

## **Mongolia**

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

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

Mission Dates: 23/09/2019-13/10/2019  
Document Date 21/11/2019  
Project No. 1100001455  
Report No. 5229-MN

Asia and the Pacific Division  
Programme Management Department

## Abbreviations and Acronyms

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

## A. Project Overview

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

Approval Date:	11/05/2011	Last audit receipt:	25/06/2019
Signing Date:	17/06/2011	Date of Last SIS Mission:	13/10/2019
Entry into Force Date:	26/08/2011	Number of SIS Missions:	17
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

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

### Current Mission

Mission Dates: 23/09/2019-13/10/2019

Days in the field: 10

Mission composition:

1. Mr. Hubert Boirard, IFAD Country Director for Mongolia and Mission Leader
2. Mr. Fida Muhamad, Agro-economist in charge of component 1
3. Ms. Sabine Schmidt, Pasture Management Specialist in charge of component 2 (with the support of Mr Erdenechuluun Tumor)
4. Mr. Thierry Mahieux, Rural Finance Specialist, in charge of component 3 and transversal aspects
5. Ms. Lei Han, IFAD Country Programme Analyst in charge of the Fiduciary aspects
6. Mr. De Lu, Procurement Specialist

Field sites visited: Ovorkhangai aimags, Arkhangai aimags, Dornod aimag, and Sukhbaatar aimag

## 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	3	Quality of Project Management	4
Targeting and Outreach	4	Knowledge Management	3
Gender equality & women's participation	5	Value for Money	3
Agricultural Productivity	N/A	Coherence between AWPB and Implementation	4
Nutrition	N/A	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	N/A	Acceptable Disbursement Rate	3
Partnership-building	3	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	3
Quality of Beneficiary Participation	5	Counterparts Funds	4
Responsiveness of Service Providers	5	Compliance with Loan Covenants	5
Environment and Natural Resource Management	5	Procurement	4
Exit Strategy	3		
Potential for Scaling-up	4		

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

### Background and Main Objective of the Mission

In May 2011, a SRD 7.25 million (equivalent to USD 11.5 million) IFAD loan on highly concessional terms and an USD 1.5 million GEF grant was approved by the IFAD Executive Board to co-finance with the Government of Mongolia the Project for Market and Pasture Management Development (PMPMD). The project became effective on 26 August 2011. In 2016, an additional loan of SDR 6.48 million (equivalent to US\$ 9 million) on blended terms was also approved and became effective on 30 March 2018. The PMPMD completion date is the 30th September 2021 and the closing date is the 31 March 2022.

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

The joint GoM – IFAD PMPMD Supervision took place from 23 September to 13 October 2019 with the following objectives : (i) assess the progress made, (ii) identify the bottlenecks and current issues, (iii) review the fiduciary aspects and (iv) propose potential corrective measures implementable during the remaining timeframe which would ensure to achieve the PMPMD development objectives.

The Mission held meetings in Ulaanbaatar with various stakeholders including MoF, MoFALI, NAMAC, Agricultural Commodity Exchange, State Bank, Khan Bank, PMPMD Service Providers ( 2 NGOs) and PMU. In addition, the mission visited the field, splitting in 2 groups. One group visited Ovorkhangai and Arkhangai aimags and its soums, met the Governors of Aimags and Soums, as well as members of Project Steering Committee at local level and the project beneficiaries including herder's groups, women's groups and SMEs. The second group visited Khalkhgoal soum of Dornod aimag, Erdenetsagaan, Bayandelger, Tuvshinshiree soums of Sukhbaatar aimag, Arvaikheer, Kharkhorin soums of Ovorkhangai aimag, and, Tovshruulekh soum of Arkhangai aimag.

In depth discussion were held with both, State Bank and Khan Bank on the proposed revised arrangement as well as initial debriefing were held with MOF and MOFALI on 8<sup>th</sup> and 9<sup>th</sup> October respectively. The final wrap up meeting chaired by MOFALI and MOF secretary was held on 11 October 2019.

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

### Key Mission Agreements and Conclusions

**The overall implementation progress is rated moderately satisfactory (4).** Despite significant preparative works and some improvement during 2019, the current disbursement of the PMPMD Additional Financing is behind schedule and stand at 30.75 % (including the initial advance) for the additional financing. Approximately USD 6.5 million (on the total USD 9 million of the AF) remains uncommitted 2 years before the completion date. In addition to that USD 760 000 remains available and uncommitted from the original PMPMD loan.

Based on the field visits, exchanges with the beneficiaries, the partners and the Ministries, the Supervision mission confirmed the high relevance of the project for the beneficiaries (increase income and sustainable management of the pastures). The PMPMD effectiveness looks moderately satisfactory with field activities that were successfully developed during the initial financing but that are today and for the additional financing still in the initial phase. Efficiency, targeting and sustainability needs to be significantly improved.

While remaining under the framework of the current Financing Agreement, the PMPMD implementing arrangements needs for both components (Market development and Pasture Management) to be simplified, better integrated in the national institutional landscape in order to ensure a clear exit strategy and sustainability of the funds invested. The approach needs to be more inclusive and better embedded in the role and mandate of the local public and private institutions. The outreach need also to be significantly increased in order to strengthen the impact expected by the Government of Mongolia through these investments and the synergies between the two components needs to be fostered.

A detail proposal taking into account the above different elements will be submitted by the GoM to IFAD in the coming weeks and will be integrated in the 2020 AWPB and PP. Based on the results of these negotiations (related to the Aimags / Soums transfer for the component 1 and with State Bank and Khan Bank for the long term financing of the component 2, another Implementation Mission Support will be organized early January 2020, will assess and decide if partial cancellation of the PMPMD Additional Loan is necessary or not and will finalize all MTR requirements as per IFAD standard.

## D. Overview and Project Progress

### Component 1 -Pasture Management and Climate Change Adaptation.

The Pasture Management and Climate Change Adaptation component aims to institutionalize sustainable pasture management practices through pasture herder groups and enforced pasture management plans by local government and to improve herders' resilience to climate change impacts. The total budget for 2019 for this component was of USD 1,877,028, of which USD 253,185 were disbursed (13.5 %). Another USD 662,000 were committed (September 30, 2019) under contracts for wells, fodder storage facilities and sheep dips. Soum facilitators have been selected, trained and equipped with necessary office and transportation. For project oversight and guidance, Aimag and Soum Working Groups have been established on local level, and the Technical Working Group for the component was established July 4, 2018 by the order (#A-320) of the State Secretary of MoFALI. The overall performance of the component is moderately satisfactory (4).

**Sub-component Pasture Land Management.** The focus of activities is on building sustainable community organizations that promote sustainable pasture use and equity through supporting a) the participatory definition of geographic pasture units based on customary use and their approval by the Soum government, b) the establishment, registration and training of Pasture Herder Groups (PHGs), c) development of three year pasture land management plans by the PHGs to be integrated with the Soum Annual Land Management Plan, and annual activity plans, d) training of Soum government officers and herders in pasture, livestock and risk management.

Important design elements also include support to strategic, mid-term Soum Territorial Development Plans, and support to PHGs in setting up group revolving funds for micro loans to member households. Implementation of the group formation and capacity building was to be contracted out to an experienced service provider/NGO or a consortium.

The total budget for activities under the sub-component for 2019 was USD 523,028, of which a total of USD 136,865 were disbursed for PHG formation and capacity development, improving rangeland monitoring, and supporting preparation of Soum Territorial Development Plans. Disbursement rate for the sub-component amounts to 26 %.

Following some delays related to the tender and selection processes for procurements and service providers, the service provider consortium for pasture management activities was contracted on January 4, 2019, and the implementation of the sub-component pasture management has made fair progress towards the objectives and targets.

Under PMPMD AF, 139 new Pasture User Groups have been established to date (October 2019), of which 111 have developed their 3 year management plans. Members include 4084 herder households from 65 bags herding [\[1\]](#) a total of 1.8 Mio livestock. Of the 139 PHGs, 31 are in Arkhangai, 22 in Uvurkhangai, 31 in Dundgovi, 23 in Khentii, 20 in Sukhbaatar, and 22 in Dornod Aimag.

The plans seen and discussed during the field mission address the crucial issues to improve pasture land management in the (mostly non-equilibrium) rangelands of Mongolia, where pastoral mobility is a key tool for sustainable management.

Support by the service provider consortium (NGO "National Federation of Pasture User Groups", and NGO "Development Key") to Pasture Herder Groups (PHGs) includes a comprehensive package. Service provider consultants, having supported agreement on the PHG pasture area boundary and membership, will digitize the map for inclusion in the LM (Land Management) software program, support the development of 3 year pasture land management plan, selects locations for photo monitoring and provides training on photo monitoring, assesses carrying capacity of the rangelands and evaluates whether stocking rate is excessive, surveys the livestock type and numbers and develops a herd management plan.

In addition, the training package on livestock, pasture, risk management, organizational development and financial literacy is provided. Group formation training/facilitation began in November 2018 in the Eastern project area. From January 2019 onwards, these trainings took place in all project soums. Training/facilitation to establish agricultural cooperatives has begun in the Eastern project areas. Trainings are also provided by the Aimag level representatives of the National Federation of Pasture User Groups.

6 Trainings for Soum government officers and herders have been delivered as planned. A total of 2975 individuals participated in trainings, of which 1421 were female including 78 female heads of households.

Innovative approaches to extension for herders have been introduced and are being developed. A broad range of educational materials have been developed and distributed. "Traveling bags/library" is being used to pass the information to as many households as possible, and the service provider is in the process of distributing electronic versions of all educational materials to Soum facilitators and officers to make available in print or in local extension centers to herders. The materials include:

A handbook on livestock husbandry and climate change adaptation covering climate change impacts, adaptation measures, fodder preparation, improved pasture management, risk reduction, and household finance.

Brochures/booklets on: PHGs, Rangeland Use Agreement (RUA), Golden Principle of Rangeland Use, Status of Rangelands in Mongolia, 3 Year Pasture Management Plan, Procedure of Establishing Agricultural and Savings and Credit Cooperatives

The PMU also prepared and distributed two books for PHGs including “Recommendations for climate change adaptation in livestock husbandry” and “Options for Improving Rural Water Supply”.

A total of 322 new photo monitoring points have been established, 269 in 2018, and 53 in 2019. This represents a key step in establishing a base line to evaluate rangeland improvements through PHG activities and project support, and is a valuable addition to the nationwide network of rangeland monitoring sites

A memorandum of understanding was concluded with ALAMGAC on November 28, 2018 to develop Soum Territorial Development Plans in 9 Soums (Khairkhan and Tuvshrulekh of Arkhangai, Taragt, Tugrug and Kharkhorin of Uvurkhangai, Umnudelger of Khentii, Sergelen, Khalkhgol and Khulunbuir of Dornod) by the end of 2019, and up-date these plans in Erdenemandal of Arkhangai and in Batshireet of Khentii Aimag. As the agency with the technical knowledge of and responsibility for these plans, ALAMGAC was given the responsibility to select the sub-contractors for this activity.

To date, Soum Territorial Development Plans have been completed/reviewed and handed to local authorities in 2 Soums (Erdenemandal, Batshireet. Plan development is planned for Norovlin in November and for Delgertsogt, Erdenedalai and Saikhan Ovoo in December 2019.

The project contribution to the local planning processes helps to adopt more strategic approaches and to integrate plans at different levels. With the Soum Territorial Development Plan (5 – 7 years) providing guidance, and the 3 year pasture management plans on group level being based on both science and participatory assessment and planning, the annual pasture land planning now is designed to implement short and mid-term goals for pasture management.

Physical achievements against targets as per log frame are reflected in attached logframe. While disbursement rate is low, some mid term targets have actually been exceeded. The total number of member households of PHGs is 3907 (against the mid term target of 2771); the total number of PHGs is 139 (against the mid term target of 120); the estimated land area under PHG management is 3,851,300 ha for Dundgobi and Sukhbaatar (Sept. 2019) alone, according to the progress report of the PMU- against a target of a total 42,000 ha under climate resilient practices throughout the project area.

It should also be mentioned that the support to PHGs by the service provider exceeds activities planned in PMPMD AF design; PHGs are receiving advice on adjusting type and number of their livestock according to pasture type and carrying capacity. Such herd management plans are an important element to complement 3 year pasture management plan and enhance effectiveness of project support, though they were not explicitly prescribed in the project design.

**Sub-component climate change adaptation.** The sub-component supports a) implementation of the PHG pasture management plans, b) specific measures to build capacity and resilience of herders to cope with climate change impacts and manage pastoral risk, c) monitoring and evaluation of resilience of pastureland. The sub-component was also to provide investments for a) improvement of water sources including water harvesting, spring protection, well construction and rehabilitation, b) multi-functional tractors, c) fodder and hay storage facilities, d) information and training centers for herders, e) creation of a risk fund at Soum level to control livestock disease outbreaks.

The total budget for the sub-component under the 2019 AWPB was USD 1,354,000, of which USD 50,722 (4 %) was disbursed.

Investment plans for each project Soum were prepared timely and investment works are underway. As most construction works and well drilling activities can only be undertaken in the short summer season in Mongolia, some of these had to be postponed to 2020, this is reflected in the relatively low overall disbursement rate. MoFALI decided that measures of fencing for the protection of hay fields and springs/catchment areas are to be funded and implemented by herders themselves, not with project support.

A number of planned investments however are on hold as “No Objection” has not been received from IFAD. These include 6 units of medium sized tractors with hay making accessories (USD240,000) and 46 units of small scaled tractors with hay making accessories (USD 276,000) as a clear understanding on how these assets will be managed, maintained and who will be the owner of these equipment needed to be clarified.

The status of investment planning, procurement and implementation as of September 30, 2019 was:

1. Bidding process for engineered well construction was completed and selected contractors had begun work in Khentii, Sukhbaatar and Uvurkhangai Aimag. In total, contracts were concluded for 6 new wells drilling in Dornod, 9 new wells drilling/exploration in Khentii and Sukhbaatar, and 6 new wells drilling/exploration in Arkhangai.
2. Construction of fodder storages had commenced in Arkhangai and Sukhbaatar Aimag. In total, contracts were concluded for 1 fodder storage in Norovlin Soum of Khentii, 1 fodder storage each in Bayndelger, Erdenetsagan and Baruun Urt Soums of Sukhbaatar Aimag, 1 fodder storage in Khulunbuir Soum of Dornod Aimag, 1 fodder



- storage for Khairkhan Soum of Arkhangai Aimag.
3. Bidding process for tractor procurement had commenced

10 Herders Information and Training Centers were established as per plan in 10 project Soums

1. Contract for procurement of 110 units of rodent control equipment (fogging) for 6 project Aimags had been concluded
2. GPS units (12), laptops (2), 1 hard disk had been procured and handed to Soum land officers and ALAMGAC
3. 7 sheep dips in 3 Soums of Dundgovi were completed. Contracts for a further 30 sheep dips (10 for 3 Soums in Arkhangai, 8 for 3 Soums in Dornod, 6 for 3 Soums in Sukhbaatar, and 6 for 3 Soums in Khentii Aimag) were concluded. Construction had also begun in Arkhangai with first units completed.
4. Irrigation system for hay field in Tugrug Soum of Uvurkhangai was supplied.

