



Investing in rural people

Mongolia

Project for Market and Pasture Management Development

Supervision report

Main report and appendices

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Contents

Abbreviations and acronyms	iii
A. Introduction	1
B. Overall assessment of project implementation	2
Overall implementation progress	2
Likelihood of achieving the development objectives	4
C. Outputs and outcomes	5
Component 1: Pasture Management and Climate Change Adaptation	5
Component 2: Market Development	8
D. Project implementation progress	13
Quality of project management	13
Performance of M&E	13
Gender focus	13
Poverty focus	14
Effectiveness of targeting approach	14
Innovation and learning	15
Climate and environment focus	15
E. Fiduciary aspects	15
Quality of financial management	15
Acceptable disbursement rate	16
Counterpart funds	16
Compliance with loan covenants	17
Compliance with procurement	17
Quality and timeliness of audits	17
F. Sustainability	17
Institution building	17
Empowerment	17
Quality of beneficiary participation	18
Responsiveness of service providers	18
Exit strategy	19
Potential for scaling-up and replication	19
G. Other	19
Physical/financial assets	19
Food security	20
Quality of natural asset improvement and climate resilience	20
Policy Dialogue	20
H. Scenario for Additional Financing	21
I. Conclusion	21

Appendices

Appendix 1:	Summary of project status and ratings	23
Appendix 2:	Updated logical framework: Progress against objectives, outcomes and outputs	25
Appendix 3:	Summary of key actions to be taken within agreed timeframes	28
Appendix 4:	Physical progress measured against AWP&B, including RIMS indicators	34
Appendix 5:	Financial: Actual financial performance by financier; by component and disbursements by category	36
Appendix 6:	Compliance with legal covenants: Status of implementation	38
Appendix 7:	Knowledge management: Learning and Innovation	43

Abbreviations and acronyms

AF	Additional Financing
AM	Aide Memoire
AOS	Annual Outcome Survey
AWP&B	Annual Work Plan and Budget
DA	Designated Account
EB	Executive Board
EGF	Employment Generation Fund
FAO	Food and Agriculture Organization
FM	Financial Management
GEF	Global Environment Facility
GoM	Government of Mongolia
HACCP	Hazard Analysis Critical Control Point
HH	Household
IAS	International Audit Standards
IBLI	Index-Based Livestock Insurance
IFAD	International Fund for Agricultural Development
JICA	Japanese International Cooperation Agency
LGF	Loan Guarantee Facility (PMPMD)
LLC	Limited Liability Company
MoF	Ministry of Finance
MoFALI	Ministry of Food, Agriculture and Light Industry
MoL	Ministry of Labor
M&E	Monitoring and Evaluation
MNT	Mongolian Tugrik
NAMBG	National Association of Mongolian Berry Growers and Producers
NBFI	Non-Bank Financial Institution
NGO	Non-Governmental Organization
PAR	Portfolio at Risk
PDP	Project Disbursement Profile (IFAD)
PHGs	Pasture Herders Groups
PMP	Pasture Management Plan
PMPMD	Project for Market and Pasture Management Development
PMU	Project Management Unit
PPR	Peste des Petits Ruminants
PSC	Project Steering Committee
RF	Revolving Fund
RIMS	Results and Impact Management System
RPA	Reserve Pasture Area
SCGF	State Credit Guarantee Fund
SDR	Special Drawing Rights
SLA	Subsidiary Loan Agreement
SoE	Statement of Expenditures
SMEs	Small and Medium Enterprises
UB	Ulaanbaatar

UMPSC	Union of Mongolian Production and Services Cooperatives
USD	United States Dollar
VC	Value Chain
WA	Withdrawal Application
WB	World Bank
WG	Women's Group

A. Introduction¹

1. An IFAD loan on highly concessional terms of SDR 7.25 million (equivalent to USD 11.5 million) for the Project for Market and Pasture Management Development (PMPMD) was approved by the IFAD Executive Board in May 2011 and became effective on 26th August 2011. The original Project Completion Date was 30th September 2016 and the Loan Closing Date was 31st March 2017. The goal of the project is to contribute to empower poor rural women and men to achieve higher incomes and sustainable improvements in their livelihoods. The objective of the project is to reduce poverty, improve livelihoods of poor herder and *Soum* and *Aimag* centre households in the project area, which is in line with the Mongolian Government's "Mongol Livestock" and "Cooperative Development" programmes. The project target area covers five *Aimags*: Huvsgul, Arkhangay, Bulgan, Khentii and Gobi-Altai. The total project costs amount to USD 18.4 million, including an IFAD loan of USD 11.5 million; a GEF/SCCF grant of USD 1.5 million; government's contribution of USD 0.9 million; beneficiaries' contribution USD 0.2 million, and private sector contribution of USD 4.3 million. The project consists of three components: (i) Market Development (value chain development, small enterprise development, loan guarantee scheme); (ii) Pasture Management and Climate Change Adaptation (formation of pasture herder groups, pasture management plans, climate change adaptation); and (iii) Project Management and Policy Support.
2. Following the request of the Government of Mongolia in February 2016 for an additional financing to the Project for Market and Pasture Management Development (PMPMD), the IFAD Executive Board (EB) approved the additional financing (AF) of SDR 6.48 million (approximately US\$ 9.06 million) on blend terms as well as a five-year extension of the PMPMD until the 30 September 2021 from the 30 September 2016. While the government of Mongolia is seeking the parliamentary approval of the additional financing to amend the current financing agreement in line with the EB-approved additional financing, the status and result of the original PMPMD need to be recorded and a workplan for a transitional period (from the PMPMD to the PMPMD AF) as well as its implementation arrangement, including roles and responsibilities, need to be clearly outlined and agreed between the government of Mongolia and IFAD.
3. The objective of the supervision mission is to evaluate the performance of the PMPMD and to recommend improvement of the project implementation strategy, direction, structure and reallocation of funds deemed appropriate to complete the PMPMD activities within the agreed timeline. The mission supports the government to develop a workplan of the next six months (Oct. 2016 to March 2017) for the implementation of the PMPMD after its completion date. In particular, the mission aimed to: (i) review the performance and progress of the project against the logframe; (ii) assess the achievement, constraints and impact of the project in relation to the expected project objective; (iii) assess the institutional and implementation arrangement, project costs and financing in view of the progress achieved since the last supervision and the compliance to the mission recommendations; (iv) review the knowledge management strategy and products of the PMPMD and recommend the corrective measures appropriate; (v) review the compliance with loan and grant covenants (of the PMPMD), and (vi) support the Ministry of Finance and the Ministry of Food, Agriculture and Light Industry to prepare the implementation strategies and action plans for the proposed activities for the transitional period (i.e. the first year of the additional financing as described in the Project Design Report of the PMPMD AF).
4. The mission spent 12 days in Ulaanbaatar, reviewing the documents prepared by the Project Management Unit as well as by the Loan Guarantee Facility Unit, holding numerous discussions with the Ministry of Food, Agriculture and Light Industries, Ministry of Finance and

