

## **Mongolia**

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

#### **Main report and appendices**

Mission Dates: 26 September- 9 October  
Document Date: 28/11/2018  
Project No. 1100001455  
Report No. 4892-MN

Asia and the Pacific Division  
Programme Management Department

## Abbreviations and Acronyms

<b>ALAMGAC</b>	Agency for Land Administration and Management, Geodesy and Cartography
<b>DA</b>	Designated Account
<b>EB</b>	Executive Board
<b>FIs</b>	Financial Institutions
<b>GEF</b>	Global Environment Facility
<b>HHs</b>	Households
<b>ITC</b>	Information and Technology Centre
<b>JICA</b>	Japan International Cooperation Agency
<b>KM</b>	Knowledge Management
<b>LGF</b>	Loan Guarantee Facility
<b>LR</b>	Learning Route
<b>M&amp;E</b>	Monitoring and Evaluation
<b>MNT</b>	Mongolian Tugrug
<b>MoF</b>	Ministry of Finance
<b>MoFALI</b>	Ministry of Food, Agriculture and Light Industry
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>MTR</b>	Mid Term Review
<b>NFPUG</b>	National Federation of Pasture Users Groups
<b>NGO</b>	Non-Governmental Organization
<b>NO</b>	No Objection
<b>PHGs</b>	Pasture Herders Groups
<b>PIM</b>	Project Implementation Manual
<b>PISM</b>	Project Implementation Support Mission
<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>PSC</b>	Project Steering Committee
<b>RPA</b>	Reserve Pasture Area
<b>RF</b>	Revolving Fund
<b>SCGF</b>	State Credit Guarantee Fund
<b>SDC</b>	Swiss Development Cooperation
<b>SECAP</b>	Social, Environmental, Climate Assessment Procedures
<b>SDR</b>	Special Drawing Rights
<b>SM</b>	Supervision Mission
<b>SMEs</b>	Small and Medium Enterprises
<b>SSTC</b>	South-South Triangular Cooperation
<b>US\$</b>	Dollar of the United States
<b>VC</b>	Value Chain
<b>WA</b>	Withdrawal Application
<b>WGs</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:	Matteo Marchisio		
Project Director:	Mr Jambaltseren Tumur-Uya		
Project Area:	Arhangay, Uvulhangay, Dundgovi, Hentii, Sukhbatar, Dornod		

Approval Date	11/05/2011	Last audit receipt	11/07/2018
Signing Date	17/06/2011	Date of Last SIS Mission	09/10/2018
Entry into Force Date	26/08/2011	Number of SIS Missions	13
Available for Disbursement Date	26/08/2011	Number of extensions	1
First Disbursement Date	21/12/2011	Effectiveness lag	3 months
MTR Date	15/06/2014		
Original Completion Date	30/09/2021		
Current Completion Date	30/09/2021		
Financial Closure	not available yet		

## Project total financing

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

## Current Mission

Mission Dates:	26 September- 9 October
Days in the field:	6
Mission composition:	Mr. Thierry Mahieux (Team Leader - Rural Finance); Ms. Sabine Schmidt (Pasture Management); Ms. Han Lei (Financial Management - China Country Office); Mr. Erdenechuluun Tumur (Value Chain and Enterprise Development), and Mr. Antonio Rota (Lead Technical Adviser Livestock - IFAD).
Field sites visited:	Arkhangay, Uvurkhangay, Khentii aimags

## B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

<b>Effectiveness and Developmental Focus</b>	<b>4</b>	<b>Project Management</b>	<b>4</b>
Effectiveness	4	Quality of Project Management	3
Targeting and Outreach	5	Knowledge Management	4
Gender equality & women's participation	4	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	4
Nutrition	4	Performance of M&E System	4
Adaptation to Climate Change	5	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	5

<b>Sustainability and Scaling-up</b>	<b>4</b>	<b>Financial Management and Execution</b>	<b>4</b>
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	2
Partnership-building	3	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	5
Quality of Beneficiary Participation	5	Counterparts Funds	4
Responsiveness of Service Providers	4	Compliance with Loan Covenants	4
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	5		
Potential for Scaling-up	5		

<b>Relevance</b>	<b>5</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

An IFAD loan on highly concessional terms of SDR 7.25 million (equivalent to US\$ 11.5 million) for the Project for Market and Pasture Management Development (PMPMD) was approved by IFAD Executive Board (EB) in May 2011 (effectiveness on 26th August 2011). PMPMD's goal is to contribute to empower poor rural women and men to achieve higher incomes and sustainable improvements in their livelihoods. Project's objective is to reduce poverty, improve livelihoods of poor herder and Sourn and Aimag centre households in the project area. The project target area covered five Aimags: Huvsgul, Arkhangay, Bulgan, Khentii and Gobi-Altai. PMPMD consisted of three components: (i) Market Development; (ii) Pasture Management and Climate Change Adaptation, and (iii) Project Management and Policy Support.

The original Project Completion Date was 30th Sept. 2016 and the Loan Closing Date was 31st March 2017. The total project costs amount to US\$ 18.4 million, including a US\$ 11.5 million IFAD loan and a US\$ 1.5 million GEF/SCCF grant.

Following the request of the Government of Mongolia in Feb. 2016, IFAD EB approved an additional financing (AF) to the PMPMD for SDR 6.48 million (US\$ 9.06 million) on blend terms as well as a five-year extension of the PMPMD until 30 Sept. 2021. PMPMD AF was signed in March 2017 and became effective in March 2018. Under the same goal and development objectives, PMPMD AF invests in 18 additional target soums in 6 aimags of Arkhangay, Dornod, Dundgovi, Khentii, Sukhbaatar and Uvurkhangay. PMPMD AF consists of four components: (i) Pasture Management and Climate Change Adaptation; (ii) Market Development ; (iii) Enabling business environment and development of niche markets/products, and (iv) Project Management. Although activities are similar, there is a geographical discontinuity of activities between PMPMD and PMPMD AF.

IFAD fielded its first Supervision Mission (SM) to PMPMD AF with visits to Arkhangay, Khentii and Uvurkhangay aimags. SM objectives are fourfold: firstly, assess the achievement, constraints and impact of the project in relation to the expected overall project objectives and targets; secondly, support the capacity building and institutional strengthening for PMPMD AF implementation; thirdly, revise the logframe of PMPMD AF in accordance with the new IFAD RIMS indicators, and fourthly, review and finalize, together with the PMU, the PMPMD AF PIM.

The SM took place 3 months after a Project Implementation Support Mission (PISM) and an Inception Mission (June 2018). PISM concluded that despite the one-year delay between signature of the Financing Agreement and project effectiveness, the likelihood of achieving the project's objectives was still high if immediate actions were taken to address the situation. The PISM drafted a new costab for the remaining period of the project 3.25 years as well as a roadmap for project activities up to Sept. 2018 against which the project will be evaluated and progress assessed.

The SM had meetings with Ministry of Food, Agriculture and Light industry (MoFALI) and Ministry of Finance (MoF) to discuss implementation progress and issues arising. In addition, together with the PMU team, the SM held meetings with potential key stakeholders including the Dairy Producers Association, the Fruits and Berries Producers Association, the Mon Vegi Project, MercyCorps, AVSF, the National Federation of Pasture User Groups (PUGs), ALAMGAC, Khan Bank and State Bank, private SMEs, cooperatives, and the Head of the Loan Guarantee Facility Technical Committee. During its field visits, the SM held meetings with aimag and soum governors and representatives from MoFALI, private sector, financial institutions as well as development projects and NGOs. A wrap-up meeting chaired by Mr. Enkhbat Daajin, MoFALI State Secretary on 10 October 2018, was held during which, the SM shared findings, issues identified, and agreed actions as reflected in the SM Aide memoire.

### Key Mission Agreements and Conclusions

Both NGOs instrumental in the implementation of activities related to (i) Pasture Management and Climate Change Adaptation, and (ii) Women's groups have to be contracted after the re-tendering process by Dec. 1st, 2018 at the latest. As the network of field facilitators is already selected, activities under component 1 and sub-component 2.1 will be able to start no later than Jan. 1st, 2019. Both NGOs will train and build up the capacity of local facilitators in Dec. 2018 and will start their assistance to local communities to form Pasture Herders' Groups and Women's Groups.

1. The consulting firm in charge of the baseline survey will be recruited no later than Dec. 1st, 2018. Questionnaires and training of enumerators will be achieved by end of Dec. 2018 while survey and data entry will be finalized by end of Feb. 2019. Report will be submitted by end of March 2019.
2. WA#1 for an amount of US\$ 1.5 million will be submitted by Oct. 18th and WA#2 will be submitted by Dec. 15th, 2018. It is also agreed that future WAs will be submitted every quarter.
3. The position of SMEs and Value Chain specialist that has unilaterally not been accepted by MoF will be replaced by a consultant position. The PMU will start the recruitment process of the SMEs and Value Chain specialist by Dec. 2018 so to have him/her on board by March 2019 at the latest. .
4. A Roadmap has been finalized and agreed upon by PMU, MoFALI and MoF for the period Oct. 2018 to end of March 2019 with quantified objectives to be reached by end-Dec. 2018 and end-March 2019. A follow-up mission in Jan. 2019 and a Project Implementation Support Mission in April 2019 will assess the progress in project implementation against these objectives.

## D. Overview and Project Progress

PMPMD AF is the continuity of PMPMD, hence forming one single project. In that respect, as of Sept. 2018 the disbursement rate of both PMPMD and PMPMD AF stands at 54.1% while the physical delivery rate stands at about 60%. Financial delivery rate of the GEF loan stands at 94.8% while the physical delivery rate stands at around 95%. For GEF grant, the project has already submitted its completion report. For IFAD loan, the project will no longer operate in 3 PMPMD aimags (Bulgan, Gobi-Altai, and Huvsgul) and in the 2 aimags in which PMPMD AF will continue to operate, only 2 soums were previously included under PMPMD. The PMU has already drafted a completion report for these aimags that will no longer be included in PMPMD AF area.

Invitations to tender for component A and B as well as for the baseline survey and the M&E/MIS software development have been advertised in July 2018. In September, MoFALI Bidding Committee cancelled the tender mostly for procedural reasons. The tender was re-advertised beginning of October. The Mission has reviewed the updated ToR. NGO contract will be signed at the latest for Dec. 1st, 2018. The risk of having the tender cancelled once again is mitigated by the fact that bidders included in the cancelled tender are now aware of the reasons behind cancellation and will re-submit accordingly.

**Component A - Pasture management and climate change adaptation.** The investment planned for 2018 (since June) is US\$ 151,500, actual completion as of 30 Sept. is US\$ 3,385 or 2.2% of the 2018 annual plan. Major activities planned for 2018 include: (a) contracting a NGO responsible for the implementation of the component; (b) contracting and training of 18 soum facilitators and procuring their equipment and office furniture; (c) assisting herders to form PHGs (144 PHGs by project completion i.e. 8 per each selected soum), and (d) assisting at least 18 PHGs to develop a 3-year PMP. Actual physical delivery rate as of 30th Sept. is about 25%.