A procedure for the planned Soum level Risk fund was developed by the component coordinator in consultation with beneficiaries and local governments, and approved by the Technical Working Group on May 4, 2019. The agreed rule of fund management prescribed that the funds be used to prepare for winter and disaster, and be replenished through payments by herders for hay (or other assistance). An amount of MNT 20 Mio. from project funding had been planned for each Soum level risk fund. At the time of supervision, the process of opening bank accounts under MOF Department of Government Funding had begun in order to start the establishment of the risk funds.

During the field mission at supervision, co-financing of Soum level investments was discussed with Soum governors as a means to enhance project ownership and sustainability. Soum governors expressed that Soums are able and willing to co-finance, and therefore co-financing options are to be reviewed/discussed as an important element of the project's exit strategy.

## **Component 2 - Market Development**

The Market Development component's objective is to promote poverty reduction and livelihood improvement through economic development and consists of: (i) value chain development; (ii) small and micro-enterprises development, and (iii) loan guarantee and credit line. The overall assessment of the Market Development component is moderately unsatisfactory (3).

**Sub-component 1 - Women's Groups.** The 2019 AWP&B included the formation of Women's Groups (WGs), capacity building of their members through technical, managerial and financial trainings, marketing support, the financing of these WGs by financial institutions guaranteed by the project Loan Guarantee Facility (LGF), as well as the rehabilitation of workplaces at soum level. These activities are to be implemented by a non-governmental organization (NGO) selected through a competitive bidding process. Total budget for this sub-component amounts to US\$ 475,000.

Disbursements amount to US\$ 259,000 for a financial delivery rate of 55%.

To date, the NGO has been contracted by the project (Union of Mongolian Products and Services Cooperatives - UMPSC). Contract was signed in early January 2019 instead of September 2018. In addition to the UMPSC staff, the project has also recruited 18 soum facilitators and 6 aimag coordinators who are working closely with UMPSC to implement and monitor the progress of the activities. UMPSC has rapidly caught up with the delay, essentially since UMPSC was the implementing NGO for WGs under PMPMD. 250 WGs have been formed with 1,894 members of whom 1,335 are women (70%) and 788 are either single mother, disabled women or listed as very poor households in the soum lists (42%). Businesses undertaken by WGs members include: livestock such as dairy, hide and skins processing, fodder (33%); production such as sewing, carpentry, felt, handicraft (23%); vegetables, fruits and berries production or processing (23%), and services such as bakery, cafeteria, cooking (21%). Most WGs have between 2 and 3 activities.

Business management trainings were conducted with 951 people attending (822 women). The major outcome of this training is the drafting of 233 business plans amounting to MNT 3.5 billion (USD 1.33 million). Sewing (13%), dairy processing (27%), vegetables growing and processing (23%) and others such as services (37%) constitute the different activities to be financed in business plans. 65% of WGs will finance only one activity while the remaining 35% will finance 2 to 4 activities. Technical trainings have been provided to 287 people of whom 253 were women. Main topics of trainings included: vegetable (hygiene, sanitation, innovative salad making and pickling, nutrition); dairy (quality control, conservation and hygiene, yoghurt making, use of separator), and sewing (pattern, design, sizing).

Approximately 170 people attended regional (Green days of Mongolia) and international fair (China) as well as aimag and soum-level exhibitions organized by local authorities.

None of the 233 business plans submitted to financial institutions (Khan Bank and State Bank) have yet been financed. Both banks are waiting for the signature of the revised guarantee agreement following recommendations from the LGF Technical Committee. This document should be signed by the end of October 2019 and financing could be made immediately available for WGs that are developing a non-seasonal activity. Other operating a seasonal activity will have their loan disbursed by May 2020. However, the modalities for the financing of WGs should be modified immediately. WGs have no legal status and thereby cannot be financed by banks per say. Up to now, each WG has selected one or two of its members to become the beneficiary of the loan. These beneficiaries are then distributing the loan proceeds among all

group members on the basis of their business plan.

The mission recommends that each member of the WG, on an individual basis, introduce a loan request to the bank backed by a business plan / proposal for its own activity. The discussion with the MTR mission, PMPMD, MOFALI, MOF and the two banks that have branch in each soum (State Bank and Khan bank) should be finalized in order (i) to allow the women group to borrow on individual basis, (ii) to limit the maximum investment for each individual to the equivalent to USD 5000 per loan per individual and for a duration of one year maximum including 6 months grace period maximum, (iii) to agree to simplify the procedure of acceptance of this micro loan (no collateral required but solidarity women group commitment) and (iv) to leverage the funds of the bank. The bank will take the final decision to accept or not to provide the loan. A detail proposal should be provided to IFAD by end of October 2019 at the latest.

Otherwise and since the initial PMPMD financing, 14 buildings have been rehabilitated at soum level and will be used by project-supported WGs (out of 15 planned). Total amount of rehabilitation is MNT 581 million of which the project is financing MNT 524.9 million and local authorities finance MNT 56.1 million. To date, 150 members of 40 WGs are using these rehabilitated workplaces for their activities. This activity has improved the perception of local authorities vis-à-vis WGs resulting in an enhanced social status for WGs members.

Under PMPMD, 363 loans have been extended by Capital Bank and State Bank for a total amount of MNT 3.3 billion (US\$ 1.25 million). All loans have reached maturity but one. Repayment rate is 99.2% and the LGF, guaranteeing 80% of the outstanding loan amount, has extended pay-outs on 6 loans for a total amount of MNT 14.6 million (US\$ 5,465).

**Sub-component 2 - Support to existing MSEs and cooperatives.** The 2019 AWP&B included the selection of 27 MSEs, capacity building for their management (computer literacy, business management, HACCP, packaging, design and labelling), financing of 27 MSEs by participating banks participation to trade fairs as well as rehabilitation of market infrastructures at soum and aimag levels. Total budget for the sub-component (without credit line) amounted to US\$ 189,700.

Disbursements on this sub-component amount to date at US\$ 32,500 (17%).

A call for proposals was issued in November 2018 and approximately 84 proposals have been received (business plans). 44 MSEs have been short-listed after screening (absence of bad loans, more than 1 year in operation, agriculture-related activities, final production, and field visits). The geographical distribution of these short-listed MSEs is uneven with Arhangay, Uvurhangai and Dornod (17, 9 and 9 respectively) and Dundgovi, Sukhbaatar and Hentii (4, 2 and 4 respectively). 18 MSEs are operating in the dairy value chain (milk processing), 12 in agriculture production (vegetables, fruits, crops, fodder), 8 as meat processors, 4 as felt making and wool processing, 1 as beekeeping and 1 as poultry.

44 micro-entrepreneurs are benefitted from business management training in UB and 16 of computer training (after a need assessment). 1 training on packaging has been provided by UNIDO and World packaging organization (12 MSEs) while the training on HACCP is planned for October 2019. Training on design and labelling have been postponed to 2020 when MSEs are financed. The outcome of the business management planning was the drafting of bankable business plans. 36 MSEs have submitted their business plans to State Bank and Khan Bank for a total investment of MNT 2.03 billion (US\$ 0.77 million). None of the MSEs has been financed by banks as these latter are waiting for the signature of the revised version of the guarantee contract with LGF. The possibility to expand the supply chain of the short-listed MSEs with project-supported PHGs and WGs has been explored and will be further developed especially with some WGs (mainly vegetables or fruits and berries growers) and PHGs (livestock products).

11 MSEs have participated in an international fair in China (2) and in the 6<sup>th</sup> Anniversary of Harvesting in Mongolia organized in UB by MoFALI (9). Both MSEs that have participated in the fair trade in China have developed contacts and significantly increase their sales (felt making and baby yack wool processing MSEs).

As far as the rehabilitation of market infrastructures at soum and aimag levels, only one possible location has been identified (out of 24). For soums close to aimag centres, the rehabilitation of soum-level market infrastructures appears questionable as economic activities are too small at soum-level. MoFALI suggested that for soums close to aimag centres, the budget for 2 market infrastructures is consolidated and only aimag-level market infrastructure is rehabilitated. For project soums too distant from aimag centres, the project will finance the rehabilitation of their market infrastructure. However, the budget for these infrastructures (whether consolidated at aimag level or individual at soum level) appears to be insufficient and negotiations should be conducted by the project management team with the Soum Development Fund for a possible co-financing.

Under the PMPMD, 23 loans have been extended by 5 different banks (State Bank, Khan Bank, Capital Bank, XacBank and Golomt Bank) for a total amount of MNT 2.80 billion (US\$ 1.05 million). These loans were guaranteed by LGF for US\$ 0.53 million. 21 loans are still outstanding. 2 loans are in default: for one loan the LGF has paid the first tranche (US\$ 7,500) while the second tranche upon decision of the LGF Technical committee will not be paid because of insufficient monitoring by the bank prior to the default, for the second loan, the bank has not yet claim upon the LGF but this case appears to be a fraud and the LGF considers not paying its liability. Repayment rate is to date at 93.7%. Portfolio at risk on outstanding loan portfolio is 10.1% (maximum liability).

**Sub-component 3 - Loan Guarantee Facility.** Apart from the LGF operating costs which are entirely borne by the GoM, the 2019 AWP&B included 3 lines of credit to be disbursed for: (i) WGs amounting to US\$ 350,800; (ii) existing MSEs and cooperatives amounting to US\$ 85,200, and (iii) MSEs and cooperatives in niche markets amounting to US\$ 95,900. LGF operating costs amount to US\$ 110,000.

LGF activities are twofold: (i) extension of credit lines to banks for them to finance project groups (WGs and MSEs/cooperatives) at favourable terms and conditions (interest rate below 10%), and (ii) extension of portfolio and individual guarantees for banks extending loans to project groups as well as to individuals across Mongolia with similar characteristics than WGs members (poor households, rural areas, absence of collateral and guarantee, and capped loan amount for their micro-businesses). LGF continues to monitor its guarantee portfolio with banks developed under PMPMD as long as these loans are outstanding.

To date, no additional loan under PMPMD AF has been extended by partner banks (State Bank and Khan Bank). The LGF Technical Committee having decided to modified the terms and conditions for guarantee pay-outs, banks are evaluating their risk, thus waiting for signing the revised guarantee contract. Modifications relate to the payment of the second tranche of the guarantee pay-outs as well as the definition of the outstanding amount on which the guarantee pay-out is based. Currently, the first tranche is paid within 30 days of the bank's claim to the LGF and this first tranche amounts to 50% of the LGF total liability. The second tranche is paid 90/120 days after the first tranche has been paid and its amount is equal to the LGF liability calculated at that date minus the first tranche. Any recovery made by the bank after the payment of the second tranche should be treated *pari passu*. As for the definition of the outstanding amount, it is currently including the outstanding principal, contractual interests, and penalties. This calculation is not in line with guarantee funds best practices. The LGF Technical Committee has decided that the second payment of the LGF pay-outs should be made only after foreclosure of all legal actions undertaken by the bank and that the calculation of the outstanding amount should only include outstanding principal.

The issue with the proposed payment of LGF pay-outs aligned with the foreclosure of all legal actions is that banks will recover their funds only after a long delay, thus undermining their confidence and trust in LGF. Banks will consider that they have *de facto* only a 40% provided by LGF on WGs and an up to 25% guarantee for MSEs, which might be considered as too low for them to finance these target groups.

The mission exchanged with Khan Bank, State Bank and MOF to explore the different possible alternatives to address this issue. The GoM through MOFALI and MOF will make a proposal by end of October 2019.

Khan Bank has also raised the issue of the LGF portfolio guarantee for WGs. The LGF portfolio guarantee will now be complemented by a guarantee contract that will be signed between each borrower and the LGF.

The above-mentioned issues have delayed the signature of the guarantee agreements/contracts between LGF and participating banks. It is expected that these agreements/contracts are signed in October 2019, with a possible release of funds by the banks in November 2019 (after changes have been made at the level of the WGs- see above). In the meantime, the LGF has already transferred US\$ 200,000 to State Bank. Capacity of State Bank's staff has also been conducted.

To date, the LGF has guaranteed: (i) 363 loans extended to women's groups amounting to US\$ 1.22 million and a guarantee of US\$ 0.86 million; (ii) 850 loans extended by banks with resources from the Employment Generation Fund across the whole Mongolia amounting to US\$ 2.05 million and a guarantee of US\$ 1.30 million, and (iii) 23 loans extended to MSMEs amounting to US\$ 1.05 million with a guarantee of US\$ 0.5 million. The consolidated outstanding loan portfolio amounts to US\$ 0.77 million as of September 2019 with a related guarantee of US\$ 0.42 million. Portfolio in arrears amounts to US\$ 65,909 with a related LGF guarantee of US\$ 37,344. To date, pay-outs for 7 loans have been disbursed by LGF for a consolidated amount of US\$ 13,046. Loan repayment for the portfolio guarantee (WGs and Employment Generation Fund) equals 99.3% and that of individual guarantee (MSMEs) equals 93.7%.

The mission recommends to finalize the discussion initiated during the MTR and to send for IFAD review and NOC an agreed proposal that will address the LGF/LOC issues with the banks and built real long term access to credit to the target group.

### **Component 3 - Enabling business environment for niche markets**

The 2019 AWP&B included (a) identification of niche markets and products and validation of market studies by MoFALI and by selected value chain organizations; (b) call for ideas in the identified niche products/markets, capacity building of business managers through business management support, business plan drafting, financing and marketing support, and (c) identification of possible support at national level for these niche products/markets. Overall 2019 budget for component 3 amounts to US\$ 0.49 million (without VC consultant fees).

3 value chains were selected by MoFALI: dairy, vegetables and fruits and berries. Under this component, project support would be provided to existing MSMEs with innovative products, market opportunities either domestic or export, possible backward linkages with project-supported WGs and PHGs and located in project aimags (not necessarily project soums).