¹ The mission visited Ulaanbaatar, Mongolia from October 17 to October 28, 2016 and was composed with: Mr. Thierry Mahieux (Team Leader, Rural Finance and Value Chain), Ms. Sunae Kim (Co Team Leader, APR); Ms. Lisa Hubert (Economist), Ms. Sabine Schmidt (Pasture Management), and Ms. Patricia Sonata (Financial Management and Procurement). Ms. Narangerel Yansangav facilitated the stakeholders' workshop. Mr. Matteo Marchisio (Country Program Manager, IFAD) joined the mission from October 26 to 28.

development partners, preparing a work plan for the next 6 months, and organizing a stakeholder workshop. The workshop was held in Ulaanbaatar on October 21st, 2016 with 24 participants from selected Soums of the project area, representing Women's Groups (WGs), Pasture Herder Groups (PHGs), Soum and Aimag governments and Soum facilitators. Its objectives were to jointly assess project impact, performance and results, discuss ways to sustain these and to generate information for a knowledge product/publication for the Government of Mongolia (MoFALI) and IFAD.

5. The conclusions of the Supervision Mission were discussed during a wrap-up meeting held on October 28th, 2016 and chaired by Mr. Bayartulga Lkhagvasuren, State Secretary, Ministry of Food, Agriculture and Light Industry (MoFALI). This Aide-Memoire includes the comments formulated during the wrap-up meeting.

B. Overall assessment of project implementation

Overall implementation progress

6. The overall physical implementation of activities reaches 100% for most activities especially for component 1 "Pasture Management and Climate Change Adaptation", while component 2 is lagging behind especially the value chain development sub-component which never recovered from the nearly 2-year delay in its implementation.
7. As at the initial project completion date (September 2016), the financial disbursement rate for the IFAD loan is well below (75.3%) the IFAD Corporate Project Disbursement Profile (US\$ 8.41 million against US\$ 11.17 million). The financial disbursement rate for the GEF grant is also low, standing at 82.1% (US\$ 1.23 million against US\$ 1.50 million). Overall, the financial disbursement rate stands at 76.1% (US\$ 9.64 million against US\$ 12.67 million). Annex 1 details the position of both IFAD loan and GEF grant as at end of September 2016.

Table 1 - Position of IFAD loan and GEF grant as at September 2016.

Category	IFAD Loan		GEF Grant		PMPMD	
	Budget Reallocated	Balance as at 30-09-16	Budget Reallocated	Balance as at 30-09-16	Total	Balance as at 30-09-16
I Civil Works	1,428,200	122,656			1,428,200	122,656
II Vehicles Equipment	954,800	275,407	60,000	21,720	1,014,800	297,127
III Inputs						
a. Tools, Materials	877,800	177,092	468,000	14,510	1,345,800	191,601
b. Economic Development Costs	1,432,600	777,778	930,000	190,140	2,362,600	967,919
IV Group Formation and Project Grants	954,800	221,115			954,800	221,115
V Guarantees and Credit Line	-					
a. Loan Guarantees	716,400	16,400			716,400	16,400
b. Loan Guarantees	1,409,600	409,600			1,409,600	409,600
c. Credit Line	1,955,000	53,649			1,955,000	53,649
VI Field Management Staff, Operating Costs and Maintenance	1,394,000	662,050	22,000	21,841	1,416,000	683,891
VII Unallocated	41,800	41,800	20,000	20,000	61,800	61,800
Total	11,165,000	2,757,548	1,500,000	268,211	12,665,000	3,025,759

Annual implementation progress

8. The 2016 AWP&B approved by the Project Steering Committee and IFAD forecasted expenditures amounting to US\$ 3.05 million on the IFAD loan and US\$ 0.34 million on the GEF grant. To date, expenditures recorded under the IFAD loan amount to US\$ 1.95 million (63.9%) while expenditures recorded under the GEF grant amounts to US\$ 0.23 million (67.9%). Globally, the disbursement rate of the project stands at 64.3% (US\$ 2.18 million against US\$ 3.39 million). This low disbursement rate mainly results from: (i) cancellation of the procurement of 6 multifunctional tractors (budgeted for US\$ 0.21 million); (ii) non-request for the transfer of

an additional tranche of resources for credit line activities (US\$ 0.4 million as planned in the May 2016 follow-up mission's aide memoire but not requested as the final AM had not yet been signed), and (iii) incomplete transfer of resources planned for SMEs financing (US\$ 1.55 million).