Contracting the NGO is the triggering factor for the implementation of the whole component. However, the PMU has already selected 34 soum/aimag facilitators (for components 1 and 2). The remaining 8 positions will be selected and contracts signed no later than Nov. 1st, 2018. In addition, the PMU has already procured the motorcycles, equipment and furniture for these 42 facilitators. In Nov. 2018, a training for these facilitators will be conducted by the PMU on project management. In Dec. 2018, the contracted NGO will organize training and capacity building for soum facilitators as well as for local MoFALI representatives at both aimag and soum levels.

Assistance by selected NGO and soum facilitators to herders to form their PHGs has already started in 2018 and will continue during the first quarter of 2019. PHGs formation will trigger: (a) the drafting by each PHG of its 3-year PMP, and (b) the identification by the PHG of an asset investment that will enable the creation of its Revolving Fund. 144 PMPs will be drafted in 2019 and 96 assets will be procured and delivered to PHGs in 2019 (remaining 48 assets to be procured and delivered in 2020).

Following meetings with ALAMGAC, SDC/Green Gold Project and Mercy Corps, support needs on Soum level for pasture mapping, tenure rights registration, photo monitoring and developing Soum Development Plans through PMPMD AF have been further clarified. In 9 project Soums, ALAMGAC has already completed ecological site description, pasture mapping, tenure rights registration and development planning. In the remaining 9 project Soums, the process is at a very early stage, with only photo monitoring established. In close collaboration with ALAMGAC, the PMU will procure consultant services to draft the Soum Territorial Development Plans under ALAMGAC supervision.

Field visits by the mission to three project Aimags confirmed the importance of Risk Funds at Soum level to offset the consequences of *dzud* or other natural disasters. In the absence of a national law on pasture land utilization, Aimags and Soums, to various degrees, have proceeded to develop local regulations for pasture land utilization. The local regulations all seek to address the priority issue of exceeded carrying capacity of pasture land by introducing different mechanisms of fees/taxation according to livestock numbers. The project will support local authorities to finalize and/or implement these regulations and will also explore possibilities to use this financial mechanism to increase Risk Funds or expand the GreenGold Pasture Protection Fund initiative piloted in Arkhangay aimag.

Finally, local governments have taken a proactive approach in coordinating donor supported projects, and SDC/Green Gold Project and Mercy Corps are actively collaborating with each other to implement government policies under the guidance of local authorities. Both Green Gold and Mercy Corps activities are highly relevant to PMPMD objectives, and PMPMD AF activities have been designed to build on and complement these. The Mission recommends to further develop a platform of discussion with relevant development partners to ensure synergies among projects, to avoid overlaps and to increase projects' outreach and impact.

### Component B - Market Development

**Sub-Component B.1 - Formation and operation of WGs.** The investment planned for 2018 (since June) is US\$ 109,600, actual completion as of 30 Sept. is US\$ 1,997 or 1.8% of the 2018 annual plan. Major activities planned for 2018 include: (a) contracting a NGO responsible for the implementation of the subcomponent; (b) contracting and training of 8 aimag and 16 soum facilitators and procuring their equipment and office furniture; (c) assisting women to form WGs (144 WGs i.e. 6 per each selected soum and 6 at each selected aimag center), and (d) starting group members' training (group formation and management, technical training on activities). Actual physical completion as of 30 September is about 30%.

Assistance to women to form WGs has already started and will continue during the first quarter of 2019. Once WGs are formed, the NGO will provide them with specific technical training and group management as well as business planning and management so that at least 75% WGs can issue a business plan no later than June 2019 to be submitted to

participating financial institutions and to be financed no later than July 2019. The remaining 25% of WGs will be financed in 2020. The Mission recommends the NGO to focus its support to WGs on business management and planning, accounting, and technical training rather than on group management and conflict resolution to ensure that business plans are timely submitted to FIs for activities to be financed before summer. FIs have agreed to participate in WGs training, to have their soum/aimag branch staff trained by LGF on risk assessment and evaluation of rural businesses, as well as to finance WGs even with max. 6 months experience of working together, provided business plan is bankable and additional collateral can be mobilized.

**Sub-Component B.2 - Transformation of PHGs and WGs into Cooperatives** Activities under this sub-component are only planned for 2020 and 2021. In order to achieve the main objective of this sub-component (merger of several PHGs and WGs into a cooperative to develop a business activity), both selected NGOs will start training members on cooperative during the second semester of 2019. Transformation/merger will be only on a voluntary basis.

**Sub-component B.3 - Strengthening of existing SMEs and Cooperatives** Activities under this sub-component are planned for 2019. The VC/SMEs specialist responsible for the implementation of this sub-component has not yet been recruited (see section E-iii). The Mission had meetings with representatives from MSMEs and professional associations and find out there are existing best practices and business ideas ready to be up-scaled or replicated in target soums and aimag. Before end of 2018, the project will issue a call for proposals to select MSMEs for project support. Outside the three selected VCs, the mission strongly suggests to consider providing valuable support to MSMEs operating in the baby yak and baby camel production since the demand for this natural fibres is growing exponentially on international markets. This allows for new income source for project-supported herders from their most environment friendly animals. The Mission recommends the PMU to further discuss with AVSF and NFPUGs to identify potential areas of collaboration and to identify possible recipients of project's support. In that respect, the market development specialist will identify training and capacity building needs of selected MSMEs and organize training together with professional organizations in parallel with business plan submission to banks.

**Sub-component B.4 - Loan Guarantee Facility.** The objective of this sub-component is to provide an additional guarantee to FIs when lending to project's target groups. The additional guarantee ranges from up to 50% for existing SMEs/cooperatives, 60% for newly established cooperatives, to 80% for WGs. LGF guarantee complements any guarantee provided by loan beneficiaries and that maximum value of guarantees/collateral requested by FIs should not exceed 120% of the loan amount. The LGF extends both portfolio guarantees and individual guarantees mostly depending on the loan size.

Since its implementation, LGF has extended guarantees for 4 types of borrowers: (a) *project-supported WGs*. 363 WGs have received loans for US\$ 1.31 million. Repayment rate is 99.1% and additionality 100%; (b) *project-supported and financed SMEs*. 17 SMEs have been financed for US\$ 0.65 million. Repayment rate is 99.8% and additionality 100%; (c) *JICA-financed SMEs*. 6 SMEs have been financed by FIs using JICA Two-Step loan resources for US\$ 0.46 million guaranteed by LGF for US\$ 0.21 million. Repayment rate is 97.5% and additionality 84%, and (d) *poor HHs benefiting from loans extended by commercial banks using the Employment Generation Fund (EGF) resources*. 762 poor HHs have accessed loans for US\$ 1.79 million guaranteed by LGF for US\$ 1.30 million. Repayment rate is 98.9 % and additionality 100%.

With resources amounting to US\$ 1.7 million, the LGF has leveraged US\$ 4.21 million in loans extended by commercial banks (i.e. a low leverage of 2.5:1). This poor performance results from the low uptake by commercial banks on the LGF guarantee, the lack of bankable projects and beneficiaries as well as the current economic climate unfavourable for investments. However, the increased number of participating FIs to the LGF mechanism (from 2 at LGF start to 5 in Aug. 2018) indicates the possibility for a growing loan portfolio to be guaranteed. Graduation rate is non-existing as most loans have not yet been fully repaid. Finally, 19 borrowers were in arrears with global pay-outs from LGF amounting to US\$ 8,200 i.e. 0.19% of total loans extended. Despite a low leverage, the LGF has demonstrated that poor HHs, WGs and well as rural MSEs have bankable projects and are potentially good clients for FIs. The Mission recommends the LGF to explore possible ways to increase its leverage especially with the view of becoming the guaranteeing entity for the agriculture sector. Based on the SCGF-LGF MoU, LGF could provide guarantees to FIs when lending to agricultural sector provided that loan beneficiaries (i) are cooperatives or MSMEs, and (ii) include IFAD target groups i.e. smallholders, poor farmers, herders or producers.

The mechanism to ensure LGF's financial sustainability has been finalized. Firstly, accumulated interests earned by the LGF when investing its resources in secured financial instruments are transferred back to MoF. Secondly, MoF includes LGF costs in 2019 and subsequent State Budgets and uses accumulated interests to cover LGF operating costs for the remaining PMPMD AF duration. The project will comply with MoF directive of pooling all projects' resources at its level: LGF resources will also be transferred back to MoF, yet earmarked for guarantee purposes.

The Mission stresses the important aspect of LGF's future after project completion. By the time of the MTR mission, a definitive solution should be adopted: either a merger with the existing SCGF (subject to a positive evaluation of the Fund) or an institutionalization of the LGF that would continue to extend portfolio and individual guarantees to poor HHs and agriculture-related MSMEs in rural areas. After the MTR mission, the project will implement the legal, financial and procedural roadmap for whichever solution selected.

The Mission recommends to maintain interest rate on loans extended to WGs and newly established cooperatives by FIs using project resources below 10% and possibly aligned with the interest rate charged to EGF beneficiaries (8%). For MSEs and cooperatives, considering syndicated loan mechanism, an interest rate charged by FIs of around 13% should be sought (against unsustainable 26-40% market rates for SMEs).

**Component C - Enabling business environment and development of niche products/markets** This component includes two sub-components: (i) development of niche products/markets, and (ii) MoFALI ITC. Activities planned for 2018 include: (a) the desk review of documentation and studies on three selected value chains i.e. fruits and berries, vegetables and dairy, and (b) the procurement of equipment for MoFALI ITC. 2018 budget for these activities amount to US\$ 181,900 with no disbursement as of Sept. 2018. The desk review for the 3 value chains will be completed by end of 2018. MoFALI is currently finalizing the ToR for the procurement of the video conference equipment and has confirmed that delivery of and payment for this equipment will be expedited for the end of 2018.

To optimize the synergy between the three components, the Mission recommends to the extent possible to promote linkages between companies operating in the niche markets/products within the 3 selected value chains and existing SMEs, WGs and PHGs in project area. For example, in the vegetable value chain, the project could promote the development of vegetable production in greenhouses to be undertaken by WGs and link them with SMEs operating for a niche market or with existing SMEs operating in the project area. In the dairy value chain, possible linkages could include for yak cheese domestic and export niche markets project-supported PHGs (milk production), WGs (processing) and a wholesaler/retailer (commercialization and technical support and assistance to PHGs and WGs). For fruits and berries, linkages could include WGs (production of domesticated berries), PHGs (homemade production of dairy products with fruits e.g. fruit flavoured cream, traditional milk vodka with berries) and existing SMEs or niche market SMEs (processing) or even SMEs operating in the dairy value chain to develop fruit-flavoured dairy products. The Mission recommends to further deepen discussions with APEX representatives of selected 3 value chains to identify a list of potential niche products/markets. To ensure synergy among project activities, financial resources are available at three levels: (i) WGs and/or PHGs (mostly aiming at improving production in both quality and quantity); (ii) SMEs (aiming at improving processing and commercialization), and (iii) niche product/market at national level (aiming at improving access to market both domestic and export).

