

## **Mongolia**

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### **Project for Market and Pasture Management Development Supervision Report**

Mission Dates: 30 November to 11 December 2020

Document Date: 08/01/2021

Project No. 1100001455

Report No. 5606-MN

Asia and the Pacific Division  
Programme Management Department



## Abbreviations and Acronyms

<b>ADB</b>	Asian Development Bank
<b>AWP&amp;B</b>	Annual Work Plan and Budget
<b>DA</b>	Designated Account
<b>EGF</b>	Employment Generation Fund
<b>FRC</b>	Financial Regulatory Commission
<b>GEF</b>	Global Environment Facility
<b>GoM</b>	Government of Mongolia
<b>HACCP</b>	Hazard Analysis and Critical Control Point
<b>IAS</b>	International Audit Standards
<b>IFAD</b>	International Fund for Agricultural Development
<b>JICA</b>	Japanese International Cooperation Agency
<b>LGF</b>	Loan Guarantee Facility (PMPMD)
<b>MoF</b>	Ministry of Finance
<b>MoFA</b>	Ministry of Food and Agriculture
<b>MoFALI</b>	Ministry of Food, Agriculture and Light Industry
<b>MoL</b>	Ministry of Labor
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MNT</b>	Mongolian Tugrik
<b>MTR</b>	Mid-Term Review
<b>MSE</b>	Middle and Small-sized Enterprises
<b>NAMEM</b>	National Agency for Meteorological and Environmental Monitoring
<b>NOC</b>	Non Objection Confirmation
<b>NGO</b>	Non-Governmental Organization
<b>PDP</b>	Project Disbursement Profile (IFAD)
<b>PHGs</b>	Pasture Herders Groups
<b>PMP</b>	Pasture Management Plan
<b>PMPMD</b>	Project for Market and Pasture Management Development
<b>PMPMD-AF</b>	Project for Market and Pasture Management Development-Additional Financing
<b>PMU</b>	Project Management Unit
<b>RF</b>	Revolving Fund
<b>RIMS</b>	Results and Impact Management System
<b>SCGF</b>	State Credit Guarantee Fund
<b>SoE</b>	Statement of Expenditures
<b>UMPSC</b>	Union of Mongolian Products and Services Cooperatives
<b>WG</b>	Women's Groups

## A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Mongolia	Environmental and Social Category:	B
Project Name:	Project for Market and Pasture Management Development	Climate Risk Classification:	not available yet
Project ID:	1100001455	Executing Institution:	not available yet
Project Type:	Livestock	Implementing Institutions:	not available yet
CPM:	Hubert Boirard		
Project Director:	Mr Jambaltseren Tumur-Uya		
Project Area:	Arhangay, Uvulhangay, Dundgovi, Hentii, Sukhbat, Dornod		

Approval Date:	11/05/2011	Last audit receipt:	29/06/2020
Signing Date:	17/06/2011	Date of Last SIS Mission:	11/12/2020
Entry into Force Date:	26/08/2011	Number of SIS Missions:	19
Available for Disbursement Date:	26/08/2011	Number of extensions:	2
First Disbursement Date:	21/12/2011	Effectiveness lag:	3 months
MTR Date:	15/06/2014		
Original Completion Date:	30/09/2016		
Current Completion Date:	30/09/2022		
Financial Closure:	not available yet		

### Project total financing

IFAD Financing breakdown	IFAD	\$11,479,497
	IFAD	\$9,060,000
Domestic Financing breakdown	Domestic Financing Institutions	\$2,655,959
	Beneficiaries	\$1,830,324
	Domestic Financing Institutions additional	\$473,000
	National Government (add)	\$1,872,000
	National Government	\$898,198
Co-financing breakdown,	Global Environmental Facility	\$1,500,716
Project total financing:		\$29,769,694

### Current Mission

Mission Dates:	30 November to 11 December 2020
Days in the field:	none, remote supervision mission due to COVID restrictions
Mission composition:	Hubert Boirard, Country Director and Mission Leader; Fida Muhammad, IFAD Country Programme Officer; Sabine Schmidt, Livestock Expert; Alok Kumar Singh, Rural Finance Expert; Ngoc Lan Chi Nguyen, IFAD FMD Delegate; Waseem Shahzad, Procurement Specialist; Ilaria Firmian, IFAD KM Officer; Martina Huonder, IFAD PLA.
Field sites visited:	n/a

## B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4.79	Assessment of the Overall Implementation Performance		4.58

Effectiveness and Developmental Focus	5	Project Management	5
Effectiveness	5	Quality of Project Management	5
Targeting and Outreach	5	Knowledge Management	4
Gender equality & women's participation	5	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	5
Nutrition	N/A	Performance of M&E System	5
Adaptation to Climate Change	5	Social, Environment, and Climate Standards requirements	5

Sustainability and Scaling-up	5	Financial Management and Execution	5
Institutions and Policy Engagement	5	Acceptable Disbursement Rate	4
Partnership-building	4	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	4
Quality of Project Target Group Engagement and Feedback	5	Counterparts Funds	5
Responsiveness of Service Providers	5	Compliance with Loan Covenants	5
Environment and Natural Resource Management	5	Procurement	5
Exit Strategy	5		
Potential for Scaling-up	5		

Relevance	5
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

The Project for Market and Pasture Management Development (PMPMD), was approved at IFAD's Executive Board in May 2011, with a highly concessional IFAD loan of USD 11.5 million and a GEF grant of USD 1.5 million. The financings became effective on 26 August 2011. In 2016, the project received an additional financing of USD 9 million on blend terms which became effective on 30 March 2018. The completion date of PMPMD is 30 September 2022 and the loan closing date is 31 March 2023.

The goal of PMPMD is to contribute to empower poor rural women and men to achieve higher incomes and sustainable improvements in their livelihoods. The project area includes 9 Aimags in total, those covered under original Agreement (Arkhangai, Bulgan, Henti, Huvskhul and Gobi-Altai), as well as those covered under the additional financing (Arkhangay, Dornod, Dundgobi, Hentii, Sukhbaatar and Uvurkhangay). The project has 3 components: (a) Market development; (b) Pasture management and climate change adaptation; and (c) Project management and enabling environment for business development.

The yearly supervision mission was held from 30 November to 8 December from remote, since COVID 19 restrictions did not allow for any field visit. The mission's objective was to (i) assess the progress made, (ii) identify the bottlenecks and current issues, (iii) review the fiduciary aspects and (iv) propose potential corrective measures implementable during the remaining timeframe which would ensure to achieve the PMPMD development objectives.

The assessments were done through zoom meetings and written interactions with key project staff and some of the stakeholders, including NAMAC, Khan Bank, and PMPMD Service Providers. A wrap up meeting with the Director General of the Policy Planning Department of MoFALI and the Officer of International Cooperation Division of MoFALI was held on 8 December 2020.

The IFAD Mission would like to express its gratitude to the Government of Mongolia and the PMPMD Project Management Unit, for their cooperation and support during this remote supervision mission. This report reflects the main mission findings and recommendations duly endorsed in the wrap-up meeting.

### Key Mission Agreements and Conclusions

**The overall implementation progress is rated satisfactory (5).** Despite a very challenging year, due to restrictions to prevent and control the transmission of COVID 19 in Mongolia, the PMPMD Project Management team with the support of MOFALI and MOF have been able to (i) implement successfully the heavily revised approach for component 1 and 2 as recommended by the MTR mission in October 2019; (ii) negotiate, formalize and implement successfully the 30% additional co-financing amount (almost USD 1 million) from local government (Aimag / Soum levels) as expected; (iii) negotiate, formalize an agreement and start to implement an additional (and non-initially planned) USD 10 million co-financing with a private bank (Khan Bank) in order to increase in a sustainable and competitive way the access to finance for business activities for women individuals and SMEs; (iv) develop an innovative partnership with NAMAC, the National representation of the Farmer Organization in Mongolia and develop joint sustainable, professional and market oriented Business plan and; (v) commit and secure the successful implementation of 74.6% of the 2020 planned and approved AWPB.

The overall disbursement at the time of the supervision mission is 54.87% (compared to 30% one year ago) with WAs for around USD 1.6 million pending which were to bring the total disbursement to 70% by end 2020.

With the additional 30 % co-financing by local governments, the investment support to build resilience and climate change adaptation among pastoral communities was expanded across all Soums (districts) of 6 of the country's 21 Aimags (provinces), resulting in over 200,000 ha of rangelands with improved water supplies made available for nearly 900,000 livestock in 2020. Animal health investments reached nearly 1.5 Mio livestock. Risk management and disaster preparedness of all 18 Soums has been strengthened; some Soums could cover all their annual preparedness needs in livestock feed supplies through the 2020 investment support.

The sustainability of these achievements is supported by an evolving legal framework aiming at resilience based rangeland management and livestock production adapted to climate change. The 2018 Animal Health Law and the new Law on Animal Taxation (becoming effective on 01.01.2021) incentivize quality improvement of livestock products and sustainable rangeland use by herders while providing revenue for local governments to re-invest in sound pasture and livestock management. Pasture management planning and monitoring by pastoral community organizations developed with project support is integrated into government processes and databases while the legitimate tenure rights of pastoralists are strengthened.

With co-financed investments agreed, and with capacities and effective collaboration among pastoral community and government organizations built, a strong foundation and scalable model for livestock production adapted to climate change has been developed. Linking herders effectively to markets remains a priority to improve household incomes which needs to be realised further.

In conclusion, the progress of 2020 shows that the revisions of implementation arrangements, for both the market development and pasture management components, produced results. By better integrating implementation into the national institutional landscape, increasing outreach, and making the approach more inclusive and better embedded with the roles and mandates of the local public and private institutions, implementation has been streamlined and accelerated, and laid the groundwork for a clear exit strategy and sustainability of funds invested

The main recommendations of the 2020 supervision are:

- To explore with the Aimags/Soums supported in 2020, the 2021 joint possible AWPB in order to complement the necessary investments under their Territorial Development Plans and/or Land Management Plans.
- To negotiate with MOFALI / MOF / Aimags and Soums an increase of the co-financing of 50:50 in 2022 AWPB under component 2
- To extend PMPMD completion date from September 2022 to December 2023 in order to (i) consolidate the PMPMD

intervention and (ii) explore MOFALI / MOF interest to upscale PMPMD with a new 5 / 6 years phase and significant additional co-financing.

- To extend up to the completion date the MOU between NAMAC and PMPMD.

## D. Overview and Project Progress

### Component: Market Development

The supervision mission in Nov 2019 provided the strategic direction to reach development objectives through the 4P approach by leveraging public and private financing sources in complementarity with the IFAD regional grant and National Association of Mongolia Agricultural Cooperatives (NAMAC). Given the ongoing pandemic and travel restriction imposed, many key activities such as training and workshop could not happen; nonetheless, the Mission is pleased to note that PMPD is expected to achieve 73% of approved AWPB.

To date, 64 individuals and 10 companies received loan worth MNT 1.08 Billion, and individual loans are guaranteed between 28% and 80%. The Mission notes that most SHG clients could not satisfy the minimum criteria such as a minimum 6 months of business experience. The Mission recommends providing support in 2021 to all the groups (SHGs) to meet the minimum bank requirement to qualify to get a loan from the bank.

In 2019, 36 companies and cooperatives developed their business plan, worth 1.8 billion MNT, and built capacity for their management (computer literacy, business management, HACCP, packaging, etc.), but financing did not happen as guarantee fund was not established. Nevertheless, in 2020 negotiation with KHAN bank was formalized. As of October 30, 2020, 10 companies received a loan worth 668,700,000 MNT.

The Mission notes that the banks are reluctant to finance the cooperatives because of ambiguity in defining collateral of cooperative as per the existing cooperative laws. Moreover, cooperatives require bankable business plans, MIS system, accounting, and financial management, and reporting support. The Business Development unit at NAMAC has been established in view of the above and exits strategy, and two business development officers have been engaged. The call for proposal (CoP) was launched by NAMAC/PMPMD and advertised through print media, social media, and through regional offices of NAMAC. The CoP spelled out the i) minimum eligibility criteria, ii) necessary documents, and iii) concept note format to guide the cooperative to write down the business idea, among others.

The applications were reviewed, and promising business ideas were selected for further due diligence. Off-site due diligence was conducted through the documents submitted along with the application. Furthermore, an on-site visit is undertaken to inspect the records and conduct interviews with BoD and Management. After that, the BDU, in collaboration with the FOs prepares the comprehensive business plan and submits for IFAD No objection. To date, 13 business plans have been prepared, out of which 5 have received IFAD no objection. The Mission is pleased to note that all the business plans are prepared leveraging debt financing and market access.

The Mission observed that the business plans' implementation has not yet started because of the delay in signing the agreement with the SME fund, due to the recently held election. However, the Mission is pleased to note the formalizing progress as the consent of MOFALI has been obtained and is awaiting the MoF approval. Furthermore, the Mission notes that this may be the first time, the IFAD country Programme is collaborating with the Farmers organization (NAMAC), private sector, financial institutions, and IFAD regional grant, i.e. Asia Pacific Farmers Programme. Through the partnership and the absence of SME fund agreement, the regional grant could finance three model business plans. This partnership is limited to providing support and at a policy level to advocate for farmer-friendly policy. The PMPD, in collaboration with NAMAC, is working with the legislature to amend the existing cooperative law to define the collateral for cooperatives to ensure access to finance through formal channels. Thus, the Mission recommends the partnership agreement to be extended to the remaining project life of the PMPMD.

**The Line of Credit/ Guarantee Fund** The Sep-Oct 2019 Supervision Mission recommended utilizing the line of credit and guarantee funds blended in an innovative manner in which the fund is deposited at the participating banks. The banks leverage the deposit (based on the liquidity requirement of the Bank of Mongolia) to grant loans and register the loans under Guarantee Scheme. This approach ensures that the fund value of money is maintained as well as that banks have more resources to lend the target clients. Any arising pay-out claims due to the guarantee would be paid through deposits based on the PMPMD LGF/Technical Committee approval. The Mission is very pleased to note that the Khan Bank negotiations were formalized, and the SGA was signed in July 2020.

As per the Guarantee Agreement, Khan Bank will leverage its own capital resources in the amount of MNT27.7 billion equivalents to USD10.0 million for loan financing to the project target beneficiaries at 1:10 ratio. Guarantee resources of USD1.0 million equivalents to MNT2.7 billion have been deposited at Khan Bank's internal account on May 29, 2020 at 5% deposit rate per annum. Moreover, Khan Bank will finance loans for individuals who need working capital and investment loans and MSMEs at 13% interest rate per annum and 12-60 months maturities. As of October 31 2020, Khan Bank has been financed MNT 1.08 billion equivalents totally to USD381,136 to 74 borrowers, including 64 individuals with USD146,668 (Of which 40 loans are working capital needs at USD 63,077 and 24 loans are investment needs at USD 83,591) and 10 MSMEs with USD 234,468. The Mission expects the activity to pick up in the summer and as the pandemic is brought under control.