Table 2 - 2016 AWP&B IFAD Loan and GEF Grant

Category	IFAD Loan		GEF Grant		PMPMD	
	Budget Reallocated	Balance as at 30-09-16	Budget Reallocated	Balance as at 30-09-16	Total	Balance as at 30-09-16
I Civil Works	531,461	453,541			531,461	453,541
II Vehicles Equipment	306,541	88,926			306,541	88,926
III Inputs						
a. Tools, Materials	85,000	19,088	84,103	87,483	169,103	106,571
b. Economic Development Costs	134,569	141,983	252,419	140,984	386,988	282,967
IV Group Formation and Project Grants	339,826	133,334			339,826	133,334
V Guarantees and Credit Line						
a. Loan Guarantees						
b. Loan Guarantees	1,200,000	800,000			1,200,000	800,000
c. Credit Line	100,711	165,900			100,711	165,900
VI Field Management Staff, Operating Costs and Maintenance	351,294	146,738		90	351,294	146,828
VII Unallocated					-	
Total	3,049,403	1,949,510	336,521	228,557	3,385,924	2,178,067

Budget for the period October 2016 - March 2017

9. Considering that IFAD and GoM are seeking parliamentary approval for the additional financing for PMPMD at the latest by end-February 2017, the mission and the PMU have elaborated a Work Plan and Budget covering the period from October 2016 - March 2017 (see detailed budget in annex 2). This budget has been elaborated considering the following assumptions: (i) activities have to be physically completed by March 31st, 2017 at the latest; (ii) weather conditions in Mongolia prevent any infrastructure investment to be completed before the new completion date, hence no infrastructure investment has been budgeted; (iii) financial support will be given for Gobi-Altai aimag and the possible PPR outbreak; (iv) capacity building support to increase the network and improve the management of pasture reserve areas, train their local officers in vet services and pasture management, repair of existing wells (procurement of pumps and generators), and assist the Inter-Aimag RPA administration to draft a RPA law through stakeholders' consultations and expert's inputs; (v) procurement of 5 multifunctional tractors (one in each aimag as a pilot activity); (vi) training and capacity building support privileged to ensure sustainability and impact, especially cooperative and value chain training; (vii) VC-related activities mainly focusing on detailed VC analysis and on the financing of key-activities maximizing impact; (viii) 10 SMEs selected in 2015 to have their business plan financed under the project; (ix) LGF operating expenses to be covered by project resources while income generated by the investment of LGF resources will be used to cover pay-outs, and (x) PMU expenses calculated until September 2017.

Table 3 - Budget Period October 2016 - March (September) 2017

Activities	IFAD Loan				GEF Grant				PMPMD			
	Oct. - Dec. 2016	Jan. - Mar. 2017	Closing Period	Total	Oct. - Dec. 2016	Jan. - Mar. 2017	Closing Period	Total	Oct. - Dec. 2016	Jan. - Mar. 2017	Closing Period	Total
Component 1												
Pasture Management	-	186,364		186,364	-	175,000		175,000	-	361,364	-	361,364
Climate Change Adaptation	-	-		-	24,409	55,136		79,545	24,409	55,136	-	79,545
Completion Workshops and Surveys	-	-		-		13,636		13,636	-	13,636	-	13,636
Total Component 1	-	186,364	-	186,364	24,409	243,773	-	268,182	24,409	430,136	-	454,545
Component 2												
Women's Groups	22,727	162,909		185,636				-	22,727	162,909	-	185,636
Value Chain development	64,061	130,303		194,364				-	64,061	130,303	-	194,364
Loan Guarantee Facility	227,396	501,126		728,521				-	227,396	501,126	-	728,521
Completion Workshops and Surveys	-	13,636		13,636				-	-	13,636	-	13,636
Total Component 2	314,183	807,974	-	1,122,158	-	-	-	-	314,183	807,974	-	1,122,158
Component 3												
Salaries and social charges	39,479	39,479	70,798	149,755				-	39,479	39,479	70,798	149,755
Other costs	22,998	22,550	62,073	107,621				-	22,998	22,550	62,073	107,621
Total Component 3	62,476	62,029	132,871	257,376	-	-	-	-	62,476	62,029	132,871	257,376
Total PMPMD	376,660	1,056,367	132,871	1,565,897	24,409	243,773	-	268,182	401,069	1,300,139	132,871	1,834,079

10. As a result of this 2016/2017 budget, the balance of funds available will amount to US\$ 1.19 million for the IFAD loan (i.e. 10.7% of IFAD loan) while the GEF grant resources will be completely exhausted, as illustrated in Table 4 below. However, should the AF be ratified by the Parliament, the expenses under the "closing period" wouldn't be disbursed, hence a balance of funds available of US\$ 1.32 million.

Table 4 - Balance of Funds available as at September 2017

	IFAD	GEF	Total
Balance available as at 01/10/2016	2,757,548	268,211	3,025,759
Expenditures 10/16 - 09/17	1,565,897	268,182	1,834,079
Balance available as at 30/09/2017	1,191,651	29	1,191,680