**Learning route for producers, rural entrepreneurs and MSEs.** Discussions with PMU staff, MoFALI representatives and interactions with PHGs in the field, have confirmed the necessity to enhance the capacity of (i) government decision makers on issues concerning SME and value chain development; (ii) Aimags' officers responsible for the development selected VCs under the project, and (iii) producers and rural entrepreneurs in the area of vegetable, berries and dairy production. A Learning Route (LR) is an educational journey built around experiences of local organizations that are supported to systematize and share their knowledge. In this context, the mission recommends to organize visits to IFAD-funded projects and performant cooperatives/SMEs in selected Provinces of China, which are characterized by similar environmental, cultural and socio-economic conditions of rural areas than Mongolia. The mission suggests to contact specialized organizations such as the Asian branch of PROCASUR: <http://asia.procasur.org> specialized in organizing LRs building on IFAD approach in Asian context.

Since the development of vegetable production in greenhouse in a priority of MoFALI, the project recommends to develop South-South collaboration with IFAD-supported projects in China which have already developed the production of vegetables in winter greenhouses (the newly established IFAD Sub Regional Hub in Beijing will act as Knowledge Centre).

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		
<b>Contract soum facilitators</b> Contract soum facilitators	PMU Manager	11/2018
<b>Contract soum and aimag facilitators</b> Contract soum and aimag facilitators	PMU	11/2018
<b>Trainings</b> Training of soum and aimag facilitators by PMU	PMU	11/2018
<b>Interim position for SMEs and VC specialist</b> PMU Manager and Marketing specialist to ensure interim until VCs/SMEs specialist is recruited	PMU	11/2018
<b>Contract NGO</b> Contract NGO responsible for the implementation of the Pasture Management and Climate Change Adaptation component	PMU Manager	12/2018



<b>Training and capacity building</b> Training and capacity building of soum facilitators and MoFALI representatives at soum and aimag levels	NGO	12/2018
<b>Women's Groups</b> Contract NGO responsible for implementation of subcomponent B1 Women's Groups	PMU	12/2018
<b>Capacity building</b> Capacity building of aimag and soum facilitators by NGO	NGO	12/2018
<b>AWGs</b> Assistance to form AWDs	Aimag Gov.	12/2018
<b>SMEs and Cooperatives</b> Issue call for proposals for SMEs and Cooperatives	PMU	12/2018
<b>Collaboration with ALAMGAC</b> Develop collaboration with ALAMGAC for completion of work in 9 soums	PMU	03/2019
<b>Trainings on business management</b> Focus trainings on business management and technical aspects	PMU - NGO	03/2019
<b>FIs and bank branch staff training</b> Ensure participation of FIs to WGs training and ensure training of bank branch staff	LGF	03/2019
<b>Negotiation of SLAs (MoF and FIs)</b> Support negotiation of SLAs (MoF and FIs) and Guarantee Contracts/Agreements	LGF	03/2019
<b>Assistance to herders</b> Assistance to herders to form PHGs (total 144 PHGs - 8 per each selected 18 soums)	NGO	04/2019
<b>PHG's PMPs</b> Assistance to PHGs to draft their PMPs	NGO - PHGs	05/2019
<b>PHGs asset investments</b> Assistance to PHGs to identify their asset investments	NGO - PHGs	06/2019
<b>South-South collaboration</b> Organize South-South collaboration through learning routes for all 3 selected VC stakeholders and relevant public institutions	PMU	09/2019
<b>PHGs assets</b> Assets procured and delivered to PHGs	PMU	10/2019

<b>Training on cooperative</b> Promote training on cooperative for WGs and PHGs	NGOs - PMU	12/2019
<b>Financial mechanism of fees/taxation</b> Finalize financial mechanism of fees/taxation with local authorities, support implementation and assess possibility to use collected resources for increase resources of Risk Fund and/or Pasture Protection Fund	PMU - Soum	
<b>Discussion with Development partners</b> Further develop a discussion platform with relevant development partners	PMU	
<b>Further discuss with AVSF and NFPUGs</b> Further discuss with AVSF and NFPUGs for identification of areas of collaboration and identification of possible recipients of project's support	PMU	
<b>Increase LGF leverage</b> Explore ways of increasing LGF leverage by covering more SMEs/Cooperatives within the agricultural sector across Mongolia	LGF	
<b>Further promote linkages</b> Further promote linkages between niche markets/products and project-supported WGs, PHGs, existing SMEs/cooperatives	PMU	
<b>Intensify discussion with selected VC national institutions</b> Intensify discussion with selected VC national institutions	PMU	
<b>Promote greenhouses and vegetables production for WGs</b> Promote greenhouses and vegetables production for WGs	PMU	

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Previous rating: 5

#### Justification of rating

Targeting is rated moderately satisfactory. The rating considered two aspects: (i) accumulative achievements of PMPMD, and (ii) achievements of PMPMD AF against the 2018 Roadmap. PMPMD physical achievements are close to 99% while financial delivery rate is 99.3% (as of Sept. 2018).

There has been very little progress in the project implementation of PMPMD AF activities since June 2018 (date of the inception workshop). Physical delivery rate is around 25% while financial delivery rate stands at 18.6%. Implementation of project activities has been delayed due to (i) the cancellation of four tenders by the Bidding Committee for procedural reasons external to the PMU, and (ii) the cancellation of the PMU staff position of value chain/MSEs coordinator.

#### Log-Frame Analysis & Main Issues of Effectiveness

Despite the delay in the implementation of PMPMD AF activities, the project is still on track to achieve the outcomes and the project's objective.

Under the Pasture Management and Climate Change Adaptation component, investments and capacity building activities contributed to the enhancement of livestock production, and thus, increasing household income and generated positive livelihood outcomes for the target communities. Improved pasture management was also achieved through drafting of 120 Pasture Management Plans. Climate adaptation capacity has been significantly enhanced through new wells drilled, hay shed and fodder storage facilities constructed, water collection points constructed, spring sources installed, automated weather stations installed, and small-scale tractors provided to all PHGs. Capacity building trainings were provided on the following topics: (i) cooperative management, (ii) climate change adaptation, (iii) vocational training, (iv) Index Based Livestock Insurance, (v) fodder cultivation technology, (vi) veterinary and breeding education, and (vii) pasture management.

The Market Development component focused on: (i) *WGs development* implemented through UMPSC with achievements largely exceeding target in terms of WGs formed, trained and financed; (ii) *SMEs development* by PMU with 55 SMEs/cooperatives supported by the project through financial literacy, various trainings on marketing, technical skills, business management, pricing, compliance with HACCP, assistance to develop a business plan, and access to finance. Support has enabled SMEs to create 150 jobs and to include around 1,500 farmers, herders, and producers in their supply chain. It also enabled an average 50% increase in both turnover and profit of these SMEs, and (iii) *loan guarantee and credit lines* implemented through the PMPMD LGF. In total, US\$ 1.96 million in loans and US\$ 2.78 million in guarantees have been extended by LGF which also leveraged US\$ 2.25 million in loans. Additionality was around 100% and global repayment rate 98.7%.

Within SMEs development, PMPMD focused the project support on three VCs: dairy, fruits and berries, and vegetable. Support provided by the project was two-fold: (a) capacity building of poor HHs to ensure their inclusion in the SMEs supply chains in the above mentioned VCs, and (b) knowledge and experience sharing through national organizations representing producers to maximize impact across the country - for example, (i) revision of standards for production of seabuckthorn juice as well as a release of an "Encyclopaedia of Berries in Mongolia" aggregating all VC stakeholders and best technical practices; (ii) dairy products processing and regulation on milk and dairy products, and (iii) publications on plant protection, cabbage production and post harvesting and onion and garlic production.

As a lesson learned from PMPMD, PMPMD AF will further ensure complementary and synergy of project activities between activities related to production (WGs, PHGs and cooperatives), processing (existing SMEs and cooperatives) and markets to maximize impact, increase access to markets and facilitate access to finance for project target groups. Within the three above-mentioned selected VCs, PMPMD AF will identify niche markets and products with potential to include PMPMD AF target groups. It will provide its financial and non-financial support to all niches' stakeholders operating within the project area and also across Mongolia (especially for marketing, commercialization, compliance with standards and export regulations).

#### Development Focus

Targeting and Outreach

Rating: 5

Previous rating: 4

#### Justification of rating

Targeting and outreach is rated satisfactory. With regards to pasture management, the approach developed is all inclusive: PMPs are jointly developed and agreed upon by all PHGs whether supported by the PMPMD or not and by the local government. So far the poverty incidence within PMPMD-supported PHGs and the average poverty incidence in project soums are similar indicating an effective approach to reach poor herders' HHs. Elite capture has been avoided for

investments to PHGs through the implementation of investment and revolving fund guidelines. WGs' membership is cross-checked with the list of poor HHs at soum level ensuring that poor and very poor HHs are effectively included in project activities. From an M&E perspective, the HH/gender categorization in M&E forms paves the way to measuring effectiveness of the targeting approach.

### **Main issues**

The all-inclusive targeting strategy has been fine-tuned in the PMPMD AF design and PIM. Focus will be put to ensure inclusion of WGs and PHGs as well as cooperatives formed through the merger of PHGs and WGs in SMEs/niche products and markets supply chain, thus increasing possibilities to get higher income resulting in improved livelihoods.

Project support will also be provided outside selected soums and aimags: (i) for Loan Guarantee beneficiaries: Poor HHs who benefit from loans extended by financial institutions using Employment Generation Fund resources will be automatically guaranteed under the project as the target beneficiaries are similar as IFAD ones (it will also build LGF capacity as an institution extending guarantees to poor rural HHs and for agriculture-related activities), and (ii) for niche markets and products: support provided by the project (marketing, commercialization, compliance with standards) will be extended to all stakeholders of these niche markets and products value chains, irrespective of their geographical location.

The project will also be responsive to needs expressed by its target groups: For example, the project will continue to finance working places at soum level as well as points of sales at aimag level which were considered as essential for the development of WGs. It was also considered as extremely beneficial by soum authorities for the development of soum activities that these authorities have in most cases co-financed the cost of rehabilitation of these working places.

### **Gender equality & women's participation**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

Gender equality and women's participation is rated moderately satisfactory. Under market development component, the project design includes women oriented activities for the formation and operation of Women Groups (WGs) and encourage them to transform into SMEs. The mission also acknowledges that given the traditional division of work in herder families, it is more difficult for women to take up the role of PHG leader which requires to visit each HH in spring and winter. Still, field visits also find the active and successful work of PHG lead by female leader. The importance of WGs in the development of soums has been acknowledged by local authorities, resulting in their strong financial commitment to co-finance workplaces for WGs. Also, according to project beneficiary women, their status in their communities has greatly improved. Each WG receives demand from other women in their communities to join and participate in WGs' activities, indicating the good perception of WGs' and project's activities outside the target group.