The Mission notes that the technical committee, based on the clients' feedback, has requested to extend the loan term for individual clients for additional 12 months. The Mission notes that a more flexible repayment schedule is needed due to the pandemic and thus recommends to amend the SGA to accommodate the request. Furthermore, the request to lower the interest rate from the technical committee needs to be carefully looked into as artificially reducing the interest rate could have repercussions on the over financial stability. But, the Mission notes that recently the Central Bank of Mongolia has reduced the policy rate by 2 points for credit expansion, which would reduce the rate of interest.

## Component: Pasture Management and Climate Change Adaptation

The component consists of the two sub-components: pasture management and climate change adaptation (PMCCA); with key activities in supporting rangeland health through group based pasture management plans and investments to strengthen resilience and climate change adaptation of herder households.

The planned budget for 2020 for the PMCCA component was USD 2,847,947.<sup>[1]</sup> As of November 30, 2020, 61 % of the budget (USD 1,722,316) was disbursed, and 92 % (USD 2,597,080) were committed. For investments that are 30 % co-financed from local government, the financial performance is 91% for IFAD funds.

Revisions to component design agreed at the 2019 MTR have been implemented without delays. Co-financing by local governments for investments have been realized, enhancing project ownership. Delegating procurement to the local level has significantly accelerated the rate of disbursement and of realizing benefits from investments.

A Working Group to provide policy guidance, sector coordination and professional advice to PMPMD implementation was established on July 24, 2020 by the State Secretary of MoFALI. The working group immediately proceeded to facilitate follow-up of the MTR agreements. It authorized Aimag governments to organize tenders for Soum level investments.

For PHG level project support with equipment and machinery, the working groups instructed Soum governments to register the equipment as government asset and conclude contracts with PHGs regulating its use. For procurement of these, project funds were transferred to the Soum's account for PMPMD AF; price comparisons will guide procurement and funds will be directly transferred to suppliers. Implementation works are supervised by local government.

For investments for climate change adaptation in 2020, 30 % co-financing by local governments for investments have been made, or were committed at time of supervision mission as per MTR agreements. In 2020, investments have been scaled up across the territories of the 6 project Aimags, expanding opportunities to 98 Soums. At the same time, intensive support with group organization, and technical assistance for resilience based rangeland management and livestock production adapted to climate change has been ongoing in 18 Soums to develop scalable models.

Key figures to illustrate significant progress in 2020 despite Covid 19 related challenges are:

- 141 PHGs with 3 year pasture land management plans operational
- 82 Rangeland Use Agreements concluded
- 362 photo monitoring established and registered
- Risk Funds operational in 18 Soums
- 42 PHGs have established revolving funds
- 148 wells established/repared
- 21 hay/fodder storages constructed/repared
- 74 sheep dips established
- 8 Herders information centers equipped
- Procurement of breeding equipment and nucleus herd underway in 6 Aimags

Measures by the Government of Mongolia to prevent Covid-19 transmission were imposed early 2020 and throughout the year, starting with a lock-down in January/February. While restrictions were less severe during summer and autumn, the PMU and service provider managed to implement key activities, and during restrictions they continued capacity building through online collaboration and piloting online extension services to Soum officers and PHG leaders.

Capacity building to ensure implementation of the 3 year pasture management plans by pastoral community organization (PHGs), monitoring of rangeland health, and the input of all monitoring data and Rangeland Use Agreements between PHGs and local governors are input into the central government data bases continued. Trainings delivered in person and on-line during 2020 included:

- Training on methodology to implement the 3 year pasture land management plans, and on using the database (Land Manager) for project staff in 18 project Soums (online)
- E-conference on implementation of PHG pasture land management plans, with 69 participants including Soum level project staff and PHG leaders (online)
- On-the-job trainings for all land officers in 18 project Soums during which the rangeland data from 362 photo monitoring points and the geographical boundaries of all PHGs as of 2020 were updated, and uploaded to central data base at ALAMGAC
- Training on establishing and managing group revolving fund, rangeland use agreement (RUA), implementation and monitoring of PMP
- Training on "Opportunities to sustainably improve herders' income and pasture management through the development of savings and credit union of herders" (291 attendees including local staff, PHG leaders and members).
- Cooperative Training was completed in all but 2 project Soums
- E-lessons on 1) Establishing a Savings and Credit Union, 2) Livestock feeding tips, 3) Herder organizations and NGOs, 4) Time Management, 5) Work Planning, 6) Raising newborn livestock, 7) Tips for choosing a young ram, were made available online.

Some of the planned activities, however, could not proceed. These included: a) training of local staff, and inter-Soum experience sharing tour, b) international travel for a study tour for local staff and PHG leaders/members, and to participate in an Asia Pacific Region Experience Sharing Conference, and c) publications of books, guidelines, and on PHG success stories, video production and broadcast. Postponed activities have been included in the 2021 ABWP.

A number of contracts for investments were still under review, for others payment was being arranged when on November 11, 2020 the Government of Mongolia imposed a lock-down to control Covid-19 transmission. This impacted the process of completing



financing as planned, since much of the finance processing would have taken place in November, with approx. USD 130,000 left to be paid. Completion of these payments is no problem once strict measures are lifted, as expected for mid-December.

[1] =9,952,956.6 Thousand MNT, of which 7,689,456.6 Thousand MNT (70 %) are from IFAD, and 2,263,500.00 Thousand MNT (30 %) are from Local Authorities

## E. Project implementation

### a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 5	Previous rating: 3
<b>Justification of rating</b>		
Effectiveness is rated as satisfactory. The agreed revisions to streamline procurement and promote ownership have resulted in more effective implementation in 2020 for all components. Key measures were the 30 % co-financing by local government and local procurement for the pasture component, and the 10 Mio USD co-financing by Khan Bank and a partnership with NAMAC for the market component. Despite delays caused by restrictions related to Covid 19, all components are considered to be back on track at year end 2020. The overall disbursement rate for 2020 is 54.87 %, compared to 30 % in 2019.		
<b>Log-Frame Analysis &amp; Main Issues of Effectiveness</b>		
The expected outcome for the component on pasture management and climate change adaptation of "Improved pasture management and resilience to climate change" is to be achieved through herder groups strengthened for pasture management, improved resilience of rangelands, and Soum-level strategies and investments for climate change adaptation.		
Implementation progress in 2020 has seen some setbacks due to Covid 19 related measures. However, the postponed activities can be implemented in 2021, and with the streamlining of procurement after MTR it is fair to assume that the physical targets and outcome will be achieved at project end in the project areas with PHGs implementing pasture management plans with investment support, and where also Soum level investments in water supply, animal health and risk management have been made.		
The Soum level investments in wells enlarge usable grazing areas thereby supporting pastoral mobility as a strategy for sustainable rangeland use and sustainable stocking rates. Investments in animal health (sheep dips) are serving many herder households besides group members, and investments in risk funds and fodder storage facilities are to the benefit of all herder households in a Soum. This in turn supports the achievements of the PHGs in improving pasture management, and their approach as a scalable model.		
In 2020, achievements against targets included 141 PHGs (with 4517 member households), all with 3 year pasture management plans, and 82 with Rangeland Use Agreements, and 42 with revolving funds. Rangeland health monitoring points were established across all PHG pasture areas, amounting to 362 plots, the data of which are fed into the central database at ALAMGAC. As of October 2020, 6,707,154 ha of pasture land were under PHG management. Territorial development plans, with resource assessments and strategic planning are completed/updated for all 18 project Soums.		
Across 6 Aimags, investments in wells resulted in approx. 220,000 ha of pasture land with improved water supply, with benefits to 1699 households and 879,291 livestock, and animal health investments were used by 1,439,746 livestock of 2416 herder households. 21 storage facilities for hay and fodder were completed/repared. Risk funds were established in 18 Soums.		
Given the ongoing pandemic and travel restriction imposed, many key activities such as training and workshop could not happen also under the market development component; nonetheless, the Mission is pleased to note that PMPD is expected to achieve 73% of approved AWPB in 2020.		
While until 2019 the loan guarantee fund was not established and loans could not be extended to SME and cooperatives that had prepared business plans and built capacity, in 2020 an agreement with Khan Bank was signed. Khan Bank will leverage its own capital resources in the amount of MNT27.7 billion equivalent to USD10.0 million for loan financing to the project target beneficiaries at 1:10 ratio. Khan Bank will also finance loans for individuals who need working capital and investment loans and MSMEs at 13% interest rate per annum and 12-60 months maturities.		
As of October 31 2020, Khan Bank has financed MNT 1.08 billion equivalents totally to USD381,136 to 74 borrowers, including 64 individuals with USD146,668 and 10 MSMEs with USD234,468. The Mission expects the activity to pick up in the summer and as the pandemic is brought under control. With the strategic direction provided by MTR to leverage public and private financing sources in complementarity with the IFAD regional grant and National Association of Mongolia Agricultural Cooperatives (NAMAC) it is expected that the component objectives can be realised.		

Development Focus		
Targeting and Outreach	Rating: 5	Previous rating: 4
<b>Justification of rating</b>		
(Satisfactory) The project is following a geographical and self targeting approach. The targeting is carried out mainly by the service		

providers, also on the basis of informal group formation. The rural population in Mongolia is scarce which allows for informal targeting, i.e. the social condition of the families are known by the other community members, which facilitates the identification of vulnerable and target households. For the formation of cooperatives, a call for interest is done and interested groups need to comply with a set of criteria to be able to form a cooperative.

For the pasture management and climate change adaptation, a focus on targeting poor households for group organization, capacity development and investment support is not suitable. Rather, herder group formation has to be based on customary pasture use and social organization. It is through membership in a PHG that poorer households can derive benefits, through mutual support in herding activities within the groups, collective actions in income generation, access to microfinance from revolving funds, access to information and training provided with project support, and general social inclusion. It would not be effective for improved pasture management to support formation of groups among poor herder households, the approach has to be territory-based and rely on mechanisms whereby vulnerable households benefit as group members.

### **Main issues**

A special mention of merit is due for the efforts done by the project's service providers to include people with disabilities in the membership of women groups. Group membership allows them not only to benefit from the project activities, but also to receive financial incentives from the Government. Albeit the project does not have a specific approach to targeting youth, the service providers and contractor have been guided by the PMU to ensure the inclusion of young people in the various activities.

<b>Gender equality &amp; women's participation</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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### **Justification of rating**

Gender equality and women's empowerment (rated satisfactory), seem on track and mainstreamed throughout the project. The project has a dedicated gender focal point and has developed a Gender Action Plan in accordance with the National Gender Policy (A comprehensive regulatory framework under the Law on Promotion of Gender Equality in 2011, has successfully implemented its first national program and action plan on gender equality between 2002-2015, which was followed by the second national program for 2017-2021).

Up to date, the project formed 250 women groups under the additional financing, against a target of 144, with 70% female and 30% male members. In 2020, activities targeted to women included: training of good hygienic practices for food production, cashmere preparation technology, support for micro and small businesses, training for cooperatives, experience sharing of women's groups. Within the cooperatives training, 127 persons (99 female and 28 males) benefitted from counselling in cooperative formation. The sex ratio of staff of the PMU and LGF is 50:50.

### **Main issues**

When COVID 19 allowing, the project has carried out many trainings, which are reported in the annual progress report, unfortunately, many without gender disaggregated number of the participants. Gender disaggregated data for 2020 for the PMCCA component are expected to be made available by the service provider at end 12/2020.

<b>Agricultural Productivity</b>	<b>Rating: 4</b>
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### **Justification of rating**

Agricultural productivity is rated as moderately satisfactory. PMPMD components do not have explicit outcomes in agricultural productivity, however the market development component addresses critical barriers to improve manufacture of quality agricultural products and weaknesses in value chains through value chain and MSME development in selected sectors. With 74 loans granted in 2020, the approach has begun to scale. The pasture component, through capacity building in rangeland monitoring, and support in animal health and breeding contributes to increase output of livestock products with an orientation to quality vs quantity of livestock, and based on principles of sustainable rangeland management, which in the long term has prospects to sell at premium prices.

### **Main issues**

The livestock sector in general still has low productivity due to shortcomings in animal health and breeding systems, and animal disease is a major factor limiting production and trade. Other factors are insufficient fodder supplies and water sources, and lack of proper pasture management, with 70 % of rangelands, which represent 95 % of all agricultural land, being degraded to some degree.

Production in the livestock sector, namely meat and dairy, in Mongolia has increased over the last decade, however this was mostly due to increased livestock numbers, not improved livestock productivity. New legislation however, is promoting livestock health and productivity (Animal Health Law 2018) as well as sustainable pasture management (Animal Taxation Law 2021), thereby promoting improved productivity as well as opportunities for premium prices domestically and export as animal diseases are being controlled better, and eventually eradicated. Traceability has also been introduced, enabling consumers to identify the origin of livestock products.

The pasture management component, with key activities in improving pasture management, capacity building for pasture management and animal health, and investments in animal health, breeding, water supplies, and fodder storage facilities is targeting all key barriers to improving livestock production, and progress in 2020 has been accelerated through the revised investment approach.

Despite improvements in recent years, manufacturing of good quality agricultural products is faced with major challenges in the food and agriculture value-chain, and the capacity of the national food control and safety standard enforcement. Investments are needed to address value-addition through all stages of production from raw materials, processing, and distribution, and to enable appropriate storage, processing, packaging, transportation, and sale to consumers. Access to finance for small business entities (individuals, SME or cooperatives) in Mongolia's rural area has been a major challenge.

The market development component, with key activities in addresses these barriers in a comprehensive approach - (i) value chain development - strengthening of selected value chains such as dairy, vegetables and berries and financial and non-financial support to their stakeholder; (ii) small enterprise development – demonstrating backward linkages with project target groups; and (iii) micro-enterprise development - supporting herders', women's or producers' groups to start or improve their income generating activities, and to pilot the implementation of a loan guarantee scheme for rural development. The successes in 2020, with 74 loans extended, LGF established and private sector banks coming in with own finance show that the PMPMD revised approach has potential to scale and be sustainable, carried by banks in the future.

<b>Nutrition</b>	<b>Rating: N/A</b>	
<b>Adaptation to Climate Change</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>

#### Justification of rating

Adaptation to Climate Change is rated satisfactory. Strengthening of the resilience of herder households has continued, with investments and capacity building on PHG and Soum level in pasture, risk and livestock management. It has been scaled up significantly in 2020 as investments are being made across all Soums (98) of the 6 project Aimags with an additional 30 % of co-finance from local government sources, and as more groups have been established, rangeland use agreements have been concluded and the network for monitoring of rangeland health is been expanded.

#### Main issues

Increased frequency and intensity of extreme events is one of the most severe climate change impacts in Mongolia. Productivity and long-term resilience of Mongolia's pastoral system are dependent upon the condition of the natural resource base, on livestock resilience to cope with environmental stresses, and on human capacity to manage livestock and pasturelands.