This component was to be implement by a national consultant contracted by the PMU. For health reasons, the national

consultant has only worked 2 months before resigning. As of Sept. 2019, the disbursement rate is 4.1% (US\$ 19,900 without VC consultant fees).

To date, the national VC study for the 3 selected products has been undertaken in late 2018 but was only validated by MoFALI in April 2019. Products selected within this study include: dried curd, curd, cheese, sour cream among others (dairy VC); seabuckthorn, strawberry, blackberry (fruits and berries VC), and greenhouse vegetables, beets, garlic, and onion (vegetable VC). Based on this list, the project has developed ToRs for 6 market studies and for 6 VC analysis which would be carried out separately in 2019/2020. A call for ideas has been launched by the 3 national associations representing the 3 selected VCs. In total 26 responses have been received from both existing cooperatives/MSEs and individuals (berries 5 of which 2 are from cooperatives; dairy 8 of which 7 are cooperatives and vegetables 13 of which 8 are from cooperatives/MSEs).

Since the target beneficiaries are no different than in sub-component 2.2, the mission recommends to merge the 2 activities. Another call for proposals will be launched before end of December 2019. Selected SMEs will be financed according to the financial product described under sub-component 2.2. The project target about 20 MSEs to be supported by the project (non-financial support such as business plan, business management, support on supply chain, marketing support and financial support). These 20 SMEs should be based on the contract or market identified and Return On Investment as described in their business plan.

<sup>1</sup>It is not clear from the progress report whether this number reflects livestock herded or livestock owned by member households.

<sup>2</sup>It is also called, in English translation, “Soum Landscape Development Planning”

<sup>3</sup>The process of Soum Territorial Development Planning has considered and built-in steps to adhere to the “Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests” (VGGT) facilitated with FAO support, and adopted to the Mongolian context by FAO in Mongolia.

<sup>4</sup>Regular meeting at Bag Level where all households of the Bag (territorial sub-unit of Soum) are represented

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>LGF/LOC proposal</b>  PMPMD will submit a revised LGF/LOC proposal, agreed by MOF, MOFALI, State Bank and Khan for (i) better access to formal credit with adapted financial new products for the target groups (individuals and legal entities) and (ii) long term guarantee funds ensuring continuity of the business in post PMPMD project which will build sufficient credit history of the clients.	PMPMD / MOF / MOFALI / Sate Bank / Khan Bank	10/2019
<b>Call for business proposals</b>  Call for business proposals for around 20 MSEs across the country and consult with NAMAC to possibly upgrade / upscale existing cooperatives (with factory and export perspectives) – Prepare Market and business plan	PMPMD / NAMAC	10/2019
<b>Review the PMU staffing</b>  Review the PMU staffing in order to be able to deliver the 2020 programme of work (identification, support to the SOUMs and Aimags, Supervision and monitoring of the work) and propose for IFAD NOC the necessary additional consultants to recruit – Integrate these costs in the AWPB 2020 when IFAD NOC received	PMU	10/2019
<b>Invite representative of NAMAC to participate to the Aimag forum related to Pasture management plan and investments</b>  Invite representative of NAMAC to participate to the Aimag forum related to Pasture management plan and investments	PMU	10/2019

<b>Women Group member individual loan request</b>  Each Women Group member will submit her/his individual loan request backed by a business plan to obtain a loan short term loan (less than 1 year) from the partner banks (State Bank – Khan Bank)	PMPMD	11/2019
<b>Institutionalize sustainable pasture management practices within the 6 aimags (and all soums) by :</b>  <ul style="list-style-type: none"> <li>• cofinancing their Aimag / Soum Pasture / Agriculture development plan (with a co-financing ratio of 30% aimag / 70% PMPMD) on the eligible investments related to better pasture management and</li> <li>• organize a forum at aimag level, with all herders, inform about the already agreed PMP/PHG and agree on an 3 years' inclusive SOUM/Aimag pasture management plan (investment will be conditioned to the territorial pasture management agreement)</li> </ul>	PMU	11/2019
<b>Provide a strategy</b>  Provide a strategy, discussed with SOUM, Aimags and NAMAC on (i) how to increase the complementarity between the component 1 (pasture management) and 2 (access to market for better and sustainable income) and (ii) how to increase revenue of herders (through quality of animals instead of quantity) 5 pages maximum	PMU	11/2019
<b>Farmer Organization / Cooperative business (with legal status) plan</b>  Provide a Farmer Organization / Cooperative business (with legal status) plan for the Aimag / Soum level fodder production (tractors and equipments) with clear (i) delegation of management and (ii) exit strategy	PMU	11/2019
<b>all civil work investments of the component 1</b>  Ensure that all civil work investments of the component 1 are (i) plan in the 2020 AWPB and PP and (ii) implemented during the year 2020	PMU	12/2019

## E. Project implementation

### a. Development Effectiveness

#### Effectiveness and Developmental Focus

Effectiveness

Rating: 3

Previous rating: 4

#### Justification of rating

Effectiveness is rated as moderately unsatisfactory. Despite delays encountered under both PMPMD and PMPMD AF in the implementation of their activities mainly under the Market Development component, the project is still on track to achieve its outputs.

However, with regards to outcomes and project objective, these delays are negatively impacting the project, resulting in the project being below expectations and preventing it to fully achieve them. Delayed implementation of activities will hinder measurable impact at project completion especially for beneficiaries of credit for the development of their activities. The absence of information on PMPMD beneficiaries negatively impacts the possibility to achieve project objective.

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

Activities under component 1 "Pasture Management and Climate Change Adaptation" are well on track and outputs and outcome should be achieved as well as physical targets.

The 3-year Pasture Management Plans (PMPs) of project-supported Pasture Herders Groups (PHGs) are a key instrument to make the Soum Annual Land Management Plan, and its section on pasture land management, a truly living and implementable document. Overall planning for pasture land management, as well as other natural resources and local development in general, is becoming more strategic with the STDPs. Information on ecological conditions and on local natural resources inform also the herd structure plans that the service provider is creating with PHGs.

The project contribution to the local planning processes helps to adopt more strategic approaches and to integrate plans at different levels. With the STDP (5 - 7 years) providing guidance, and the 3 year PMPs at PHG level being based on both science and participatory assessment and planning, the annual pasture land planning now is targeted to implement short and mid-term goals for pasture management.

The Land Management computer program, for which land managers have received training, includes consolidated information on customary pasture use by household, on rangeland health based on photo monitoring, on current stocking rates and livestock type, and registers rangeland use agreements on local and central levels.

Investments to support implementation of pasture management plans and climate change adaptation have been defined through Soum Working Groups formulating their local priority needs. The Technical Working Group for the component confirmed that the planned investments by the project are in line with MoFALI objectives. The project has effectively implemented a series of well-designed adaptation measures which have positively impacted on PHGs, quality of pasture and resilience of local communities to climate change shocks and stresses.

PHGs organization and collective actions, trainings and investments supported by the project have empowered project beneficiaries as well as local communities to better manage pasture in a comprehensive way at bag and soum levels, as well as to better mitigate, prevent and prepare for climate related problems. PHGs have improved their social status and have now a voice in the decision-making process on pasture and rangelands.

Activities under component 2 "Market Development" are well on-track with regard to outputs and physical targets but due to delays in activities implementation, and delays in finalizing agreements with banks on the project Loan Guarantee Facility (LGF), the achievement of outcome of component 2 and of a measurable impact for project groups (Women's Groups and MSEs) is in jeopardy and component 2 activities are likely to not meet their target.

Women's groups have been formed, MSEs have been identified, various types of trainings have been provided and business plans have been submitted to banks. Loans extended by banks are funded by the project and guaranteed by the project LGF. However at project completion, due to delays, the impact of the financial and non-financial support on profit and income will be limited. In addition, project resources extended to banks have not revolved, very few WGs and MSEs have graduated (from project resources funded loans to bank resources funded loans) and the increase in their profit is limited as in most cases WGs need several loans to make a sustainable and significant jump in profitability.

The project LGF has been instrumental for project target groups to access financing for their activities as they were previously not bankable. It complemented the insufficient guarantees provided by beneficiaries against bank loans. The LGF was also instrumental to change the perception of risks of banks when lending to agriculture-related micro-businesses in rural areas. Finally, the LGF has expanded its activity beyond project target groups and area through the guarantee of loans extended by banks to Employment Generation Fund beneficiaries similar to project target groups.

Activities under component 3 "Enabling business environment for niche markets" have barely started and the achievement of their physical targets, outputs and outcome is questionable. Late recruitment of the value chain consultant, its resignation after 2 months, and the absence of any on-going process for its replacement put this component and its impact and outcome in jeopardy.

## Development Focus

### Targeting and Outreach

**Rating: 4**

**Previous rating: 5**

### Justification of rating

Targeting and outreach is rated moderately satisfactory. A majority of Pasture Herders' Groups (PHGs) and Women's Groups (WGs) members are among the list of poor households at soum level, and the poverty incidence of these groups is similar to that of the project soums, indicating an effective targeting mechanism to reach poor households.

The demand emanating from non-project herders and poor households to benefit from similar project activities also clearly indicates that project activities are meeting the needs of these target groups.

From a Monitoring and Evaluation (M&E) perspective, the household/gender categorization in M&E forms paves the way to measuring effectiveness of the targeting approach.

### Main issues

The project has an extensive network of facilitators at soum level (one facilitator for the Pasture Management component and one facilitator for the Women's Groups activities per soum) and at aimag level (one coordinator for the Women's

Groups activities who will also liaise with soum-level PHGs for the development of mixed cooperatives, PHGs-WGs). The proximity of these facilitators equipped with motorcycles to support groups and computer to feed the project M&E with the project groups ensures a close monitoring and follow-up of these groups and enables rapid actions whenever needed.

The demand from soum-based herders and women to participate in project activities is by far exceeding the number of groups the project intends to create, finance and support, thus indicating that project activities and support are meeting expectations from herders and women for a better management of pastureland and rangeland (herders) and for developing their economic activities (women).

Support to existing MSEs and cooperatives has been implemented by the PMU staff together with external consultants/consulting firms for specific trainings. The MSEs/cooperatives selection process has been based on a call for expression of interest addressed to all soum- and aimag-based existing agriculture-related MSEs and cooperatives. The responses from existing MSEs and cooperatives was well above the target set to the project indicating that project financial and non-financial supports are positively assessed by micro- and small entrepreneurs.

The NGO responsible for the implementation of WGs activities has reported that out of 390 WGs financed under PMPMD in aimags that are no longer supported under PMPMD AF, 2/3<sup>rd</sup> are still operating as groups. Members of the remaining 1/3<sup>rd</sup> WGs have either formed their own groups or have accessed individual loans from a financial institution.

<b>Gender equality &amp; women's participation</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Gender equality and women's participation is rated satisfactory. Women have been directly targeted by the project through the creation of around 700 WGs (approximately 5,200 women), access to financial services to finance their activities, support to access markets, and provision of various training to develop their technical, financial and managerial skills. Although under the pasture management and climate change component the participation of women in PHGs and PHGs' management is limited and can be further improved, the project is ensuring the inclusion of herders' wives in the market development component activities. The economical role and importance of women in soums have been recognized by soum authorities which are co-financing the rehabilitation of work and market places.

#### **Main issues**

Under the market development component, around 700 WGs have been formed under both PMPMD and PMPMD AF with an average women membership of 74% while more than 85% of these WGs were women-led. Under PMPMD 390 WGs have been financed corresponding to approximately 1,200 women having access to finance financing under PMPMD AF has not yet taken place). Repayment rate of these WGs is above 98.5%. Revolving funds created by WGs were capitalized up to US\$ 0.1 million (source 10/2018). Under the market component, women represents more than 85% of trainees. Women capacity has been improved in technical, financial and managerial skills. With the possibility to access adequately rehabilitated workplaces, they have been able to work, plan, market together as well as support each other.

Under the pasture management and climate change component, the participation and capacity building of women can be improved. Through the traditional division of labor among households with regards to herding, women have more opportunities to undertake micro-businesses that can be supported under the market development component either as members of WGs or as suppliers to existing MSEs or cooperatives. However, the project should strengthen its focus on ensuring the inclusion of women, whose household is a PHG's member. To date, 260 PHGs have been formed with approximately a 1/3<sup>rd</sup> women membership. Around 1/4<sup>th</sup> of PHGs formed have female leaders. PHGs have all implemented their revolving fund with 1/3<sup>rd</sup> of revolving fund loan committee being female. Overall, women in decision-making position represents around 16% of governing bodies (slightly under the project target of 20%).

The sex-disaggregated data collected for the project M&E enables an adequate tool to monitor the results and impact of project activities targeting women. Corrective measures are to be implemented especially with regards to the financing of women's groups. This financing mechanism using groups as a vector for channelling bank loans to women will no longer be promoted by the project as groups are not legal entities. The project will promote direct relationship between women within a group and a financial institution, each woman of the group will access a direct loan with group members being joint-liable. However, WGs will remain the entity through which project non-financial support will be channel.

<b>Agricultural Productivity</b>	<b>Rating: N/A</b>	<b>Previous rating: 4</b>
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#### **Main issues**

n/a

<b>Nutrition</b>	<b>Rating: N/A</b>	<b>Previous rating: 4</b>
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### Justification of rating

Adaptation to Climate Change is rated as satisfactory. The resilience of local communities to climate change related shocks and stresses has been considerably strengthened under PMPMD. The combination of investments, capacity development, support to integrated planning processes and social organization addresses vulnerabilities both on household level and in agricultural and natural systems. Support to and integration of planning processes from group to district level, and preparation of strategic territorial development plans (5-7 years) promote near and medium - term positive impacts to cope with climate change. The project implementation structure of local working groups promotes local ownership and responsibility to sustain project successes.

### Main issues

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

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

PMPMD support prior to 2016 capacity for risk management has increased through improved early warning systems, training in livestock insurance, and through constructing and rehabilitating fodder storage facilities. PMPMD AF is building on this with further investments in fodder storage facilities, pasture water supply, animal health care (sheep dips), establishment of Risk Funds on Soum level, training to herders, and assistance in territorial development planning which embraces improved pasture land management and integrates herder group, bag and soum level planning.

Importantly, PMPMD AF also works with herder groups to adjust their herd structure according to pasture type and carrying capacity, strengthening their financial capacity through revolving funds, and has begun to build capacity to establish or join agricultural cooperatives that will link them to markets.