### **Main issues**

Under the market development component, 455 women's groups (WGs), i.e. 2,689 women (975 men), have been supported through the project. Around 85% of WGs are headed by women. 395 WGs, representing around 2,330 women have accessed to loan funds to finance their activities. Loans extended amount to US\$ 1.31 million and repayment rate is 98.5%. Women represented 86% of trainees. WGs' members have also learnt to become team members, work together, assist and support each other. Women through their WGs have been able to save up to US\$ 0.1 million to be used for either financing additional investment, emergency or consumption needs.

While the project demonstrated a strong gender focus through the market development component, women's leadership and participation in PHGs and PHG decision making bodies under the pasture management and climate change component could be enhanced. Through the division of labor among households in different herding tasks and vegetable growing, women benefit from more opportunities to undertake income generating activities.

There is still an unmet demand from women, whose household is a PHG's member, to create their own women's groups or to be included in the micro-enterprises development sub-component. To date, 36% of PHGs members are female and 30 % of PHG Revolving Fund loan committee members are female. Women in PHG decision making bodies (group leadership and loan committee) represents 16 % (target 20%). Of the 120 PHGs, 26 have female leaders (target of 36).

Under PMPMD AF PHGs are anticipated to be more capacitated in financial management (business management and transformation on a voluntary basis of their Revolving Fund into a Savings and Credit Union) women would play more important roles. PMPMD AF will also ensure the development of synergies and working relationships between PHGs and WGs through its financial and technical support to create business-oriented cooperatives.

Logframe indicators are gender-disaggregated whenever feasible. Apart from the creation and strengthening of WGs, no specific activities and budgets have been earmarked for women but the project through training, awareness campaign and capacity building of all project partners will ensure that women represents at least 50% of all project activities' beneficiaries.

### **Agricultural Productivity**

**Rating: 4**

## Justification of rating

Agricultural productivity is rated moderately satisfactory. PMPMD AF activities have not yet started. Activities related to agricultural productivity will only start when WGs, PHGs and cooperatives will have been supported by the project (starting from 2nd quarter of 2019).

### Nutrition

**Rating: 4**

## Justification of rating

Nutrition is rated moderately satisfactory. PMPMD AF activities have not yet started. Activities having a substantial direct impact on nutrition (training provided to WGs, promotion of greenhouses managed by WGs) will only start when WGs, PHGs and cooperatives will have been supported by the project (starting from 2nd quarter of 2019).

### Adaptation to Climate Change

**Rating: 5**

**Previous rating: 6**

## Justification of rating

Adaptation to climate change is rated satisfactory. The resilience of local communities to climate related shocks and stresses has been strengthened greatly under PMPMD. The use of hay-making tools has increased from 2% to 78%, hay and fodder storage capacity is nearly doubled, areas protected for seasonal hay production have increased by more than 30 times, and the use of unregulated hay production was reduced by half. When the dzud hit some of project areas in the winter of 2016, the project-invested facilities saved hundreds of livestock and livelihoods of those who are depending on livestock. The local authorities appreciated the project's investment. Aside from the physical benefits, herders and local administrators are now calculating the costs and benefits of pasture improvement thanks to project demonstrations. However the mission noted that PMPMD AF activities have not yet started particularly in the additional new areas.

## Main issues

The project effectively implemented a series of well-designed adaptation measures such as: (i) construction and renovation of hay sheds and fodder storage facilities, and reserve pastures; (ii) provision of small-scale tractors for hay making to herder groups; (iii) guarding hay reserves in collaboration with soum authority; (iv) tested fields and demonstrated green fodder production; and (v) demonstration of natural restoration of hay making pasture.

- Hay sheds and fodder storage: Hay and fodder storage facilities increased from 5 to 16 units giving 15,000 herder households the opportunity to access good quality hay and fodder at a low cost. Globally, storage capacity reaches for 1,825 tons of hay and 5,960 tons of fodder;
- Provision of hay-making tractor: 120 small-sized tractors with haymaking equipment were provided to the 120 project-supported PHGs (with 20% subsidies). After project, hay preparation is nearly doubled from 1.7 tons of hay on average to 3.2 tons. Also the amount of hay purchased by HHs increased by 12% after the project, rising from 228 kg to 256 kg. A dramatic increase in the use of hay preparation tools shows an improvement in hay making capability and quality of life. The use of hand tools is reduced from 93% (before the project) to 10% (in 2016) while the use of own tractors has increased from 2% to 78%. Moreover the average number of days to harvest hay has reduced from 8 to 5 after project's support;
- Hay reserve: The practice of maintaining larger grazing reserves guarded by appointed herders was introduced successfully in project soums, and is a far more cost-effective method of seasonal protection of pasture lands than fencing. Consequently, some soums are now producing 100% of their hay needs. In total, 78,000 hectares were guarded by soum governors' orders and 11.8 thousand tons of hay were harvested in 2015-2016. According to a project survey, 11% of respondents reported that they harvested hay from protected areas for hay making in 2016 against only 4% before the project. In contrast, the number of households that prepared hay from unregulated areas fell from 68.3% to 30%. The size of fields for prepared hay expanded from 3 hectares to 14 hectares for each household. These positive changes show the benefits of intervention by protecting grazing fields;
- Demonstration of green fodder cultivation was conducted in five selected soums. Before the project, it was estimated that 15 kg of fodder/HH was planted each year, while 360 kg was purchased, including green fodder, oats, and bran. In 2016, as estimated by herders themselves, the amount of green fodder grown was 64 kg and 542 kg was purchased;
- Group organization and collective action, trainings and investments have empowered project beneficiaries and local communities to better mitigate, prevent, or prepare for climate related problems, and increased their resilience to climate related shocks. Also technical assistance to develop legislation on Reserve Pasture Areas (RPAs) supports helped coordinate the use of RPAs effectively for herders impacted by extreme events.

Under PMPMD AF, local authorities of selected soums will be trained and supported to develop their Soum Development Plan. Through a participatory approach and assistance of selected NGO and PMU, these SDPs will list and prioritize herders' needs, whether project-supported or not (all-inclusive approach). A budget of US\$ 60,000 allows for several investments at soum level with priority given to climate change resilience. In addition, in each selected soum, a Risk Fund for natural disaster will be implemented and managed by local authorities after specific training and on the basis of approved regulations and access criteria.

## b. Sustainability and Scaling up

<b>Institutions and Policy Engagement</b>	<b>Rating: 4</b>	<b>Previous rating: 5</b>
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### Justification of rating

Institutions and Policy Engagement is rated moderately satisfactory. Activities under PMPMD AF have not yet started. However, the PMPMD LGF continues to issue individual and portfolio guarantees to beneficiaries, even outside the project area. Discussions on its future after the project will be finalized for the MTR and a roadmap elaborated until project completion.

<b>Partnership-building</b>	<b>Rating: 3</b>	<b>Previous rating: 3</b>
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### Justification of rating

Partnership building is rated moderately unsatisfactory. Under PMPMD, the PMU has done little with regards to long-term partnership-building. It held discussions with other development partners such as GreenGold/SDC only to avoid overlapping activities in similar soums and to ensure that activities promoted under PMPMD were in line with what GreenGold/SDC promotes on a large scale. Partnerships with farmer organisation like NAMAC (National Association Mongolia Agricultural Cooperatives) is also worth to explore.

With regards to financing of WGs, partnership with financial institutions (FIs) was minimum as FIs used project's resources to finance WGs. A very limited number of WGs or members of WGs has been able to access a second loan from FIs using their own resources (absence of graduation).

Partnership between FIs and the LGF with regards to guarantees has been more successful as evidenced by the increasing number of partner FIs (2 at the beginning of the project, 5 now).

### Main issues

The design of the PMPMD AF has included corrective measures to increase long-term partnership-building as a cornerstone for the implementation of project activities and their sustainability.

With regards to Pasture Management, the project will closely work with GreenGold/SDC as well as MercyCorps to identify ways of collaboration, leveraging on what they have already implemented in project selected soums. For example, in project soums, pasture management plans and/or soum development plans have already been established with their assistance but financing identified investments was not part of their mandate, the project will finance them. The project will also collaborate with ALAMGAC with regards to pastureland resilience, leveraging their knowledge and experience (photo-monitoring and implementation of monitoring sites) and using them as service provider.

For SMEs development as well as niche markets and products, the project will closely work with Federations of dairy producers, vegetables growers and fruits and berries producers (three selected value chains) to identify niche products and markets, to identify support needed, to ensure inclusion of project-supported poor HHs, to promote linkages between all stakeholders. The project will also work with AVSF to strengthen the baby yak value chain and ensure that project-supported PHGs in this line of production are included in SMEs supply chain.

The LGF will continue its collaboration with the State Credit Guarantee Fund leading to a merger of both institutions at project's completion (the LGF becoming a window of SCGF specialized in guaranteeing rural poor HHs and agriculture-related activities across Mongolia). LGF will also promote syndicated loans with FIs paving the way to a financing from FIs from their own resources after project completion.

Contacts with these development partners (GreenGold, MercyCorps, AVSF, Federations of three selected value chains, SCGF) have already been initiated since June 2018. Once NGOs have been selected (Dec. 2018), a MoU and partnership agreements will be signed and effective collaboration in the field implemented.

<b>Human and Social Capital and Empowerment</b>	<b>Rating: 4</b>	<b>Previous rating: 5</b>
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### Justification of rating

Human and social capital empowerment is rated moderately satisfactory. Activities under PMPMD AF have not yet started.

<b>Quality of Beneficiary Participation</b>	<b>Rating: 5</b>	<b>Previous rating: 5</b>
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### Justification of rating

Very strong participation from project beneficiaries has been assessed during all supervision mission. PHGs formed Revolving Funds (RFs) with the repayment of 80% of the value of a tractor (20% subsidies from project).

Guided by PMU, PHGs have drafted guidelines for the use of RFs. With resources amounting to US\$ 230,000 at creation of RFs, 79% of PHGs members have received loans amounting to US\$ 580,000 (100% repayment rate). RFs resources have now increased by US\$ 150,000 (interests and additional contributions from members). WGs voluntarily contributed to RFs with guidance from PMU and NGO. Contributions to RFs amount to USD 645,000 (Sept. 2017) and are used to finance HHs and business needs. SMEs, WGs and cooperatives have also contributed to the cost of training received.