Adaptation measures in livestock husbandry and pasture management prioritized in Mongolia's National Action Program on Climate Change include improving local breeds, managing risk and promoting insurance systems, diversifying herders' livelihoods, supporting small enterprises, developing the capacity of herders for livestock management and alternative livelihood skills, introducing modern processing technologies for livestock products, developing a regulatory framework (pasture use fee and/or tax) to achieve appropriate stocking rates and create incentives for pasture improvements, and improving pastureland irrigation

Impacts of investments include improved rangeland health, access to water, enhanced risk management and disaster preparedness, and improved animal health.

**Water sources for people and livestock.** Investments in wells in 2020 has created access to over 200,000 ha of rangelands with improved water sources, used by nearly 1700 households and 880,000 livestock. Expanded pasture land areas help to adjust stocking rates towards sustainable levels thus promoting overall rangeland health.

- Investments in well also had more direct impacts, providing access to a nearby source of drinking water for people and livestock in Bulgan Soum of Dornod Aimag for the first time in two decades.
- In Norovlin Soum, 3 wells provide access to water for 24,000 livestock and access to remote pastures
- In Arkhangai Aimag, in 2020, 600 herder households and their 300,000 livestock benefited from 44 wells
- In Dornod Aimag, 14 wells now provide water for 92,000 livestock of 143 herder households, and over 60,000 ha of pasture has improved water supply.

**Risk Management and Disaster Preparedness.** Investing in hay and fodder storage facilities, along with financial support (20 Mio MNT for each Soum) for a Risk Fund to purchase hay and fodder enable local governments to purchase supplies, protect hay and fodder from deteriorating, and have them available for herders both for regular winter preparation as well as for disaster preparedness or for emergency relief in case of extreme events (dzud/winter disaster).

In 2020, when Western and Southern project areas experienced severe drought, and hay prices increased rapidly in September/October, the ability to store hay and fodder supplies so herders could access them locally, was particular important.

- Nearly 80 % of the risk fund was spent by 15 of the 18 Soums to make hay/fodder available. With drought and dzud likely to increase in the coming years, the investment and risk fund mechanism are a key feature of supporting herder community resilience.
- Dornod Aimag had no suitable storage facilities and had previously lost hay/fodder supplies due to improper storage. In 2020, they can provide good quality hay to herders.

**Animal Health.** Sheep dips are important investments for animal health, allowing herders to shift from a focus on quantity to quality of livestock and to be better positioned for selling livestock products. In 2020, investments in 86 sheep dips for anti parasite treatment have benefited nearly 1.5 head of livestock of over 2400 herder households. Examples from project Soums further illustrate the benefits:

- Norovlin Soum (Khentii Aimag) in 2018 could treat 20 % of their small livestock (sheep/goats). In 2020, 90 % were treated using project supported investments
- In Arkhangai Aimag, 250,000 small livestock were treated in 2020
- In Dornod Aimag, 8 sheep dips in 7 Soums are helping maintain 170,000 healthy livestock
- In Omnodelger Soum, in 2020, nearly 100 % of herders used sheep dips to treat their livestock.

**Enabling legal environment.** Recent changes to the legal framework are promoting enabling conditions for climate change adaptation and resilience of herder communities, and re-enforce investments and other activities by PMPMD. The new Law on Animal Taxation due to become effective January 1, 2021, will provide revenue for local/Soum governments from livestock tax. An

amendment to the budget law regulates that this revenue is to be spent for rangelands and water supplies, animal health and herders' capacity building.

**Increased co-finance capacity of local governments** This should enable local governments to increase investment co-finance, and it incentivizes herders to focus on livestock quality vs quantity. The 2018 Law on Animal Health further supports this shift to livestock quality, requiring herders to invest in animal health. PMPMD AF activities are aligned with and contribute to government policy on rangelands and livestock management for climate change adaptation. Importantly, PMPMD AF also works with herder groups to adjust their herd structure according to pasture type and carrying capacity.

**Sustainability of Soum Risk Funds** While the Soum level risk funds are crucial instruments to ensure herders can purchase hay and fodder locally, local PMPMD staff expressed concerns that the Soum Risk Funds may not be sustainable as most Soums had provided supplies to herders on loan basis, with repayment expected after cashmere combing in spring time. Some Soums, for example Tugrug Soum, provided supplies to herders only against cash payment. Local staff recommended that the risk fund be at PHG level, with the group revolving fund.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Securing investments at soum level</b> Securing investments at soum level	MoFALI - PMU	
<b>Monitor sustainable management of Soum Risk Funds</b>	PMU, local authorities	

## b. Sustainability and Scaling up

### Institutions and Policy Engagement Rating: 5

#### Justification of rating

The project does not have explicit policy outcomes, but it builds best practices in resilience based rangeland management, the concept embraced by the draft pasture land law now taken forward by MoFALI, and these can help promote the adoption of the law. PMPMD activities strengthen local community and government institutions that are key to improve rural livelihoods and to maintain their natural resource base - the Pasture Herder Groups and Soum working groups under the pasture component, and the processing/marketing/savings and credit cooperatives under the market component. Support to these institutions helps build enabling conditions for the implementation of new legislation, and they form the institutional framework to develop local regulations on pasture management.

#### Main issues

Since the transformation from a command to a market economy after 1990 left pastures as public land, livestock privatised and institutions and the legal framework weak to regulate pasture management, new institutions and legislation have been under development. A consensus has formed that community based organizations and collaborative mechanisms on Soum level are key instruments to effectively address sustainable rangeland management and monitoring. It is in this context that PMPMD makes important contributions by supporting PHGs, Soum level rangeland working groups, Rangeland Use Agreements between herder groups and Soum governors, and the Soum Associations of herder groups as an apex organization to sustainably support PHGs.

The concept of herder organizations is a key feature in the draft law on pasture land management that has been under discussion for more than a decade. PHGs, their pasture land management planning and monitoring, represent what the draft legislation intends. The capacity built on herder household and group level, and on Soum level with PMPMD support enables Soum governments to determine carrying capacity as a basis to identify appropriate stocking rates for sustainable pasture use. This is an important prerequisite to put into practice Soum and Aimag pasture land regulations that are being developed in the absence of a national pasture land law for the time being.

Strengthening genuine, functioning cooperatives for production and marketing is very relevant to further policy development and implementation on agricultural cooperatives after public trust had been weakened through previous failures and shortcomings. First, after socialist collectives collapsed when a market economy was established, any collective action was seen with suspicion. Early cooperative efforts after 1990 generated some bad experiences when governance, transparency and benefit sharing had shortcomings and members lost trust. And in more recent years, government subsidies to wool prices for cooperative members drove the establishment of cooperatives on paper only, but with no other benefits to members. At the same time, animal health and breeding issues, traceability, quality control and food safety were not addressed effectively and opportunities and facilities for processing were lacking, thereby posing significant challenges for cooperatives to be successful.

With a legal environment and capacities now being developed for animal health, food safety, and sustainable pasture land management, support to cooperatives is a key element in promoting rural livelihoods.

### Partnership-building Rating: 4 Previous rating: 3

#### Justification of rating

Moderately satisfactory. For the component on pasture management and climate change adaptation, PHG support on Soum level is coordinated with the Green Gold/Animal Health (GGAH) project funded by SDC in overlapping project areas. As of July 20, 2020, 42

PHGS with 960 member households in 6 Soums had established their revolving funds, in total amounting to 52 Mio MNT. Herders contributed 28.05 Mio MNT themselves, and GGAH provided 23.9 Mio MNT.

Other coordination has been on Aimag level by MoFALI and PMPMD Aimag coordinators, with activities of relevant projects and programs supported by Mercy Corps/USAID, and World Vision; however these are not formal partnerships. For development of the Territorial Development Plans, a MoU had been concluded between MoFALI and ALAMGAC for the latter to organize the plan development through sub-contractors.

Under the market development component, a partnership has been developed that may be the first of its kind - the IFAD country Programme is collaborating with a farmers organization (NAMAC), private sector, financial institutions, and IFAD regional grant, i.e. Asia Pacific Farmers Programme. Through the partnership and the absence of SME fund agreement, the regional grant could finance three model business plans. This partnership is limited to provide support and at a policy level to advocate for farmer-friendly policy. The PMPD, in collaboration with NAMAC is working with the legislature to amend the existing cooperative law to define the collateral for cooperatives to ensure access to finance through formal channels. Thus, the Mission recommends the partnership agreement to be extended to the remaining project life of the PMPMD.

<b>Human and Social Capital and Empowerment</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

Moderately satisfactory. Capacity building on household, group and Soum level has been a strong element of the component on pasture management and climate change adaptation. Human capital has been developed among the beneficiaries of the component, who have gained skills in pasture, livestock and risk management, financial literacy and organizational development for PHGs and cooperatives, thereby gaining skills in natural resource management and for economic empowerment.

Individual (empowerment and human capital) and collective (empowerment and organizational development) capacities of project target groups have been enhanced through a wide range of trainings and capacity buildings (financial, organizational, managerial, technical and marketing) as well as by the development of sustainable people-managed institutions.

PHGs, WGs and MSEs are recognized by local authorities as key economic stakeholders for soum development and their needs and constraints are now integrated at various levels of the decision-making process.

#### Main issues

PHGs as a community organization for herders have not only improved pasture management but also social cohesion of members, and provide representation of herders through their PHG leader on Soum level, in rangeland working groups and in the Soum Association of PHGs. Membership in PHGs therefore is also social empowerment.

Supporting the strengthening of the PHG apex organization on Soum level (Soum Association of PUGs) should be considered as part of the exit strategy, as a means to link PHGs to each other, to extensions, to markets and to other resource agencies.

Rangeland Use Agreements (RUAs) are an important means for empowerment as they are registered with the central cadastre database at ALAMGAC and formally acknowledge the group's collective management rights to their customary pastures.

<b>Quality of Project Target Group Engagement and Feedback</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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#### Justification of rating

Quality of target group engagement and feedback is rated satisfactory.

While the project does not have a specific plan for target group engagement and feedback, there is strong commitment to engagement and feedback activities. The design and implementation of activities by the service providers for both components rely on participatory approaches and ongoing consultations with the target beneficiaries. The service provider works closely with herder communities, and within the existing community consultation processes, i.e. group and bagh meetings, that drive engagement and feedback. Ongoing engagement and feedback are a necessary prerequisite for successful community organization and the negotiation of resource use agreements among households, groups and between groups and local government.

For the market development component, the service provider conducts equally effective engagement and feedback activities with women's groups.

<b>Responsiveness of Service Providers</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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#### Justification of rating

Responsiveness of service providers is rated satisfactory.

NGOs contracted by the PMCCA and MD components have been instrumental in successful implementation of activities; in particular in 2020, they have proved to be responsive not only to supervision mission requests and suggestions, but to beneficiary needs, and the challenges and circumstances posed by Covid 19 related restrictions. The consortium of service provider NGOs for the PMCCA component managed to deliver key trainings and make significant progress in achieving physical targets despite this year's challenging working conditions. Service provider NGOs have been regularly evaluated as satisfactory by MoFALI under PMPMD. Both NGOs have been positively and timely responsive to previous supervision mission recommendations.

<b>Environment and Natural Resource Management</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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#### Justification of rating



Environmental and natural resource management continues to be rated satisfactory. The project promotes responsible and sustainable management of pasture and rangeland and protection of natural water sources through capacity building interventions and consequent actions of the PHGs under their 3 year pastureland management plans. Due to the pandemic, some trainings have been organised online (i.e. service provider NGO organized an online meeting with soum project staff of 18 soums to provide methodological advice to implement a three-year pasture management plan and an e-conference and training for soum project staff and PHG leaders on the implementation of the plans) and others have been postponed to 2021.

### Main issues

A total of 141 PHGs has been set up and they agreed on a three-year pasture management plan, drafted through inclusive integrated approach. Key activities under the plan include grazing boundaries, herders' seasonal camp locations, agreed dates for seasonal moves, namely date of leaving winter camp, improvement in degraded pasture, pasture rotation schedule, pasture resting during plant growing season, fencing and maintenance for hayfields, fodder preparation, dig and rehabilitation of wells, rodent control, protection of livestock health, and improving livestock breeding, which all contribute to pastureland health. An important approach to monitoring pastureland health is represented by the use of photo monitoring. 362 photo-monitoring points have been created, covering the pasture areas of all PHGs and all data generated have been updated and uploaded to the website of land management department. These data are crucial to assess carrying capacity as a basis to determine sustainable stocking rates to maintain rangeland health. The completed network of monitoring points is an important progress to enable resilience based rangeland management in the PHG areas. It is too early however to make meaningful statements of rangeland health improvement through PHG activity.

Pasture rotation faced challenges in implementation in Sergelen soum of Dornod aimag because the pastureland in this soum is insufficient for all herders, which ultimately makes pasture rotation impossible. Professionals from service provider NGO physically visited Sergelen soum in order to develop customized methodology.

Exit Strategy	Rating: 5	Previous rating: 3
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### Justification of rating

Exit strategy is rated satisfactory. A comprehensive exit strategy is under implementation now for the components and activities. Gains have been made towards sustainability and continuation of investments in support of pasture management plans by PHGs. Co-financing has been 30% by local governments, and regulations have been developed for the ownership and use of equipment and for management of Soum level risk funds established with project funds.

Pasture management plans of PHGs have been integrated in annual pastureland planning soum wide, monitoring data from PHG pastures are input into the central database, rangeland use agreements are concluded or underway that provide PHGs with management rights to their pasture areas. Soum officers with responsibilities in pasture management and monitoring, and PHG leaders and members have received trainings to be equipped with the skills to continue PMP preparation and implementation.

### Main issues

To consolidate the sustainability of the project's results, the team should now emphasis its activities on the following aspects :

- To enable herders to build assets from livestock off-take and sales while adjusting stocking rates to carrying capacity, financial mechanisms like Savings and Credit Unions have demonstrated to be successful instruments. Education and awareness raising on Savings and Credit Unions should be increased before project completion.
- To continue institutional support for PHGs, the Soum Associations of Pasture User Groups should be strengthened. They are the apex institution of PHGs, linking them to each other and to the National Federation of PUGs and its resources. To this end, a needs assessment in project Soums of Soum Association of PHGs could be undertaken to develop the capacity of Soum Associations of PHGs to support PHGs. Currently the project has provided advice to Soum Associations on how to register as NGO at Aimag level.
- To effectively and efficiently continue trainings, access to information and awareness raising further develop on-line extension services, as piloted/developed in 2020 for Soum level learning by the service provider NGO. Establish on-line extension to Soum and PHG/household level, through Ger-Internet capability.

While previously (until 2019) banks were using project resources extended by MoF to banks under a subsidiary loan agreement and the project had not yet achieved the development of syndicated loans mixing resources from banks and from the project, the agreement reached with Khan Bank, and the bank using their own resources for lending, marks a significant change for implementation and as an exit strategy, ensuring that households in rural communities have a sustainable access to financial resources beyond the project implementation.