In the absence of a pasture land law, the PHGs pasture management plans and their integration with the Soum annual pasture land plan, along with the extension of photo monitoring to PHG pasture area level, are key instruments towards more sustainable pasture management as their agreed rules regulate seasonal moves and reserving/restoring of pasture. For lasting improvements however, several measures are key. These include (i) the conclusion of a Rangeland Use Agreement (RUA) between the group members and the Soum Governor to formalize group tenure and responsibility of sustainable use; (ii) the due registration of the RUA in the local and central cadastre (Land Management Program/software of ALAMGAC), and (iii) the support of local authorities in enforcing the Soum annual pasture land plan, including the PHG pasture land management plans against non-members, either from other territories (Soums) or wealthy herders who have no reason to join collective action organizations.

Securing commitments of Soums to manage/maintain, and co-finance investments and funds (through Soum Development Funds), and to provide policy and enforcement support will be key to sustainability of achievements.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Securing investments at soum level</b>  Develop co-financing and maintenance agreements with Soum governments for investments. Organize transfer of ownership of project-financed investment at soum/aimag level	MoFALI - PMU	12/2019
<b>Rangeland Unit Agreements</b>  Ensure all PHGs have concluded RUAs, and all RUAs are registered in Land Management (LM) program to legalize PHGs and their tenure rights to the pastureland contracted	PMU - Local authorities	12/2019

### b. Sustainability and Scaling up



<b>Institutions and Policy Engagement</b>	<b>Rating: N/A</b>	<b>Previous rating: 4</b>
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#### **Main issues**

N/A

<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 the PMCCA component, the project is cooperating with Greengold/SDC (G/SDC) to ensure that activities are in line with those of G/SDC and avoid duplication of activities in soums where both operate. The project partners with ALAMGAC for pastureland photo-monitoring, thus further improving resilience of project groups to climate change.

Under the MD component, the number of partnerships with banks has increased especially with regards to the LGF guarantee while syndicated loans or banks financing loans to project-supported MSEs from their own resources are still in a nascent stage.

#### **Main issues**

The project has not been able to materialize partnerships with other development projects operating in the project area either in terms of joint investments or knowledge sharing, with the exception of Greengold/SDC partnership. The focus of the project on a few soums (18) with limited economic activities apart from primary agriculture production constitutes a hindering factor for the materialization of relevant partnerships.

In addition, due to the late recruitment and contracting of its staff and considering the high staff turn-over related to the Enabling Business Environment for Niche Markets component, partnerships with the different national associations representing stakeholders of the three selected value chains (vegetables, fruits and berries and dairy products) have not yet been implemented and niche markets/products identification, financially and non-financially supporting and strengthening activities under this component are behind schedule. In view of the limited time remaining before project completion, corrective measures have to be immediately implemented related to the number of niche markets/products identified per selected value chain and supported by the project. In that respect, the identification and selection of niche products/markets should be based on the potential partnerships with other development projects, agencies, private sector that the project could develop (technical, financial, marketing support).

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

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

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

To comply with financial institutions' regulations, the project assists PHGs and WGs to register as legal entities to facilitate access to loans.

#### **Main issues**

As a result of trainings and support provided by the project, the impact of the participatory approach used by PHGs to elaborate their Pasture Management Plans (PMPs), giving a voice to each herder, is visible and has contributed to the improvement in the PMPs quality. These PMPs are integrated at bag and soum levels in the Annual Soum Management Plan and the Soum Territorial Development Plan.

Project-supported PHGs have now a recognized social, economic and environmental status within the community as demonstrated by the signature of a 15-year Rangeland Users Agreements between project-supported PHGs and the soum governor.

The project is promoting economic activities for PHGs resulting in the creation of Revolving Funds (RF) capitalized and managed by PHGs members. A further strengthening of PHGs legal status would be achievable through the transformation of these RFs into Savings and Credit Cooperative (SCC) at soum level. Such SCCs could incentivize herders to further keep their profit monetarized instead of purchasing livestock with potential environmental damages already visible in pasturelands.

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

Quality of beneficiary participation is rated satisfactory. Project groups have defined the type and extent of support needed from the project and project activities have been implemented around these needs (access to credit to finance economic activities, PMPs, climate change resilient investments). The project's adequate response to their needs has triggered the financial contribution made by project groups in their individual revolving funds (RF) implemented alongside project groups' investments.

RFs are capitalized by project groups' contributions and transfer of activities' profit and used to finance micro loans for members' economic activities. The project assisted them to draft RF bylaws.

#### **Main issues**

Trainings provided by the project to WGs, MSEs and cooperatives include specific "on-demand" trainings which enable micro-businesswomen and men to further improve their activity. NGOs responsible for the implementation of WGs support as well as the project tend to accommodate these demands as they constitute key factor of success.

RFs developed by both PHGs and WGs are being capitalized beyond project's target. These RFs could be used to further improve the economic status of the groups: transformation into SCCs or use of their resources as collateral against loans extended by financial institutions to finance their activities.

<b>Responsiveness of Service Providers</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Responsiveness of service providers is rated satisfactory. NGOs contracted by the project for PMCCA and MD components have been instrumental in the successful implementation of project activities. NGOs have been regularly evaluated as satisfactory by MoFALI under PMPMD. Both NGOs have been positively and timely responsive to previous supervision mission recommendations.

Financial institutions have gradually taken up in both guarantee mechanisms implemented by the LGF as evidenced by the number of guarantee contracts signed with LGF.

Service provider contracted under PMPMD to improve the project M&E and link it to the project website has also been positively responsive to the recommendation formulated to add a cost/benefit analysis module to the M&E on a sample basis for each activity.

<b>Environment and Natural Resource Management</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Environmental and natural resource management is rated satisfactory. The project has been positively instrumental in developing activities promoting a responsible and sustainable management of pasture and rangeland. Actions have been implemented by project-supported PHGs to improve quality of natural resources and resilience of local communities to climate change through participatory selected adaptation measures including hay sheds and fodder storage facilities built/renovated, demonstrated green fodder production and natural restoration of hay making pasture. It resulted in protected areas for hay making increasing by more than 30 times, hay and fodder storage capacity doubling, and project investments saving life of thousands of livestock and livelihoods of those depending on livestock.

<b>Exit Strategy</b>	<b>Rating: 3</b>	<b>Previous rating: 5</b>
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#### **Justification of rating**

Exit strategy is rated moderately unsatisfactory. A comprehensive exit strategy for its components and activities has not yet been implemented by the project. Ownership of project-financed infrastructure at soum/aimag level is still pending. Partner banks are not using their resources when financing project groups but project lines of credit. Since there are not revolving at bank level, graduation of project groups has not yet taken place. Although an exit route has been defined for LGF (merger with SCGF), this option is still questionable in term of the effective future use of LGF resources to only guarantee rural households and MSMEs. In addition, the project should further promote the transformation of WGs/PHGs (which have no legal status) into legal entities to ensure their access to financing.

#### **Main issues**

Through the implementation of the project's Loan Guarantee Facility (LGF), vulnerable households and herders have been able to access loans to finance their activities, thus in the long run becoming normal clients of financial institutions. The LGF guarantee mechanism has also changed the perception of risk and financial capacity of state and commercial

banks related to a sector of activity (agriculture) and a segment of the population (vulnerable) that were previously unbanked.

However, currently, PHGs, WGs as well as MSEs and cooperatives are financed by banks using project resources extended by MoF to banks under a subsidiary loan agreement which stipulates among others that banks should payback their loan to MoF at the date of the project completion. The project has not yet achieved the development of syndicated loans mixing resources from banks and from the project.

To ensure that households in rural communities have a sustainable access to financial resources, the mission recommends to follow best practices when financing micro-businesses with banks using their own resources to finance micro-businesses and the revised LGF approach guaranteeing these loans.

In addition, since groups are not a legal entity to which a bank can lend money, the project will promote the provision of loans to each micro-entrepreneur within the project groups. Joint-liability of all group's members will guarantee each loan as well as third-party guarantee. Such a lending mechanism will contribute to a credit history for each micro-entrepreneur and facilitate a sustainable relation with financial institutions.

The exit strategy should aim to strengthen the institutional framework for pasture management and for economic activities of herders, as pasture management alone will not be sustained without economic gains for herders. For herders to follow up on advise on herd structure and livestock number adjustment incentives and opportunity are needed to sell livestock while growing savings from sales. Access to loans from revolving funds is an important mechanism to protect herders from debt to middle men, and banks.

In that respect the mission recommends to evaluate the in-country experience with Savings and Credit Unions (<https://www.devex.com/news/mongolian-nomads-create-shared-funds-and-financial-security-95673>) as model to support and promote as a mechanism/incentive for reducing livestock and adjusting herd structure as well as the experience of pilot project on "Green Loans" to herders (Xasbank, Center for Policy Research, <https://www.cpr.mn/en/2019/03/04/holistic-model-for-sustainable-livestock-development-is-being-introduced/>).

There is no clear evidence that the issue of ownership of infrastructure financed by the project (either under PMCCA component like storage facilities, wells or under MD component such as rehabilitation of workplaces or of market infrastructure) has been addressed. In addition, there is also no clear evidence on the entity that will bear the future operation and maintenance costs of these infrastructure.

The mission recommends MoFALI to address the issues of ownership and future O&M costs by transferring ownership of these project-financed infrastructure to soum or aimag authorities with responsibility for these authorities to finance O&M from their own budget.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Adapted loan products</b>  Negotiate with banks different loan products for project individuals and legal entities	LGF	11/2019
<b>Financing loans</b>  No credit lines to be extended by project to banks. Banks to use their own resources when financing project-supported individuals and legal entities	LGF	11/2019
<b>Transformation of PHGs RFs into SCCs</b>  Evaluate existing initiatives and assist PHGs to transform their RFs into SCCs. Possibly assist WGs to achieve the same	PMU - LGF	12/2019
<b>Project-financed infrastructure ownership</b>  Assist MoFALI to ensure transfer of ownership for all project-financed infrastructure from national to local authorities	PMU - MoFALI	12/2019

**Potential for Scaling-up**

**Rating: 4**

**Previous rating: 5**

#### **Justification of rating**

Potential for scaling-up is rated moderately satisfactory. PMPMD AF is a scaling up of PMPMD in new aimags. Positively

assessed activities such as support to PHGs to draft and implement their PMPs and integrate them in STDPs, climate change resilient investments, support to WGs and MSEs with backward linkages, improved access to finance and markets are being scaled-up and replicated in 12 new soums.

Notwithstanding its legal set-up, the project LGF could continue extending guarantees to vulnerable people and companies in rural areas with possible expansion of its activity across Mongolia for similar target groups.

However, the project needs to improve its knowledge management framework to learn from lessons, share experience and facilitate scaling-up of activities in the new aimags/soums.

## **Main issues**

The PMPMD AF is a geographical scaling-up of PMPMD. The project is now implemented in 4 new aimags and 18 soums in which PMPMD didn't operate. Activities under AF are similar as those implemented under PMPMD with a stronger focus on liaising PHGs with economic activities. Other improvements in the implementation of activities include the use of photo-monitoring of pasturelands and rangelands to improve climate change resilience and implement adapted measures as well as the signature of 15-year Rangeland User Agreements which allow for an in-depth long-term planning and monitoring of measures jointly decided by local authorities and herders community to preserve and improve rangelands and pasturelands.

Through the Enabling business environment for niche market component, the project is also supporting selected niche products/markets across the country and not only within its project area. In this component, the project identifies and supports micro-entrepreneurs in the three selected value chains with innovative ideas/products that have a market demand. Project support will be available at two levels: (a) micro-enterprises level through the financing of new equipment, the structuring of their supply chain with a specific linkage with project-supported PHGs and WGs, and the training of their suppliers, and (b) national level through the financing of activities that could benefit all stakeholders of this value chain across the country such as marketing and commercialization, branding, packaging. Activities under this component derives from similar activities undertaken in the market development component under PMPMD. Due to late recruitment of the relevant staff and its resignation after a few months, this activity has not yet been developed and should be scaled down.

The LGF has already scaled up its activity beyond the project area. The LGF extends guarantees to banks when lending to beneficiaries of the Employment Generation Fund (poor households, development of micro-businesses, maximum loan size comparable to the project, individual lending). This scaling-up of LGF activities paves the way to the institutionalization of the LGF as the adequate financial instrument for rural development.

## **c. Project Management**

<b>Quality of Project Management</b>	<b>Rating: 4</b>	<b>Previous rating: 3</b>
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### **Justification of rating**

Quality of Project Management is rated moderately satisfactory. Delayed implementation of key activities under PMPMD (value chain development) and long unproductive transitional period before AF activities are implemented have negatively impacted the project, its objective, outputs and outcomes. Strong commitment from MoFALI and MoF to support Project Management Unit (PMU) and LGF and facilitate implementation of project activities is expected to offset the delay in project activities.

However, staff turn-over in 2019 on key positions (M&E, value chain, and MSEs development) might hinder the achievement of some outputs and outcomes.

Project Steering Committee as well as Technical Committees provides regular assistance and guidance to both PMU and LGF on management and operational decisions.

## **Main issues**

Resignation of three key project staff: (i) monitoring and evaluation officer. This officer is leaving the project while the selected service provider is improving the M&E system; (ii) MSEs specialist. Although an important activity for the project, the activities related to the selection and capacity building of MSEs have been carried out and the financing from banks should be made available to MSEs once the revised guarantee contract between banks and LGF has been signed. Nevertheless, follow-up on MSEs activities and addressing their needs for specific training and/or support should be undertaken by the project, and (iii) Marketing specialist. Contracted as a consultant and not as a staff, this specialist has resigned for health reasons after just 3 months. Very little activity has been done under the Enabling business environment for niche markets component. The conclusions of the market studies carried out by a consulting firm don't provide the necessary information for the development of this component as per the project document.

*Reportedly, the recruitment of the new M&E officer is in the final stage and could be finalize for the end of October 2019. A proper hand-over should be organized by the project.*

The Project Steering Committee has conveyed meetings 3 times between June 2018 and June 2019 (the first meeting in June 2018 on the 2018 AWPB and endorsement of selected project soums; second meeting in August 2018 for the 2019

AWPB, and the third meeting in June 2019 for the progress report in implementing the 2019 AWPB).

The project management team in UB also supported by soum facilitators (2 per soums: one for PMCCA component and one for MD component) and aimag coordinators (1 per aimag, primarily focusing on MD component). Soum facilitators and aimag coordinators have been selected, trained and equipped with necessary office and transportation.