#### **Responsiveness of Service Providers**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

Responsiveness of service Providers is rated moderately satisfactory. NGOs responsible for the Pasture Management and Climate Change Adaptation component and for the Micro-Enterprise Development sub-component have been instrumental in the successful implementation of the project. They have been regularly rated as satisfactory by MoFALI M&E department. Both have been responsive to the recommendations formulated by the different missions either in their activities and reports but also during field trips. However no NGOs have been recruited for the PMPMD-AF. Financial institutions have gradually taken up in the guarantee mechanism provided by the LGF as evidenced by the number of financial institutions participating in the guarantee scheme (from 2 at project start to 5 now). Discussions with 2 other financial institutions are held under PMPMD AF.

#### **Environment and Natural Resource Management**

**Rating: 4**

**Previous rating: 5**

#### **Justification of rating**

Environmental and natural resource management is rated moderately satisfactory. Activities under PMPMD AF have not yet started.

#### **Exit Strategy**

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

Exit strategy is rated satisfactory. Throughout the years, the project has fine-tuned its exit strategy in alignment with GoM policies.

Compliance with GoM policy on cooperatives constitutes a key exit strategy for the project's activities related to WGs/PHGs. Training is provided to WGs'/PHGs' members to facilitate their transformation into cooperatives (23 WGs and 10 PHGs transformed). PHGs/WGs RFs will remain at their level with local authorities supervising the use of their resources and their financial books. A specific "Roadmap to merger" was jointly elaborated by LGF and SCGF guided by MoF and FRC aiming at facilitating the smooth merger. Joint training and capacity building activities, public awareness campaign, and revision of manual of procedures to facilitate joint operational activities have been implemented.

#### **Potential for Scaling-up**

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

Potential for scaling up is rated satisfactory. PMPMD Additional Financing is a scaling-up of PMPMD. Several achievements of PMPMD will be scaled-up and replicated such as: soum pasture management plans elaborated by all herder HHs; PHGs RFs that further strengthen cohesion among groups; WGs as a first step before becoming cooperatives that enable women to start and develop their activities through accessing financial resources, and strengthened backward linkages between processing SMEs and producers (herders, farmers) facilitating inclusion of these producers into supply chains and access to markets.

The LGF is by definition a permanent structure the activity of which can be further expanded in terms of geographical outreach and target groups outreach.

#### **Main issues**

However, PMPMD AF project area is totally different from the PMPMD project area; in the two aimags included in both projects, none of the PMPMD AF selected soums was supported under PMPMD. Although PMPMD and PMPMD AF form the same project, no resources have been earmarked for the monitoring and follow-up of PMPMD beneficiaries, thus leaving uncertainty on their performance, sustainability and going-on process. The mission has recommended that the balance of PMPMD resources available as of Sept. 2018 is strictly used to follow-up these beneficiaries and finance their participation in PMPMD AF activities whenever relevant.

## **c. Project Management**



**Justification of rating**

The quality of project management is rated moderately unsatisfactory. The cumulative physical targets of PMPMD in most activities have been met 100% or more despite seasonal barriers (long winter period), long processing time for procurement, and late start-up. Yet, lower disbursement during 2016-2017 is a missed opportunity to even increase the target with the remaining PMPMD resources. Implementation of PMPMD AF activities has been delayed for more than a year jeopardizing the physical and financial achievements of project objective, outputs and outcomes. However, the strong commitment from both MoFALI and MoF to support PMPMD AF PMU and LGF and facilitate implementation of all its activities will enable the PMU to cancel the negative impact of these delays. Support from IFAD will also be more frequent.

**Main issues**

Since June 2018, the PMU staff is fully recruited and operational with the exception of the Value Chain/SMEs specialist and the marketing specialist. The GoM has unilaterally cancelled the Value Chain/SMEs specialist position. However, this position is of key importance for the project implementation as it ensures linkages between PHGs and WGs, SMEs and niche markets and products as well as with other value chain stakeholders. The Mission and the GoM have agreed to replace this staff position by a consultant position. This consultant will be contracted for 19 months over the duration of the project (full time in 2019 and then part-time in 2020 and 2021). The PMU will submit the position's ToR to IFAD for its NO no later than November 15th and it is anticipated that the consultant will start his/her contract no later than March 2019. In the meantime, the PMU Manager and PMU Marketing specialist will ensure interim until the SME/VC specialist is contracted.

During the IFAD Follow-Up mission in January 2019, MoFALI and IFAD will review and assess the progress made by the project in implementing its activities against the roadmap 2018-2019 and, if needed, will explore the possibility of a further support to the PMU Team through national/international technical assistance. The modalities (duration, recruitment, and financing) of such a technical assistance will be discussed during the Follow-Up Mission.

The Mission recommends the provision of English courses for PMU members, to be financed under counterpart funds.

The Project Implementation Manual (PIM) drafted by the PIS mission in June 2018 has to be fine-tuned by the PMU considering the changes in some activities due to delays in the project's implementation. The PIM final version will be submitted to IFAD no later than November 15th, 2018.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project Management</b>		
<b>Finalize the Project Implementation Manual</b> Finalize the Project Implementation Manual	PMU	11/2018
<b>English courses for PMU/LGF staff</b> English courses for PMU/LGF staff funded under counterpart funds.	PMU	12/2019

**Justification of rating**

Knowledge management is rated moderately satisfactory. The project generated and disseminated multidisciplinary knowledge in project areas and beyond covering 8 different types. It was conducted and facilitated by the professional associations and other well-known organizations in the country. Training materials are produced in video and written materials, and disseminated to the government officials and beneficiaries. Yet, the project lacks an elaborated KM strategy or coherent plan and the dissemination of such knowledge products could be scaled up to partner agencies and other projects.

**Main issues**

A rigorous KM strategy or plan has not yet been fully developed by the project under the PMPMD AF. Considering the innovative aspects of the project as well as the amount of multidisciplinary knowledge developed at all level, a KM strategy involving external consulting firm should be developed as soon as possible, as there is no dedicated staff for this activity. Budget has been maximized also for NGOs and service providers to ensure capture and further dissemination of knowledge and experience.

The Mission recommends to further develop a Knowledge Management strategy and to contract an international consultant to assist the project in implementing this strategy.



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

Value for money is rated moderately satisfactory. One of key challenges the project faced was the fluctuation of currency (almost 80% depreciation compared to the beginning of the project). After delivering output as planned in the AWPB, the disbursement rate remained low due to this chronic issue. Proposed additional activities under PMPMD tended to focus on infrastructure and equipment, which resulted in the amendment of budget category allocation.

#### Main issues

As per inputs to outputs, resources spent on civil works have increased from SDR 330,000 to SDR 1,010,000 and on vehicles and equipment from SDR 620,000 to 880,000. Credit lines have increased from SDR 750,000 to 1,700,000 while resources spent on loan guarantees, group formation support, tools, training were maintained or reduced. Revised budget had no influence on meeting the target outputs, as the budget revision was done only when output achievements were assessed and positively evaluated.

The rating for value for money considered the following three aspects: First, the delay of the project activities resulted in only one or less than a year of project implementation period to apply techniques and trainings provided by the project (especially for SMEs development, the activities of which started 2 years after project effectiveness). This delay caused the evaluation of a project model difficult and premature. Second, the project planning and budget has been done effectively to adapt to the slow progress and adjust/reallocate budget the best way possible slow progress also derives from harsh winter conditions during which limited activities can be done. Project activities can only be carried out during 8 to 9 months. Third, the high repayment rate of loans used for purchasing tools and equipment for businesses (SMEs, PHGs and WGs) proves that at least at the time of supervision, the viability of project-supported business seems promising (global repayment rate is above 98.5% and LGF had only paid outs for an amount of US\$ 6,000 against total loans extended of US\$ 1.96 million).

Under PMPMD AF, considering the more-than-one-year delay and the remaining duration of the project, assessment of benefits for project models will be difficult and partly aleatory. Most support will now be provided during the last year of the project, leaving only room for speculative estimates on future benefits for project beneficiaries. In addition, since PMPMD AF is implemented in a complete different area than PMPMD, follow-up on project models going-on and profitability will be difficult without a proper network of field agents collecting appropriate data. Nevertheless, provision has been made under PMPMD AF to follow-up a few PHGs, SMEs and WGs supported under PMPMD.

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

Coherence between AWPB and Implementation is rated moderately satisfactory. PMPMD established a good practice of developing AWPBs based on previous years' experience, consultation with project partners, alignment with the ministry's policy, and monitoring of the achievement of project's outputs. To date, PMPMD achieved a financial delivery of 99.3% and a physical delivery rate of 100%. However, it was noted the repeated yearly gap between financial and physical delivery rates to be improved through developing more in-depth action plans.

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

##### AWPB Review

The PMPMD AF 2018 AWPB covering the period June to Dec. 2018 was drafted under the assumptions that all service providers (SPs) necessary for the implementation of project's activities would be contracted by Aug. 2018. Currently, the contracting of SPs will not be finalized before Dec. 2018 but the physical delivery rate of the 2018 AWPB will still be around 90%. Delays in contracting SPs in 2018 will impact on the implementation of many important activities in 2019 as well as in 2020 (related to PHGs and WGs). In that respect, the Mission together with the PMU revised the 2019 AWPB for alignment with the current project implementation status.

<b>Performance of M&amp;E System</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

Performance of M&E is rated moderately satisfactory. Over the 5 years of project implementation, the logframe was revised more than three times, and RIMS and M&E forms were updated as well. To address the issue of monitoring newly added or revised activities, the project M&E has developed its own set of indicators to measure impact and performance. This updated PMPMD M&E system is considered to be complete but retrofitting past information to the newly updated M&E indicators still remains as a challenge.

#### M&E System Review

A specific MIS/M&E software will be installed at PMU level to measure the progress towards achieving the project's objectives. This MIS/M&E software will also be coupled with the project website that will provide selected updated information on the project and its progress towards achieving its objectives. In that respect, the PMU has already drafted the ToR for a local consulting firm (local national bidding). The consulting firm is expected to be contracted by March 2019 (procurement law in Mongolia forbids initiating procurement and signing contract during two different years - so the procurement process for the consulting firm can only start in January 2019). Main deliverables include: (i) design of the software based on the project's logframe, RIMS indicators, outcomes and outputs, and budget. It will be broken down by component, sub-component and activities, as well as disaggregated by gender, location, and youth; (ii) training for users; (iii) testing, and (iv) drafting a user manual. There will be three possible users for this software: the PMU, MoFALI and IFAD. For the last two, the use will be limited to monitoring. The project website will have a summary of the project progress available. It is expected that data entry starts in June 2019. Reports with consolidated data since project inception will be available by each 15th of the following month.

The mission recommends to have a general contract with the selected consulting firm and three subcontract; one per year with specific deliverables for each subcontract. The first subcontract for 2019 will include the above-mentioned deliverables. The second (2020) and third (2021) subcontracts will include deliverables such as maintenance, refresher training courses and update of MIS/M&E following possible changes in project's activities.