Potential for Scaling-up	Rating: 5	Previous rating: 4
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### Justification of rating

Potential for scaling-up is rated satisfactory. The additional financing to the project has been a scaling up of PMPMD to new project areas. PHG formation, PHG based pasture management and monitoring, and investments supports on Soum and PHG level including risk/revolving funds have been scaled up to new 6 Soums in 2 project Aimags and to 12 new Soums in 4 new Aimags. Intensive support, with group formation, capacity building and investments targeted 18 Soums in 6 Aimags.

Following the MTR, investments were scaled up to all Soums across the 6 project Aimags, thereby extending investment opportunities to 98 Soums. Scaling up was supported through the 30% co-financing from local governments.

For the market development component, with the revised approach of leveraging public and private financing sources and the reached agreement with Khan Bank to use their own resources, enabling conditions have been created to scale up the project piloted activities.

Based on (i) the importance for the Government of Mongolia of the type of problematic successfully dealt under PMPMD, (ii) the

success of the implementation of the revised approach after the MTR recommendations, and (iii) the need / willingness expressed by the other Aimags / Soums to benefit such PMPMD solutions, a real upscaling potential exists currently with the PMPMD project.

### c. Project Management

Quality of Project Management	Rating: 5	Previous rating: 4
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#### Justification of rating

Quality of Project Management is rated satisfactory. Despite the COVID 19 situation and based on the agreed revisions of MTR, the project management has been able to very successfully manage this transition.

The Project Steering Committee has currently been moved from MOF to MoFALI. For PMU support, two assistants were hired, and a series of capacity building events were held for all project staff. The PMU in Ulaanbaatar and local staff at Aimag and Soum level, combined with delegation of procurement to Aimag level form an efficient management and implementation structure for the project which is extending its outreach. The revised implementation approach was shared with all staff in the annual employee seminar in February 2020.

#### Main issues

The Project Steering Committee was shifted from MoF to MoFALI, in line with the Government Resolution No 87 which places MSMEs and related financial support activities under MoFALI. A new PSC had been approved in May 2020, (Resolution A-147) chaired by the State Secretary of MoFALI, with 11 members representing different ministries and the Central Bank, and the service provider NGOs as observers. The chair for the Technical Committee for LGF was also shifted to MoFALI.

Then, following the national elections, the structure of MoFALI changed, and the SME agency became an independent agency. PSC and Technical Committee composition was changed again (Resolution A-321). The project director since then is the Head of Policy and Planning Department, MoFALI.

A Working Group to provide policy guidance, sector coordination and professional advice to PMCCA component implementation was established on July 24, 2020 by the State Secretary of MoFALI. The working group authorized Aimag governments to organize tenders and determined that 30 % co-finance by local governments be completed by September 2020. It also made decisions on funding allocations for livestock breeding. The Technical Working Group was abolished since the Working Group members can provide professional advice to the project.

For PMU support, 2 assistants were hired, and a series of capacity building events were held for all project staff. PIU in Ulaanbaatar and local staff at Aimag and Soum level, combined with delegation of procurement to Aimag level constitutes an efficient management and implementation structure for the project that is extending its outreach. The revised implementation approach was shared with all staff in the annual employee seminar in February 2020. In July 2020, a two day training was held for about 150 staff of project Aimag and Soum staff on implementation and monitoring of project activities and investments. 6 Piu officers were trained in ICP-Contract Monitoring in September 2020. All PIU staff and Aimag coordinators were trained in archiving procurement and bidding materials in October 2020.

Knowledge Management	Rating: 4	Previous rating: 3
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#### Justification of rating

Knowledge management is rated moderately satisfactory. The project has implemented the improvements proposed by previous missions and a KM strategy has been developed, together with a SWOT analysis of the KM context of the project. The knowledge management activities of the project, including the development of written and video knowledge products, are mainly focused on knowledge dissemination associated to capacity building in multiple domains (from regulations and standards for production and processing activities, to sustainable pasture management practices, to cooperative and PHG formation). These include experience-sharing workshops, which are most effective in terms of peer-to-peer learning.

#### Main issues

Most of the planned activities as per KM plan have been completed (experience sharing event, printed new brochures/booklets, renewed website, ). All data related to capacity building activities are regularly collected such as program, presentations, participant list. A Facebook group for internal usage is actively populated with photos and information sharing.

In addition, the project adopts an approach to enable regular knowledge sharing meetings and workshops (involving PIU, contracted NGOs and local agriculture department directors and soum officers) for improved project management.

Aspects related to improved communication and visibility, as well as contributing to policy level objectives could be improved. Reference to IFAD corporate guidance for knowledge and communications products has been shared with the project team.

In the last period of implementation of the project, it would be important to focus the knowledge activities towards generation and dissemination of evidence-based knowledge products to inform policy and decision makers. They may include experience over pasture use regulations to guide the development of a pasture law, business cases/opportunities to support young herders, data showing the impact of management practices promoted by the project on both pasture conditions and climate resilience of the communities for possible scaling up, including for engagement in GEF8.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Generation of evidence-based knowledge targeting decision makers</b>  Identify and implement a set of knowledge management activities targeted to selected decision makers	PMU	09/2022

<b>Value for Money</b>	<b>Rating: 4</b>	<b>Previous rating: 3</b>
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#### Justification of rating

Value for money is rated as moderately satisfactory. Project activities have experienced delays warranting extension of the project. The benefit/cost ratio is higher than 1 in all activities.

#### Main issues

**Pasture herder groups and pasture management.** post-MTR PMPMD coverage and integration of project activities in the local government's planning and budgeting has triggered improved pasture land planning Soum wide and has led to enhanced investments. The Soum level investments are planned strategically benefiting a larger segment of herding households, or all, such as the case of the hay/fodder storage facilities. The benefit-cost ratio is higher than 1. In view of the benefit accruing from investment in PHG approach is supported by other projects, and is supported by government, thus being scaled up countrywide.

**Credit line and credit guarantee.** Under the agreement, USD10 million is being leveraged by Khan Bank against a guarantee resources of USD1.0 million (deposited at Khan Bank's internal account with 5% return rate per annum). The uptake has started with 74 borrowers (64 individuals and 10 MSMEs) and is expected to pick momentum in the next season (summer) given the pandemic affects are subsided. The loan terms are being discussed in terms of reducing interest rate and maturity.

**Partnership with NAMAC.** Outreach potential has significantly been increased as a result of the partnership with NAMAC, however amendment in cooperative law is warranted to allow for access to finance under a secure legal framework. The partnership with NAMAC will have high value for money allowing farmer organisations to be able to access finance through formal channels.

<b>Coherence between AWPB and Implementation</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### Justification of rating

Coherence btw. AWPB and implementation is rated satisfactory. In 2020 and despite the very challenging COVID 19 situation in Mongolia, the PMPMD implementation progress was proceeding in a satisfactory manner for most of the important changes and activities.

#### AWPB Inputs and Outputs Review and Implementation Progress

Investments under the PMCCA component have been extended across all Soums (98) of the 6 project Aimags. The status of investment completion in early December 2020 is reflected in the table below:



Investment	# planned	Activities and Status
Engineered Wells	157	<ul style="list-style-type: none"> <li>Tenders were organized in 89 Souns.</li> <li>148 wells are completed<sup>23</sup></li> <li>Construction of 9 wells is postponed to 2021<sup>4</sup></li> </ul>
Construction - Fodder Storage and Hay Shelter	11	<ul style="list-style-type: none"> <li>Construction completed in 11 Souns</li> </ul>
Repair – Fodder Storage and Hay Shelter	10	<ul style="list-style-type: none"> <li>Renovations completed in 10 Souns</li> </ul>
Sheep dips	78	<ul style="list-style-type: none"> <li>Tenders were organized in 70 Souns</li> <li>74 sheep dips completed<sup>5</sup></li> <li>4 sheep dips in Khentii not completed</li> <li>Sukhbaatar and Khentii sheep dips not inspected or approved yet by state commission<sup>6</sup></li> </ul>
Herder Information and Training Centers	9	<ul style="list-style-type: none"> <li>Right to purchase equipment transferred to Aimags</li> <li>8 Souns received equipment</li> <li>1 Soum receiving equipment in progress</li> </ul>
Animal Breeding Support	6 Aimags	<p>In December 2020 ongoing:</p> <ul style="list-style-type: none"> <li>Procurement for insemination equipment<sup>7</sup></li> <li>Purchase of nucleus herd for 390 Mio MNT<sup>8</sup></li> <li>portable fencing for 84 Mio MNT is being organized by MoFALI</li> </ul>

[1] For 17 completed (dug) wells, houses are not completed yet (remaining balance, 2 contracts, totals 74.6 Mio MNT)

[2] 1 dug well did not strike water (remaining balance 39.9 Mio MNT)

[3] Contract of 9 wells (one bidding pack) was cancelled because contracted company involved in court case. Time was too short to re-announce tender. Funds (70% project and 30 % local) are included in the draft AWPB 2021. 144.9 Mio MNT

[4] 1x7 sheep dips not complete (remaining balance 71.6 Mio MNT)

[5] Remaining balance for 2 x 12 sheep dips not approved yet – 19.4 Mio MNT

[6] Organized by Animal Genetic Resources Department and the National Center for Animal Genetic Resources

[7] At the National Center for Animal Genetic Resources

The following trainings and activities had to be postponed to 2021:

- Training on livestock production management, for herders/PHGs and project staff in 18 Souns
- Training on pasture management and resilience to climate change, for herders/PHGs and project staff in 18 Souns
- Training on livestock insurance and its importance, for herders and project staff in 18 Souns
- Training on basic financial literacy, for herders and project staff in 18 Souns
- Training in pasture management, phase 1, and evaluation, PHG leaders and members, and project staff in 18 Souns
- Training and support for mixed cooperatives (PHGs and Womens Groups), PHG members f 18 Souns
- National travel for inter-Soum experience sharing tour, and international travel for a study tour for local staff and PHG leaders/members, and to participate in an Asia Pacific Region Experience Sharing Conference
- publications of books, guidelines, and on PHG success stories, video production and broadcast

On the Market Development component, implementation is expected to achieve 73% of approved AWPB by end of the year. Khan Bank negotiations were formalized, and SGA was signed in July 2020. As of October 31 2020, Khan Bank has been financed MNT 1.08 billion equivalents totally to USD381,136 to 74 borrowers, including 64 individuals with USD146,668 (Of which 40 loans are working capital needs at USD63,077 and 24 loans are investment needs at USD83,591) and 10 MSMEs with USD234,468. To date, 13 business plans have been prepared, out of which 5 have received IFAD no objection; all the business plans are prepared leveraging debt financing and market access. The business plans' implementation has not commenced due to a delay in signing the agreement with SME fund related to the recent elections. However, the formalizing progress as the consent of MOFALI has been obtained and awaiting the MoF approval.

#### Performance of M&E System

Rating: 5

Previous rating: 4

#### Justification of rating

The project has implemented the improvements proposed by previous missions with regards to monitoring and evaluation. The integrated MIS system has been introduced in 2019 and upgraded in April 2020 to track and monitor the overall implementation status, including project activities, expenditures against the AWPB and performance of staff. The new system is also being used for management decision making. The pilot has been concluded and the system is going live now.

The project also substantially strengthened the photo monitoring system for pastureland health, creating 362 photo-monitoring points, thereby expanding rangeland monitoring across all PHG areas. Data from these monitoring sites are input into the “Land Manager” software program of the central government agency ALAMGAC; land officers of all project Soums have been trained in collecting and inputting the data. The rangeland monitoring established with project support therefore is fully in line and integrated with the national rangeland monitoring system.

<b>Social, Environment, and Climate Standards requirements</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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#### **Justification of rating**

Requirements of SECAP continues to be rated as satisfactory. Activity implementation adheres to key SECAP recommendations, which are related to need for capacity building; use of suitable participatory approaches/tools to draw on local understanding of local problems and identify solutions; and improved monitoring of rangeland health.

#### **SECAP Review**

In framework of the SECAP, the project objectives are in line with national policy namely the key policy document, “Mongolia’s Second National Communication to the United Nations Framework Convention on Climate Change”, which includes regulating pasture use and possession, improving pastureland irrigation, and monitoring land degradation as priority adaptation measures for grassland ecosystems.

The project interventions like trainings, on-the-job capacity development, and local stakeholder cooperation for local strategic planning; investments for risk/disaster preparedness; enabling pastoral mobility through herder group formation; strengthening rangeland monitoring through photo monitoring on group level; breed improvement towards adapted local breeds and improving animal health contribute to implement national priority climate change adaptation measures in the pasture and livestock management sectors.

The use of photo monitoring is a solid base for better rangeland health assessment.

### **d. Financial Management & Execution**

<b>Acceptable Disbursement Rate</b>	<b>Rating: 4.0</b>	<b>Previous rating: 3</b>
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#### **Justification of rating**

The additional loan became effective in March 2018. The total disbursement to date is USD 4 901 819.5 including USD 1.5 million advance and USD 1.9 million disbursed in 2020. The disbursement rate stands at 54.87% with the advance included. Due to the COVID-19 pandemic, some of the workshops and training activities in 2020 have been postponed. The original loan L-I-836 has the advance of USD 1.6 million which should be justified in the coming period.

#### **Main issues**

The Mission noted the original loan L-I-836 has the outstanding advance valued of: (i) USD 756 844 which consists of USD 695 284.34 in their DA and USD 69 601.48 in the State Treasury bank account of the Additional Loan as the remaining initial deposit and (ii) USD 900 000 unspent as an advance as well under Credit line for the Loan guarantee activities for beneficiaries inside and outside project areas under categories 5.a and 5.b. Since 2019 supervision mission, the project was recommended to update and submit its recovery plan for the unused advance. The Mission drew attention and advised the PIU to prepare WAs to adjust all of all advances in 2021. Otherwise, the unspent advances shall be returned to IFAD accordingly.

Under the Additional Loan, the performance of its disbursement to date is USD 4 901 819.5 including the initial advance of USD 1.5 million. The disbursement rate stands at 54.87%. The total project expenditure by year end is budgeted as USD 5.4 million which would be 64.6% of the allocated financing. Due to COVID-19 pandemic, this rate will be lower than expected. The project has proposed the reallocation of original approved allocation for IFAD reviews and perusal. For 2020, the project disbursement by 30 November is USD 1 936 534.58. The commitment to be made by year-end (Dec 2020) is SDR 1 166 142.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>WA submission</b> Submit WA05 to IFAD. Prepare WA on quarterly basis. Log all WA submissions in both SDR, USD and MNT with valid rate.	PMU	11/2019
<b>Update recovery plan for IFAD original loan-L836-MN</b> The project is required to update and submit the recovery plan for IFAD original loan-L836-MN.	PIU	12/2020
<b>Justify outstanding advances in the amount of USD 1 656 844</b> The project shall prepare WAs to adjust all of all advances in 2021. Otherwise, the unspent advances shall be returned to IFAD accordingly.	PIU	12/2021

### Fiduciary aspects

#### Quality of Financial Management

Rating: 4

Previous rating: 4

#### Justification of rating

The overall financial management arrangement is rated as moderately satisfactory with its compliance to the Financing Agreement. A new Project Director was appointed to the project. New online accounting system has been adapted with timely records of transactions. Monthly bank reconciliation of DAs and OAs have been carried out.