Likelihood of achieving the development objectives

11. Despite a slow implementation process mainly resulting from the time needed to internalize an innovative approach such as the guarantee facility, for which an institutional and regulatory framework was not existing at the time of the project inception, and an innovative concept such as the development of value chains, for which experience and skills were not available locally, the project's activities have already impacted positively target communities, such as: women's groups (WGs) for which a high demand for new groups exists; pasture management plans elaborated by Pasture Herders Groups (PHGs) and their integration in the *soum*-wide ones; investments for project soums such as hay and fodder storage, spring fencing, sustainable access to water, and weather information system, and PHGs Revolving Funds reinforcing groups' cohesion and providing resources to finance members' small investments and social needs. Some other activities will need a longer gestation period before producing their full impact on communities such as Market Development activities. One of the main achievement of the project is the potential for scaling-up project approaches and results in other aimags (PHGs, women's groups, local value chain development).
12. Preliminary data indicate the likelihood for the project to achieve its development objective of reducing poverty and improving livelihoods of poor herders and Soum and Aimag centre HHs in the project area. Reportedly, 2016 Annual Outcome Survey and 2016 RIMS survey show an improvement in HHs assets ownership (safe source of water: +23% and sanitation: +8%), reduction in prevalence of child malnutrition (underweight children: -1%, chronic malnutrition: -

11%, and acute malnutrition: stable), and increased HHs income. However, the strong and on-going downturn of the Mongolian economy during the past two years weakens and may annihilate the positive impacts of the project which will be further fine-tuned in the completion report.

C. Outputs and outcomes

Component 1: Pasture Management and Climate Change Adaptation

13. Rated as **satisfactory (5)**. The objective of the Pasture Management and Climate Change Adaptation component is to institutionalize sustainable pasture management practices through herders' institutions and improved collaborative pasture management planning, and to reduce herders' vulnerability to climate change impacts. Key activities include formation and strengthening of PHGs, as institutions for planning and management of pasture use, and as a foundation to develop production and/or marketing cooperatives; strengthening Soum level pasture land use planning, and investments to support implementation of pasture management plans and measures for climate change adaptation.

14. During the implementation period from 2015-2016, good progress was made, overall well aligned with the AWP&B. Both institutional and human capacity as well as infrastructure for climate change adaptation and sustainable pasture/livestock management were further enhanced in the project area.

Sub-component 1.1 - Pasture Management

15. The objective of the sub-component Pasture Management is that PHGs and herders' households in the project area plan and manage livestock and pastures in a more sustainable manner. Main activities are the formation of PHGs and development of their Pasture Management Plans (PMP), as well as Soum-level pasture management planning including PHGs' PMPs.
16. 120 PHGs are active and collaborate in all project Soums with soum government officers in improved pasture land planning. A total of 2,800 herder HHs are organized in 120 PHGs facilitated by the project, amounting to nearly 40 % of herder HHs in the project area. All groups have developed pasture land management plans, and the PHGs have become lead institutions in collaboration among HHs as well as in co-management with local government.
17. The following achievements of pasture improvement activities are reported for the implementation period 2015/16: (i) guarded pasture areas for hay making increased from 37,322 ha to 42,253 ha across project Aimags, and hay harvest increased from 2,378 tons to 8,848 tons. Due to the better cost benefit ratio of large guarded areas versus fenced hay making areas, no further hay field fencing was supported, however harvest increased from 90.6 tons to 149.4 tons on 40.8 ha. Favourable weather conditions in the summer of 2016 supported vegetation growth and harvest increase, and (ii) for rodent control on 50,000 ha of pasture land, 35 devices were purchased to destroy rodents underground through smoke. Knowledge management activities for pasture management included trainings, development and dissemination of learning materials, public awareness activities and publications in print and broadcast media. Regular publications in the "Agriculture tomorrow" newspaper and "Mongolian Herder" monthly journal informed the rural public on project activities and provided technical information on livestock, pasture and herder group topics.
18. Capacity building for herders and soum officers continued with: (i) photo monitoring methodology; (ii) experience sharing seminars; (iii) open days for experience sharing on pasture management, and (iv) study tour to Inner Mongolia. For herders' learning, a mobile "herder group library" was produced. By May 2016, it had reached 720 herder HHs.
19. 100% achievement and above against output targets for key activities under the sub-component pasture management is to be noted with reference to number of PHGs formed and

strengthened, the number of Pasture management Plans implemented, and the number of PHG members and Soum officers trained in pasture management.

Sub-component 1.2 - Climate Change Adaptation

20. The objective of the Climate Change Adaptation sub-component is the reduction of the vulnerability of herders in the project area to climate change impacts through training and investments. Trainings for herders' and *soum* government officers address risk management, climate change, livestock health and breeding, and cooperatives management. Investments include well rehabilitation and drilling, water harvesting points, fodder production, support to breed improvement and veterinary care, protection of water sources, and support to local extension facilities. Small tractors have been provided to all 120 PHGs to enable the establishment of PHG revolving funds through repayments as seed funds.
21. More specifically, the following project support was provided during the implementation period 2015/16: (i) continuing the construction and rehabilitation of fodder storage facilities: 3 fodder storages were constructed in Sharga Soum of Gobi Altai, 1 hay shelter and fence were erected in Darkhan Soum of Khentii Aimag, and 2 fodder storages were built in Arkhangay Aimag centre; (ii) 20 more springs were protected through fencing in 11 project Soums; (iii) 10 new wells were drilled in 10 project Soums including 2 in Huvsgul Aimag applying appropriate technology (solar energy) to establish functioning wells under permafrost conditions; (iv) 15 wells were rehabilitated in 6 Soums of 4 project Aimag, and (v) to support local extension and enhance access to information for herders, a further 8 Soum information centres were upgraded in 2016, completing such facilities in all project supported Soums. In 2015/16, capacity building to reduce vulnerability to climate change included 1,090 people in: (i) cooperative management training; (ii) climate change adaptation training, and (iii) vocational training. The most recent training events included a training on Index-Based Livestock Insurance (IBLI) for 450 trainees in 15 Soums, a workshop on fodder plantation technology for 70 participants in Arkhangay province and an experience sharing/management seminar with 30 participants.
22. 100% or above achievement against outputs for the sub-component climate change adaptation is to be noted, including: (i) new well drilling and exploration; (ii) construction of hay and fodder storage facilities; (iii) fenced springs; (iv) small tractors with hay making equipment; (v) water harvesting points; (vi) winter shelters; (vii) rehabilitated Soum Information and Training Centres, and (ix) number of trainees in livestock breeding and health. For reasons explained above, as fencing hay field activity has been discontinued its achievement rate is only 46%.
23. The project provided 120 small-sized tractors with haymaking equipment and 40 sprinkler systems to the 120 project-supported PHGs. The financial arrangement for these investments includes a 20% subsidy from the project while 80% would be paid back by PHGs' members and would constitute the PHG Revolving Fund. Specific guidelines on governance and operations of PHG Revolving Funds have been jointly elaborated by the project and PHGs. Total investment cost for both tractors and sprinklers amounted to MNT 740 million (US\$ 0.32 million). To date, the amount effectively repaid by PHGs members is MNT 533 million out of MNT 590 million, i.e. 90.2%. PHGs RF resources are used by members to extend small investment and social loans with a monthly interest rate ranging from 0.5 to 2%. To date, 2,001 PHGs members have received loans in amount of MNT 1.16 billion (US\$ 0.5 million). Loan repayment is 100%. In addition, PHGs RFs strengthen the cohesion of the group, thus ensuring its sustainability.