As far as the baseline survey is concerned, the PMU has re-tendered on October 3rd, 2018. The signature of the contract with the selected consultant firm/consultant by December 1st, 2018 at the latest. Within the general contract, there will be one sub-contract for 2018 with specific deliverables (questionnaire and training of enumerators), and on contract for 2019 with other specific deliverables (survey, data entry and conclusion). The baseline survey is expected to be completed by March 2019.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Project Management</b>		
<b>Contract with the M&amp;E service provider</b> Signature of the contract with the M&E service provider for the baseline survey	PMU	12/2018
<b>Baseline survey completed and report submitted to PMU</b> Baseline survey completed and report submitted to PMU	Serv. Prov.	03/2019
<b>Draft contract for the consulting firm in charge of M&amp;E/MIS</b> Draft a three-year contract for the consulting firm in charge of M&E/MIS development and implementation with yearly subcontracts and specific yearly deliverables	PMU	03/2019
<b>Interim position for SMEs and VC specialist</b> PMU Manager and Marketing specialist to ensure interim until VCs/SMEs specialist is recruited	PMU	10/2019

#### **Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

Requirement of SECAP is rated satisfactory. SECAP was prepared during the PMPMD AF design and approved by the EB in Sep 2016. GoM is in preparation of PMPMD AF implementation by switching from PMPMD to PMPMD AF starting from June 2018. As the PMPMD AF project aims to enhance sustainable management of pasture and climate resilience to reduce poverty, the project design relied on SECAP to identify measures to enhance social, environmental and climate opportunities for local communities. Soum facilitators and Aimag assistant will be responsible for monitoring and reporting on implementation of SECAP.

#### **SECAP Review**

SECAP implementation is closely linked to the revised PMPMD AF design on developing Soum Strategies for Pasture Management and Climate Change Adaptation based on assessment of natural resources and user rights. Under this component, SECAP related documents contribute to natural and land resource mapping, which is the approach of

ALAMGAC, with which the project will closely collaborate in the selected soums. The project also created a Risk Fund for natural disaster following the PMPMD approach and SECAP recommendations. There are no major foreseen environmental and climate risks.

## d. Financial Management & Execution

### Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$1,830,324		
	Domestic Financing Institutions additional	\$473,000		
	Domestic Financing Institutions	\$2,655,959		
	National Government	\$898,198		
	National Government (add)	\$1,872,000		
Co-financing breakdown,	Global Environmental Facility	\$1,500,716		

### Acceptable Disbursement Rate

Rating: 2

Previous rating: 5

### Justification of rating

The PMPMD project is now completed and its disbursement rate is 99.3%. There has been a one-year extension. The PMPMD Additional Financing has started since Mar. 2018 (effectiveness date) and will be completed by Sept. 2021. Currently its disbursement rate is 1.6%. Cumulatively, the project is in its 7th year of implementation and its disbursement rate is 54.1%.

### Main issues

The Project has made very little progress since June 2018 and most activities planned to be implemented during this period haven't been yet. The project has a remaining lifespan of 36 months during which it will have to implement activities the value of which amounts to US\$ 9.1 million (to which US\$ 0.5 million will be added corresponding to the balance of the PMPMD loan).

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Prepare WA # 1 for PMPMD AF for US\$ 1.5 million	PMU	10/2018
Submit WAs on a quarterly basis	PMU	10/2018
Submit WA # 2 for PMPMD AF	PMU	12/2018

### Fiduciary Aspects

### Quality of Financial Management

Rating: 4

Previous rating: 4

### Justification of rating

The overall FM arrangement complies with its Financing Agreement. A new Project Accountant was appointed in July 2018. Adequate staffing is assigned in the new PMU for financial management duties to ensure proper segregation. However, the mission noted that both the Project Manager and the Project Accountant are new to IFAD project and thus a proper handover was found necessary. The contract of the former Project Accountant was extended until 30 Oct. 2018 to ensure proper handover and smooth transaction. The PMU accountant maintains up-to-date financial records of transactions through an enhanced accounting software. The PMU has demonstrated its due attitude in pursuing further improvements by proactively following up with recommendations on fiduciary aspects made by previous missions.

### Main issues

**IFAD Client Portal (ICP).** IFAD approved go live of PMPMD AF onto the IFAD Client Portal (ICP), which is an online

disbursement management system aiming to improve project efficiency fund flow in other piloting countries. The mission noted with pleasure that the PMU has carried out two vital activities ready paving the way steadily to the ICP roll out as per original plan, namely (i) having duly signed letter from MoF authorizing ICP users and signatories, and (ii) setting up of user profiles and ID in ICP system. The mission urged the project to have their initial Withdrawal Application (WA) for PMPMD - AF signed by 18 October. This WA will be processed during their mission to the APR Financial Management Training Workshop on 22-24 October 2018.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Update Project Implementation Manual (Financial Management section) with ICP and new WAs processing flow</b>	PMU	11/2018
<b>Address 2017 audit remarks</b>	PMU	12/2018
<b>Contract short-term procurement consultant for procurement</b>	PMU	03/2019
<b>Further delegate procurement to soum/aimag authorities under PMU control</b>	PMU	03/2019
<b>Review current bidding documents and templates and include checklist for bidders</b>	PMU	03/2019
<b>Expedite requests for No-Objection</b>	IFAD	
<b>Organize capacity building exercises for potential bidders</b>	PMU	

#### **Quality and Timeliness of Audit**

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

The project had submitted audit report for fiscal year 2017 to IFAD within the deadline. The annual audit to the project was carried out by the National Audit Office in Mongolia. The auditor provided the management letter with a good set of information disclosing shortcoming of the project management in terms of internal control, and FM practices regarding to implementation of Loan Guarantee Facility.

#### **Main issues**

The project had submitted audit report for fiscal year 2017 to IFAD within the deadline. The annual audit to the project was carried out by the National Audit Office in Mongolia. The auditor provided the management letter with a good set of information disclosing shortcoming of the project management in terms of internal control, and FM practices regarding to implementation of Loan Guarantee Facility.

#### **Counterparts Funds**

**Rating: 4**

**Previous rating: 5**

#### **Justification of rating**

The Government provides counterpart financing for the Project to cover its duties and taxes in a timely manner. The Government's contribution to PMPMD is limited to taxes and duties by means of full tax exemption from imported duties and taxes for all purchases under the project. As of 15 October, 2017, a total contribution of counterpart funds was amounting to approximately USD 610,000 (68% of the total planned Government contribution). Overall, the tax exemption has been followed well. VAT exemption from project activities and procurement expenditures were made and recorded in the national accounting system.

#### **Main issues**

The Government provides counterpart financing for the Project to cover its duties and taxes in a timely manner. The Government's contribution to PMPMD is limited to taxes and duties by means of full tax exemption from imported duties and taxes for all purchases under the project. As of 15 October, 2017, a total contribution of counterpart funds was amounting to approximately USD 610,000 (68% of the total planned Government contribution). Overall, the tax exemption has been followed well. VAT exemption from project activities and procurement expenditures were made and recorded in the national accounting system.

overall, the project implementation is very slow so the amount contribution from the Gov is below what were committed.

Compliance with Loan Covenants	Rating: 4	Previous rating: 4
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#### Justification of rating

Compliance with loan covenants is rated moderately satisfactory. Some Non-Compliance with loan covenants relate to: (i) lengthy fulfilment of conditions for initial deposit, and (ii) slow PMPMD AF implementation, especially with regards to PMU staffing.

Procurement
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Procurement	Rating: 4	Previous rating: 5
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#### Justification of rating

Procurement is rated moderately satisfactory. The mission took note that procurement activities of the project are conducted in line with the procedures stipulated in the Mongolian Procurement Law and IFAD. The mission noted that the 2018-approved Annual Procurement Plan has been maintained and updated on timely manner.

#### Procurement Review

4 out of 5 consultancy procurement activities have been cancelled and re-tendered due to inadequate submission of tender documents while procurement processes for goods are smoothly conducted through local competitive bidding and shopping. The mission took random checks on procurement processes for purchasing goods and civil works and found relevant documents are traceable and completely filed. Eight NO cases submitted were approved by IFAD as of 30 Sept. 2018. The mission recommends IFAD to urgently expedite the NO process to avoid any further delay in the implementation of project activities. The mission also recommends the PMU: (i) to review current bidding document and include checklist or other template documents for tenders, and (ii) if possible and within the legal framework for procurement, further develop capacity of local suppliers on IFAD and government procedures, thus facilitating their preparation of tender documents.

The revised 2019 AWPB shows a heavy workload from March to July with procurements from 144 PHGs (asset investments), 18 soums (public investments and rehabilitation of workplaces) and 8 aimags (rehabilitation of workplaces and points of sales). In that respect and to avoid further delays in the implementation of activities, the Mission recommends: (a) to delegate some procurement to both Soum and Aimags authorities under a strict control from the PMU, and (b) the contracting of a short-term consultant (4 to 6 months during the peak season of procurement i.e. March to June 2019) to assist the PMU procurement specialist.

Invitations for service providers to tender for (a) the Pasture Management and Climate Change Adaptation component, and (b) Formation and Operation of Women's Groups sub-component have been advertised on July 6th, 2018. Terms of reference and selection criteria have been approved by IFAD. Out of the 5 NGOs that submitted their proposal for Pasture Management and 5 NGOs for WGs, only 2 were shortlisted for Pasture Management and 3 for WGs and invited to the second stage of the tender. On September 6th, MoFALI Bidding Committee cancelled both tenders mostly for procedural reasons (absence of notarized copy of certificate entitling the NGO to conduct training, one proposed consultant with less years of experience and a lower degree than required; the bid guarantee was lower than 1% of the contract amount, the validity period of the proposal was not mentioned and the English version of the CVs of proposed consultants were not submitted for Pasture Management, and absence of bid security; unsealed envelope for both technical and financial proposals, and submission off-delay for WGs).

Both tenders were re-advertised on October 3rd, 2018 and expressions of interest have to be submitted before Oct. 12th. The content of the ToR has not been modified, only some activities have been shifted from 2018 to 2019. The Mission has reviewed the updated ToR. Invitation to participate to the 2nd phase of the tender for shortlisted bidders will be issued on Oct. 17th with a deadline on Nov. 8th to submit their proposal. It is anticipated that the NGO contract would be signed at the latest for Dec. 1st, 2018. The risk of having the tender cancelled once again is mitigated by the fact that bidders included in the cancelled tender are now aware of the reasons leading to cancellation and will re-submit accordingly.