#### Main issues

**Organization and Staffing:** The PIU is staffed with one finance officer who is responsible for all financial management of the project. She processes the required qualification and experienced. However, the mission noted that project finance officer should be more actively involved in project financial management with improvement in efficiency and language capacity for more effective performance. The request of updating FM manuals has not been fulfilled yet to provide sufficient details and procedures on budgeting, accounting, internal control, reporting and audit arrangements with the changes in co-financing approach (30% from local government/local beneficiaries - 70% from PMPMD). The mission emphasized the importance of updating FM manual as soon as possible.

**Budgeting:** 2020 AWPB was prepared and approved timely with IFAD budget of USD 4.56 million. Actual accumulated progress vs. budget and total project cost were monitored and analysed by PIU. As of 31 October 2020, 42.5% of approved budget was executed. By year end, the project expected that 74.6% of budget will be realized. Due to the affect of COVID-19 pandemic, there is a gap between budget and actual expenditures under the capacity building and training categories, as some trainings/workshops were postponed following government request. There are two separate budgeting process: (i) for main project activities and (ii) for operating expenses. Since MoF has strengthened its quality controls and recurrent expenditures (including trainings) reviews in 2019, one single payment is processed within two or three weeks.

**Flow of Funds:** PIU is still managing all project activities conducted in aimags and soums. The payments are processed based on contracts made as follows: (i) direct payment for contracts of works committed at national level and training activities; (ii) funds transferred to aimags budget pool as the 30%-70% co-financing is currently applied. Funds are released to the project from MoF every quarter. Though there are a number of stages to get approval and one transfer takes from one to two weeks, no signification delays have been experienced.

**Internal controls:** PMPMD internal audit is accessed by MOFALI. The project should ensure that internal audit reports are shared with PIU and followed up to improve project internal controls. Contract register are kept in place with regular updates (weekly or monthly) and adequate monitoring. Fixed assets are also well maintained with annual physical checks. The Mission carried out limited random checks of SOE items in the claimed WAs submitted in 2020. The finding was satisfactory as the sampled supporting documents of SOE expenditures are sufficient and traceable.

**Accounting and Reporting:** The new online accounting system has been adapted named Dynamic accounting which is also used by MOFALI and its agencies on agricultural sector. It has proved to have several advantages over the previous one (Aclous) with more reports to be generated automatically, multi-user modes for different reporting purposes, link with other ministry/agencies' software such as E-balance of MoF, National Audit, Tax office, etc. for consolidation and higher degree of accuracy. The Mission urged the project to undertake other improvements of the accounting systems including dual language (English and Mongolian), dual currency and incorporating IFAD required reports formats. Transactions were timely recorded. The project did not submit its interim financial reports to IFAD since 2019.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Update Financial Manuals</b> As of Dec 2020: FM Manual is being updated again, cause of changes of 2020 financing process due to using co-financing approach (30% from local government/local beneficiaries, 70% from PMPMD)	PIU	12/2020
<b>Upgrade Accounting system</b> Undertake other improvements of the accounting systems including dual language (English and Mongolian), dual currency and incorporating IFAD required reports formats	PIU	01/2021
<b>Submit Interim Financial Reports every quarter</b>	PIU	01/2021
<b>Submit Unaudited Financial Reports</b>	PIU	04/2021
<b>Project Finance Officer should play more active roles in the project financial management</b> This should be a continuous practice. PIU Finance Officer should be more proactive, improve her involvement and English language for better communication and understandings of foreign donors.	PIU Finance Officer	12/2021

#### Quality and Timeliness of Audit

**Rating: 4**

**Previous rating: 3**

#### Justification of rating

The audit report was submitted on time. Financial Reports substantially comply with agreed IFAD requirements and auditing standards

#### Main issues

The audit report was submitted in timely manner. The management letter is not separated from the audit report. The follow up on previous audit observations is mixed with the audit report and needs to be clarified if there are pending issues from previous periods.

The financial statements presented are not fully compliant with IPSAS Accrual basis.

The following Financial Statements are missing:

Sources and uses of funds statement

Withdrawal application statement

Designated account statement / Reconciliation

Notes to the financial statements

Fixed asset missing

The basis of accounting was not disclosed by the project.

The following were the internal control observations raised by the auditor:

MNT 61,206 unaccounted exchange rate gain

MNT 6,061 adjustment from inventory accounts to fixed asset accounts

MNT 4,702.1 income tax receivable account different than the tax statement MNT 4,397.7

#### Counterparts Funds

**Rating: 5**

**Previous rating: 4**

#### Justification of rating

The mission noted timely and adequate mobilization of counterpart funding by the project, including government contribution through tax exemption, office rent and staff salary, beneficiary contribution and others which became crucial for effective and smooth project implementation.

#### Main issues

To date, the accumulative government contribution amounted to USD 1.87 million equivalent to 68% of total government commitment. In addition, there were USD 0.84 million of beneficiary contribution and USD 1.2 million of other contribution from institution, private sector, etc.

A periodic regular (minimum quarterly) update of counterpart contributions in accounting system and supporting documents should be obtained and archived. Counterpart funding shall be align with national priorities and match the IFAD financing proceeds.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Government counterpart budget implementation</b> Implement activities as planned in AWPB to incur government counterpart budget.	PIU	12/2020
<b>Timely update of counterpart contributions</b> Timely update in accounting system of counterpart contributions and supporting documents should be obtained and archived.	PIU	12/2020

#### **Compliance with Loan Covenants**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

The financing covenants are generally complied with in respect of those that have become due for compliance.

#### **Procurement**

#### **Procurement**

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

Procurement under the project is rated Satisfactory in terms of process, conduct, value for money, transparency and efficiency. The approach of shifting the procurement activities through the Aimags level was quite successful. Shifting of this paradigm to decentralized procurement activities was extremely successful which benefited the project performance and efficiency. The procurement plan for a total cost of US\$3,282,232 (3.2M) was prepared under the FY2020. During the reporting period the project has contracted so far US\$2,854,409 mostly related to procurement activities under works categories US\$2,706,000 (95%), while services US\$139,380 (5%) and goods US\$9,029 (0.3%). Despite the COVID-19 and lock down situation in the country, the PMU has overall achieved the targets successfully.

#### **Procurement Review**

The procurement plan for the year 2020 includes goods, work and services for a total cost of US\$3,282,232.00 was in line with AWPB and updated with actual dates and the nature of activities, quantity of goods and services in PP are consistent with activities referenced in the 2020 AWPB. Methods of procurement applied in the procurement plan and actual procurement are consistent with the provision of the Financing Agreement, Letter to the Recipient (LTR) and the Public Procurement Law of Mongolia (PPLM). The planned activities were logically grouped, packaged and costed consistently with the implementation strategy and promulgates the use of competitive methods. During the review of the procurement plan it was noted that the PMU was not using the updated version of the procurement plan, however, during the mission, the updated version has been shared with Procurement Officer and advised for the implementation for PP2021. PP was upgraded in a year and obtained IFAD No Objection.

The review shows the compliance of the Public Procurement Law of Mongolia (PPLM) and Guidelines consistent with IFAD procurement guidelines and the Financing Agreement and Letter to the Borrower as well as the IFAD Policy on Preventing Fraud and Corruption in its activities and operations. The State Secretary of the MOFALI and PMU has signed tripartite agreements with Governors of all 6 Aimags to transfer the authority and rights to organize, implement and monitor all the IFAD funded project activities in the 6 targeted Aimags. PMU is following the order of government, the e-procurement system should have been fully utilized in public procurement. The system has integrated all functions and processes necessary for conducting procurement. For the shopping, the PMU used to send invitations to 3 existing bidders. After using the e-procurement system, the invitation is publicly advertised. This is a positive factor to the procurement and all the contracts are uploading the e-procurement systems.

Since now all procurement/LCB and Local shopping and tender rights and processes have been transferred to Aimag level so that PMU should monitor and supervise the programme of work. The Procurement Officer with support of Procurement Assistant needs to conduct procurement clinics and refresher trainings for the Aimag procurement committees on PPLM and IFAD procurement guidelines and also provide guidance for the preparation of annual procurement plans and IFAD client portal and contract monitoring online system.

PMU has started online data entry on IFAD client portal for contract monitoring, however, it was noted that the data entry is not on a regular basis. At the Aimags and Soums the project staff are responsible to monitor the implementation of contracts. The project staff submits reports of the progress implementation of each Aimags to PMU on a weekly basis for the data entry in ICP-CM. The Mission recommends the PMU to nominate the key professionals' staff at Aimags level to be trained on the ICP-CM, so they could enter the data on a regular basis in ICP-CM. The mission has seen the documents related to contract administration; this included bank guarantee, bonds, performance security, insurance policies and validity. The documents were kept under lock and key.

Physical filing system could not be reviewed due to remote supervision mission. However, demanded documents were promptly provided by the procurement officer which indicates that there is a consolidated filing system for the procurement records, which is available right up to the point of contract issuance. PO was advised to supervise the Aimags teams for the filing of all procurement documents and retain a copy at PMU level for audit purpose. See attached the detailed procurement working paper Appendix 6.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Procurement Plan</b> PMU should use updated appropriate procurement plan template for goods, works and services	PMU	
<b>Contract Management and Monitoring</b> Strengthen the contract management and monitoring role to ensure high quality outputs and deliverables especially works related tasks.	PMU	
<b>ICP- Contract Monitoring</b> PMU needs to train the key staff at Aimags level on ICP-CM, so they could enter the data on a regular basis in ICP-CM system.	PMU	
<b>Filing System</b> PO was advised to keep all the invoices and deliverable reports, payments records copies with the endorsement of the technical team in the relevant files. Further, it was advised to supervise the Aimags teams for the filing of all procurement documentations and retain a copy at PMU level for audit purpose.	PMU	

#### e. Key SIS Indicators

<b>Likelihood of Achieving the Development Objective</b>	<b>Rating: 4.79</b>	<b>Previous rating: 4.0</b>
<b>Assessment of the Overall Implementation Performance</b>	<b>Rating: 4.58</b>	<b>Previous rating: 4.0</b>

#### F. Relevance

<b>Relevance</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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##### Justification of rating

Relevance is rated satisfactory. The project design and its activities are consistent with the needs of the project target groups and generally aligned with IFAD and the Government of Mongolia policies and national priorities. The development objective of the project is still very relevant and has underpinned the scaling-up process under the Additional Financing.

##### Main issues

PMCCA design and implementation is in line with and puts into practice government policies on climate change, pasture and livestock management. The effects of climate change are pronounced in Mongolia, where the increase of annual mean temperatures is twice the global average and extreme events are becoming more frequent posing extreme challenges to pastoralist already operating in a very harsh environment.

Approx. 70 % of Mongolia's rangelands are considered degraded to some degree, most of which however is also considered to be recoverable with improved management. In this context, the PHG organization, their PMPs and monitoring, and the capacity building on Soum and herder level is highly relevant.

PMCCA activities are relevant and timely as the legal framework is evolving to shift a focus from livestock quality to quantity. The 2018 Law on Animal Health holds herders to set standards in livestock health, project support enabling parasite treatment is extremely important in this context. The new Law on Animal Taxation incentivizes livestock quality vs quantity; the trainings and investments support under PMCCA are highly relevant for this.

With extreme events, drought and dzud, increasing under climate change, preparedness is of utmost importance for herders. In sudden winter disasters, or after a drought summer when hay prices sky rocket, locally available supplies, as made possible by the storage facilities in 21 Soums in 2020, are highly relevant for herders livelihoods.

The demand for quality food products is growing fast in Mongolia not only in Ulaanbaatar but also at aimag centres level and Mongolian products have potential and markets to gain market shares against export and become viable substitutions. Despite the economic slowdown, a rising middle class with significant purchasing power as well as the fast growing e-commerce are looking for these quality products.

The project should become further instrumental in supporting smallholders, pastoralists and women to link with and supply these

profitable and sustainable markets through the provision of training and capacity building aiming at ensuring quality, inclusion of poor women, herders and smallholders in structured supply chains (and value chains) and backward linkages of MSEs with project target groups. As markets are in high demand for new alternative products, the project should also be instrumental in further diversifying the activities that can be developed at household or soum centre levels, such as primary processing

## G. Lessons Learned

**Capacity building of local government and effective management of the procurement, financial management and quality assurance requires investment by project which shall yield long-lasting benefits.**

The project has unique opportunity to engage with local governments at the soum and aimag levels creating the necessary capacities to undertake rural development in the most effective, efficient and sustainable manner in the long run as well as creating the much warranted ownership thus enabling effective O&M of the assets created under the project.

**Project design is relevant and has the potential to create an impact wider than what has been envisaged provided that implementation approach is adopted and streamlined.**

The outreach and geographical coverage of the project has been expanded, investments have been extended across 98 Soums of 6 project Aimags, while intensive support in 18 Soums with PHG formation and capacity building on group and Soum level creates scalable models

**Coordination and engagement with local government and participating banks can increase efficiency and sustainability of the project interventions.**

With the new implementation modality since MTR, (i.e. procurement at local level, co-financing by local governments in the PMCCA component, and partnership with NAMAC (farmers organization) and private bank using their own resources for lending to beneficiaries) implementation has been more efficient, ownership, sustainability and conditions for scaling up have been improved.