The project management team is also supported by 3 different technical working groups:

(a) Technical working group for PMCCA which conveyed meetings 3 times in 2018 and 4 times in 2019. Apart from discussions on AWPBs and progress reports, the technical working group for PMCCA has also discussed collaboration with ALAMGAC (photo-monitoring), implementation of the soum-level risk fund (internal rules, disbursement, reporting), and implementation of soum-level investments (nature, selection, disbursement, ownership, future O&M coverage);

(b) Technical working group for Market development and enabling business environment for niche markets. 4 meetings were held between 2018 and 2019 mainly related to the endorsement after discussion of the list of 27 MSEs to benefit from project support, and the financing of a joint point of sales in Arvaiher and Taragt soums (Uvurhangai aimag);

(c) Technical Committee of LGF which met 10 times during the period. Tougher terms and conditions for guarantee agreements with banks have been discussed and approved.

In addition, for project oversight and guidance, 24 aimag and soum working groups chaired by the Vice Governor have been established with 6 to 12 members of the local communities. These aimag and soum working groups have had several meetings since project inception to discuss implementation of project activities, liaise with relevant stakeholders and determine together with project beneficiaries the nature and extent of project investments.

The project management team should ensure that minutes of meetings conveyed by all these working groups have been received and recommendations be considered and integrated in the activities of the project. Whenever needed, a written response should be sent by the project management team to the relevant working group.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Reorganize PMU staff</b>  Submit for IFAD NOC a revised organogram	PMU	10/2019
<b>Recruitment of MSEs specialist</b>  Accelerate recruitment of MSEs specialist to be in charge of support to existing legal entities and niche products	PMU	11/2019

**Knowledge Management**

**Rating: 3**

**Previous rating: 4**

#### **Justification of rating**

Knowledge management is rated moderately unsatisfactory. The project still lacks a comprehensive and integrated knowledge management plan while budget lines for knowledge sharing activities have been included in most activities. The project is generating and disseminating multidisciplinary knowledge to governmental officials, local authorities and project groups in the form of videos and written materials in project areas and beyond with the support of professional associations and organizations.

Together with NGOs responsible for the implementation of both PMCCA and MD components, the project is developing a knowledge management plan to capture success stories and experience for dissemination and as a tool to more effectively and efficiently take corrective measures to improve performance.

#### **Main issues**

A rigorous Knowledge Management strategy has not yet been finalized by the project. Considering the innovative aspects of the project as well as the amount of multidisciplinary knowledge developed at all levels, such a strategy involving an external consulting firm could capture successful experience and data and further disseminate them to other development projects and partners, local administration and relevant line ministries, as well as economic partners such as financial institutions, private sector, apex institutions, national associations. *The mission recommends the PMU to draft a Knowledge Management Strategy that would enable the PMU and partner institutions to capture innovative aspects and outcomes of the project.*

Together with the Knowledge Management strategy, adequate resources should be allocated for this activity either directly by the project management team or through the NGOs responsible for the implementation of PMCCA and WGs components.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Knowledge Management Strategy</b>  Draft a strategy for the PMU and all partner institutions	PMU	03/2020

#### Value for Money

Rating: 3

Previous rating: 4

#### Justification of rating

The value for money is rated moderately unsatisfactory. The project implementation is efficient to a certain extent major project investments represents satisfactory value for money. Some project activities such as access to finance, investment in pasture management including climate change adaptation investment are implemented with delays as well as it is very likely that they exceeds anticipated budget. The expected b/c ratio is however higher than 1. The financial and economic analysis carried out at the design stage remains valid and reflect the ground realities.

#### Main issues

**Women groups' membership fixed at 8:** The project has formed 240 women groups with exactly the same membership composition. A flexible approach could have been applied in which case higher membership may have yielded better cost effectiveness in terms of project cost on group formation, training and achieving economies of size. In fact the women group is an arbitrary solidarity with an element of saving as a cohesion as against a common business interest. The project may consider promoting entrepreneurship and access to finance instead investing in informal groups or at the same time explore formation of cooperatives (legal entities). MOFALI/MOF agree to develop and share proposal for IFAD NO.

**Pasture herder groups' formation and pasture management:** A very low coverage within the soum of pasture unit result in lower benefit-cost ratio which can be enhanced through a more pragmatic approach of a soum-wide pasture management planning and execution. This will allow for a strategic location of the infrastructure and thus a higher return on investments with benefits extended to herders beyond those being members of the pasture herder groups. The project should develop an approach to develop soum-wide pasture management and climate change adaptation investments with a wider coverage of the pasture area, number of livestock and herder communities.

**Implementation arrangement for pasture management:** The current approach constrains the implementation of the project activities with limited involvement of the local government institutions i.e. soum and aimag governments. The project may consider involvement of the soum and aimag in investment planning in pasture management and climate change adaptation investments as well as its execution under the local governments. This will enhance the benefit-cost ratio and enhancing outreach.

**Access to finance:** The credit line with a credit guarantee facility can be extended to individual, SMEs and cooperatives with a possible leverage of funds by the participating banks. Ideally the project should be able to leverage 1:10 of bank funds against the credit guarantee fund. The project should engage with participating banks to leverage funds in terms of a dedicated line of credit to extend the outreach beyond what has been envisaged. The potential is to reach as many as 10,000 – 15,000 customers each year.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Women groups against individual women entrepreneurship</b>  The project should re-evaluate its strategy for group formation exploring the possibility of flexible structure and composition and to essentially see it in the context of solidarity groups providing bank the necessary social guarantee. MOF and MOFALI to present a proposal.	MOFALI	12/2019
<b>Access to Finance – Leveraging Bank Funds under Line of Credit</b>  MOF/MOFALI to develop and present a proposal regarding the line of credit with funds leveraged by the participating banks	MFALI/MOF	12/2019

#### Coherence between AWPB and Implementation

Rating: 4

Previous rating: 4

#### Justification of rating

Coherence between AWPB and implementation is rated as moderately satisfactory. The project establishes a good



practice in timely developing its AWPBs based on previous years' experience, alignment with relevant ministries' policy, and monitoring of achievement of project's outputs. The lengthy procurement process as well as the specific long winter period are also integrated in the AWPBs drafting process to minimize the gap between physical and financial delivery rates.

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

The 2019 AWP&B shows a physical delivery rate of approximately 60% (with huge differences between components with component 1 PMCCA having a delivery rate above 70%, component 2 Market Development a delivery rate of around 50% and component 3 Enabling business environment for niche market a delivery rate of less than 15%) and a financial disbursement rate of around 25% for IFAD loan and 67% for GoM contribution (also with huge differences between components with disbursement rates of 14%, 38% and 4% for component 1, 2, and 3 respectively). With the inclusion of funds committed, the financial disbursement rate would stand at 33%.

This difference between the physical and financial rates can be explained by: (a) although business plans for WGs and MSEs have been finalized and submitted to banks, the latter wait for the signature of the last version of the guarantee agreement to finance them, hence the non-disbursement of the different credit lines to be extended to partner banks to finance these WGs and MSEs; (b) investments at soum level have been approved but not yet financed, and (c) activities under component 3 have barely started due to late recruitment and contracting of staff.

It is expected that the physical delivery rate of activities at the end of 2019 will not exceed 80% as many pending activities cannot be implemented during the winter season.

<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 system is rated moderately satisfactory. Consequently to changes in the Logframe under PMPMD, the M&E system as well as RIMS have been updated. A lack of adequate and timely information reporting between component coordinators and the M&E specialist results in inaccurate project implementation reports. The MIS/M&E software is being linked to the project website that will provide selected updated information on the project and its progress towards achieving its objective. Photo-monitoring of pastureland provides also valuable information for herders and local authorities that should be further integrated in STDPs.

The baseline survey has been carried out during first semester 2019 and its results will be used to measure impact of the project at completion in Sep. 2021.

#### **M&E System Review**

Quality of M&E reports could be enhanced by implementing a strict reporting of activities between each component coordinator and the M&E specialist, on both physical targets and budget. Data on physical targets reported in the progress report on 2019 AWP&B have failed to integrate participants in training sessions (WGs members and MSEs). In that respect, the M&E progress reports cannot be considered as fully reliable tools for the project management to assess the progress of the implementation of activities and take adequate corrective measures.

The mission recommends that a strict written procedure and adequate reporting template are set up for a periodical reporting by all component coordinators to the M&E specialist (weekly or bi-monthly). Component coordinators reporting should be backed by partner NGOs, SPs as well as soum facilitators and aimag coordinators.

The mission also recommends that prior to next supervision missions, a set of documents be prepared by the M&E specialist especially with regards to data on physical targets. These documents should include data for the period under review (as at the last quarter) and cumulative data since project inception. Whenever possible, these reports should also differentiate data between PMPMD and PMPMD AF.

The mission recommends that a study tour is organized to projects in China that have a performing management information system and M&E.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Recruitment of M&amp;E</b>  Finalize M&E specialist recruitment	PMU	10/2019
<b>Information feed-back to M&amp;E specialist</b>  Implement a bi-monthly written procedure to collect data to fee M&E system from local staff (at soum and aimag level), NGOs and SPs to component coordinators and then to M&E specialist		12/2019
<b>Information package prior to IFAD missions</b>  Ensure set of documents are prepared, updated and made available for IFAD missions with breakdown between PMPMD and PMPMD AF	PMU (M&E specialist)	

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

**Rating: 5**

**Previous rating: 5**

**Justification of rating**

Requirements of SECAP is rated as satisfactory. Social and environmental risk category is “B” while climate risk is “moderate”.

The SECAP review note identified needs for capacity building including improved monitoring of rangeland health, capacity development for local government to secure herders' customary use rights, local development planning, and enhancing knowledge and skills pasture and risk management, as well as livestock breed improvement and animal health. For enhancing participatory approaches, joint mapping of customary pasture use and local stakeholder cooperation for strategic development planning were prescribed. Activity implementation to date adheres to key SECAP recommendations. PHGs formation is based on participatory analysis, photo monitoring is a base for better local rangeland health assessment, and trainings to address capacity development needs are being delivered. Support to preparing or reviewing STDPs is promoting local stakeholder cooperation.

**SECAP Review**

The SECAP review note identified as potential negative social and environmental impacts the following: a) elite capture of benefits, i.e. wealthy herders benefitting from project support, b) market access will incentivize increase of livestock numbers and thereby pressures on pastures, c) encroachment on critical areas of wildlife and landscape values, d) greater vulnerability of poor households if they would narrow their livelihood strategies by focusing on new/niche product development which fails ultimately or the development of which is delayed.

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

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

The SECAP review note expected positive impact of the project through loans to WGs. These have not been realized yet, while micro loans to households from revolving funds are benefiting the target group. Also, improved targeting of herders women’s needs in group organization and market linkage was expected as a positive impact of PMPMD AF. This is being achieved, not so much through specific activities but due to the fact that many herder women move to Soum centres with young children and therefore form a larger contingent of WGs members.

The SECAP review note suggested to develop a more comprehensive M&E system on PHG level, and to develop social and economic indicators with each group besides the photo monitoring of their pasture condition. This would help to identify project impacts according to IFAD objectives. As a member of GEF (Global Environment Facility) IFAD’s objectives include the conservation of ecosystems and key ecological areas. To this end, relevant information, namely the “Eco Regional Assessments” prepared for all regions of Mongolia (by The Nature Conservancy and Ministry for



Environment) should be considered in local strategic development planning. The issue of rodent control is not mentioned in the SECAP review note, however the MTR field mission learnt that there is a need for educating herders on Brandt Vole ecology, and on ecologically sound techniques for rodent control.

#### d. Financial Management & Execution

Disbursement by financier				
Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	National Government	\$898,198	\$0	0.0%
	National Government (add)	\$1,872,000	\$0	0.0%
	Domestic Financing Institutions	\$2,655,959	\$0	0.0%
	Domestic Financing Institutions additional	\$473,000	\$0	0.0%
	Beneficiaries	\$1,830,324	\$0	0.0%
Co-financing breakdown,	Global Environmental Facility	\$1,500,716	\$1,421,371	94.8%

Acceptable Disbursement Rate	Rating: 3	Previous rating: 2
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#### Justification of rating

The overall disbursement rate for IFAD Additional Financing (IFAD AF) was slow. As of 30 September 2019, the accumulative expenditures credited to the DA for IFAD AF is USD 2,753,631.83 including an initial deposit of USD 1.5 million. WA No. 05 amounting to USD 211,691 is ready to submit to IFAD during the visit of mission. The disbursement rate will stand at 33% if taking this into account. The project has set USD1.5 million as 2019 disbursement target and it is highly likely to exceed it.

#### Main issues

There remains a significant gap between disbursement rate and the loan proceeds. The deviation is attributable to: (i) slow start-up and implementation; (ii) excessive payment approving processing; and (iii) limited advance of funds to decentralized project activities and implementing partners.

**Slow start-up and implementation.** The project suffered on the slow start-up. Only USD 430,915 was disbursed in 2018 which were mainly for operating costs, representing 5% of total loan proceeds. The project reported achievement of USD 1.03million (25% of 2019 AWPB) during the visit of the mission. IFAD has initiated discussions with the Ministry of Finance to explore the possibility of simplified approaches as a way to ease liquidity constraints at lower level and expedite the implementation.

**Disbursement reviews.** Budgeting for investment and recurrent expenditures are two separated processes. In earlier 2019, MOF informed IFAD to strengthen quality controls and reviews for recurrent expenditures including training activities. In average, a single payment can only be processed within two to three weeks.

**Implementations by Aimags and direct payments.** Currently, the PMU is managing all project activities to be conducted in aimags and sums. Activities in the field only starts after excessive payment approval processes. To expedite, it is recommended that advancing of funds can be considered to replace current setup. Mongolia has issued law to legally allow budgeting and expenditure functions at three sub-national government levels. Delegation of implementation agreements need to be made between the governing entity at aimag level and MOFALI by choosing of the following two options: (a) The aimags and sums will implement based on approved AWPB using their local government budget as matching fund and complete full process at their own level. Or (b) All paper works completed at aimags and sums, then they request PMU for direct payments to suppliers by submitting all supporting documents. The mission urged the project to update PIM for once consensus reached on the revised procedures.

**Recovery Plan for IFAD loan.** The mission went through draft recovery plan with project to recover remaining balances for IFAD loan. The PMU will prepare 3-4 WAs to adjust all of them. The PMU should send finalized recovery plan to IFAD once activities are firmed.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>WA submission</b>  Submit WA05 to IFAD. Prepare WA on quarterly basis. Log all WA submissions in both SDR, USD and MNT with valid rate.	PMU	11/2019
<b>Recovery plan for IFAD original loan-L836-MN</b>  Submit finalized recovery plan to IFAD for non -objection.	PMU	12/2019

## **Fiduciary aspects**

**Quality of Financial Management**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

The financial management are in compliance with the Financing Agreement (FA). The project submits its withdrawal applications from IFAD ICP. The internal control mechanism meets with the IFAD's requirements in funds management although there are three weakness controls on bookkeeping. Monthly bank reconciliation of Designated Accounts and Project Accounts have been carried out timely. The PMU accountant maintains up-to-date financial records of transactions through an accounting software. The system is mostly reliable but some errors in the accounting treatment was identified by the auditor.