Main Achievements, Constraints and Lessons Learned

24. **Main achievements.** The main achievements of the component are in reducing vulnerability to climate change impacts both through investments as well as institutional and human capacity development.

25. With regard to physical investment, water harvesting points, hay and fodder storages, new and rehabilitated wells, spring protection and tractors were considered as key investments by beneficiaries. Also guarding grazing land for its protection is reported to place over 40,000 hectares of pasture land under protection, and enable several Soums to cover 100 % of their hay needs from their territory.
26. In terms of institutional and human capacity development, capacity and awareness of herders and Soum level officers in pasture management and climate change adaptation has been increased, and impacts on livestock and livelihoods are felt by beneficiaries. Among surveyed HHs (outcome survey 2016) the number of HHs that received hay/fodder from Soum fund more than tripled between 2012 and 2016. The number of surveyed HHs with livestock insurance increased by over 60 %. The number of HHs having their livestock vaccinated increased more than 8 times in the last 4 years. The outcome survey reported increased income from livestock among surveyed HHs; while some may be from increased livestock numbers, livestock productivity (quality meat weight) has increased according to herders' observations in areas where PHGs have implemented their PMPs, namely pasture rotational use. As well, the project has generated important institutional achievements that can serve as models to be scaled up. For example, in Tsakhir Soum of Arkhangay Aimag (not in project area), herders initiated rotational grazing after witnessing PHGs activities in the neighboring project Soum. PHG member herders are reportedly more empowered. All 120 PHGs have developed pasture land management plans that are being incorporated into Soumwide pasture land planning, the implementation of which has been supported by the project with investments and trainings. PHG herders are leading planning among herders. The active participation of herders is an important achievement, particularly in the absence of a pasture land law. The strengthened PHGs and collaboration on Soum level are a foundation to build on to link herders to markets. To date, 10 herder cooperatives have emerged with project support from PHGs. Finally, the 120 PHGs Revolving Fund created also ensures PHGs cohesion while enabling their members to get access to small loans to finance investments and social needs. A solution should be finalized as soon as possible concerning the sustainability and ownership of RF resources that should be maintained with PHGs, under control and supervision from the soum accountant.
27. The mission notes of the Project Steering Committee's appreciation of the projects' close collaboration between government, non-government institutions, aimag, soums officers and herders as a key factor of success for the project implementation.
28. **Constraints.** While achievements for improved pasture management and reduction in herder's vulnerability to climate change are commendable, linking herders to markets has not been achieved on a larger scale. Constraints were in the implementation arrangements, namely allocation of clear responsibilities within PMU to address this linkage. Also, needs assessments for investments at PHG and Soum level, could be improved as an initial activity to increase effectiveness of investments during project implementation. Soum level capacity, collaboration and support is key to project success. While Soum facilitators and Soum Working Group were important mechanisms for planning, implementation and oversight, cooperation with and ownership by local governments of the project should be improved even further to promote sustainability. Soum facilitators have a key function in project implementation, and well qualified individuals should be selected for this position. Weak collaboration and understanding about project objectives and approaches among Soum officers was defined as a constraint to more effectively develop and implement pasture land management plans and develop Soum level co-management. Finally, the long time period required by the bidding procedure and bidding for investments in remote places for the same cost amount has created difficulties for implementing some activities/investments (wells in remote sites, multi-functional tractors) on schedule.
29. **Lessons learned.** Strong herders' institutions are a prerequisite for improved pasture management and climate change adaptation and even more for joint economic activity as cooperatives to add value and market products collectively. Investments at project inception into

trust building, facilitation and human capacity development are important to strengthen herders' institutions for long term success. As PHGs are key actors in collaborative management of pasture land on Soum level, it is crucial that a thorough process involving all stakeholders is followed whereby stakeholder roles and responsibilities are jointly defined; PHG formation ideally is discussed at Soum level, whereby all herder households discuss pasture areas and member households of planned PHGs. At the same time, local ownership, namely the responsibility and role of Soum and Aimag government has to be defined and strengthened. Expected outcomes in linking herders to markets needs to be reflected in the project management structure and job descriptions.

Component 2: Market Development

30. Rated as **satisfactory (5)**. 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 implementation of the component activities is vested with: (i) the Union of Mongolian Products and Services Cooperatives (UMPSC) for micro-enterprises development; (ii) the PMPMD PMU Value Chain Coordinator for value chains and SMEs development, and (iii) the PMPMD Loan Guarantee Facility Unit for loan guarantees and credit lines. On the one hand, the implementation of SMEs and Value Chain Development sub-components has faced many conceptual and operational constraints that prevented these sub-components to reach their targets. On another hand, the UMPSC has exceeded its target in term of women's group formation and strengthening.