## H. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
<b>Development Effectiveness</b>		
<b>Securing investments at soum level</b> Securing investments at soum level	MoFALI - PMU	
<b>Monitor sustainable management of Soum Risk Funds</b>	PMU, local authorities	
<b>Project Management</b>		
<b>Generation of evidence-based knowledge targeting decision makers</b> Identify and implement a set of knowledge management activities targeted to selected decision makers	PMU	09/2022
<b>Financial Management &amp; Execution</b>		
<b>WA submission</b> Submit WA05 to IFAD. Prepare WA on quarterly basis. Log all WA submissions in both SDR, USD and MNT with valid rate.	PMU	11/2019
<b>Update recovery plan for IFAD original loan-L836-MN</b> The project is required to update and submit the recovery plan for IFAD original loan-L836-MN.	PIU	12/2020
<b>Government counterpart budget implementation</b> Implement activities as planned in AWPB to incur government counterpart budget.	PIU	12/2020

<b>Timely update of counterpart contributions</b>  Timely update in accounting system of counterpart contributions and supporting documents should be obtained and archived.	PIU	12/2020
<b>Update Financial Manuals</b>  As of Dec 2020: FM Manual is being updated again, cause of changes of 2020 financing process due to using co-financing approach (30% from local government/local beneficiaries, 70% from PMPMD)	PIU	12/2020
<b>Upgrade Accounting system</b>  Undertake other improvements of the accounting systems including dual language (English and Mongolian), dual currency and incorporating IFAD required reports formats	PIU	01/2021
<b>Submit Interim Financial Reports every quarter</b>	PIU	01/2021
<b>Submit Unaudited Financial Reports</b>	PIU	04/2021
<b>Justify outstanding advances in the amount of USD 1 656 844</b>  The project shall prepare WAs to adjust all of all advances in 2021. Otherwise, the unspent advances shall be returned to IFAD accordingly.	PIU	12/2021
<b>Project Finance Officer should play more active roles in the project financial management</b>  This should be a continuous practice. PIU Finance Officer should be more proactive, improve her involvement and English language for better communication and understandings of foreign donors.	PIU Finance Officer	12/2021
<b>Procurement Plan</b>  PMU should use updated appropriate procurement plan template for goods, works and services	PMU	
<b>Contract Management and Monitoring</b>  Strengthen the contract management and monitoring role to ensure high quality outputs and deliverables especially works related tasks.	PMU	
<b>ICP- Contract Monitoring</b>  PMU needs to train the key staff at Aimags level on ICP-CM, so they could enter the data on a regular basis in ICP-CM system.	PMU	
<b>Filing System</b>  PO was advised to keep all the invoices and deliverable reports, payments records copies with the endorsement of the technical team in the relevant files. Further, it was advised to supervise the Aimags teams for the filing of all procurement documentations and retain a copy at PMU level for audit purpose.	PMU	



## **Mongolia**

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### **Project for Market and Pasture Management Development Supervision Report**

### **Logical Framework**

Mission Dates: 30 November to 11 December 2020  
Document Date: 08/01/2021  
Project No. 1100001455  
Report No. 5606-MN

Asia and the Pacific Division  
Programme Management Department



## Project for Market and Pasture Management Development

### Logical Framework

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project							RIMS report	Annual	PMU	Major shocks or crises which could weaken project effects do not occur or are sufficiently mitigated.
	Females				6 075	22 910					
	Males				11 072	34 364					
	Total number of persons receiving services				17 147	57 274					
	1.a Corresponding number of households reached							RIMS report	Annual	PMU	
	Women-headed households		324	470		442	94				
	Non-women-headed households		35 211	80 000		39 657	49.6				
	Households		19 700	58 000		40 099	69.1				
	1.b Estimated corresponding total number of households members										
	Household members		88 650	136 600	12 615	129 918	95.1				
Project Goal Empower poor rural women and men to achieve higher income and sustainable improvement in their livelihoods	Poverty ratio (% of population) at rural poverty line							National poverty statistics	Every two years	PMU	Political stability. Major shocks or crises which could weaken project effects do not occur or are sufficiently mitigated.
	% of population at rural poverty line	35	30	25							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
<b>Development Objective</b> To reduce poverty and improve livelihoods of poor herder and soum- and aimag-centre households in the project area	Improvement (%) in HH income							Baseline survey, Project MIS Measurement	Annual	PMU	Political stability. Major shocks or crises which could weaken project effects do not occur or are sufficiently mitigated.
	Improvement in household income		10	15							
	Improvement in HH assets ownership index							Baseline survey, CI survey	Annual	PMU	
	HH assets ownership index		30	35							
<b>Outcome</b> Outcome 1 Improved Pasture Management and resilience to Climate Change	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices							Annual CI survey	Annual	PMU	Incentives to implement the pasture management plans agreed by the PHGs are understood by PHG members and maintained.
	Total number of household members	0	2 771	10 000	146	9 599	96				
	Males		1 400	5 000	102	5 052	101				
	Females		1 371	5 000	44	2 547	50.9				
<b>Output</b> Output 1.1 Pasture Herder Groups (PHGs) formed and capacitated for improved pasture management	People trained in community management topics							RIMS report	Annual	PMU	Herders are willing to participate in group activities. Herders are willing to invest time in learning CC impacts and adaptation options for better pasture management.
	Men trained in other		692	1 500	250						
	Women trained in other		2 401	3 600	250						
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks							Annual CI survey	Annual	PMU	
	Groups supported	0	120	264	141	401	151.9				
	Males	0	4 725	5 800		9 289	160.2				
	Females	0	4 725	6 900		9 895	143.4				
<b>Output</b> Output 1.2: Soum-level investment for climate change adaptation prepared in a participatory way	Village/community plans (a.k.a. pasture management plan) formulated							RIMS report	Annual	PMU	PHGs participate in Bagh-and Soum-level meetings.
	Plans formulated		120	264	141	401	151.9				

Results Hierarchy	Indicators							Means of Verification		Assumptions	
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
<b>Output</b> Output 1.3 Resilience of pasture land improved and monitored	Increase (%) of rangeland monitoring sites where improvement of pasture conditions reported							National rangeland monitoring database (NAMEM)	Annual	PMU	No major drought hit in the project areas; and PHGs agree on the common resource use plan.
	Increase			50							
	3.1.4 Land brought under climate-resilient practices							RIMS report	Annual	PMU	
	Hectares of land		306 595	370 000	325 748	520 000	140.5				
<b>Output</b> Output 1.4 Soum Strategies for Pasture Management and Climate Change Adaptation developed	Number of strategies developed							Annual CI survey	Annual	PMU	ALAGAC procedures are followed
	Number of strategies developed	0	7	25	7	25	100				
<b>Output</b> Output 1.5 Soum-level investment for Climate Change Adaptation	Soum level investment to improve preparedness to climate risk or winter (incl. hay making, hay storage, winter shelter, better access to water)										PHGs agree on the set of M&E indicators and participate in voluntary M&E.
	Livestock mortality decrease	3.7	0	1							
<b>Outcome</b> Outcome 2 Value addition in production and processing, and market access improved	1.2.4 Households reporting an increase in production										Successful identification of international and domestic buyers
	Women-headed households										
	Non-women-headed households										
	Households										
<b>Output</b> Output 2.1 Productivity of producers increased	1.1.4 Persons trained in production practices and/or technologies							RIMS report	Annual	PMU	Steady value chain development
	Total number of attendances to training sessions				120	3 305					
	Men trained in crop		280		22	312					
	Women trained in crop		419		86	542					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Men trained in livestock		825	3 000	3	1 307	43.6				
	Women trained in livestock		555	2 000	9	1 144	57.2				
	Total persons trained in crop		699		108	854					
	Total persons trained in livestock		1 380	5 000	12	2 451	49				
<b>Output</b> Output 2.2 Value addition of commodities increased	2.1.2 Persons trained in income-generating activities or business management							RIMS report	Annual	PMU	Steady business growth
	Females		834	1 800	69	1 466	81.4				
	Males		289	500	29	606	121.2				
	Persons trained in IGAs or BM (total)				98	2 072					
<b>Output</b> Output 2.3 Rural financing established and accessed by rural producers and enterprises	1.1.5 Persons in rural areas accessing financial services							RIMS report	Annual	PMU	Businesses are matured within the project years.
	Total number of accesses to financial services				72	493					
	Women in rural areas accessing financial services - savings		288	500	51	420	84				
	Men in rural areas accessing financial services - savings		72	230	21	73	31.7				
	Total persons accessing financial services - savings				72	493					
	2.1.6 Market, processing or storage facilities constructed or rehabilitated										
	Total number of facilities				10	45					

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2020)	Cumulative Result (2020)	Cumulative Result % (2020)	Source	Frequency	Responsibility	
	Processing facilities constructed/rehabilitated	0	21	45	10	45	100				
<b>Outcome</b> Outcome 3 Enabling business environment for niche market	2.2.2 Supported rural enterprises reporting an increase in profit										SMEs are connected to buyers through associations.
	Number of enterprises	0	45	100	13	68	68				
<b>Output</b> Output 3.1 Local Agri-business development plans prepared and services provided through association and local facilitators	2.1.4 Supported rural producers that are members of a rural producers' organization							Project MIS measures	Annual	PMU	SMEs are connected to buyers through associations.
	Total number of persons				0	45					
	Males		20	30	0	24	80				
	Females		25	42	0	21	50				
<b>Output</b> Output 3.2 Platforms established and in operation to penetrate niche market	Number of stakeholders involved in the platforms to promote innovative product in market										SMEs are connected to buyers through associations
	Stakeholders	0	20	50							
<b>Output</b> Output 3.3 Strengthened backward linkages of existing MSEs/cooperatives to poor HH	Households contracted with MSEs cooperatives and suppliers										
	Households	0	130	500							

## **Mongolia**

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### **Project for Market and Pasture Management Development**

### **Supervision Report**

### **Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category**

Mission Dates: 30 November to 11 December 2020  
Document Date: 08/01/2021  
Project No. 1100001455  
Report No. 5606-MN

Asia and the Pacific Division  
Programme Management Department





## Appendix 1: Financial: actual financial performance by financier; by component and disbursements by category

**Table 2A: Financial performance by financier**

Financier	Appraisal (USD)	Disbursements (USD)	Per cent disbursed
IFAD loan	11 479 000	11 336 390*	99%
GEF grant	1 421 371	1 421 371	95%
IFAD Additional Loan	9 060 000	4 562 814**	50%
Government contribution	2 770 000	1 872 433	68%
Beneficiaries contribution	1 830 000	844 126	46%
Other contribution (institution, private sectors, etc.)	3 128 000	1 199 874	38%
<b>Total</b>	<b>29 767 000</b>	<b>21 237 008</b>	<b>71%</b>

\* including the remaining initial advances of USD 1 656 844 which consists of: (i) USD 756 844 which consists of USD 695 284.34 in their DA and USD 69 601.48 in the State Treasury bank account of the Additional Loan as the remaining initial deposit and (ii) USD 900 000 unspent as an advance as well under Credit line for the Loan guarantee activities for beneficiaries inside and outside project areas under categories 5.a and 5.b.

\*\* including the initial advance of USD 1 500 000

**Table 2B: Financial performance by financier by component (USD)**

	IFAD loan			GEF grant			IFAD Additional Loan			Government			Beneficiaries, Companies and Institution			Total		
Component	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
A. Market Development	5 256 000	5 428 670	103%	-	-	-	4 188 000	1 928 347	46%	2 770 000	564 766	20%	4 734 400	2 036 000	43%	16 948 400	8 029 436	47%
B. Pasture Management and Climate Change Adaptation	4 956 000	4 722 420	95%	1 421 371	1 421 371	100%	2 812 000	1 877 983	67%	1 256 240	-	-	223 600	8 000	4%	9 412 971	7 408 030	79%
C. Enabling Business Environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D. Project Management	1 267 000	1 185 300	94%	-	-	-	2 060 000	756 484	37%	51 427	-	-	-	-	-	3 327 000	1 236 727	37%
<b>Total</b>	<b>11 479 000</b>	<b>11 336 390</b>	<b>99%</b>	<b>1 421 371</b>	<b>1 421 371</b>	<b>100%</b>	<b>9 060 000</b>	<b>4 562 814</b>	<b>50%</b>	<b>2 770 000</b>	<b>1 872 433</b>	<b>68%</b>	<b>4 958 000</b>	<b>2 044 000</b>	<b>41%</b>	<b>29 688 371</b>	<b>21 237 008</b>	<b>72%</b>

**Table 2C: IFAD loan disbursements (SDR, as at 30 November 2020)**

**IFAD Loan L-I-836**

Category	Category description	Original allocation (loan)	Revised Allocation 2017	Disbursement as at 31 Oct 2020	Balance	Percent disbursed
120285	Civil works	330 000	1 010 000	981 636	28 364	97%
120286	Vehicles, equipment	620 000	880 000	708 076	171 924	80%
120287	Inputs: Tools, materials	570 000	570 000	495 351	74 649	87%
120288	Inputs: Economic Development Costs	1 190 000	600 000	504 437	95 563	84%
120289	Group formation & Project Grants	620 000	620 000	619 915	85	100%
122550	Loan guarantees for beneficiaries in Project Target Area	660 000	620 000	586 137	33 863	95%
122551	Loan guarantees for beneficiaries outside Project Target Area	1 240 000	600 000	-	600 000	0%
122552	Credit line	330 000	1 700 000	1 479 046	220 954	87%
120291	Field & management staff, operating costs and maintenance	1 100 000	650 000	719 970	(69 970)	111%
99	Unallocated	590 000			-	
074002	Initial deposit*	-		490 457	(490 457)	
054997	Advance for Credit lines (Loan Guarantee funds for beneficiaries inside/outside project areas - Cat Va and Vb)	-		664 406	(664 406)	
	<b>Total</b>	<b>7 250 000</b>	<b>7 250 000</b>	<b>7 249 431</b>	<b>569</b>	<b>99.99%</b>

