5)	Impact ("I") 1–5)	Risk Score (L x I)	Proposed Mitigation	Risk Owner
IAs and PIEs lack of familiarity with ADB procedures leads to delay	Almost certain 5	Moderate 3	15	Mitigate	IAs, PIEs
IAs and PIEs lack of procurement staff or specialist with English proficiency leads to delayed ADB's approvals	Almost certain 5	Moderate 3	15	Mitigate	IAs, PIEs
IAs and PIEs do not have access to an advanced government procurement training program	Almost certain 5	Moderate 3	15	Mitigate	IAs, PIEs
Bid evaluation committee members lack procurement expertise with respect to the procurement or goods or works under evaluation	Possible 3	Moderate 3	9	Mitigate	IAs, PIEs
Bid evaluation committees are subject to political interference	Possible 3	Moderate 3	9	Mitigate	IAs, PIEs
Bid rigging by contractors	Possible 3	Moderate 3	9	Mitigate	IAs, PIEs
IAs and PIEs have inadequate ethics and anticorruption measures in place	Possible 3	Moderate 3	9	Mitigate	IAs, PIEs

ADB = Asian Development Bank, IAs = implementing agencies, PIEs = project implementing entities.

Section 5: Options Analysis

3. Erenhot smart port system. Option A is procurement under a single contract. Option B is procurement under separate contracts for various systems, and supply and installation of equipment. Design Institute and the Implementing Agency prefer to use Option A. Market survey demonstrates there are sufficient number of potential bidders, who can provide integrated solution (Appendix A: Potential Bidders for Smart Port System).

4. Mandula Port customs inspection area, coal storage and transfer system. Option A is procurement under a single contract. Option B is procurement under separate contracts for civil works, and for mechanical and electrical equipment. Design Institute and the Implementing Agency suggested applying Option B. Market survey confirmed separated contracts is preferable for the simple nature of the works (Appendix B: Potential Bidders for Coal Transport and Storage Facilities).

5. Option of using FIL to Xiaowei yang was explored. However, the Government of IMAR is comfortable with debt servicing capacity of Xiaowei yang with sufficient collateral provided to ensure the repayment and recovery of the loan. Also considering the large benefits to be provided to the poor households and rural communities through the implementation of Stud Sheep Breeding Program and PAP, the Government of IMAR confirmed that the ADB will be onlent to Xiaowei yang as the same ADB loan terms, through the government onlending procedures. This arrangement is considered more cost-effective and good value for money.

Strategic Options Description	Feasibility (1–10)	Suitability (1–10)	Acceptability (1–10)	Overall (3–30)
1a) smart port system as one contract	10	8	8	26
1b) smart port system as separate contracts	10	8	8	26
2a) coal storage warehouse civil works, material and equipment as one contract	10	8	8	26
2b) coal storage warehouse civil works, material and equipment as separate contracts	10	8	8	26
3a) Xiaowei yang Stud Sheep Breeding Program - embryo transplantation services: OCB non-consulting services contracts	10	8	8	26
3b) Xiaowei yang Stud Sheep Breeding Program - embryo transplantation services: LCB consulting service	10	6	6	22
4a) Poverty alleviation program: commercial practices and output/delivery based	10	8	8	26

OCB = open competitive bidding, LCB = limited competitive bidding.

Section 6: Procurement Strategy Summary

6. The indicative Procurement Plan has been prepared with the following assumptions:
- The packages distribution provided is tentative and may vary as per the requirement of carrying out Tranche 1;
 - The Estimated Value indicated for each contract package in the Procurement plan are tentative and may vary;
 - The Estimated Value indicated for each contract package in the Procurement plan are confidential and are for internal consumption only as values to be put in the tenders is not yet finalized and hence the same should not be uploaded on the website for any reference by the prospective bidders;
 - The Estimated Value indicated for each contract package will also be impacted with the variation in the Exchange rate. For the subject estimation, an exchange rate of \$ 1.00 = CNY 6.9196 (as of 25 August 2020 is applied; and
 - The Advertisement Date mentioned for each contract package is also tentative and may be preponed or postponed as per the requirement of carrying out Tranche 1.
7. The following table lists goods, works, non-consulting, and consulting services contracts for which the procurement activity is either ongoing or expected to commence within the procurement plan's duration.