Sub-component 2.1 - Value Chain Development (moderately satisfactory)

31. The implementation of the sub-component was delayed by about 2 years compared to other sub-components. To avoid dispersion of funds, maximize impact and benefit from value chain opportunities in project aimags, MoFALI Technical Working Group decided to focus the project support on three value chains: (i) dairy production; (ii) berry production, and (iii) vegetable production.
32. Support provided by the project was twofold: (a) *strengthening capacity of poor households to ensure their inclusion in the supply chain of enterprises operating within selected VCs*. In that respect, 692 farmers (of which 50% outside of the project area) have been trained in seven different production and processing technologies and techniques related to the three selected VCs: hygienic practices in milk production, processing and dairy farming (dairy products); cabbage seedling and plantation technology; onion and garlic seedling and plantation technology; vegetable disease and weed control techniques (vegetables), and seabuckthorn plantation and processing technology; berries plantation technology (seabuckthorn and berries). As a result of these trainings, most of the 692 farmers are included in SMEs supply chain, and (b) *knowledge and experience sharing through national organizations representing producers in selected VCs to maximize impact across the country*. In that respect, the project contracted with the National Association of Mongolian Berry Growers and Producers (NAMBGPP) as well as with other professional institutions, to promote export of seabuckthorn through the development and approval of revised standards for production of seabuckthorn juice. Training to introduce the revised standard were organized amongst all sea buckthorn production companies through their association, as well as documentation. Also with the NAMBGPP, the project financed the "Encyclopaedia of Berries in Mongolia" an exhaustive who's who in the berry sector and an aggregate of best technical practices. Other publications were realized jointly with the MoFALI Department of Policy Implementation and Regulation on Milk and Dairy products in Mongolia, and with the Institute of Technology on Dairy Products Processing. Finally, technical books on plant protection, cabbage production and post harvesting and onion and garlic production have been published and distributed to Extension Centres.

33. **Lessons learned.** Impact of activities undertaken by the project is not yet visible but these activities pave the way for an improved integration of all VC stakeholders. However, the absence of structured value chains and the weakness of most professional organizations constitute a hindrance to a wide dissemination/collection of best practices and lessons learned. To efficiently strengthen VCs, the starting point is a VC analysis starting from the market to the production. This VC analysis will identify bottlenecks and weak linkages between stakeholders, as well as activities necessary for the structuring of the whole VC. VC analyses should be shared with professional institutions representing VC actors, the relevant ministries as well as the private sector (commercial banks, suppliers, buyers, and intermediaries) to develop an investment framework for VC at national level and define a strategic business plan for the development of the VC and the efficient linking of all stakeholders. Due to the delay in its implementation, the methodology used by the project has only partially met best practices. However, in such a short time, achievements are commendable. Close collaboration with other donors (World Bank, FAO) should be actively sought by the project.

Sub-component 2.2 - Small and Micro-Enterprises Development (satisfactory)

34. This sub-component includes two main activities: (i) Small and Medium Enterprises and Cooperatives Development, and (ii) Micro-Enterprises Development through women's groups support and strengthening.
35. **Small and Medium Enterprises and Cooperatives Development.** 576 SMEs/Cooperatives, of which 362 are related to agriculture or agribusinesses, are implemented in the 5 project aimags. During the period 2014-2016, 75 entities (small and medium enterprises as well as cooperatives including project-supported women's groups and PHGs that have graduated from group to cooperative) were to be supported through different training and capacity building as well as guaranteed by the LGF. To date, 55 entities have been supported by the project. Support includes: capacity building/training on use of computer and business plan development; milk hygiene training; unit cost determination; on-line financial literacy and financial management training; crisis resilience strategy, as well as compliance with international standards training (HACCP). In total 217 SMEs and Cooperatives' staff have attended the trainings. Activities developed by these entities cover: milk processing wool cleaning, tea processing, vegetable processing, winter greenhouses construction, berries plantation, and meat and milk farming activities. The project also financed the participation of 32 SMEs, cooperatives and WGs in different national exhibitions (Green Days of Autumn and World Milk Day) and of 46 SMEs, cooperatives and WGs in an exposure visit and exhibition in China.
36. Thirteen project-supported SMEs and cooperatives have been financed as of September 2016, of which 8 were financed by banks from project resources for a total amount of MNT 0.58 billion (US\$ 0.25 million). Others were financed by JICA Two-Step Loan Programme or other sources of funds (Chinggis Bonds). Loans extended to all 13 SMEs and cooperatives amount to MNT 1.4 billion (US\$ 0.6 million). Repayment rate is 100%.
37. **Achievements.** In 2016, thanks to project support in finding the appropriate service provider, 17 SMEs have redesigned or developed logos and labels for an increased visibility on markets. Impact in terms of sales is not yet quantified. About 200 jobs have been created through the financing of the 13 business plans and about 1,500 suppliers (mainly small producers/farmers/herders) have directly benefited from these investments (through training and inclusion in supply chains).
38. **Constraints and Lessons learned.** High interest rate on loans extended by commercial banks are barely compatible with SMEs development and sources of funds affordable for SMEs are very few (such as JICA Two-step loan programme). In that respect, project credit lines enabled SMEs to finance their development plans. The level of development of most of the SMEs and cooperatives operating in the 5 aimags requires a lot of support and assistance in terms of business management, marketing, financial management as they are still weak and barely

structured. To reach a level of development compatible to banks' requirements, it is critical to provide non-financial support (capacity building and training) and ensure inclusion in structured VCs as previously mentioned. Wherever possible, interactions between WGs and PHGs and these SMEs will need to be amplified to ensure that WGs and PHGs are effectively in the SMEs/Cooperatives supply chains generating economies of scale.