### **Main issues**

**Organization and staffing.** The PMOs demonstrated the due attitude in pursuing further improvements by updating Project Implementation Manual(PIM) to reflect its loan administration arrangements. However, the approved PIM does not cover sufficient content to reflect FM aspects including budgeting, accounting, , internal control and reporting and auditing arrangements. The mission urged the project to update FM manual by end of November 2019.

**Budgeting.** AWPB approved timely. Total IFAD budget in 2019 AWPB is USD 4.19 million (46% of total IFAD allocation) with 25% realized. IFAD is the main financing source with minimal direct contribution of GoM, beneficiaries as well as other institutions. AWPB budget was separately maintained by PMU and LGF sub PMU. Lack of central control compromises certain degree of data reconciliation and accuracy between budget and realization. The mission urged the project to update its AWPB template and record different financiers timely and accurately.

**Fund flows and Disbursements / Withdrawals.** The project accountant prepares timely disbursements to suppliers and various payees upon receipt of full supporting documents. The mission sampled SOE including those claimed in WA05 with satisfactory. All sampled supporting documents of SOE expenditures are sufficient and traceable.

**Internal Control.** Currently, there is no systematic commitment controls by MOF but the project budget is executed based on approved allocation case by case. The mission urged a simplified procedure to authorize monthly budget allocation to the PMU as specified in the Budget Law on internal control regulations and procedures. These internal control procedures are comprehensive and meet the needs for oversight of budget implementation.

**Accounting.** The project applies a stand-alone accounting system "Aclous" for monitoring and reporting purposes. However, the project has to maintain an excel based financial reporting documents, using the data withdrew from Aclous.

**Financial Reporting & Monitoring.** The project did not submit its interim financial reports (IFRs) to IFAD in 2019. The project was reminded to submit IFRs 45 days after the quarter of following year by 30 April 2020.

**Internal Audit.** MOFALI the Lead Project Agency has setup internal audit arrangements for the PMU. The PMU has received notice on detailed internal auditing in 2019. PMU should inform IFAD once the TOR and detailed arrangements are confirmed.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Update of FM Manual</b> Engage Aimags and sums and update agreed payment processes Finalize FM manual for MOF and IFAD non- objection or approval	PMU	11/2019
<b>Upgrade Accounting software</b> Enhance financial reporting module.	PMU	12/2019
<b>Submit IFRs</b> Submit IFRs	PMU	04/2020
<b>Expedite requests for No-Objection</b>	IFAD	
<b>Organize capacity building exercises for potential bidders</b>	PMU	

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

**Rating: 3**

**Previous rating: 5**

#### **Justification of rating**

Audit report was submitted within audit due date. Opinion was not consistent in audit report

#### **Main issues**

Audit report was submitted in timely manner. 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.

However, audit opinion is not consistent, causing confusion: in Audit certificate, auditor stated the Qualified Opinion (the FSs are not presented true and fairly). Meanwhile, in section 2.13, p. 22 of the audit report, it is stated that the statements are presented true, fairly and free materiality respects in accordance with the IPSAS, instructions and resolutions of the Minister of Finance.

#### **Counterparts Funds**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

The mission observed availability of the government matching funds for office operating and VAT and which became crucial for smooth implementing.

#### **Main issues**

Over the cumulated achievements as of September 2019, the project recorded over USD 0.91 million has been advanced to project in 2019, which represents 16% of its commitment as government funding.

The mission would encourage the PMU to gain assistance from budget governor at aimags and sums and secure their commitments in providing due matching funds to support the project implementation. Counterpart funding shall be aligned with national priorities and thus budgeted to match the IFAD financing proceeds.

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

**Rating: 5**

**Previous rating: 4**

#### **Justification of rating**

The project has complied with majority of the loan covenants

#### **Procurement**

#### **Procurement**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

The PMU has been handling the procurement activities in accordance with the Public Procurement Law of Mongolia (PPLM). The majority of the procurement activities have been carried out mainly by ICB, LCB, Local Shopping, QCBS, LCS and CQS per stipulated procedures and requirements in the PPLM. Contract logs are in place and timely updated. More than 62% of the planned procurement activities have been completed during the mission visit. The rating on procurement should be 4 - Processes, procedures and systems applied exhibit some gaps and inconsistencies that have limited impact on project implementation and performance.

## **Procurement Review**

**The National Procurement System.** The Public Procurement Law of Mongolia (PPLM) and Guidelines are comprehensive and specific. The PMU has been using the Standard Bidding Document (SBD) templates issued by government for all processes. However, some requirements remain redundant and rigid. Without sufficient training and staffing, it would be a challenge for PMU to full compliance, such as the duration for selection of the bid, response time for additional information.

By the order of government, the e-procurement system should have been fully utilized in public procurement since June 1st, 2019. Other than CQS, all contract lots should be conducted through this system. The system has integrated all functions and processes necessary for conducting procurement. There is no sign of negative effect. For the shopping, the PMU used to send invitations to 3 existing bidders. After using the e-procurement system, the invitation is publicly advertised. This is a positive factor to the procurement.

MOFALI need to facilitate the implementation of this new approach through enhanced delegation of authority with respect to financial management and PMU to delegate authority to aimag level for procurement. All procurements /LCB and Local shopping/ and tender rights and processes will be transferred to aimag level so that PMU monitor and supervise the programme of work and build the necessary capacities at the aimag and soum levels. Procurements planned and under progress, including 12 consultancy services for market study and value chain analysis, purchase of equipment for SMEs and small and medium scale tractors for hay making under PMCCA component should be cancelled due to restructuring of project activities. Due to time constraints on developing work plan 2020 and work load thought of the year, assistants or short term consultants are needed in procurement and financial officer for 12 months for 2020, and eight months or from November 2019 to June 2020 for pasture management and climate change adaptation component.

**Procurement planning.** Procurement Plan was approved timely. The PMU strictly followed procedure for approved prior/post reviews for approved activities. The procurement of tractors were approved for ICB procedure, however the project reported the PPLM allows LCB (Local Competitive Bidding) by engaging foreign bidders to participate in tenders for works with cost estimates of more than MNT 10,000,000.001 and goods and/or services with cost estimates of more than MNT 100,000.001. Therefore, the LCB can be applied for procurement of tractors as requested by Law. Given the fact that foreign bidder may come to bid, the bidding document should be adjusted thereof. Majority of the consultancy services have been conducted through the QCBS and LCS.

The 2019 PP already delegates 16 lots of procurement activities to be conducted through the departments of Soums governors, among all, 5 lots have been conducted through departments of Aimag Governors. The PMU considers that the processes of the procurement are smooth, and no adverse effect occurs so far. The reason is that the Entities of Soum Level and Aimag Level have adequate experience for simple local shopping. It is agreed that the Local Shopping can be conducted by the entities of Aimag Level and Soum Level. The process of ICB, LCB, QCBS, LCS and CQS shall be conducted by the PMU.

**Prequalification to Bidding processes.** PMU shall compile the Standard Bidding Document templates issued by MOF and apply online procurement system. Time span for tendering was tested and the timeframe is relatively long as stipulated by the law. It will take longer in the cases subject to prior review. It is suggested that the PMU should arrange the procurement activities carefully in advance.

The validity period for the bid were found inadequate. The mission recommended the PMU to request MOF in writing with assistance from IFAD to extend the time of selection of bid as well as bid validity period from 30 days to 90 days for Consultancy service, and from 30 days to 60 days for Goods and Civil Works.

**Evaluation to contract award.** The arithmetic correction of bid price and price comparison should be added in the bid evaluation. It could be the last stage of the bid evaluation. Then the bid price could be evaluated. The bid which is non-responsive at a certain stage should be rejected, and shall not enter the follow-up stages of evaluation. In bidding document, bidder are requested to provide proofs/evidences for some eligibility requirement in bidding document. Some of them may produce unnecessary workload to the bidder. The description of eligibility requirements in the PPLM is suggested to be applied in the bidding documents. Other detailed review together with recommendations are elaborated in the working paper for procurement.

**Contract management.** The mission tested sampling documents and found the project procurement are kept in order and complete. The PMU has been managing the contract in accordance with PPLM provisions. The coordinators and facilitators of each component are fulfilling the duties and obligations under the contract on behalf of the Purchaser and Employer. The ownership of contracted properties is still under discussion. It is suggested rationalizing ownership as soon

as possible, so as to utilize and maintain the property properly.

**Staffing.** The PMU has appointed 1 full time staff as the secretary of the bid evaluation committee and one assistant for procurement. Given the lengthy and complexity of procedures, as well as considerable workload arising thereof, more qualified procurement staff should be recruited continuously. More training on procurement should be given to the procurement staff.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>The compilation of the template bidding document</b>	PMU	03/2019
<b>The Tendering Time frame and validity period of bid</b> The Tendering Time frame: Consultancy service: 90 days (Prior review 120 days). Goods and Works: 60 days (Prior review 80 days) The validity period of bid: Consultancy service: 90 days (Prior review 120 days). Goods and Works: 60 days (Prior review 80 days)	PMU	12/2019
<b>Eligibility of bidder</b> Eligibility of bidder: use the requirements in PPLM For ICB, adjusting the requirements correspondingly, in order to let foreign bidders to bid.	PMU	12/2019
<b>The procedures for evaluation</b> The procedures for evaluation shall follow the IFAD Procurement Handbook	PMU	12/2019
<b>qualification and capabilities</b> The qualification and capabilities should be set according to the mission report	PMU	12/2019
<b>The formulation of Procurement Plan of Y2020</b>	PMU	01/2020
<b>The CQS shall follow the procedure of the IFAD procurement Handbook.</b>	PMU	01/2020
<b>The agreed local shopping in PP should be implemented at local level</b>	PMU	

#### e. Key SIS Indicators

<b>Likelihood of Achieving the Development Objective</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
<b>Assessment of the Overall Implementation Performance</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>

#### F. Agreed Actions

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

<b>LGF/LOC proposal</b>  PMPMD will submit a revised LGF/LOC proposal, agreed by MOF, MOFALI, State Bank and Khan for (i) better access to formal credit with adapted financial new products for the target groups (individuals and legal entities) and (ii) long term guarantee funds ensuring continuity of the business in post PMPMD project which will build sufficient credit history of the clients.	PMPMD / MOF / MOFALI / Sate Bank / Khan Bank	10/2019
<b>Call for business proposals</b>  Call for business proposals for around 20 MSEs across the country and consult with NAMAC to possibly upgrade / upscale existing cooperatives (with factory and export perspectives) – Prepare Market and business plan	PMPMD / NAMAC	10/2019
<b>Review the PMU staffing</b>  Review the PMU staffing in order to be able to deliver the 2020 programme of work (identification, support to the SOUMs and Aimags, Supervision and monitoring of the work) and propose for IFAD NOC the necessary additional consultants to recruit – Integrate these costs in the AWPB 2020 when IFAD NOC received	PMU	10/2019
<b>Invite representative of NAMAC to participate to the Aimag forum related to Pasture management plan and investments</b>  Invite representative of NAMAC to participate to the Aimag forum related to Pasture management plan and investments	PMU	10/2019
<b>Women Group member individual loan request</b>  Each Women Group member will submit her/his individual loan request backed by a business plan to obtain a loan short term loan (less than 1 year) from the partner banks (State Bank – Khan Bank)	PMPMD	11/2019
<b>Institutionalize sustainable pasture management practices within the 6 aimags (and all soums) by :</b>  <ul style="list-style-type: none"> <li>• cofinancing their Aimag / Soum Pasture / Agriculture development plan (with a co-financing ratio of 30% aimag / 70% PMPMD) on the eligible investments related to better pasture management and</li> <li>• organize a forum at aimag level, with all herders, inform about the already agreed PMP/PHG and agree on an 3 years' inclusive SOUM/Aimag pasture management plan (investment will be conditioned to the territorial pasture management agreement)</li> </ul>	PMU	11/2019
<b>Provide a strategy</b>  Provide a strategy, discussed with SOUM, Aimags and NAMAC on (i) how to increase the complementarity between the component 1 (pasture management) and 2 (access to market for better and sustainable income) and (ii) how to increase revenue of herders (through quality of animals instead of quantity) 5 pages maximum	PMU	11/2019
<b>Farmer Organization / Cooperative business (with legal status) plan</b>  Provide a Farmer Organization / Cooperative business (with legal status) plan for the Aimag / Soum level fodder production (tractors and equipments) with clear (i) delegation of management and (ii) exit strategy	PMU	11/2019

<b>all civil work investments of the component 1</b>  Ensure that all civil work investments of the component 1 are (i) plan in the 2020 AWPB and PP and (ii) implemented during the year 2020	PMU	12/2019
<b>Development Effectiveness</b>		
<b>Securing investments at soum level</b>  Develop co-financing and maintenance agreements with Soum governments for investments. Organize transfer of ownership of project-financed investment at soum/aimag level	MoFALI - PMU	12/2019
<b>Rangeland Unit Agreements</b>  Ensure all PHGs have concluded RUAs, and all RUAs are registered in Land Management (LM) program to legalize PHGs and their tenure rights to the pastureland contracted	PMU - Local authorities	12/2019
<b>Sustainability and Scaling up</b>		
<b>Adapted loan products</b>  Negotiate with banks different loan products for project individuals and legal entities	LGF	11/2019
<b>Financing loans</b>  No credit lines to be extended by project to banks. Banks to use their own resources when financing project-supported individuals and legal entities	LGF	11/2019
<b>Transformation of PHGs RFs into SCCs</b>  Evaluate existing initiatives and assist PHGs to transform their RFs into SCCs. Possibly assist WGs to achieve the same	PMU - LGF	12/2019
<b>Project-financed infrastructure ownership</b>  Assist MoFALI to ensure transfer of ownership for all project-financed infrastructure from national to local authorities	PMU - MoFALI	12/2019
<b>Project Management</b>		
<b>Reorganize PMU staff</b>  Submit for IFAD NOC a revised organogram	PMU	10/2019
<b>Recruitment of M&amp;E</b>  Finalize M&E specialist recruitment	PMU	10/2019
<b>Recruitment of MSEs specialist</b>  Accelerate recruitment of MSEs specialist to be in charge of support to existing legal entities and niche products	PMU	11/2019