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
ECW1-1	Erenhot - Inspection center: 1) a building area of 4,000 m ² . 2) an auxiliary building with floor area of 2,000 m ²	3,641,829	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW1-2	Erenhot inspection area - infrastructure for the North Plaza, including: 1) Roads and pipeline network cover 162,000 m ² ; 2) Greening 49,700 m ² ; 3) 2,500 m fences	25,554,945	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW1-3	Erenhot inspection area - Infrastructure for the South Plaza. 1) Roads and pipeline network cover 132,300 m ² ; 2) greening 60,800 m ² ; 3) 2,300 m fences	21,478,698	OCB	Prior	1S1E	Q1, 2022	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
EG2-1	Erenhot - Smart Port management system	15,160,863	OCB	Prior	1S1E	Q2, 2021	Advertising: International Number of contracts: 1 Prequalification of bidders: Yes Advance contracting: No Bidding document: Goods E-procurement: No
ECW3-1	PRC-Mongolia Regional Cooperation Center, with a floor area of 20,000 m ²	17,118,829	OCB	Prior	1S1E	Q3, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
ECW5-1	Erenhot - Ecological protection greenbelt along the central axis, including reclaimed water storage and irrigation facilities, and landscape lighting, covers an area of 24.49 ha	9,295,902	OCB	Post (sampling)	1S1E	Q3, 2023	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
ECW6-1	Erenhot - 1) one waste collection and transfer station; 2) supporting facilities; and 3) sanitation intelligent cloud platform	712,614	OCB	Post (sampling)	1S1E	Q3, 2024	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
EG4-1	86 sets of medical equipment and facilities for PRC-Mongolia International Hospital in Erenhot	Lot 1: 4,494,479 Lot 2: 216,053 Lot 3: 1,085,323 Lot 4: 830,973 Lot 5: 210,995 Lot 6: 534,713 Lot 7: 43,355	OCB	Prior for Lots 1 and 2, Post (sampling) for Lots 3-7	1S1E	Q2, 2021	Advertising: International Number of contracts: 7 Prequalification of bidders: No Advance contracting: No Bidding document: Goods E-procurement: No
MCW1-1	Mandula Port - freight passage roads, with a total length of 4.4 km and a width of 9 m	20,221,166	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works, E-procurement: No
MCW2-1	Mandula Port – service area (317 mu of land area): 1) a closed parking area; 2) a vehicle repair service area; 3) a new 3-floor service building	16,625,611	OCB	Prior	1S1E	Q1, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
MCW3-1	Mandula Port - 1) Customs Inspection Center (400 mu of land area); and 2) a fully enclosed warehousing shed for coal transfer and storage	21,478,698	OCB	Prior	1S1E	Q1, 2022	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
XWY-CW-1	Xiaoweiyang - Quarantine station at Mandula Port	3,603,821	OCB	Prior		Q4, 2023	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Works E-procurement: No
XWY-ET-1	Xiaoweiyang - Stud Sheep Breeding Program - Embryo transplantation services – 20,000 pieces	Lot 1: 2,095,496 Lot 2: 2,095,496	OCB	Prior for the first contract, post (sampling) for the second contract	1S1E	Q2, 2021	Advertising: National Number of contracts: 2 Prequalification of bidders: No Advance contracting: No Bidding document: non-consulting services E-procurement: No
XWY-ET-2	Xiaoweiyang - Stud Sheep Breeding	Lot 1: 1,414,461	OCB	Post (sampling)	1S1E	Q2, 2021	Advertising: National Number of contracts: 4

Goods, Works, and Nonconsulting Services							
Package No.	General Description	Estimated value (\$)	Procurement method	Review	Bidding procedure	Advertisement Date (quarter, year)	Comments
	Program - Embryo transplantation services - 27,000 pieces	Lot 2: 1,414,461 Lot 3: 1,414,461 Lot 4: 1,414,461					Prequalification of bidders: No Advance contracting: No Bidding document: non-consulting services E-procurement: No
XWY-SSR	Xiaoweiayang - Stud Sheep Breeding Program – stud sheep raising services	11,532,055	Community participation	Prior for the 1 st two contracts, the rest for post (sampling)		Q3 2021	Advertising: No Number of contracts: 300 Prequalification of bidders: No Advance contracting: No Bidding document: community participation agreements E-procurement: No
XWY-G	Xiaoweiayang - Establishment of products traceability and management system	1,932,915	OCB	Prior	1S1E	Q2, 2021	Advertising: National Number of contracts: 1 Prequalification of bidders: No Advance contracting: No Bidding document: Goods E-procurement: No

Consulting Services							
Package No.	General Description	Estimated value (\$)	Selection method	Review	Type of Proposal	Advertisement Date (quarter, year)	Comments
ICS-1	Project start-up support – Municipal Engineer	23,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 3 person-months
ICS-2	Project start-up support – Procurement and Contract Management Specialist	23,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 3 person-months
ICS-3	Project start-up support – Environment Safeguard and ESMS Specialist	17,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 2 person-months
ICS-4	Project start-up support – Social Safeguard and ESMS Specialist	17,000	ICS	Prior	EOI	Q4, 2020	Advance contracting, 2 person-months
CS-1	Project implementation consulting services for project management support and capacity building	1,059,000	QCBS	Prior	FTP	Q2, 2021	Quality-cost ratio of 90:10
CS-2	External environment monitoring services	220,000	CQS	Prior	STP	Q2, 2021	

CQS = Consultants' Qualifications Selection, CS = consulting service, EOI = expression of interest, ICS = individual consultant selection, FTP = full technical proposal, QCBS = quality- and cost-based selection, STP = simplified technical proposal.

A. Procurement Packaging and Scheduling

8. In terms of infrastructure, 10 civil works and 3 equipment contract packages are proposed for ADB financing. 7 civil works and 1 goods contracts are proposed for domestic counterpart financing. 6 nonconsulting service contracts for embryo transplantation services through OCB, 300 sheep raising services contracts between Xiaoweiayang and local households/herders through community participation method are proposed for ADB financing. Six ADB financed consulting service contracts through ICS, QCBS or CQS will be signed. Construction duration of all civil

works contracts is provisionally set at 24 months considering the short construction season in IMAR.