39. **Micro-Enterprises Development.** To date, the Union Of Mongolian Production and Services Cooperatives (UMPSC) has assisted communities to form 455 WGs consisting of 2,689 women and 975 men in 50 *soums* of the 5 project *aimags* (127% of the revised target). All groups are women-led. Once formed, the UMPSC provides them with several trainings: (a) group formation and management; (b) business development; (c) technological training, and (d) cooperative development. Globally, women represents more than 83% of trainees. Training are provided by in-house trainers assisted with resource person from specific agencies or departments of line ministries. In addition to these training for WGs members, the UMPSC has also provided several capacity training to *soum* facilitators and has organized a knowledge sharing workshop for *aimag* facilitators. Together with training, the UMPSC has developed a "work journal for WGs" distributed to all 455 WGs, edited 15 technical handouts and published several information and communication using different channels (newspapers, local television, specialized newspapers). Finally, 4 experience sharing workshops have been organized with participants from WGs, local governments, financial institutions. In total, 450 people participated in these workshops.
40. To date, 363 WGs have accessed a loan from either State Bank or Capital Bank financed from project resources. In addition, 32 WGs supported by the project have been financed by State Bank from Employment Generation Fund resources. In total, 86.8% of project-supported WGs has accessed loan funds (against a target of 70%) to finance around 20 types of activities (3,180 beneficiaries). Total amount of loans extended to WGs is MNT 3.46 billion (US\$ 1.49 million) of which MNT 3.29 billion (US\$ 1.42 million) using project resources. To date, the outstanding WGs loan portfolio financed from project resources amounts to MNT 1.65 billion (US\$ 0.76 million). Repayment rate stands at 95.5%.
41. The project has rehabilitated 21 workplaces in 21 different soums with a co-financing from the *soum* authorities (total cost of MNT 769 million i.e. US\$ 0.33 million of which MNT 190 million i.e. US\$ 0.08 million financed by *soum* authorities - 160 individuals from 47 WGs benefit from these workplaces). The rehabilitation of these workplaces constitutes excellent opportunities to improve the production as well as the cohesion of groups/cooperatives.
42. Finally the project distributed 239 different equipment for a total value of MNT 160 million (US\$ 69,000) to 239 WGs. These equipment have been provided to the WGs with a 20% discount and the remaining balance of 80% has to be paid by WGs to constitute their Revolving Fund's seed capital (similar to PHGs RFs).
43. **Main achievements.** Out of the 445 project-supported WGs, 20 have been transformed into cooperatives and 3 into limited liability companies. The UMPSC reports that the number of poor and extreme poor in WGs has decreased from 1,112 to 498 from 2012 to 2016 (40% decrease) and that 19% of total members reports a substantial increase in the livelihoods. Average sales revenue per WG member is reported to have increased by about 36% between 2012 and 2016. Financial inclusion of poor households has been improved through the access of loans but also through the use of other financial services, such as savings. In that respect, the percentage of women having a savings account at the bank has increased by 750% between 2012 and 2016.
44. **Constraints.** Commercial banks have unilaterally modified the terms and conditions of their loan and guarantee contracts with the project in numerous occasions (non-motivated reduction of the loan amount; LGF guarantee considered as an additional guarantee and not a substitutive one, unsustainable delays to assess loan applications and disburse loans) resulting in the creation of cash-flow problems at WGs levels.

45. **Lessons learned:** WGs members should have 1 or 2 different activities to avoid splitting too thinly loan proceeds resulting in cash-flow problems for their activities. Loans extended to WGs should be increased (around MNT 20 million instead of MNT 10 million) to have a more sustainable impact. Bank loans' terms and conditions should be adapted especially for seasonal activities (repayment schedule) and bank assessment of loans should not follow the same procedures and criteria for WGs as for SMEs. Renovated work places constitute an improved environment for WGs and impact on the quality of their production. Finally, sale points in UB or other large cities could boost production and access to markets.

Sub-component 2.3 - Loan Guarantee and Credit Line (satisfactory)