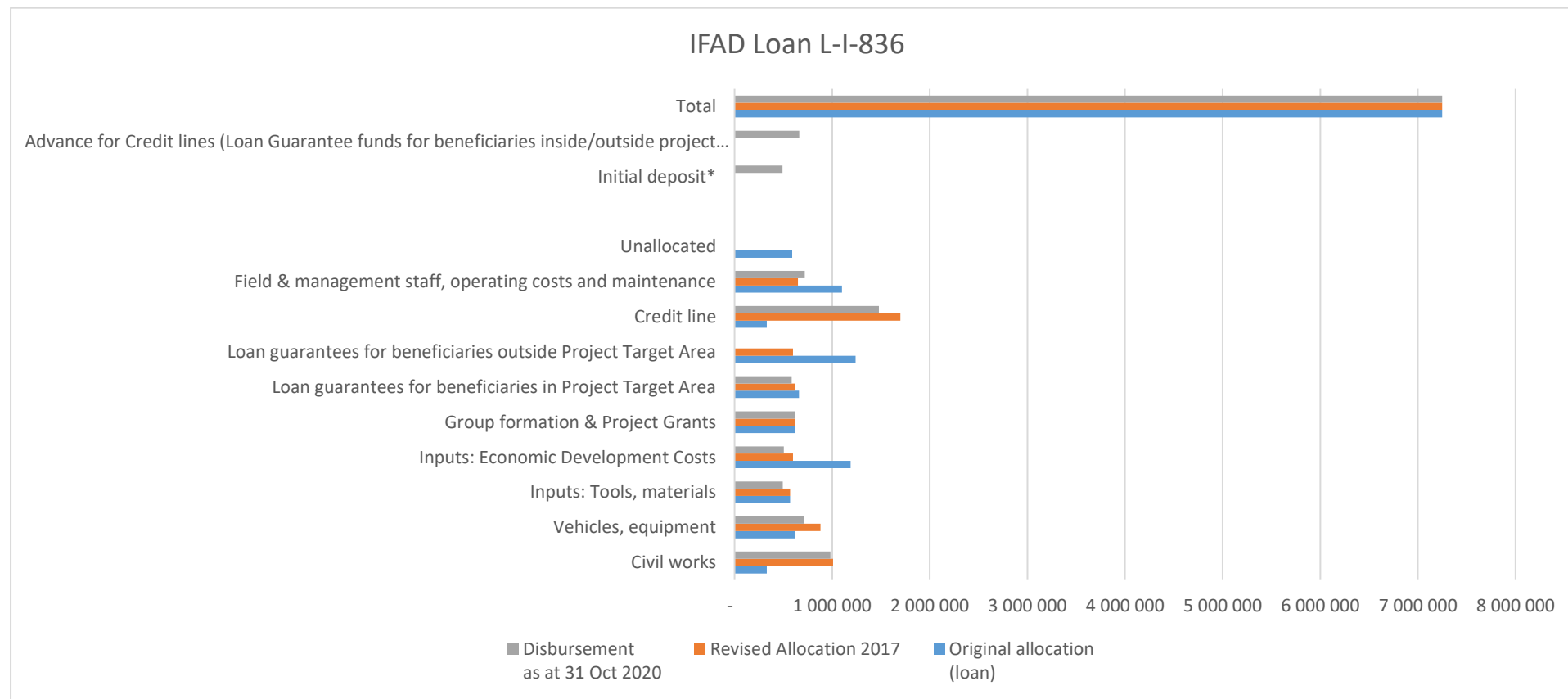
**IFAD Additional Loan**

Category	Category description	Allocation (loan) (a)	Disbursement as at 31 Oct 2020 (b)	Pending WAs (c)	Contract + PMU + Operating Committed (d)	Balance SDR	Percent committed (b+c+d)/(a)	Percent disbursed
200003	Civil works	2 380 000	599 530	396 758	745 877	637 835	73%	25%
200010	Credit and guarantee funds	700 000	724 140	-	203 009	(227 149)	132%	103%
200012	Grants and subsidies	100 000	-			100 000	0%	0%
200013	Goods, services and inputs	1 200 000	738 423	78 524	108 602	274 451	77%	62%
200016	Operating costs	850 000	285 009	31 621	25 124	508 246	40%	34%
200019	Training	600 000	124 255	15 540	-	460 204	23%	21%
290001	Unallocated	650 000	-			650 000	0%	0%
			-			-		
270001	Authorised allocation	-	1 084 042			(1 084 042)		
	<b>Total</b>	<b>6 480 000</b>	<b>3 555 399</b>	<b>522 443</b>	<b>1 082 612</b>	<b>1 319 546</b>	<b>80%</b>	<b>55%</b>

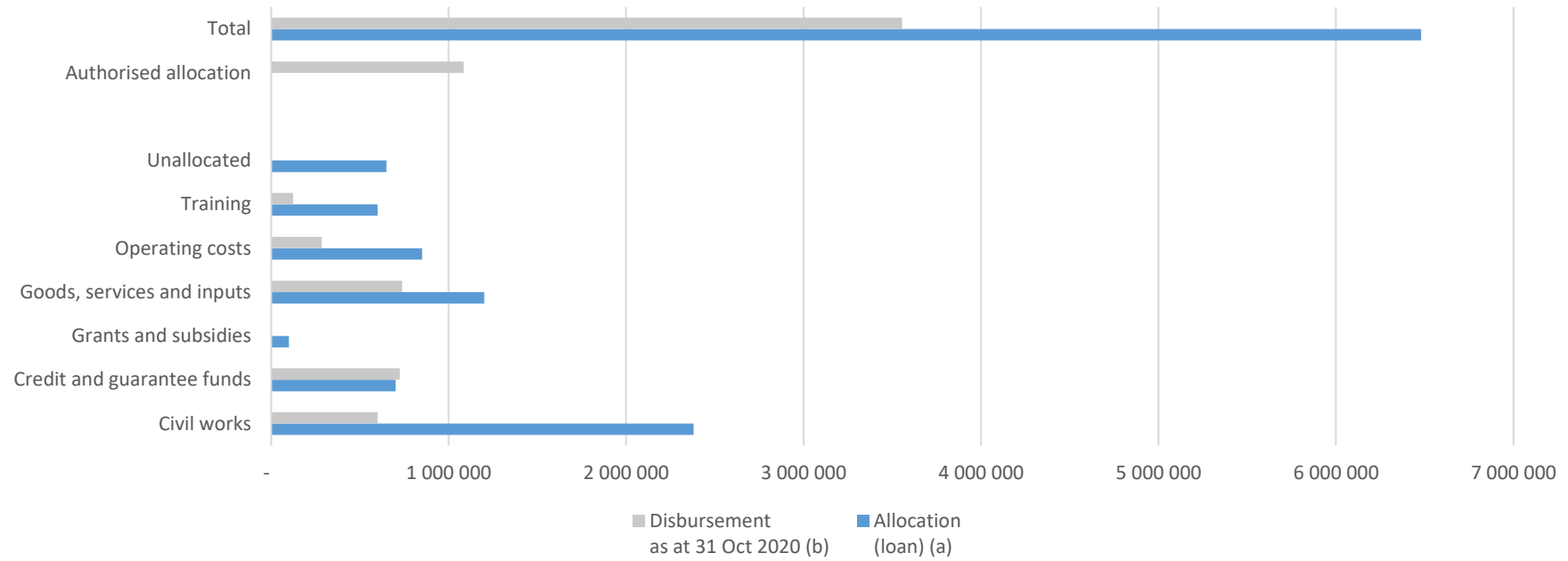
**GEF Grant**

Category	Category description	Original allocation (loan)	Disbursement as at 31 Nov 2020	Balance	Percent disbursed
120293	Vehicles, equipment	99 834	99 834	-	100%
120294	Inputs: Tools, materials	480 950	480 950	-	100%
120295	Inputs: Economic Development Costs	840 279	840 279	-	100%
120296	Field & management staff, operating costs and maintenance	308	308	-	100%
	<b>Total</b>	<b>1 421 371</b>	<b>1 421 371</b>	<b>-</b>	<b>100%</b>

**Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement**



## IFAD Additional Loan



## **Mongolia**

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### **Project for Market and Pasture Management Development Supervision Report**

#### **Appendix 2: Physical progress measured against AWP&B**

Mission Dates: 30 November to 11 December 2020  
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## Appendix 2: Physical progress measured against AWP&B

Component/Outcome		Period: 01-Jan-2020 to 25-Dec-2020				Cumulative Actual	Appraisal Target	%
Sub-component or Output	Indicator	Unit	AWP&B	Actual	%			
Component 1. Improved Pasture Management and resilience to Climate Change								
Output 1.1 Pasture Herder Groups (PHGs) formed and capacitated for improved pasture management	• Groups supported	Number	140	140	100% 100%	140	144	97.2%
Output 1.2: Soum-level investment for climate change adaptation prepared in a participatory way	• Engineering wells	Number	158	158	100%	188	Total amount of investment is 1.08 million MNT	Already done
	• Sheep dips	Number	78	78	100%	123		
	• Construction of fodder storage and hay shelter	Number	11	11	100%	17		
	• Renovation of fodder storage and hay shelter	Number	10	10	100%	10		
	• Herder Information and Training centers	Number	9	9	100%	20		
	• Animal breeding support	Aimag	6	6	100%	6		
Output 1.3 Resilience of pasture land improved and monitored	• Plan formulated	Number	42	42	100%	140	140	100%
	• Strategies developed	Soum	7	7	100%	18	18	100%
Component 2. Value addition in production and processing, and market access improved								
Output 2.1 Support of micro and small entrepreneurs	• SMEs trained in production practices and/or technologies	SMEs	150	120	80%	489		
	• Building/Rehabilitation / of sales point/workplace	Number	11	10	90%	24	24	100%
Output 2.2 Support for agricultural SMEs	• Review and developing 4P business plan for existing SME and cooperatives /workshop and due diligence/	SME	36	36	100%	36	27	133%

## **Mongolia**

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### **Project for Market and Pasture Management Development Supervision Report**

#### **Appendix 3: Compliance with legal covenants: status of implementation**

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### Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>FA Section B.8, 9 and 10; LTB Section C. 13; GC Section 4.04(d)</b>	PMU to open and maintain two IFAD Designated Accounts in USD in advance from IFAD Loan and Additional Loan, in amount of USD 1.5 million respectively. One Designated Account for GEF in USD. Two Project Accounts opened duly in local currency.		Complied	
<b>FA Section B.11</b>	The project shall be exempted of all duties and taxes associated with the Project.  The Borrower/Recipient shall finance expenditures incurred for staff salaries and allowance and operating costs under component "Market Development" from its counterpart funds or from interest generated by the project investment.		Complied	
<b>FA Section E.1a,1c and 2a, 2b</b>	The project key staff including Project Manager, Project Accountant and Procurement Officer have been duly appointed and PMU established in accordance with the FA. The Project Steering Committee established.		Complied	
<b>FA Section E.3</b>	Conditions for Loan guarantees: MOF established Loan Guarantee Fund Unit, Technical Committee of LGF established and LGF Operating Manual in place.		Complied	
<b>LTB section A6</b>	IFAD to receive from the Ministry of Finance a letter designating the name(s) of official(s) authorized to sign withdrawal applications and statements of expenditure (SOE).		Complied	
<b>LTB section A7</b>	PMU to replenish Designated Account on quarterly basis.		Complied	
<b>LTB Section G 30 GC Section 4.05, section 11.10(b)</b>	Audit report submitted to IFAD.		Complied	
<b>LTB Section G 31</b>	<b>The Project shall submit to IFAD consolidated semi-annual financial statements</b>		<b>Not complied</b>	
<b>LTB Section G 32 and GC Section 9.03</b>	Appointment of independent auditors acceptable to IFAD		Complied	

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
<b>LTB Section G.34</b>	Maintain and update a Log of Audit Observations		Complied	
<b>LTB Section G.35</b>	Detailed requirements on financial reporting and auditing are provided in the IFAD Guideline on Project Audits which may be amended from time to time.		Partially complied	The IFAD Handbook on Financial Reporting and Auditing is the replacement of IFAD Guideline on Auditing which set out the detailed requirements on mandatory reports and audit procedures to be followed.
<b>LTB Section G.36</b>	Procedures to be followed upon project completion		Not applicable	
<b>Section 4.06</b>	Progress reports to be submitted to IFAD on timely basis		Complied	
<b>Schedule 4, para 7</b>	AWPB and Procurement Plan to be submitted to the Fund, for its review and comments		Complied	
<b>Schedule 4, para 8(a)</b>	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.		Complied	

## **Mongolia**

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### **Project for Market and Pasture Management Development Supervision Report**

#### **Appendix 4: Technical background analysis**

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## **Aide Memoire**

### **Mongolia - Project for Market and Pasture Management Development (PMPMD)**

#### **A. Introduction**

1. In May 2011, a SRD 7.25 million (equivalent to USD 11.5 million) IFAD loan on highly concessional terms and an USD 1.5 million GEF grant was approved by the IFAD Executive Board to co-finance with the Government of Mongolia the Project for Market and Pasture Management Development (PMPMD). The project became effective on 26 August 2011. In 2016, an additional loan of SDR 6.48 million (equivalent to US\$ 9 million) on blended terms was also approved and became effective on 30 March 2018. The PMPMD completion date is the 30th September 2022 and the closing date is the 31 March 2023.

2. The goal of PMPMD is to contribute to empower poor rural women and men to achieve higher incomes and sustainable improvements in their livelihoods. The project area includes 9 Aimags (Arkhangai, Bulgan, Huvskhul, Gobi-Altai, Dornod, Dundgobi, Hentii, Sukhbaatar and Uvurkhangay). The project has three components: (a) Market development; (b) Pasture management and climate change adaptation; and (c) Project management and enabling environment for business development.

3. In October 2019, a joint GoM – IFAD Mid Term Review took place and revised deeply the PMPMD approaches in order to make this project more relevant, inclusive, effective and sustainable. A clear road map was established with key new partnerships and co-financing to negotiate during the year 2020. Few additional Implementation missions were provided by IFAD between November 2019 and February 2020 to support the team to reach their objectives. No other mission was possible after this date because of the COVID 19 and lockdown situation.

4. Since 1<sup>st</sup> of December 2020, a remote supervision mission is on-going with the following objectives: (i) assess the progress made, (ii) identify the bottlenecks and current issues, (iii) review the fiduciary aspects and (iv) propose potential corrective measures implementable during the remaining timeframe which would ensure to achieve the PMPMD development objectives.

5. The Mission held different zoom meetings with the PMU, some of the stakeholders including NAMAC, Khan Bank, and PMPMD Service Providers ( 2 NGOs). Unfortunately, no field visit was possible to organize, even with local consultants as a new strict lockdown came into force by Mid / End of November 2020. The wrap up meeting chaired by MOFALI and MOF secretary was held on 8 December 2020.



6. The IFAD Mission would like to express its gratitude to the Government of Mongolia, the PMPMD Project Management Unit and all the other project partners for their cooperation and support during the mission. This Aide-Memoire reflects the main mission findings and recommendations duly endorsed in the wrap-up meeting.

## **B. Overall assessment of programme implementation**

7. **The overall implementation progress is rated satisfactory (5).** Despite a very challenging year due to the serious COVID 19 lockdown situation in Mongolia, the PMPMD Project Management team with the support of MOFALI and MOF have been able to (i) implement successfully the major revised approach for component 1 and 2 as recommended by the MTR mission in October 2019; (ii) negotiate, formalize and implement successfully the 30% additional co-financing amount (almost USD 1 million) from local government (Aimag / Soum levels) as expected; (iii) negotiate, formalize an agreement and start to implement an additional (and non-initially planned) USD 10 million co-financing with a private bank (Khan Bank) in order to increase in a sustainable and competitive way the access to finance for business activities for women individuals and SMEs; (iv) develop an innovative partnership with NAMAC, the National representation of the Farmer Organization in Mongolia and develop joint sustainable, professional and market oriented Business plan and; (v) commit and secure the successful implementation of 74.6% of the 2020 planned and approved AWPB.

8. Today the overall disbursement is of 54% (compared to 30% one year ago) with around USD 1.6 million pending WA in the system (which should bring the total disbursement to 70% after the payment of the pending WA).

9. The main recommendations of this supervision are :

- To justify to IFAD and not later than December 2021, the remaining USD 1,6 million related to the initial loan of SDR 7.5 million approved in 2011.
- To explore with the Aimags/Soums supported in 2020, the 2021 joint possible AWPB in order to complement the necessary investments under their Territorial Development Plans and/or Land Management Plans.
- To negotiate with MOFALI / MOF / Aimags and Soums an increase of the co-financing of 50:50 in 2021 AWPB under component 2
- To extend PMPMD completion date from September 2022 to December 2023 in order to (i) consolidate the PMPMD intervention and (ii) explore MOFALI / MOF interest to upscale PMPMD with a new 5 / 6 years phase and significant additional co-financing.
- To extend up to the completion date the MOU between NAMAC and PMPMD
- To request IFAD to proceed with a reallocation of the PMPMD Financing Agreement categories in order to ensure that the current SDR 650 000 unallocated increase the efficiency and impact of the project.