Type of contract	No. of contract	Procurement method	Estimated value (\$)
Civil works	10	OCB	139,704,832
Goods	9	OCB	24,509,669
Non-consulting Service (Embryo Transplantation Services)	6	OCB	9,848,836
Sheep raising services	300	Community participation	11,532,055
Individual consultants	4	ICS	80,000
Consulting firm (subproject management support and capacity building)	1	QCBS (90:10)	1,059,000
External environmental monitoring firm	1	CQS	220,000
Total	331		186,954,392

CQS = Consultants' Qualifications Selection, ICS = Individual consultant selection, OCB = open competitive bidding, QCBS = quality- and cost- based selection.

B. Procurement Method

9. OCB will be used for ADB financed contracts for works and goods. Advertising will be national advertising for all works contracts with the exception of the specialized/high value goods contracts for a) smart port facilities, and b) medical equipment. Bid preparation time for OCB national advertising and international advertising will be a minimum of 28 and 42 days respectively. Offline bid submission shall be applied, and the government's Inner Mongolia e-procurement center will not be used as its procedures using scoring systems are incompatible with ADB guidelines.

10. For embryo transplantation activities under Xiaoweiayang Stud Sheep Breeding Program, OCB with national advertising will be used. Six nonconsulting services contracts will be signed between Xiaoweiayang and the service provides, who would be either firms or individuals. Performance/output-based contract shall be applied.

11. Sheep raising activities under Xiaoweiayang Stud Sheep Breeding Program involve local communities, use more local knowledge and materials, and use labor-intensive and stud breeding technologies. To ensure sustainability and to achieve the social objectives of the subproject, community participation approach will be used, taking into consideration of the specific features of Xiaoweiayang subproject in the agricultural sector. 300 contracts will be signed between Xiaoweiayang and individual households/herders through community participation, who are willing to participate in the program and satisfy the basic requirements for sheep raising.

12. The PAP will be implemented in accordance with the PIA to be signed between the Government of IMAR and Xiaoweiayang, which will specify the terms and conditions for onlending ADB loan proceeds for the establishment of a revolving fund in the amount of \$13.98 million, that will provide financing to Xiaoweiayang for supplying ewes, feeds, veterinary services to 2,000 households in return for growing and fattening lambs as part of the household income generation. Due to the absence of a single market for acquiring ewes and scattered location of beneficiary households, Xiaoweiayang will use the revolving fund to procure ewes from local households based on prevailing prices in the districts, where quality ewes are available. These arrangements are in line with the basic principles of economy and efficiency and therefore are acceptable to ADB. By implementing the PAP, 1,250 tripartite agreements between Xiaoweiayang, scaled

F. Review Requirements

19. For (i) all ADB-financed contracts with advance contracting, and (ii) the first ADB-financed contract of each type (OCB advertised internationally or nationally) for civil works and goods under each PIE, ADB's prior review and approval of the following documents (if applicable) will be required: invitation for bids, bidding document and relevant clarification and addendum (if any), bid evaluation report, draft negotiated contract, signed contract, and contract variations.

20. For Xiaowei yang Subproject, the first embryo transplantation service contract, the first two contracts under the community participation method, and the first two tripartite agreements under the PAP will be required for prior review. Post review (sampling) is applied to the remaining packages related to Xiaowei yang's embryo transplantation, sheep raising services, and PAP.

21. For the FIL, ADB will prior review the first two SME subloan agreements and qualified SME subproject summary documents from each FI. If an individual loan size exceeds the free limit (CNY 15 million), a draft subloan agreement and a qualified SME subproject summary sheet will need to be submitted for ADB's prior review and approval.

22. ADB's prior review is applicable to other complex packages with high risk and high value (normally higher than \$ 10 million), based on the procurement risk assessment and strategic procurement planning (SPP).

23. For OCB packages under post review (sampling), (i) ADB's prior approval of the invitation for bids, bidding document, bid evaluation report, and draft negotiated contract (if applicable) will not be necessary, as long as the first type of OCB bidding document approved by ADB is used as the master bidding document without substantial modification; (ii) procurement process can be conducted without ADB's prior approval (if a bidding document is internationally advertised, the invitations for bids need to be submitted to ADB at latest one week before the advertisement for parallel advertisement in Business Opportunities of ADB's website); (iii) after the contract is signed, the issued invitation for bids, issued bidding document and relevant clarification and addendum (if any), bid evaluation report, screenshot of bid evaluation result publication, notification of contract award, and signed contract (if applicable) needs to be submitted to ADB for review and approval; and (iv) noncompliance in procurement may be determined by ADB for procurement transactions incompliant with ADB Procurement Policy and Procurement Regulations (2017, as amended from time to time). Remedial actions must be taken by the borrower and subborrowers.