Tenders for (a) consulting firm to carry out the baseline survey, and (b) to develop and install the new M&E/MIS software have also been cancelled for reasons external to PMU and re-tendered on Oct. 6th. Contracts will be signed by Dec. 1st at the latest.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Review current bidding documents</b> Review current bidding documents and templates and include checklist for bidders	PMU	03/2019
<b>Contract short-term procurement consultant for procurement</b> Contract short-term procurement consultant for procurement	PMU	03/2019
<b>Organize capacity building exercises for potential bidders</b> Organize capacity building exercises for potential bidders	PMU	
<b>Delegate procurement</b> Further delegate procurement to soum/aimag authorities under PMU control	PMU	
<b>Expedite requests for No-Objection</b> Expedite requests for No-Objection	IFAD	

## e. Additional Aspects

### COSTAB 2018 - 2021

Together with the PMU and LGF, the SM mission team has updated the COSTAB in light of the delay in implementing PMPMD AF activities that have financial impacts in 2018 but also in 2019 and 2020. COSTAB for 2018, 2019 and 2020 has been modified to reflect the current situation of project's implementation. These changes (shifting disbursements from 2018 to 2019 and from 2020 to 2019) have not modified the total amount of IFAD loan. In addition to the IFAD Additional Financing loan, the costab also integrates the balance of resources available from PMPMD IFAD loan (i.e. around US\$ 500,000). These resources have been earmarked for ensuring that WGs and PHGs supported under the PMPMD will effectively be able to participate in activities under PMPMD AF i.e. participation to training or exhibitions, inclusion in commercialization/marketing network development or development of standards.

The revised COSTAB has been submitted to both MoFALI and MoF for approval. It will then be submitted to PSC and IFAD.

### Roadmap Oct. 2018 - March 2019

As support to the PMU, the SM team has developed a roadmap related to the implementation of PMPMD AF activities for the period October 2018 - March 2019. It was considered necessary as the previous roadmap (June to December 2018) was no longer accurate due to the fact that NGOs and other Service Providers have not yet been contracted. The roadmap is broken down into 2 periods: October to December 2018 and January to March 2019. It has for each activity physical targets as well as deadlines for their implementation. IFAD Focal Point will come to Mongolia in January 2019 (Follow-up mission) and will assess the progress made by the project against the roadmap (as of Dec. 2018) and an IFAD PISM will come to Mongolia in early April 2019 to assess the progress made by the project against the roadmap as of March 2019.

The 2018-2019 roadmap has been elaborated in collaboration with the PMU and LGF and was approved by MoF and MoFALI. Assessment of the roadmap in April 2019 will pave the way to the MTR mission in September 2019 and possible reallocation of project funds. The roadmap is to be found as annex 1 of the Aide-Memoire.

## F. Agreed Actions

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Overview and Project Progress</b>		

<b>Contract soum facilitators</b> Contract soum facilitators	PMU Manager	11/2018
<b>Contract soum and aimag facilitators</b> Contract soum and aimag facilitators	PMU	11/2018
<b>Trainings</b> Training of soum and aimag facilitators by PMU	PMU	11/2018
<b>Interim position for SMEs and VC specialist</b> PMU Manager and Marketing specialist to ensure interim until VCs/SMEs specialist is recruited	PMU	11/2018
<b>Contract NGO</b> Contract NGO responsible for the implementation of the Pasture Management and Climate Change Adaptation component	PMU Manager	12/2018
<b>Training and capacity building</b> Training and capacity building of soum facilitators and MoFALI representatives at soum and aimag levels	NGO	12/2018
<b>Women's Groups</b> Contract NGO responsible for implementation of subcomponent B1 Women's Groups	PMU	12/2018
<b>Capacity building</b> Capacity building of aimag and soum facilitators by NGO	NGO	12/2018
<b>AWGs</b> Assistance to form AWGs	Aimag Gov.	12/2018
<b>SMEs and Cooperatives</b> Issue call for proposals for SMEs and Cooperatives	PMU	12/2018
<b>Collaboration with ALAMGAC</b> Develop collaboration with ALAMGAC for completion of work in 9 soums	PMU	03/2019
<b>Trainings on business management</b> Focus trainings on business management and technical aspects	PMU - NGO	03/2019
<b>FIs and bank branch staff training</b> Ensure participation of FIs to WGs training and ensure training of bank branch staff	LGF	03/2019
<b>Negotiation of SLAs (MoF and FIs)</b> Support negotiation of SLAs (MoF and FIs) and Guarantee Contracts/Agreements	LGF	03/2019

<b>Assistance to herders</b> Assistance to herders to form PHGs (total 144 PHGs - 8 per each selected 18 soums)	NGO	04/2019
<b>PHG's PMPs</b> Assistance to PHGs to draft their PMPs	NGO - PHGs	05/2019
<b>PHGs asset investments</b> Assistance to PHGs to identify their asset investments	NGO - PHGs	06/2019
<b>South-South collaboration</b> Organize South-South collaboration through learning routes for all 3 selected VC stakeholders and relevant public institutions	PMU	09/2019
<b>PHGs assets</b> Assets procured and delivered to PHGs	PMU	10/2019
<b>Training on cooperative</b> Promote training on cooperative for WGs and PHGs	NGOs - PMU	12/2019
<b>Financial mechanism of fees/taxation</b> Finalize financial mechanism of fees/taxation with local authorities, support implementation and assess possibility to use collected resources for increase resources of Risk Fund and/or Pasture Protection Fund	PMU - Soum	
<b>Discussion with Development partners</b> Further develop a discussion platform with relevant development partners	PMU	
<b>Further discuss with AVSF and NFPUGs</b> Further discuss with AVSF and NFPUGs for identification of areas of collaboration and identification of possible recipients of project's support	PMU	
<b>Increase LGF leverage</b> Explore ways of increasing LGF leverage by covering more SMEs/Cooperatives within the agricultural sector across Mongolia	LGF	
<b>Further promote linkages</b> Further promote linkages between niche markets/products and project-supported WGs, PHGs, existing SMEs/cooperatives	PMU	
<b>Intensify discussion with selected VC national institutions</b> Intensify discussion with selected VC national institutions	PMU	
<b>Promote greenhouses and vegetables production for WGs</b> Promote greenhouses and vegetables production for WGs	PMU	
<b>Project Management</b>		



<b>Finalize the Project Implementation Manual</b> Finalize the Project Implementation Manual	PMU	11/2018
<b>Contract with the M&amp;E service provider</b> Signature of the contract with the M&E service provider for the baseline survey	PMU	12/2018
<b>Baseline survey completed and report submitted to PMU</b> Baseline survey completed and report submitted to PMU	Serv. Prov.	03/2019
<b>Draft contract for the consulting firm in charge of M&amp;E/MIS</b> Draft a three-year contract for the consulting firm in charge of M&E/MIS development and implementation with yearly subcontracts and specific yearly deliverables	PMU	03/2019
<b>Interim position for SMEs and VC specialist</b> PMU Manager and Marketing specialist to ensure interim until VCs/SMEs specialist is recruited	PMU	10/2019
<b>English courses for PMU/LGF staff</b> English courses for PMU/LGF staff funded under counterpart funds.	PMU	12/2019
<b>Financial Management &amp; Execution</b>		
<b>Prepare WA # 1 for PMPMD AF for US\$ 1.5 million</b>	PMU	10/2018
<b>Submit WAs on a quarterly basis</b>	PMU	10/2018
<b>Update Project Implementation Manual (Financial Management section) with ICP and new WAs processing flow</b>	PMU	11/2018
<b>Submit WA # 2 for PMPMD AF</b>	PMU	12/2018
<b>Address 2017 audit remarks</b>	PMU	12/2018
<b>Review current bidding documents</b> Review current bidding documents and templates and include checklist for bidders	PMU	03/2019
<b>Contract short-term procurement consultant for procurement</b> Contract short-term procurement consultant for procurement	PMU	03/2019
<b>Contract short-term procurement consultant for procurement</b>	PMU	03/2019
<b>Further delegate procurement to soum/aimag authorities under PMU control</b>	PMU	03/2019
<b>Review current bidding documents and templates and include checklist for bidders</b>	PMU	03/2019

<b>Organize capacity building exercises for potential bidders</b> Organize capacity building exercises for potential bidders	PMU	
<b>Delegate procurement</b> Further delegate procurement to soum/aimag authorities under PMU control	PMU	
<b>Expedite requests for No-Objection</b> Expedite requests for No-Objection	IFAD	
<b>Expedite requests for No-Objection</b>	IFAD	
<b>Organize capacity building exercises for potential bidders</b>	PMU	

# Project for Market and Pasture Management Development

## Logical Framework

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2017)	Cumulative Result (2017)	Cumulative Result % (2017)	Source	Frequency	Responsibility	
Outreach	1.a Corresponding number of households reached							RIMS report	Annual	PMU	Major shocks or crises which could weaken project effects do not occur or are sufficiently mitigated.
	Households		19 700	58 000	3 464	35 211	60.7				
	Non-women-headed households		35 211	80 000	1 161	36 372	45.5				
	Women-headed households		324	470		383	81.5				
	1 Persons receiving services promoted or supported by the project							RIMS report	Annual	PMU	
	Males		44 325	63 600	4 200	45 633	71.8				
	Females		44 325	73 000	3 402	37 300	51.1				
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							
Objective To reduce poverty and improve livelihoods of poor herder and soum- and aimag-centre households in the project area	Improvement (%) in HH income							Baselie 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	30							

<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		5 339					53.4
<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	Hereders are willing to participate in group activities. Herders are willing to invest time in learning CC impacts and adaptation options for better pasture management.	
	Women trained in other		2 401	3 600	23	2 424					67.3
	Men trained in other		692	1 500	34	717					47.8
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks						Annual CI survey	Annual	PMU		
	Groups supported	0	120	264		121					45.8
	Females	0	4 725	6 900		5 799					84
	Males	0	4 725	5 800		4 744					81.8
<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		120					45.5
<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		42 000	370 000							
<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					28
<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		1.1					110

<b>Outcome</b> Outcome 2 Value addition in production and processing, and market access improved											
<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
	Males		180	600		429	71.5				
	Men trained in crop		280		36	280					
	Women trained in crop		419		54	419					
	Females		1 260	2 200		1 628	74				
	Men trained in livestock		825	3 000	106	1 278	42.6				
	Women trained in livestock		555	2 000	129	839	41.9				
	2.2.2 Supported rural enterprises reporting an increase in profit										
	Percentage		20	30	8	8	26.7				
<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	79	490	27.2				
	Males		289	500	98	400	80				
<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.
	Men in rural areas accessing financial services - savings		72	230	4	52	22.6				
	Women in rural areas accessing financial services - savings		288	500	4	369	73.8				
	2.1.6 Market, processing or storage facilities constructed or rehabilitated										
	Processing facilities constructed/rehabilitated	0	21	45	0	21	46.7				
<b>Outcome</b> Outcome 3 Enabling business environment for niche market	2.1.3 Rural producers' organizations supported										SMEs are connected to buyers through associations.
	Rural POs supported	0	45	100		55	55				
	2.2.2 Supported rural enterprises reporting an increase in profit										
	Number of enterprises	0	45	100		55	55				

<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.
	Females		25	42		21	50			
	Males		20	30		24	80			
<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	20	20	40			
<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	130	130	26			