## **Mongolia**

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### **Project for Market and Pasture Management Development Supervision Report**

#### **Appendix 5: Mission preparation and planning, TORs, schedules, people met**

Mission Dates: 30 November to 11 December 2020  
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**Appendix 5: Mission preparation and planning, TORs, schedules, people met.**

Individuals met with (in person or online) for the component pasture management and climate change adaptation		
	Name	Position
1	Mr Zandanbal	Project manager, PMPMD
2	Ms Gun Uyanga	Market Development Component Coordinator
3	Ms Khongorzul B.	Assistant, Pasture Management and Climate Change Component
4	Mr Binya	Director, NGO/Service Provider 1
5	Mr Gankhuyag	Director, NGO/Service Provider 2, National Federation of Pasture User Groups (NFPUG)
6	Ms Amarjargal	Staff, NFPUG
7	Ms Odonchimeg	PMPMD Aimag Coordinator, Dornod
8	Ms Lkhagvasuren	PMPMD Aimag Coordinator, Arkhangai
9	Mr Batkhuu	PMPMD Soum Coordinator, Norovlin
10	Mr Battulga	PMPMD Soum Coordinator, Tuvshrulekh
11	Mr Ganbaatar	PMPMD Soum Coordinator, Erdenedalai
12	Mr Munkherdene	PMPMD Aimag Coordinator, Khentii
13	Mr Altanshagai	PMPMD Soum Coordinator, Erdenemandal
14	Mr Adiya	PMPMD Soum Coordinator, Saikhan Ovoo
15	Mr Gantogoo	PMPMD Soum Coordinator, Omnodeelger
16	Mr Altangerel	PMPMD Soum Coordinator, Tugrug

## **Terms of Reference**

**COUNTRY OF ASSIGNMENT/LOCATION:** Mongolia

**MISSION NAME:** Supervision mission - Project for Market and Pasture Management Development (PMPMD AF)

Due to COVID 19, the mission will be held remotely

**MISSION START AND END DATES:** 30 November – 11 December 2020

**REPORT TO:** Hubert Boirard, Country Director, APR/PMD

### **MISSION COMPOSITION:**

The mission will consist of the following members:

- Mr. Hubert Boirard, IFAD Country Director for Mongolia and Mission Leader
- Mr. Fida Muhamad, Agro-economist in charge of component 1
- Ms. Sabine Schmidt, Pasture Management Specialist in charge of component 2 (with the support of Mr Erdenechuluun Tumor)
- Mr. Alok Kumar, Rural Finance Specialist, in charge of component 3 and transversal aspects
- Ms. Ngoc Lan Chi Nguyen, FMD Alternate, in charge of the Fiduciary aspects
- Mr Waseem Shahzad, Procurement Specialist
- Ms Ilaria Firmian and Ms Martina Huonder, KM, M&E and transversal themes

### **BACKGROUND:**

1. In May 2011, a SRD 7.25 million (equivalent to USD 11.5 million) IFAD loan on highly concessional terms for the Project for Market and Pasture Management Development (PMPMD) was approved by the IFAD Executive Board. The project became effective on 26 August 2011. A GEF grant amounting to USD 1.5 million was also approved to complement the PMPMD activities.
2. In 2016, an additional loan amounting SDR 6.48 million on blended terms (equivalent to US\$ 9 million) for PMPMD was also approved by the IFAD Executive Board. This additional financing became effective on 30 March 2018. The duration of implementation is 3 years. The PMPMD completion date is the 30 September 2021 and the closing date is the 31 March 2022.
3. The description of project is specified in the schedule 1 of the Financing agreement amended and restated on 30 March 2017.
4. Target Population. The project target group shall include women and men from herder households and from Soum and Aimag center households; and female headed households and households classified by the local government as poor and vulnerable in the list at Bagh and Soum Level, in the project area.
5. Project area. The project area includes the Aimags covered under original Agreement( Arkhangai, Bulgan, Henti, Huvskhul and Gobi-Altai), as well as those covered under additional financing ( Arkhangay, Dornod, Dundgobi, Hentii, Sukhbaatar and Uvurkhangay). The Parties may agree to incorporate, replace or remove Aimags as far as the Project objective and target groups remain the same. This will be formalized through an amendment.
6. Goal. The goal of PMPMD is to contribute to empower poor rural women and men to achieve higher incomes and sustainable improvements in their livelihoods.
7. Objectives. The objectives of the Project is to reduce poverty, improve livelihoods of poor herder and Soum and Aimag center households in the project area, which is in line with the Mongolian Government's "Mongol Livestock" and "Coopeative Development " programmes.
8. Components. The project shall consist of the following Components: (a) Market development; (b) Pasture management and climate change adaptation; and (c) Project management and enabling environment for business development.

9. The initial loan has been disbursed at 99% and the GEF grant has been disbursed at 94% (Grant closed now). The start-up activities of the additional financing took longer than initially planned. As of today, the results obtained by PMPMD despite an important preparatory work, are below expectation. The disbursement rate of the additional financing is at 24 % (including the initial advance).

### **MISSION OBJECTIVES:**

10. This supervision mission will aim to: (i) review project objectives and impact; (ii) revisit design features and the log-frame targets if necessary, (iii) strengthen inter-agency coordination and ownership by existing government programmes and agencies/partners of project activities; (v) ensure an exit strategy and up-scaling of project activities; and, (vi) addressing areas lagging behind with regards to disbursement and implementation progress (and any other relevant areas).

### **INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES:**

**Each mission member will take into consideration the above nine points when producing the PMPMD MTR Mission Report.**

#### **Mission Leader/Country Director Mongolia : Hubert Boirard**

- Responsible for coordinating the mission's activities, leading the discussions, liaising with the Lead Programme Agency and concerned implementing agencies and private sector partners;
- Assign the detailed tasks contributing to the various parts of the Mission's Aide Memoire and full MTR Mission Report among the mission members;
- Lead the discussions during the wrap-up meeting;
- Make assessment of the overall project performance and quality of implementation in line with the defined result objectives, legal and financial agreements;
- Review the project strategy to strengthen the likelihood of the achievement of the project's goal and objectives;
- Ensure collaboration / discussion with national counterparts and donors in accordance with mission schedules.

#### **Outputs:**

- Review of the ORMS Report
- Finalize a draft Aide Memoire for presentation at the wrap-up meeting

#### **Responsible for Component 1 = Fida Muhammad**

- **Review Component 1 "Enhanced production in the value chain".** Assess the project's performance in implementing the Component, review the achievement of outputs, outcomes and initial impacts, identify constraints, risks and lessons learned, and propose a clear strategy and operational procedures for enhancing performance;
- Review and assess the entire approach related to the 4P/Contract farming and make concrete recommendations in order that PMPMD to be able to start all the remaining medium – long-term commercial agreement within 6 months. Revisit if necessary the current PMPMD approach for identification of the private sector, market study, business plan, investment plan and capacity building plan as well as the implementing arrangement. Provide models if necessary and ensure that the beneficiaries (individuals, producers groups and cooperatives) observe incremental income results before the PMPMD completion date (strategy related to product cycle).
- Analyse the current needs of financing, the current practises outside of PMPMD and the performance and bottlenecks of the PMPMD Loan Guarantee Fund and Line of Credit. Meet the partners and provide if necessary a revised financing approach to the 4Ps/Contract farming.

- Review the financing conditions currently applied between MOF, Commercial Banks and Beneficiaries and propose ad hoc recommendations in order that all partners gain a real interest in the implementation and development of this approach.
- Review the revolving fund approach and ensure that the overall business / financing approach is sustainable with clear exit strategies.
- All other requirements requested by the Mission

Outputs:

- ORMS report in line with IFAD's required formats
- Contribution to the Aide Memoire.

**Responsible for Component 2 = Sabine Schmidt (with the support of Mr Erdenechuluun Tumor)**

- **Review Component 2 "Pasture Management and Climate Change Adaptation".** Assess the project's performance in implementing the Component, review the achievement of outputs, outcomes and initial impacts, identify constraints, risks and lessons learned, and propose a clear strategy and operational procedures for enhancing performance;
- Provide (with the support of the project) the detail status and results of this component since the beginning of this project (mapping of the existing 3 years management plan, Pasture Herder Groups composition / location, number of herders (evolution), number and type of animals (evolution), budget managed by Community Organization,...
- Review and assess the relevance and performance of the entire approach related to the 3 years pasture management plan (based on the performance indicators) and make concrete recommendations in order that PMPMD to be able to start to implement all the remaining 3 years pasture management plan within 6 months. Revisit if necessary the current PMPMD approach for identifying and supporting the Community Organizations / Pasture Herders Groups, identifying the geographic pasture units, elaborate and implement the Pasture management Plan.
- Assess the current needs and issues faced by the herders and their families and make ad hoc recommendations, if necessary for integrating them in the PMPMD component 2 approach.
- Provide (with the support of the project) the full assessment of the sub component "Climate Change Adaptation" (including phase 1) and in particular how the PMPMD (notably Soum level) investments have increase the capacity and the resilience of the herders to Climate change impacts and pastoral risks.
- Assess the exit strategy and sustainability of all the activities initiated under component 2 and revise / propose if not existing a clear and relevant exit strategy ensuring the sustainability of the component 2 interventions.
- All other requirements requested by the Mission

Outputs:

- ORMS report in line with IFAD's required formats
- Contribution to the Aide Memoire.

Rq: Ms Schmidt will start her assignment before the other members of the mission

**Responsible for Component 3 = Alok Kumar**

- **Review Component 3 "Project Management and Enabling environment for business development".**
- Assess the project's performance of the Component 3, review the log-frame achievement of outputs, outcomes and initial impacts, identify constraints, risks and lessons learned, and propose a clear strategy and operational procedures for enhancing performance;
- Review the relevance and performance of the M&E system (indicators, collect of information, treatment, reporting) and make ad hoc recommendations and ensure the coherence with PIM (section M&E).

- Review the quality of implementation arrangements and project management. Identify issues, risks, and lessons learned, and recommend actions to improve implementation.
- Review the effectiveness and efficiency of the project management systems and processes and the quality of project staff at all levels. Identify and recommend capacity building/training interventions
- Review the effectiveness of the institutional relationships/coordination mechanisms between PMU, MOFALI, MOF and implementation partners. Recommend and propose a strategy to improve the effectiveness and efficiency of project management; and
- Provide inputs and recommendations on managerial aspects of various components of the project.
- Review all the transversal aspects as per ORMS report requirement (gender, women empowerment, targeting, nutrition, CC, youth, knowledge management, sustainability,...)
- Review the national regulatory framework related to component 1 and 2 and make recommendations, if necessary in terms of PMPMD policy engagement topics / approach with the GoM.
- Consolidate the contribution of the other mission members and produce the final ORMS report.
- All other requirements requested by the Mission Leader

#### Outputs:

- ORMS report in line with IFAD's required formats
- Contribution to the Aide Memoire.

#### **Responsible for Fiduciary aspects:** Ngoc Lan Chi Nguyen

- Review the quality of the projects' financial management systems including internal controls and financial reporting systems (financial statements), management of project Special Accounts and other accounts and adequacy of bank reconciliation processes. Based on the assessment recommend actions to improve the financial management of the project;
- Review the project's disbursement performance
- Review of the monitoring mechanism used for IFAD resources directed to service providers and community groups;
- In consultation with the Procurement Specialist and PMU review and update the cost of goods and recommend reallocations if required;
- Identify current risks arising from material deficiencies and propose recommendations for improving financial management functions and/or staffing for financial operations needed to mitigate risk;
- Prepare a Summary Risk Analysis Framework and provide support to PMU on the operation of IFAD's approach to risk management. Key tasks to be included in risk assessment activities include the following:
  - (a) Assess the Project Financial Management Arrangements:
  - (b) Use the IFAD FMAQ as the basis to collect relevant information to assess the strengths and weaknesses of financial management systems, internal controls and financial reporting systems relating to financial management and financial administration of project funds in order to ensure that they satisfy IFAD's fiduciary requirements.
  - (c) Test check sample internal controls, by system "walk through" to ensure that approved procedures are consistently being followed.
  - (d) Review sample Withdrawal Applications and Statements of Expenditure to verify adequacy, completeness and validity of claims, the adequacy of supporting documentation and note down any ineligible expenditures. Reconciliation of previous project I-836-MN and confirmation on the possibility of earlier closure of the original project and the GEF project
  - (e) Identify current risks arising from material deficiencies and propose practical recommendations for improving financial management functions and/or staffing for financial operations needed to mitigate risk.
  - (f) Prepare the current Summary Risk Analysis.



- (g) Reporting: - The FMAQ and the Summary Risk Analysis table, together with a relevant set of comments, will be included as technical annexes in the AM/MTR Report.
- Provide guidance for the preparation of the project audit in line with IFAD's guidelines and requirements. Assist with the preparation of project audit logs and follow-up actions on recommendations and observations;
- Review and follow up on compliance with loan covenants;
- Follow up on ICP application
- Prepare an input for the aide-memoire and Supervision report including all sections of subsections of Section E. Fiduciary Aspects.
- Prepare an input to the Project Status Report (aide-memoire appendix 1): covering: (a) Disbursement rates of domestic and co-financing funding sources (Section A. Basic Facts); (b) ratings for section B.1 (Fiduciary Aspects) indicators; (c) description of fiduciary risks and their impact on project performance under section C.5; (d) follow up action on fiduciary aspects under section D;
- Prepare Appendix 3 of the Aide Memoire (Financial: Actual financial performance by Financier; Disbursements by Category and by component): Tables 3A, 3B and 3C and Appendix 4 (Compliance with Loan Covenants: Status of implementation): Assessment of loan covenants in relation to fiduciary aspects.
- All other requirements requested by the Mission Leader

**Outputs:**

- ORMS report in line with IFAD's required formats
- Contribution to the Aide Memoire.

**Responsible for Procurement: Waseem Shahzad**

- Review all procurement issues of the Project, including contracting progress, effectiveness of the procurement staff, identify constraints and risks and recommend actions to improve Project implementation in these aspects; provide implementation support and guidance to the Project particularly on procurement and contract management. In particular;
  - (a) Review the projects compliance with IFAD's procurement requirements including procurement planning, asset and contract registers. Conduct post reviews of the main procurement activities executed. Provide recommendations for improvement where necessary;
  - (b) Review a sample of Fixed Asset procurements to verify that the asset is properly registered into the accounting system and sample test check physical existence of the asset;
  - (c) Review and update costs of goods and together with the Fiduciary and Financial Management Specialist prepare revised cost, revised procurement plan and recommendations for reallocations if required;
  - (d) Review status of recommendations of the last supervision or implementation Support Mission.
  - (e) Prepare inputs for the aide-memoire and ORMS MTR report including: Section E. (e) Procurement; specifying, as relevant, the agreed actions, responsibilities and dates in respect of procurement actions.
- All other requirements requested by the Mission Leader

**Outputs:**

- ORMS report in line with IFAD's required formats
- Contribution to the Aide Memoire.