24. For all ADB-financed consultant recruitments, ADB's prior review and approval of each step will be required.

25. For the subloans through FIL, the procurement will be undertaken by the respective Qualified Subborrowers in accordance with the established private sector or commercial practices, which are acceptable to ADB. The IPMO and FIs will ensure that the Qualified Subborrowers use procurement practices acceptable to ADB. Qualified Subborrowers will be encouraged to procure through OCB or Request for Quotations when such procurements are most appropriate in the interest of economy and efficiency.

26. According to procurement review guidance note, it is recommended that the borrower initiates post review (sampling) and informs ADB immediately after 25%-50% of the value of contracts under post review (sampling) stated in the procurement plan were signed. For efficiency,

post review (sampling) may be scheduled and conducted for more than one project implemented by the borrower or for multiple projects located in the same region.

27. Under post review (sampling), the borrower approves the award and signs the contracts, while ADB will post review only a sample of contracts awarded and signed. The sample size should endeavor to capture contracts representing (i) about 30% – 50% of total project value and (ii) about 20% of the total number of contracts identified for post review (sampling). ADB should ensure that, to the extent possible, all types of contracts are included in the sample.

G. Standstill Period

28. Not proposed.

H. Standard Bidding Documents and Contract Forms

29. Standard bidding documents and contract forms that will be applied under Tranche 1 are listed as follows:

- Works packages with OCB advertised nationally: Standard Bidding Documents for Procurement of Civil Works Financed by International Financial Institutions (the SBDs), issued by the Ministry of Finance, PRC.
- Goods packages with OCB advertised internationally: ADB's standard bidding document template.
- Goods packages with OCB advertised nationally: Standard Bidding Documents for Procurement of Goods Financed by International Financial Institutions (the SBDs), issued by Ministry of Finance, PRC.
- Consulting and non-consulting services packages: ADB's Standard Request for Proposal Template.

30. All works and goods contracts are presumed to be design-bid-build.

31. Potential candidates for design-build method are the Mandula Port coal transfer system, since those contracts require integration of civil works and equipment designs. Discussions to date with the Design Institutes and PIEs have shown a preference to adopt design-bid-build due to simplicity of the method and their higher familiarity.

32. Use of ADB small works template might be justified for the smaller building contracts, however use of two contract templates would increase complexity for the implementing agencies, therefore, it is proposed to apply ADB Works (large) template for all works contracts.

I. Pricing and Costing Method

33. Contracts will be unit price or lump sum for all contracts. Costing will be based on cost norms.

34. Non-consulting services contracts for embryo transplantation and community participation for sheep raising under Stud Sheep Breeding Program and performance/output-based contract shall be applied for the PAP. Pricing and costing e.g. unit of succeeded embryo or sheep will be done by Xiaowei yang in line with market price and reviewed by government agencies, external monitor and/or project implementation consultants (Sheep Breeding Specialist, TOR is included in Append 4 of the Facility Administration Manual).

J. Key Performance Indicators

35. Key performance indicators has been developed and included in the Design and Monitoring Framework (DMF) as per output, include but not limited to the construction of new port systems, new logistics park, new customs inspection center, income generation and jobs to be provided for the poor households.

K. Evaluation Method

36. The evaluation method includes:

- Lowest evaluated substantially responsive bid price for all works and goods contracts.
- Rated criteria would be used for non-consulting services contracts of embryo transplantation, community participation for sheep raising.

L. Contract Management Approach

37. For contracts under community participation and tripartite agreement under the PAP, it is very important that payment procedures consistent with contractual procedures and to be made clear to all parties. The procedures frame the core obligation (but not the only obligation) of the employer toward the contractor; therefore, it is important that they be explained and made known to all officers in charge of the payment process in the POE so that payments are made on time to local households/herders. Late payments are a frequent cause of disputes between the parties, and usually entitle the contractor to financing charges (late payment interest) without prejudice to any other right or remedy under the contract. A detailed contract management plan (CMP) shall be in place prior implementation, which may include graphs or flowcharts (with the time frame) that will illustrate these procedures in a visual form (certain standard forms of contract provide such graphs).

M. Value for Money

38. To achieve value for money, at the SPP stage, market conditions, operational context, client capability, contract duration and timing, previous experience, risks present, and all appropriate procurement modalities and bidding arrangements have been considered.

39. A procurement market assessment was undertaken to understand and assess the availability of potential qualified bidders to supply works, goods and services.

40. Under Tranche 1, civil works include roads, green, and building facilities such as custom inspection center, regional cooperation center, service buildings in logistic park, custom surveillance site, quarantine station and waste collection and transfer stations. These works are common in the PRC and the market is highly competitive with sufficient providers. There are thousands of enterprises in the PRC with general contractor licenses. With consideration of different implementing agencies, locations, and construction time schedule, the civil works are separated into 10 packages, with a total cost estimate of \$ 135.076 million. Alternative bid is not allowed.

41. The goods contracts include equipment for smart port system, medical equipment for Erenhot PRC-Mongolia International Hospital and sheep traceability and management system. Most of the equipment to be procured in Tranche 1 are common. The market for the equipment is competitive with sufficient suppliers. Certain equipment may be manufactured overseas,

however, usually could be provided by the domestic import agent for the foreign goods. Considering different types of equipment and delivery time schedule, the goods are separated into 3 packages, with a total cost estimate of \$ 23.70 million.