## **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: 26 September- 9 October

Document Date: 28/11/2018

Project No. 1100001455

Report No. 4892-MN

Asia and the Pacific Division  
Programme Management Department

**Table 5A: Financial performance by financier as at 30 September, 2018**

Financier	Approval (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	11,479	10,086.00	88%
GEF grant	1,500	1,421.00	95%
Government	899	610.00	68%
Beneficiaries	168	281.00	167%
Companies	1,663	1,688.00	102%
Institutions	2,656	67.00	3%
<b>Total</b>	<b>18,365</b>	<b>14,153</b>	<b>77%</b>

Table 5B: Financial performance by financier by component (USD'000) as at 30/9/2018

[illegible]



Table 5C(i): IFAD loan disbursements (SDR, as at 30/9/2018)								
Category	Category description	Original allocation (loan)	revised Allocation 2017	Disbursement 2012-2018.04.26	Pending WA (35 and 01 ) 2018.09.30	Total	Balance	Per cent disbursed
I	Civil works	330,000	1,010,000	981,635.51		981,635.51	28,364.49	97%
II	Vehicles, equipment	620,000	880,000	708,076.25	24,156.52	732,232.77	147,767.23	83%
III-a	Tools, materials	570,000	570,000	495,351.13	1,166.40	496,517.53	73,482.47	87%
III-b	Economic Development Costs	1,190,000	600,000	501,991.86	2,463.63	504,455.49	95,544.51	84%
IV	Group formation & Project Grants	620,000	620,000	609,613.47	12,708.43	622,321.90	(2,321.90)	100%
V-a	Loan guarantees for beneficiaries in Project Target Area	660,000	620,000	586,137.39		586,137.39	33,862.61	95%
V-b	Loan guarantees for beneficiaries outside Project Target Area	1,240,000	600,000	664,405.65		664,405.65	(64,405.65)	111%
V-c	Credit line	330,000	1,700,000	1,479,046.01		1,479,046.01	220,953.99	87%
VI	Field & management staff, operating costs and maintenance	1,100,000	650,000	650,106.35	107,838.40	757,944.75	(107,944.75)	117%
99	Unallocated	590,000						
	Initial deposit	972,043.99						
	Advance for Guarantee	596,674.51						
	<b>Total</b>	<b>7,250,000</b>	<b>7,250,000</b>	<b>6,676,363.62</b>	<b>148,333.38</b>	<b>6,824,697.00</b>	<b>425,303.00</b>	<b>94%</b>
Table 5C(ii): GEF grant disbursements (USD, as at 30/9/2018)								
Category	Category description	Original allocation	Revised re-allocation 2017	Disbursement	Balance	Balance comp 2016	Per cent disbursed	
II	Vehicles, equipment	60,000	102,750	99,834.20	(39,834.20)	2,915.80	166%	
III-a	Tools, materials	340,000	490,000	480,950.48	(140,950.48)	9,049.52	141%	
III-b	Economic Development Costs	930,000	907,000	840,278.55	89,721.45	66,721.45	90%	
VI	Field & management staff, operating costs and maintenance	22,000	250	307.58	21,692.42	(57.58)	1%	
99	Unallocated	148,000						
	Initial deposit	250,000.00					17%	
	<b>Total</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,421,370.81</b>	<b>(69,370.81)</b>	<b>78,629.19</b>	<b>95%</b>	

## **Mongolia**

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

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

Mission Dates: 26 September- 9 October  
Document Date: 28/11/2018  
Project No. 1100001455  
Report No. 4892-MN

Asia and the Pacific Division  
Programme Management Department

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

Results Hierarchy	Indicators				Project Yr 8 (2018)			
	Name	Baseline	Mid-Term	End Target	Year Targets	Year Results	Cumul	Achiev. Vs. End %
<b>Outreach</b>	<b>1.a Corresponding number of households reached</b>							
	Total Number of Households		19,700	58,000			35,211	60.7%
	Women-headed households - Number		324	470			383	81.5%
	<b>1 Persons receiving services promoted or supported by the project</b>							
	Males - Number		44,325	63,600			45,633	71.8%
	Females - Number		44,325	73,000			37,300	51.1%
<b>Project Goal</b> Empower poor rural women and men to achieve higher income and sustainable improvement in their livelihoods	<b>Poverty ratio (% of population) at rural poverty line</b>							
	% of population at rural poverty line - Percentage (%)	35	30	25				0.0%
<b>Development Objective</b> To reduce poverty and improve livelihoods of poor herder and soum- and aimag-centre households in the project area	<b>Improvement (%) in HH income</b>							
	Improvement in household income - Percentage (%)		10	15				0.0%
	<b>Improvement in HH assets ownership index</b>							
	HH assets ownership index - Percentage (%)		30	30				0.0%
<b>Outcome</b> Outcome 1 Improved Pasture Management and resilience to Climate Change	<b>3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices</b>							
	Total number of household members - Number of people	-	2,771	10,000			5,339	53.4%
<b>Output</b> Output 1.1 Pasture Herder Groups (PHGs) formed and capacitated for improved pasture management	<b>People trained in community management topics</b>							
	Men trained in other - Number		60	2,900			833	28.7%
	Women trained in other - Number		60	5,000			630	12.6%
	<b>3.1.1 Groups supported to sustainably manage natural resources and climate-related risks</b>							
	Groups supported - Number	-	120	264			121	45.8%
	Males - Number	-	4,725	5,800			4,744	81.8%
	Females - Number	-	4,725	6,900			5,799	84.0%
<b>Output</b> Output 1.2: Soum-level investment for climate change adaptation prepared in a participatory way	<b>Village/community plans (a.k.a. pasture management plan) formulated</b>							
	Plans formulated - Number		120	264			120	45.5%
<b>Output</b> Output 1.3 Resilience of pasture land improved and monitored	<b>Increase (%) of rangeland monitoring sites where improvement of pasture conditions reported</b>							
	Increase - Percentage (%)			50				0.0%
	<b>3.1.4 Land brought under climate-resilient practices</b>							
	Hectares of land - Area (ha)		42,000	370,000			164,252	44.4%
<b>Output</b> Output 1.4 Soum Strategies for Pasture Management and Climate Change Adaptation developed	<b>Number of strategies developed</b>							
	Number of strategies developed - Number	-	7	25			7	28.0%
<b>Output</b> Output 1.5 Soum-level investment for Climate Change Adaptation	<b>Soum level investment to improve preparedness to climate risk or winter (incl. hay making, hay storage, winter shelter, better access to water)</b>							
	Livestock mortality decrease - Percentage (%)	3.7	-	1.0			1.1	90.0%
<b>Outcome</b> Outcome 2 Value addition in production and processing, and market access improved								
<b>Output</b> Output 2.1 Productivity of producers increased	<b>1.1.4 Persons trained in production practices and/or technologies</b>							
	Men trained in crop - Number		280	400			280	70.0%
	Women trained in crop - Number		419	707			419	59.3%
	Men trained in livestock - Number		825	3,000			1,225	40.8%
	Women trained in livestock - Number		555	2,000			740	37.0%
	Males trained in technologies - Number		180	600			429	71.5%
	Females trained in technologies - Number		1,260	2,200			1,628	74.0%
	<b>2.2.2 Supported rural enterprises reporting an increase in profit</b>							
	Percentage - Percentage (%)		20	30			8	26.7%

Results Hierarchy	Indicators				Project Yr 8 (2018)			
	Name	Baseline	Mid-Term	End Target	Year Targets	Year Results	Cumul	Achiev. Vs. End %
<b>Output</b> Output 2.2 Value addition of commodities increased	<b>2.1.2 Persons trained in income-generating activities or business management</b>							
	Males - Number		576	2,400			260	10.8%
	Females - Number		2,304	5,177			1,250	24.1%
<b>Output</b> Output 2.3 Rural financing established and accessed by rural producers and enterprises	<b>1.1.5 Persons in rural areas accessing financial services</b>							
	Women in rural areas accessing financial services - savings - Number		288	500			369	73.8%
	Men in rural areas accessing financial services - savings - Number		72	230			52	22.6%
	<b>2.1.6 Market, processing or storage facilities constructed or rehabilitated</b>							
	Processing facilities constructed/rehabilitated - Number	-	21	45			21	46.7%
<b>Outcome</b> Outcome 3 Enabling business environment for niche market	<b>2.1.3 Rural producers' organizations supported</b>							
	Rural POs supported - Number	-	45	100			55	55.0%
	<b>2.2.2 Supported rural enterprises reporting an increase in profit</b>							
	Number of enterprises - Number	-	45	100			55	55.0%
<b>Output</b> Output 3.1 Local Agri-business development plans prepared and services provided through association and local facilitators	<b>2.1.4 Supported rural producers that are members of a rural producers' organization</b>							
	Males - Number		20	30			24	80.0%
	Females - Number		25	42			21	50.0%
<b>Output</b> Output 3.2 Platforms established and in operation to penetrate niche market	<b>Number of stakeholders involved in the platforms to promote innovative product in market</b>							
	Stakeholders - Number	-	20	50			20	40.0%
<b>Output</b> Output 3.3 Strengthened backward linkages of existing MSEs/cooperatives to poor HH	<b>Households contracted with MSEs cooperatives and suppliers</b>							
	Households - Number	-	130	500			130	26.0%

No activity has been recorded on PMPMD and PMPMD AF since September 2017. New PMU has been appointed in June 2018. Activities have not yet started under PMPMD AF as NGOs, responsible for the implementation of components 1 and 2 activities, have not yet been recruited (only in Dec. 2018).

Data for Mid Term are related to PMPMD only while data for End Target are aggregation of PMPMD and PMPMD AF data. Percentages are calculated based on the end-target.

## **Mongolia**

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

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

Mission Dates: 26 September- 9 October  
Document Date: 28/11/2018  
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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.		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).		Not complied	As agreed with IFAD, PMU is going to hand carry the original copy of the letter to its APR regional FM training during which its initial WA will be approved.
<b>LTB section A7</b>	PMU to replenish Designated Account on quarterly basis.		Partial Complied	There was lengthy establishment and transaction between original loan and AF project. There is no initial WA for PMPMD AF yet. To be done by Oct. 24, 2018
<b>LTB Section F and GC Section 4.03</b>	Procurement of goods, works and services carried out in accordance with the procedures		Complied	
<b>LTB Section G 30, 31 GC Section 4.05, section 11.10(b)</b>	Audit report submitted to IFAD.		Complied	
<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
LTB Section G.34	Maintain and update a Log of Audit Observations		Complied	
LTB Section G.35	Procedures to be followed upon project completion		Not applicable	
Section 4.06	Progress reports to be submitted to IFAD on timely basis		Complied	
Schedule 4, para 7	AWPB and Procurement Plan to be submitted to the Fund, for its review and comments		Complied	
Schedule 4, para 8(a)	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.		Complied	