<b>Women groups against individual women entrepreneurship</b>  The project should re-evaluate its strategy for group formation exploring the possibility of flexible structure and composition and to essentially see it in the context of solidarity groups providing bank the necessary social guarantee. MOF and MOFALI to present a proposal.	MOFALI	12/2019
<b>Access to Finance – Leveraging Bank Funds under Line of Credit</b>  MOF/MOFALI to develop and present a proposal regarding the line of credit with funds leveraged by the participating banks	MFALI/MOF	12/2019
<b>Information feed-back to M&amp;E specialist</b>  Implement a bi-monthly written procedure to collect data to fee M&E system from local staff (at soum and aimag level), NGOs and SPs to component coordinators and then to M&E specialist		12/2019
<b>Knowledge Management Strategy</b>  Draft a strategy for the PMU and all partner institutions	PMU	03/2020
<b>Information package prior to IFAD missions</b>  Ensure set of documents are prepared, updated and made available for IFAD missions with breakdown between PMPMD and PMPMD AF	PMU (M&E specialist)	
<b>Financial Management &amp; Execution</b>		
<b>The compilation of the template bidding document</b>	PMU	03/2019
<b>WA submission</b>  Submit WA05 to IFAD. Prepare WA on quarterly basis. Log all WA submissions in both SDR, USD and MNT with valid rate.	PMU	11/2019
<b>Update of FM Manual</b>  Engage Aimags and sums and update agreed payment processes  Finalize FM manual for MOF and IFAD non- objection or approval	PMU	11/2019
<b>The Tendering Time frame and validity period of bid</b>  The Tendering Time frame: Consultancy service: 90 days (Prior review 120 days). Goods and Works: 60 days (Prior review 80 days) The validity period of bid: Consultancy service: 90 days (Prior review 120 days). Goods and Works: 60 days (Prior review 80 days)	PMU	12/2019
<b>Eligibility of bidder</b>  Eligibility of bidder: use the requirements in PPLM For ICB, adjusting the requirements correspondingly, in order to let foreign bidders to bid.	PMU	12/2019



<b>The procedures for evaluation</b> The procedures for evaluation shall follow the IFAD Procurement Handbook	PMU	12/2019
<b>qualification and capabilities</b> The qualification and capabilities should be set according to the mission report	PMU	12/2019
<b>Recovery plan for IFAD original loan-L836-MN</b> Submit finalized recovery plan to IFAD for non -objection.	PMU	12/2019
<b>Upgrade Accounting software</b> Enhance financial reporting module.	PMU	12/2019
<b>The formulation of Procurement Plan of Y2020</b>	PMU	01/2020
<b>The CQS shall follow the procedure of the IFAD procurement Handbook.</b>	PMU	01/2020
<b>Submit IFRs</b> Submit IFRs	PMU	04/2020
<b>Expedite requests for No-Objection</b>	IFAD	
<b>Organize capacity building exercises for potential bidders</b>	PMU	
<b>The agreed local shopping in PP should be implemented at local level</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 (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
Outreach	1 Persons receiving services promoted or supported by the project							RIMS report	Annual	PMU	Major shocks or crises which could weaken project effects do not occur or are sufficiently mitigated.
	Females				2 378	47 537					
	Males				1 526	40 070					
	Total number of persons receiving services				3 904	87 607					
	1.a Corresponding number of households reached							RIMS report	Annual	PMU	
	Women-headed households		35 211	80 000	201	584	0.7				
	Non-women-headed households		324	470	3 703	40 075	8 526.6				
	Households		19 700	58 000	3 904	39 885	68.8				
	1.b Estimated corresponding total number of households members										
	Household members		88 650	136 600							
Project Goal Empower poor rural women and men to achieve higher income and sustainable improvement in their livelihoods	Poverty ratio (% of population) at rural poverty line							National poverty statistics	Every two years	PMU	Political stability. Major shocks or crises which could weaken project effects do not occur or are sufficiently mitigated.
	% of population at rural poverty line	35	30	25							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
<b>Development Objective</b> To reduce poverty and improve livelihoods of poor herder and soum- and aimag-centre households in the project area	Improvement (%) in HH income							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	3 907	9 246	92.5				
<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.
	Men trained in other		692	1 500	2 744	3 461	230.7				
	Women trained in other		2 401	3 600	1 421	3 845	106.8				
	3.1.1 Groups supported to sustainably manage natural resources and climate-related risks							Annual CI survey	Annual	PMU	
	Groups supported	0	120	264	139	259	98.1				
	Males	0	4 725	5 800		4 797	82.7				
	Females	0	4 725	6 900		5 799	84				
<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	111	231	87.5				

Results Hierarchy	Indicators							Means of Verification		Assumptions	
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
<b>Output</b> Output 1.3 Resilience of pasture land improved and monitored	Increase (%) of rangeland monitoring sites where improvement of pasture conditions reported							National rangeland monitoring database (NAMEM)	Annual	PMU	No major drought hit in the project areas; and PHGs agree on the common resource use plan.
	Increase			50							
	3.1.4 Land brought under climate-resilient practices							RIMS report	Annual	PMU	
	Hectares of land		42 000	370 000	3 851 300	4 045 552	1 093.4				
<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	2	9	36				
<b>Output</b> Output 1.5 Soum-level investment for Climate Change Adaptation	Soum level investment to improve preparedness to climate risk or winter (incl. hay making, hay storage, winter shelter, better access to water)										PHGs agree on the set of M&E indicators and participate in voluntary M&E.
	Livestock mortality decrease	3.7	0	1							
<b>Outcome</b> Outcome 2 Value addition in production and processing, and market access improved											
<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
	Men trained in crop		280		24	304					
	Women trained in crop		419		253	672					
	Men trained in livestock		825	3 000	671	1 949	65				
	Women trained in livestock		555	2 000	1 325	2 164	108.2				

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
	Total persons trained in crop		699		277	976					
	Total persons trained in livestock		1 380	5 000	1 996	4 113	82.3				
	2.2.2 Supported rural enterprises reporting an increase in profit										
	Percentage of enterprises		20	30							
Output 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	22	512	28.4				
	Males		289	500	14	414	82.8				
Output 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.
	Women in rural areas accessing financial services - savings		288	500							
	Men in rural areas accessing financial services - savings		72	230							
	2.1.6 Market, processing or storage facilities constructed or rehabilitated										
	Processing facilities constructed/rehabilitated	0	21	45	14	35	77.8				
Outcome 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							
	2.2.2 Supported rural enterprises reporting an increase in profit										
	Number of enterprises	0	45	100							

Results Hierarchy	Indicators							Means of Verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2019)	Cumulative Result (2019)	Cumulative Result % (2019)	Source	Frequency	Responsibility	
<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.
	Males		20	30							
	Females		25	42							
<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	3	23	46				
<b>Output</b> Output 3.3 Strengthened backward linkages of existing MSEs/cooperatives to poor HH	Households contracted with MSEs cooperatives and suppliers										
	Households	0	130	500							

## **Mongolia**

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

#### **Supervision Report**

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

Mission Dates: 23/09/2019-13/10/2019  
Document Date 21/11/2019  
Project No. 1100001455  
Report No. 5229-MN

Asia and the Pacific Division  
Programme Management Department

**Table 5A: Financial performance by financier as at 30 September, 2019**

Financier	Approval (USD '000)	Disbursements (USD '000)		Per cent disbursed
IFAD loan	11 479	11 364.21		99%
IFAD AF	9 060	2 754.00		30%
GEF grant	1 500	1 421.00		95%
Government	2 770	85.82		3%
Beneficiaries	1 830	8.00		0%
Institutions	3 128			0%
<b>Total</b>	<b>18 365</b>	<b>15 633</b>		<b>85%</b>
Note: data for beneficiaries, companies and institutions are missing for 2019.				



**Table 5B: Financial performance by financier by component (USD'000) as at 30/9/2019**

Component	IFAD loan			IFAD Additional Financing			GEF grant			Government			Benefeciaries, Companies and Institutions			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
A. Market Development	5 256	5 428.67	103%	3 398	745.77	22%				2 770	66.93	2%	213	8.00	4%	11 637	6 249.37	54%
B. Pasture Management and Climate Change Adaptation	4 956	4 722.42	95%	3 781	252.50	7%	1 500	1 421	95%							10 237	4 974.92	49%
C. Enabling business environment				587	155.47	26%							162					
D. Project Management	1 267	1 185.30	94%	2 006	533.36	27%					18.89					3 273	1 737.54	53%
Initial Deposit					1 500.00	17%										0		
<b>Total</b>	<b>11 479</b>	<b>11 336.39</b>	<b>99%</b>	<b>9 060</b>	<b>2 718.00</b>	<b>30%</b>	<b>1 500</b>	<b>1 421</b>	<b>95%</b>	<b>2 770</b>	<b>85.82</b>	<b>3%</b>	<b>4 958</b>	<b>8</b>	<b>0%</b>	<b>18 365</b>	<b>12 961.83</b>	<b>71%</b>

Note: data for beneficiaries, companies and institutions are missing for 2019.

**Table 5C(i): IFAD loan disbursements (SDR, as at 30/9/2019)**

Category	Category description	Original allocation (loan)	revised Allocation 2017	Disbursement 2012-2018.04.26	Total	Balance	Per cent disbursed
120285	Civil works	330 000	1 010 000	981 635.51	981 635.51	28 364.49	97%
120286	Vehicles, equipment	620 000	880 000	708 076.25	708 076.25	171 923.75	80%
120287	Tools, materials	570 000	570 000	495 351.13	495 351.13	74 648.87	87%
120288	Economic Development Costs	1 190 000	600 000	504 436.54	504 436.54	95 563.46	84%
120289	Group formation & Project Grants	620 000	620 000	619 915.48	619 915.48	84.52	100%
122550	Loan guarantees for beneficiaries in Project Target Area	660 000	620 000	586 137.39	586 137.39	33 862.61	95%
122551	Loan guarantees for beneficiaries outside Project Target Area	1 240 000	600 000	0.00	-	600 000.00	0%
122552	Credit line	330 000	1 700 000	1 479 046.01	1 479 046.01	220 953.99	87%
120291	Field & management staff, operating costs and maintenance	1 100 000	650 000	719 969.87	719 969.87	(69 969.87)	111%
99	Unallocated	590 000					
074002	Initial deposit*	490 457.08					
054997	Advance for Guarantee	664 405.65					
	<b>Total</b>	<b>7 250 000</b>	<b>7 250 000</b>	<b>7 249 430.91</b>	<b>7 249 430.91</b>	<b>50 337.08</b>	<b>99%</b>

**Table 5C(ii): GEF grant disbursements (USD, as at 30/9/2019)**

Category	Category description	Original allocation	Revised re- allocation 2017	Disbursement	Balance	Refund to IFAD	Per cent disbursed
120293	Vehicles, equipment	60 000	102 750	99 834.20	2 915.80		97%
120294	Tools, materials	340 000	490 000	480 950.48	9 049.52		98%
120295	Economic Development Costs	930 000	907 000	840 278.55	66 721.45		93%
120296	Field & management staff, operating costs and maintenance	22 000	250	307.58	(57.58)		123%
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>78 629.19</b>	<b>77 105.76</b>	<b>95%</b>

Note: (i) DA has been fully recovered; (ii) two refund transferred to IFAD.

**Table 5C(iii): IFAD Additional Financing disbursements (SDR, as at 30/9/2019)**

Category	Category description	Original allocation SDR(a)	Disbursement SDR (b)	Pending WA05 SDR (c)	Contract +PMU+Operating Committed SDR (d)	Balance SDR	Per cent committed (b+c+d)/(a)	Per cent disbursed (b+c)/(a)
200003	Works	2 380 000	250 542.34	63 234.71	350 486.12	1 715 736.83	28%	13%
200010	Credit and Guarantee Funds	700 000	145 967.29		1 275 073.28	(721 040.57)	203%	21%
200012	Grants and Subsidies	100 000				100 000.00	0%	0%
200013	Goods, Service and Inputs	1 200 000	275 753.03	66 881.76	163 795.44	693 569.77	42%	29%
200016	Operating Costs	850 000	164 065.99	19 826.26	203 637.73	462 470.02	46%	22%
200019	Training	600 000	72 381.62	4 828.55	1 286.33	521 503.50	13%	13%
	Unallocated	650 000				650 000.00		
270001	Initial deposit	1 084 042.18				1 084 042.18	17%	17%
	<b>Total</b>	<b>6 480 000</b>	<b>908 710.27</b>	<b>154 771.28</b>	<b>1 994 278.90</b>	<b>3 422 239.55</b>	<b>47.19%</b>	<b>30.75%</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: 23/09/2019-13/10/2019  
Document Date 21/11/2019  
Project No. 1100001455  
Report No. 5229-MN