42. OCB will be used for ADB financed contracts for works and goods. Advertising will be national advertising for all goods and works contracts, with the exception of the high value goods contracts for a) smart port facilities, and b) medical equipment, which will be internationally advertised.

43. Under Xiaowei yang Subproject, two programs are proposed including Stud Sheep Breeding Program and PAP. Stud Sheep Breeding Program includes embryo transplantation and sheep raising activities. OCB with national advertising will be used for the six non-consulting services contracts for embryo transplantation. Sheep raising activities will involve community participation approach, taking into consideration of the specific features of Xiaowei yang subproject in the agricultural sector. 300 contracts will be signed between Xiaowei yang and individual households/herders through community contracting.

44. The PAP will be implemented in accordance with the PIA to be signed between the Government of IMAR and Xiaowei yang, which will specify the terms and conditions for onlending ADB loan proceeds for the establishment of a revolving fund in the amount of \$13.98 million, that will provide financing to Xiaowei yang for supplying ewes, feeds, veterinary services to 2,000 households in return for growing and fattening lambs as part of the household income generation. Due to the absence of a single market for acquiring ewes and scattered location of beneficiary households, Xiaowei yang will use the revolving fund to procure ewes from local households based on prevailing prices in the districts, where quality ewes are available. These arrangements are in line with the basic principles of economy and efficiency and therefore are acceptable to ADB. By implementing the PAP, 1,250 tripartite agreements between Xiaowei yang, scaled households/cooperatives and poor local households/herders will be signed. These agreements will involve 25 large households. Each household will bring 80 poor local households/herders, including 50 ones from ADB-financed agreements, and 30 ones from revolving funds financed agreements.

45. Based on the market analysis, OCB with national advertising is the preferred method for procurement of goods and works in this subproject. In order to save time and cost, one stage and one envelope procurement method will be adopted. All procurement packages for goods and works will be evaluated based on the lowest evaluated price, where cost is the main contributor to value for money, and contracts will be awarded to the lowest evaluated substantially responsive bidder.

46. Consulting services include subproject start-up support, implementation support, and external environment monitoring services. The market for consulting services has been growing very fast in the past decade. There are a reasonable number of consultants operating in the PRC who can meet the subproject needs. However, for some specific specialized positions, it is suggested to advertise internationally for the recruitment of consultants. Taking into consideration of different implementing agencies and various specialties of consulting services, the consulting services are separated into 6 packages, with a total cost estimate of \$ 1.359 million. Two stage procurement method will be adopted.

47. For consulting service contracts, methods of OCB advertised both internationally and nationally will be used, depending on the expertise's availability within the PRC. Based on detailed analysis of the complexity, risk, and availability of consultants of various consulting service

contracts, different recruitment methods will be used, i.e. ICS, QCBS, and CQS. Weighted and scored non-cost (quality) criteria will be used. For QCBS, the contract will be awarded to the first-ranked consultant with the highest combined score.

48. E-procurement through government e-procurement PRTC (Inner Mongolia Public Resource Trading Center) will not be adopted. The possibility of using the PRTC for ADB project is explored. However, bids using PRTC will need to follow domestic procedures and requirements for documentation and approvals. ADB project may not be able to get all the approvals required by various government agencies. PRTC e-procurement scoring systems are incompatible with ADB guidelines. In addition, advertisement avenues for ADB projects can reach wider potential bidders especially for internationally advertising, while PRTC covers limited range.

49. In the project implementation stage, an effective contract management plan will be developed to ensure that the contracts are successfully implemented and that the deliverables are met as agreed in the contract.

Annex 1: Potential Bidders for Smart Port System

No.	Name of the Company	Contact	Registered address	Address	Year of Foundation	Registered capital (CNY million)	Business Scope	Note:
1	Wuhan Gaode Hongwai Co., Ltd.	027-81288285	No.6 Huanglongshan South Road, Donghu Development Zone, Jiangxia District, Wuhan, Hubei.	No.6 Huanglongshan South Road, Donghu Development Zone, Jiangxia District, Wuhan, Hubei.	2004/7/13	936.384046	Development, production, technical services, sales and import and export of instrumentation, electronic products, optical materials and components, optical and optoelectronic systems, semiconductor devices and integrated circuits, electrical machinery and devices, automatic control equipment, software (excluding the prohibited or restricted goods or technology for import or export); design and construction of safety technology prevention engineering. (In the above-mentioned business scope, the enterprise can operate the project approved or with the permit within the approved time limit).	Well-known brands in the port industry, listed company
2	Shengshi Technology Co., Ltd	0755-83849888	1601, 1605 East Tower, Tianan Innovation Technology Square Phase II, Taian Shi Road, Tianan Community, Shatou Street, Futian District, Shenzhen.	1601, 1605 East Tower, Tianan Innovation Technology Square Phase II, Taian Shi Road, Tianan Community, Shatou Street, Futian District, Shenzhen.	1/16/1997	94.68	Computer image algorithm, computer software, mechatronics products, industrial automation equipment, office automation equipment, intelligent products, communication information equipment, electronic products, security products, computer networks and database technology development and sales; weak electricity intelligent system, intelligent control System, communication network system, information security system, security system design, technical consultation, installation and maintenance services; computer information system integration; operation of import and export business (except for those prohibited by laws, administrative regulations, and the State Council, the restricted projects must be operated after obtaining the license); equipment rental (excluding financial rental); construction works. (Except for the above-mentioned project laws, administrative regulations, and projects prohibited by the State Council, restricted projects must be licensed before they can be operated). Production of mechatronic products, industrial automation equipment, office automation equipment, building intelligent control equipment, communication information equipment, electronic products, security products, computer networks and database products.	Well-known leading brand of port overall solution
3	Nanjing Sanbao Technology Group Co., Ltd.	025-84356635	No.3 Maqun Avenue, Maqun Technological Park, Qixia District, Nanjing	No.3 Maqun Avenue, Maqun Technological Park, Qixia District, Nanjing	6/12/1993	1633	Investment and development of high-tech industries; project investment, consulting services, asset management; import and export of various commodities and technologies (excluding goods and technologies that are restricted by the state and prohibited by import and export); daily necessities, jewelry, Sales of hardware, office equipment, office supplies, household appliances, building materials, metal materials (except tungsten, tantalum, tin, gold); housing leasing. (Projects subject to approval according to law may be operated after approval of relevant departments)	high-tech enterprise
4	Dalian Xiangsheng Electronic	0411-39677966	No.133 and 134, Third Floor, Jinma	No.133 and 134, Third Floor, Jinma	2005/12/12	20	Financial office equipment, computers and consumables, electronic products, communication equipment, office supplies, artificial intelligence equipment, electronic safes, handicrafts,	Excellent well-known company

No.	Name of the Company	Contact	Registered address	Address	Year of Foundation	Registered capital (CNY million)	Business Scope	Note:
	Equipment Co., Ltd.		Zhenfu Store, No.18 Caishi Street, Xigang District, Dalian City, Liaoning Province.	Zhenfu Store, No.18 Caishi Street, Xigang District, Dalian City, Liaoning Province.			water purification equipment, Wujinjiadian, daily sundries sales; bank-specific machine sales, maintenance; smart vault, Intelligent printing control instrument, printing platform, bank self-service equipment research and development; computer software development, technology transfer, technical services; computer system integration; integrated wiring; lighting engineering design, construction; operating advertising business; domestic general trade (The project subject to legal approval can be carried out after approval by relevant departments.)	
5	Wuhan Huazhong Digital Control Co., Ltd.	027-87180091	Huazhong Technological Park, Donghu Development Zone, Jiangxia District, Wuhan, Hubei.	Huazhong Technological Park, Donghu Development Zone, Jiangxia District, Wuhan, Hubei.	1905/6/16	172.76555	Development, research, production, technical services of CNC systems, robots, intelligent production lines, new energy vehicle design and ancillary products, mechatronics, electronics, computers, lasers, communications, industrial software, infrared and other technologies and products; sales of development products ; mechanical and electrostatic spray processing; operating the export business of self-produced products and technologies of the enterprise and member companies; operating raw materials, instruments, machinery, spare parts and technology required for scientific research and production of the enterprise and member companies Export business (excluding commodities that are restricted and prohibited by the state)	Well-known brands in the port industry, listed company
6	Shanghai Renji Instrument Co., Ltd.	021-68183030	A1-204 room, No.58 Fumin Branch Road, Hengsha Township, Chongming District, Shanghai.	A1-204 room, No.58 Fumin Branch Road, Hengsha Township, Chongming District, Shanghai.	2008/5/20	20	Technology development, technology transfer, technical consulting and technical services in the sector of instrumentation, sales of instrumentation, computers and accessories, communication equipment, telecommunications equipment, electronic system equipment, electronic products, machinery and equipment and hardware; development and sales of computer software, import and export of goods and technology, the following branches operate: production, R&D, sales of manufacturing metering instruments, radiation protection products, monitoring equipment. [Projects subject to approval according to law, can be carried out after approval by relevant departments]	high-tech enterprise
7	Beijing Zhonghang Weak System Engineering Co., Ltd.	010-68002626	No.1101 Room, 11th Floor, No.9 Xiaguangli, Chaoyang District, Beijing	No.1101 Room, 11th Floor, No.9 Xiaguangli, Chaoyang District, Beijing	1998/9/4	30.1	Integrated wiring engineering and computer control engineering construction; installation and commissioning of mechanical and electrical equipment; technology development, technical services; sales of electronic computer hardware and software and external equipment, communication equipment (except radio transmission equipment). (Enterprises shall select operating projects and carry out business activities according to laws and regulations by themselves; The projects that are subject to approval shall be subject to the approval of relevant	high-tech enterprise