Asia and the Pacific Division  
Programme Management Department

## PMPMD AF AWPB 2019

Component/Output/Activity	Indicators		Timetable for				Responsible Unit	Indicators		Budget			Financier-IFAD		Financier-Gov	
	Project Indicators	Correspondin g RIMS indicators	Q 1	Q 2	Q 3	Q 4		Actual	Planned (Annual)	Planned (Annual)	Budget Category	Financier	Executed budget	Percent	Executed budget	Percent
1. PASTURE MANAGEMENT AND CLIMATE CHANGE ADAPTATION COMPONENT																
Outcome 1 Improved Pasture Management and resilience to Climate Change																
Management																
Salary for local staff	person/months						PMU	18	18	64,800.00	c-3	IFAD	46,372.50	71.56%		
Social insurance for local staff	person/months						PMU	18	18	8,100.00	c-3	IFAD	5,763.86	71.16%		
Operational cost for local staff	person/months						PMU	18	18	17,280.00	c-3	IFAD	8,460.94	48.96%		
Total for Management										90,180.00			60,597.30	67.20%		
Outputs:																
Output 1.1 Pasture Herder Groups (PHGs) formed and capacitated for improved pasture management																
Activity 1.1.1 Training and seminar for local staff	persons	3.1.1					PMU/SP	24	24	9,600.00	c-3	IFAD	6,687.45	69.66%		
Activity 1.1.2 Training on Pasture management	persons	3.1.1					PMU/SP	1,045	360	9,600.00	c-3	IFAD				
Activity 1.1.3 Training on Livestock management	persons	3.1.1					PMU/SP	1,045	360	9,600.00	c-3	IFAD				
Activity 1.1.4 Training on Livestock insurance	persons	3.1.1					PMU/SP	1,045	360	9,600.00	c-3	IFAD				
Activity 1.1.5 Training on Financial literacy	persons	3.1.1					PMU/SP	1,045	180	4,800.00	c-3	IFAD	25,704.41	76.50%		
Activity 1.1.6 Training for soum extension officers	persons	3.1.1					PMU/SP		54	4,800.00	c-3	IFAD	-			
Activity 1.1.7 Inter-soum experience sharing tour	tour	3.1.1					PMU	1	1	6,720.00	c-3	IFAD	5,622.40	83.67%		
Activity 1.1.8 Furnishing Information and training center for herders	center	3.1.1					PMU	10	10	20,000.00	c-1	IFAD	16,069.77	80.35%		
Activity 1.1.9 Support to herder groups and women groups	group	3.1.1					PMU	-	18	24,000.00	c-3	IFAD				
Activity 1.1.10 Contracting service provider							PMU/SP		1							
Organize capacity building training and seminar for pasture herder groups established in 2018	PHGs						SP	53	53	60,000.00	c-3	IFAD	33,341.49	55.57%		
Organize pasture management training for local staff /in UB/	training						SP	18	18							
Participate in the bagh citizens' meeting /12 soums of 4 aimags/	event						SP		96							
Organize cooperative training for local staff	training						SP	-	18							
Total for Output 1.1										158,720.00			87,425.52	55.08%		
Output 1.2: Soum-level investment for climate change adaptation prepared in a participatory way																
Activity 1.2.1 Develop 3-year plan for pasture user groups							PMU	6	144.0	4,608.00	c-3	IFAD	-	0.00%		
Total for Output 1.2										4,608.00			-	0.00%		
Output 1.3 Resilience of pasture land improved and monitored																
Activity 1.3.1 Purchase and distribute equipment to control rodent							PMU	110	110	44,000.00	c-2	IFAD	62.34	0.14%		
Activity 1.3.2 Irrigation system for hay plot								1	1	1,520.00	c-2	IFAD	1,314.80	86.50%		
Total for Output 1.3										45,520.00			1,377.14	3.03%		
Output 1.4 Soum Strategies for Pasture Management and Climate Change Adaptation developed																
Activity 1.4.1 Develop ecological site description in 9 soums								9	9	216,000.00	c-3	IFAD	50,166.49	23.23%		
Activity 1.4.2 Revise and update ecological site description which is developed prior to the project								2	2	8,000.00	c-3	IFAD	2,897.27	36.22%		
Total for Output 1.4										224,000.00			53,063.76	23.69%		
Output 1.5 Soum-level investment for Climate Change Adaptation																
Activity 1.5.1 Dig bore-well								30	30	276,000.00	c-1	IFAD	2,176.69	0.79%		
Activity 1.5.2 Build fodder storage and hay shed								6	6	264,000.00	c-1	IFAD	4,738.66	1.79%		
Activity 1.5.3 Purchase and distribute 35 horse-power tractor with aggregates for hay making								-	6	240,000.00	c-2	IFAD	-	0.00%		
Activity 1.5.4 Purchase and distribute mower and raker for hay making								3	2	10,000.00	c-2	IFAD	8,909.78	89.10%		
Activity 1.5.5 Build Sheep dips								24	45	144,000.00	c-1	IFAD	34,897.05	24.23%		
Activity 1.5.6 Purchase and distribute 15 horse-power tractor with aggregates for hay making								-	46	276,000.00	c-2	IFAD	-	0.00%		
Activity 1.5.8 Establish Risk fund								-	18	144,000.00		IFAD		0.00%		
Total for Output 1.5										1,354,000.00			50,722.18	3.75%		
TOTAL FOR COMPONENT 1										1,877,028.00			253,185.90	13.49%		

PMPMD AF AWPB 2019																
Component/Output/Activity	Indicators		Timetable for				Responsible Unit	Indicators		Budget			Financier-IFAD		Financier-Gov	
	Project Indicators	Correspondin g RIMS indicators	Q 1	Q 2	Q 3	Q 4		Actual	Planned (Annual)	Planned (Annual)	Budget Category	Financier	Executed budget	Percent	Executed budget	Percent
2. MARKET DEVELOPMENT COMPONENT																
Outcome 2 Value addition in production and processing, and market access improved																
Output 2.1 Productivity of producers increased																
Activity 2.1.1 Contracting service providers										76,000.00	c-3	IFAD	53,322.56	70.16%		
Formation and strenghtening women groups						SP	250	44								
Training of business plan development	training					SP	250	144								
Preparation of guaranteed loan access						SP	250	144								
Training of cooperative management /number of trainees/	training					SP	0	24								
Inter aimag experience sharing workshop of group members /number of participants /	event					SP	110	580								
Training materials and hand outs						SP										
Activity 2.1.2 Rehabilitation of workplace and selling points /aimag and soum level/							14	15	210,000.00	c-1	IFAD	111,121.58	52.92%			
									286,000.00			164,444.14		57.50%		
Total for Output 2.1																
Output 2.2 Value addition of commodities increased																
Activity 2.2.1 Marketing support /packing, transport cost, linkage with market places and etc /							PMU	60	24,000.00	c-3	IFAD	4,440.01	18.50%			
Activity 2.2.2 Training on technical skills /number of trainee/	training						PMU/SP	130	200	16,000.00	c-4	IFAD	14,917.48	93.23%		
Activity 2.2.3 Study tour for women groups	event						PMU/IFAD	1	20,000.00	c-3	IFAD	0.00	0.00%			
Activity 2.2.4 Support to Local Value Chain Development/MSE																
Computer utilisation training	training						PMU/SP	36	27	6,000.00	c-4	IFAD	1,797.08	29.95%		
Business training /number of trainees/	training						PMU/SP	36	27	12,000.00	c-4	IFAD	9,327.82	77.73%		
Marketing support	lumpsum						PMU	14	27	14,400.00	c-3	IFAD	0.00	0.00%		
Consultancy for package designing							PMU/SP		6,000.00	c-3	IFAD	0.00	0.00%			
Publishing support to MSEs							PMU/SP		15,500.00	c-3	IFAD	0.00	0.00%			
HACCP training							PMU/SP		4,000.00	c-4	IFAD	0.00	0.00%			
Experience sharing tour							PMU/SP		11,800.00	c-3	IFAD	0.00	0.00%			
Rehabilitation of market infrastructures /aimag/							PMU	6	20,000.00	c-1	IFAD	2,006.01	10.03%			
Rehabilitation of market infrastructures /soum/							PMU	9	40,000.00	c-1	IFAD	0.00	0.00%			
Total for Output 2.2																
Management																
Training of facilitators	workshop						PMU	4	14,400.00	c-3	IFAD					
Salary of aimag and soum facilitators	person/months						PMU	24	24	89,280.00	c-7	IFAD	62,624.06	70.14%		
Social Insurance	person/months						PMU	12	12	11,160.00	c-7	IFAD	7,751.36	69.46%		
Operational costs for aimag facilitators	person/months						PMU	6	6	5,760.00	c-7	IFAD				
Operational costs for soum facilitators	person/months						PMU	18	18	8,640.00	c-7	IFAD	6,346.74	44.07%		
Total for Management																
									129,240.00			76,722.16	59.36%			

**PMPMD AF AWPB 2019**

Component/Output/Activity	Indicators		Timetable for				Responsible Unit	Indicators		Budget			Financier-IFAD		Financier-Gov	
	Project Indicators	Correspondin g RIMS indicators	Q 1	Q 2	Q 3	Q 4		Actual	Planned (Annual)	Planned (Annual)	Budget Category	Financier	Executed budget	Percent	Executed budget	Percent
Output 2.3 Rural financing established and accessed by rural producers and enterprises																
Management																
Manager of LGF	persons							1	1	22,848.00	c-7	GoM			17,136.00	75.00%
Loan officer of LGF	persons							1	1	21,168.00	c-7	GoM			15,876.00	75.00%
Driver	persons							1	1	6,240.00	c-7	GoM			4,680.00	75.00%
Social insurance	lumpsum							1	1	6,282.00	c-7	GoM			4,756.30	75.71%
Clerical cost	persons							12	12	240.00	c-8	GoM				0.00%
Communication administration	month							12	12	9,600.00	c-8	GoM			6,277.64	65.39%
Staff travel allowance	lumpsum							1	1	2,182.00	c-8	GoM			1,498.15	68.66%
Vehicle maintenance and petrol	month							12	12	5,760.00	c-8	GoM			3,179.57	55.20%
Activities:																
Activity 2.3.1 Organize online and in-house trainings for bank staff in project aimags/soums	training							1	1	10,000.00	c-3	IFAD	-	0.00%	8,871.67	88.72%
Activity 2.3.2 Contract fee								12	12	6,240.00	c-3	GoM	-	0.00%	1,980.00	31.73%
Activity 2.3.3 Technical committee administration								12	12	1,440.00	c-3	GoM	-	0.00%	490.80	34.08%
Activity 2.3.4 Loan Guarantee													-			
Transfer loan financing recourses to each FIs when the all pre-conditions according to SLA met /WGs/										350,809.40	c-5	IFAD	200,000.00	57.01%		0.00%
Transfer loan financing recourses to each FIs when the all pre-conditions according to SLA met /existing MSEs/										85,266.16	c-5	IFAD	-	0.00%		0.00%
Transfer loan financing recourses to each FIs when the all pre-conditions according to SLA met /Niche market MSEs/										95,924.44	c-5	IFAD	-	0.00%		0.00%
Activity 2.3.5 Advertisement and publication													-			
Public awareness	lumpsum							1	1	1,000.00	c-3	GoM	-	0.00%	792.00	79.20%
Brochure printing	lumpsum							1	1	1,000.00	c-3	GoM	-	0.00%	1,000.00	100.00%
Activitiy 2.3.6 Loan Guarantee Pay-Out													-			
Collaborate with the contracted law firm and renew the contract at end of the year based on contract performance										16,000.00	c-3	GoM	-	0.00%	400.00	2.50%
Total for Output 2.3										642,000.00			200,000.00	31.15%	66,938.12	66.94%
TOTAL FOR COMPONENT 2										1,246,940.00			473,654.70	37.99%	66,938.12	66.94%
3. ENABLING BUSINESS ENVIRONMENT FOR NICHE MARKET COMPONENT																
Outcome 3 Enabling business environment for niche market																
Output 3.1 Local Agri-business development plans prepared and services provided through association and local facilitators																
Activity 3.1.1. National level value chain updating study	package						SP	1	1	13,256.52	c-3	IFAD	12,496.72	94.27%		
Activity 3.1.2. Meeting with Business Associations	participants						PMU	116	150	72,000.00	c-3	IFAD	6,680.60	9.28%		
Activity 3.1.3. Market study on potential niche markets	study						PMU, SP		6	81,000.00	c-3	IFAD	273.54	0.34%		
Activity 3.1.4. Validation of ideas for investment	product						PMU, stakeholders	3	9	9,600.00	c-3	IFAD	-			
Total Budget Output 3.1:										175,856.52			19,450.86	11.06%		
Output 3.2. Platforms established and in operation to penetrate niche market																
Activity 3.2.1. General training for all MSEs	participants						PMU, SP		50	20,400.00	c-3	IFAD	-	0.00%		
Activity 3.2.2. Assistance to Business Plans	SMEs						PMU, SP		9	18,400.00	c-3	IFAD	165.41	0.90%		
Activity 3.2.3. Specific training for each MSE	participants						PMU, SP		50	9,600.00	c-3	IFAD	-	0.00%		
Activity 3.2.4. Legal assistance	participants						PMU, SP		50	4,800.00	c-3	IFAD	-	0.00%		
Activity 3.2.5. Marketing support	SMEs						PMU, SP		9	13,200.00	c-3	IFAD	-	0.00%		
Total Budget Output 3.2:										66,400.00			165.41	0.25%		
Output 3.3. Strengthened backward linkages of existing MSEs/cooperatives to poor HH																
Activity 3.3.1. Niche Markets value chain analysis	study						PMU, SP	6	6	70,800.00	c-3	IFAD	273.54	0.39%		
Activity 3.3.2. Investments for Niche Markets	SMEs						PMU		9	84,000.00	c-3	IFAD	-	0.00%		
Activity 3.3.3. Marketing Support	SMEs						PMU, SP		9	88,400.00	c-3	IFAD	-	0.00%		
Total Budget Output 3.3:										243,200.00			273.54	0.11%		
TOTAL FOR COMPONENT 3										485,456.52			19,889.81	4.10%		

## **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: 23/09/2019-13/10/2019  
Document Date 21/11/2019  
Project No. 1100001455  
Report No. 5229-MN

Asia and the Pacific Division  
Programme Management Department

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

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
FA Section B.8, 9 and 10; LTB Section C. 13; GC Section 4.04(d)	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	
FA Section B.11	The project shall be exempted of all duties and taxes.		Complied	
FA Section E.1a,1c and 2a, 2b	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	
FA Section E.3	Conditions for Loan guarantees: MOF established Loan Guarantee Fund Unit, Technical Committee of LGF established and LGF Operating Manual in place.		Complied	
LTB section A6	IFAD to receive from the Ministry of Finance a letter designating the name(s) of official(s) authorized to sign withdrawal applications and statements of expenditure (SOE).		Complied	
LTB section A7	PMU to replenish Designated Account on quarterly basis.		Complied	
LTB Section F and GC Section 4.03	Procurement of goods, works and services carried out in accordance with the procedures		Complied	
LTB Section G 30, 31 GC Section 4.05, section 11.10(b)	Audit report submitted to IFAD.		Complied	



<b>Section</b>	<b>Covenant</b>	<b>Target/Action Due Date</b>	<b>Compliance Status/Date</b>	<b>Remarks</b>
<b>LTB Section G 32 and GC Section 9.03</b>	<b>Appointment of independent auditors acceptable to IFAD</b>		<b>Complied</b>	
<b>LTB Section G.34</b>	<b>Maintain and update a Log of Audit Observations</b>		<b>Complied</b>	
<b>LTB Section G.35</b>	<b>Procedures to be followed upon project completion</b>		<b>Not applicable</b>	
<b>Section 4.06</b>	<b>Progress reports to be submitted to IFAD on timely basis</b>		<b>Complied</b>	
<b>Schedule 4, para 7</b>	<b>AWPB and Procurement Plan to be submitted to the Fund, for its review and comments</b>		<b>Complied</b>	
<b>Schedule 4, para 8(a)</b>	<b>A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.</b>		<b>Complied</b>	