No.	Name of the Company	Contact	Registered address	Address	Year of Foundation	Registered capital (CNY million)	Business Scope	Note:
							departments; Enterprises mustn't engage in the business activities of industrial prohibition and restriction in the city)	
8	Shenzhen Xinghuo Electrical Engineering Co., Ltd.	0755-84449561	Floor 25-26, Huajia Square, No.2216 Hubei Road, Luohu District, Shenzhen	Floor 25-26, Huajia Square, No.2216 Hubei Road, Luohu District, Shenzhen	1988/4/14	60.8	The business scope includes: maintenance of safe electronic products, installation and consulting service of security, electronic equipment; sales and maintenance of computer software development and engineering networking; radio walkie-talkie, pagers, special certificates, communication equipment installation and technical services; sales of security electronic products, sales and maintenance of radio communication equipment, maintenance of household appliances and copiers; sales of electronic computer security products; import and export business (according to China Import and Export Enterprise Qualification Certificate); computer safety regulations, virus prevention, crime prevention network security, tourism security management information system training; undertaking the installation and commissioning of intelligent building automation system, communication automation systems, office automation systems and structural integrated wiring systems. Design and sales of craft gifts; economic information consultation (excluding restricted items); Development and sales of communication products; sales of computer hardware and software products, technical defense products, electronic products; domestic trade (excluding franchise, special control, monopoly commodities); labor insurance supplies, advertising materials, transportation facilities and equipment, reflective materials and affiliated products, clothing agents, sales; network server leasing; network server hosting; VPN line leasing. Property management; equipment leasing (excluding financial leasing business); property leasing (excluding financial leasing business), property management; real estate brokerage; real estate information consultation; equipment maintenance; database service, database management; web development, service, sales; engineering; video research service. The business with licenses are: wine wholesale (operating with licenses); labor dispatch; research and development of computer software, hardware and security products, production and sales.	state-owned enterprise
9	Hainan Intelligent Port Online Services Co., Ltd.	0898-68877008	Floor 20, Haihang Mansion, No.7 Guoxing Avenue, Meilan District, Haikou, Hannan	Floor 20, Haihang Mansion, No.7 Guoxing Avenue, Meilan District, Haikou, Hannan	2010/3/17	300	Technology development, technical services, technology transfer, technical consultation of computer software and hardware and systems; database and network services; Internet information service; cloud platform, cloud infrastructure, cloud software; import and export of various goods, equipment, commodities and technology; agent services and sales	High-class well-known company

No.	Name of the Company	Contact	Registered address	Address	Year of Foundation	Registered capital (CNY million)	Business Scope	Note:
							operations; warehousing and logistics services (except hazards goods); customs agent, agent inspection.	
10	Zhuhai Dahengqin Port Industrial Co., Ltd.	0756-6313910	C318,Entry declaration building, Hengqin Port, Hengqin New District, Zhuhai	C318,Entry declaration building, Hengqin Port, Hengqin New District, Zhuhai	4/25/2011	500 million	The business scope includes: construction, development and operation of the Class I ports; self-financed projects; agent construction; advertising design, production and publishment agency; commercial wholesale, retail (excluding licensed business projects); technical consulting, real estate development, property management (all shall be operated with qualification); port construction and operation, warehouse services; logistics industry; parking lot management; housing leasing; free trade import and export, commodity sales business; exhibition, sales and franchising, catering services. (For the activities subject to the legal approval, it shall be carried out only after the approval by relevant departments)	state-owned enterprise

Annex 2: Potential Bidders for Coal Handling Facilities

Part	Company Name	Contact	Registered location	Year of foundation	Registered Capital (CNY million)	Business scope
Auto-spiral	Jiangsu Fulaisi Machinery Co., Ltd.	18852551888	Gaoyou, Jiangsu	November 8th 2007	50.6	Electro-hydraulic push rod, hydraulic automatic adjusting device, hydraulic machinery, hydraulic automatic tensioning device, coal mine machinery, petroleum machinery, electric machinery, belt conveyor, fan, dust collector and hydraulic machinery related electrical appliances, standard parts, textile machinery production, Sales, electromechanical installation.
	Hunan Wantong Technology Co., Ltd.	15874935956	Changsha, Hunan	May 31st 1999	60	Machine with special function, special equipment for electrical machinery, special equipment for metallurgy, industrial robot, steel structure, industrial automatic control system device, continuous transport equipment, manufacturing of filling and palletizing system and transport equipment; processing of mechanical parts; installation of special equipment (except elevators and boilers); special equipment manufacturing for refining and chemical production; import and export of other machinery and equipment; grain storage; integrated circuit design; software development; information system integration services; information technology consulting services; data processing and storage services.
	Harbin Hetai Power Equipment Co., Ltd.	15104617041	Harbin, Heilongjiagn	December 18th 1998	50	Electrical machinery, electrical equipment manufacturing and maintenance; electrical and mechanical product design, technical consulting and services; mechanical and electrical equipment installation services; thermal power equipment services; construction engineering; import and export operations.
Bucket wheel intake	Dalian Huarui Heavy Industry Group Co., Ltd.	18525306086	Dalian, Liaoning	February 18th 1993	1931.37	Mechanical equipment design and manufacture, installation and commissioning; preparation, spare parts supply; metal products, metal structure manufacturing; tools, molds, model design, manufacturing; metal surface treatment and heating processing; mechanical and electrical equipment parts and manufacturing, collaborative processing; crane equipment special equipment design , manufacturing, installation, modification, maintenance; pressure vessel design, manufacturing; steel casting, cast iron, cast copper, cast aluminum, forging processing; steel ingot casting, steel rolling, dustproof equipment design, manufacturing, installation , commissioning; casting process and material technology development; modeling material manufacturing; import and export of goods, technology import and export; real estate development; warehousing; commercial trade; general contracting; mechanical and electrical equipment leasing and technology development, consulting; computer applications; mechanical and electrical equipment installation; ordinary freight; domestic freight forwarding; contracted by sea, land, air international freight forwarding agency (including customs declaration, inspection); manual handling; cargo packaging; large object transportation.
	Taifu Heavy Equipment Group	1867325775	Changsha, Hunan	August 29th 2012	1846	Research, design, production, sales and construction of complete sets and accessories for mining equipment, material transport equipment, port machinery equipment, transmission and distribution equipment, engineering machinery, electronic system equipment; design, manufacture, installation and service of steel structures; project management; engineering consulting, construction and general contracting; industrial investment, investment management and related consulting services.

Part	Company Name	Contact	Registered location	Year of foundation	Registered Capital (CNY million)	Business scope
	Jiangyin Dadi Equipment Co., Ltd.	0510-86992870	Wuxi, Jiangsu	December 1st 1995	104.5	General machinery, special equipment, metal products, machinery parts manufacturing, processing and sales; sales of metal materials; various types of goods and technology import and export business by self-employment or agency, (except for the goods and technology which are limited or prohibited by the state for import and export) ; installation of mechanical equipment; transportation of ordinary goods by roads; maintenance of electrical machinery and equipment.
	Jiaozuo Keruisen Heavy Equipment Co., Ltd.	0391-3683666	Jiaozuo, Henan	May 30th 2003	129.2	Research, design, production, sales and construction of complete sets of mining equipment, material transport equipment, port machinery equipment and accessories; project management; engineering consulting, design, construction and general contracting; mechanical and electrical installation engineering, building construction engineering, design and construction of chemical petroleum engineering ; the export business of self-produced products and technologies of the enterprise, and the import and export of machinery, spare parts, raw and auxiliary materials and technology required by the enterprise.
	Huadian Caofeidian Heavy Industry Equipment Co., Ltd.	0315-6735777	Tangshan, Hebei	May 20th 2009	362	Large and medium-sized thermal power, hydropower, wind power, nuclear power, coal, petroleum, chemical, natural gas, port, transportation, municipal, metallurgy, building materials, marine engineering, food industry equipment, bulk material conveying systems, pipeline engineering, construction machinery, lifting design, manufacture, installation, commissioning and related engineering design, construction and general contracting of mechanical and steel structures and technical consulting and technical services, spare parts supply, cargo import and export business; self-owned house leasing; ship leasing; * providing terminal facilities for ships; Providing cargo transport services in the port area; port facility leasing services.

Annex 3: Potential Bidders for Embryo Transplantation Services

Company Name	Contact	Place of registration	Address	Year of establishment	Registered Funds (CNY 10,000)	Business scope
Beijing Waterco Pastoral Technology Co., Ltd.	Jiang Yunjiu	Beijing	Zhongguancun Street, Haidian District, Beijing, 8th floor 04-308	August 22 2014	80	Technology development, technical advice, patent transfer, promotion, technical services; software development, consulting; basic software services, application software services; computer system services; enterprise management; market research; economic and trade consulting; business management consulting; Education consulting (except intermediary services); public relations services; corporate planning, design, production, advertising; health consultation; cultural consultation; sports consultation.
Henan Eryang sheep livestock technology co., Ltd.	shui District, Zhengzhou	Jinshui District, Zhengzhou	1 unit 11102, 11th floor, 159 Garden Road, Jinshui District, Zhengzhou City	June 26 2017	100	Sales, laboratory equipment, animal husbandry equipment, animal feed, disinfection supplies, medical equipment; Livestock and aquaculture technology development, technical services, technology transfer.
National sheep mutton system Hohhot Station	Ren Junguang	Hohhot, Inner Mongolia		2009		Research body for sheep raising, animal husbandry, stud sheep breeding, sheep quarantine, animal feed, mutton production system, transport and storage, embryo transplantation etc.
China Agricultural University	Deng Xuemei	Beijing	No.17 Qinghua East Road, Beijing	1905		professor, doctoral Tutor, China Agricultural University
Inner Mongolia Academy of Agricultural Sciences	Tian Ying	Hohhot, Inner Mongolia	No.22 Zhaojun Road, Hohhot	1910		Institute of Livestock and Husbandry, Inner Mongolia Academy of Agricultural Sciences
Inner Mongolia Leko Biotechnology Co., Ltd.	Hou Yanjun	Tokto County, Hohhot, Inner Mongolia	Manjing Village, ancient town of Tokto County, Hohhot, Inner Mongolia	Nov. 26 2014	6,000	Stud sheep breeding and sale of sheep, sheep embryos, sheep frozen semen, and import and export business of the above-mentioned products