46. **Institutionalization of the Loan Guarantee Facility (LGF).** The merger of the LGF with the State Credit Guarantee Fund (SCGF) has not yet taken place. Notwithstanding the ratification of the Additional Financing by the Parliament, the merger between both entities is subject to a due diligence of both entities and a detailed organizational chart showing the LGF unit as an integrated structure within the SCGF with financial autonomy to manage its resources, autonomous bank accounts, separate bookkeeping and activity reporting, in line with Mongolian Law. With the signature of the Additional Financing, it is expected that the merger could take place in the medium-term i.e. 3 years giving time for the LGF to accumulate experience in guaranteeing loans in rural areas for small and medium entities mainly operating in the agricultural or agriculture-related sectors.
47. **LGF guarantee portfolio.** The current capitalization of the Loan Guarantee Facility (LGF) amounts to US\$ 900,000. The LGF extends both a portfolio guarantee and individual guarantees to WGs and PHGs as well as to project-supported SMEs. The guarantee of loans extended by the Employment Generation Fund to poor households has been discontinued.
48. To date, 920 borrowers have been guaranteed by the LGF, of which 894 borrowers under the portfolio guarantee scheme (334 WGs and 560 EGF borrowers) and 13 under the individual guarantee scheme (SMEs). LGF additionality is estimated to be 100% (additionality refers to the percentage of borrowers that were provided a loan as a consequence of the guarantee).
49. The total loan amount guaranteed by the LGF was MNT 7.00 billion (or US\$ 2.75 million), hence a leverage of 3.06. The LGF maximum liability was MNT 4.51 billion (US\$ 1.77 million) considering a risk coverage ranging from 40 to 80%. To date, the outstanding portfolio amounts to MNT 4.43 billion (US\$ 1.74 billion) and the LGF maximum liability stands at MNT 2.85 billion (US\$ 1.12 million). The loan portfolio performance is very satisfactory: 95.5% for WGs (12 loans presenting arrears of which 5 of more than 90 days); 98% for the EGF-based loans (11 loans in arrears of more than 90 days), and 100% for SMEs loans. Pay-outs (after accepted claims) amount to MNT 9.79 million (US\$ 4,280). In case loans in arrears are not regularized, the projected LGF pay-outs would amount to MNT 57.6 million (US\$ 22,600), hence a projected LGF loss rate of 2.98% (in line with GF standards). LGF graduation cannot yet be assessed as only 92 loans have been fully repaid and no indication was given to the mission on whether these borrowers have requested or accessed another loan (graduation refers to the percentage of borrowers that was guaranteed and no longer need the guarantee fund to obtain a new loan).
50. The LGF has generated an income of MNT 383 million (US\$ 150,000) of which MNT 33.8 million (US\$ 13,300) as guarantee fees and MNT 349.5 million (US\$ 136,700) as income from the investment of LGF resources. Considering the prevailing slowdown in the Mongolian economy and the poor performance of banks' loan portfolio (PAR > 15%), the LGF income should be capitalized and used to cover potential pay-outs and not used to cover LGF operating expenses at least for 2017.
51. Based on the Memorandum of Understanding signed in 2015, the collaboration with the State Credit Guarantee Fund has been continued for the activity related to the public awareness for EGF-funded loans guaranteed by the LGF through the mobilization of SCGF representatives. The second part of the collaboration (due diligence on SMEs and assessment of their project)

- has been discontinued in 2016 as no SMEs were planned to be financed in 2016. Fees paid by LGF to SCGF amount to MNT 10.6 million (US\$ 4,160).
52. **Main achievements.** Additionality is a major achievement of the LGF only tarnished by a questionable graduation. The LGF sustainability and activity in rural areas with adequate products (portfolio guarantee) are major achievements that can be further secured through the future merger with the SCGF.
53. **Constraints.** The relative success of this sub-component lies in the fact that banks have had difficulties to integrate the complete dimension of the LGF and its operations, hence the need for training of their staff and their senior management. In addition, the lack of sufficient resources to extend loans at sustainable interest rates for SMEs, WGs and PHGs still constitutes a hurdle for the development of LGF activities. Finally, the Ministry of Labor supervising the EGF should address an official request to the LGF to have all loans extended by banks from EGF resources covered by the LGF portfolio guarantee scheme.
54. **Lessons learned.** A guarantee facility constitutes only one aspect of the possible relation between a bank and a beneficiary. A guarantee fund has never turned a project into a good one nor does it intend to do so. A guarantee facility can successfully develop its activities when and only when two conditions are met: (i) commercial banks are willing to finance the target groups, and (ii) commercial banks receives bankable, sustainable business plans from investors. Banks' reluctance to extend loans, banks' cumbersome internal procedures, and lack of available and sufficient source of funds for the target group need to be addressed in parallel with the implementation of any guarantee facility to ensure its success and viability. The LGF (the resources of which are funded by the project) should not guarantee project credit lines (and funds) extended through banks, to avoid possible conflict of interest. However, the high interest rates charged by banks prevent micro and small enterprises to be financed, hence this departure from best financial practices. Finally, training of banks' staff should be renewed during the course of the project in view of banks' staff turn-over.
55. **LGF credit lines.** The LGF manages two credit lines: one for women's groups and one for small and medium enterprises and cooperatives.
56. For the financing of WGs, State Bank has received an amount of US\$ 1.3 million fully used to finance project-supported WGs. Out of an envelope of US\$ 0.3 million as indicated in the Subsidiary Loan Agreement (SLA) signed in May 2013, Capital Bank has only received US\$ 0.256 million (the bank extends loans and gets refinanced by the project), hence a balance available for future WGs financing of US\$ 43,864. Loan repayments from WGs are aggregated in a RF in each of the two lending banks to be used to further finance WGs during 5 years after the signature of each SLA. In June 2018, the balance of these RFs as well as the repayments of outstanding loan amounts would be transferred to MoF. To date, Revolving Funds have accumulated MNT 1.64 billion (US\$ 0.71 million) of which MNT 0.51 billion (US\$ 0.22 million) have already been used to finance project-supported WGs.
57. For the financing of project-supported SMEs, a credit line of US\$ 0.5 million has been allocated to State Bank, Capital bank and XacBank. To date, the balance available for SMEs financing amounts to around US\$ 155,000.
58. **Main lessons learned.** The introduction of credit lines in the project (not planned in the initial PDR) has been effective to enable project-supported WGs, PHGs and SMEs to access financial resources to finance their activities, especially at better terms and conditions than market ones. However, there is no indication for the moment that partner banks (as well as others) will effectively continue financing these beneficiaries from their own resources. The situation will be especially difficult for WGs as groups are not a recognized legal entity that can borrow funds from commercial banks. Some project-supported groups have already transformed into cooperatives that can access loans from banks but not all WGs are prepared and willing to do that.

59. **Constraints.** Although there are about 15 commercial banks operating in Mongolia, only a handful of them has a network in rural areas, of which only very few include herders, poor HHs, small and micro-enterprises as their target clientele. The poor financial sector network in rural areas has hampered the implementation of rural finance activities. In that respect, the project should have prospected non-bank financial institutions (NBFIs) and negotiate their incorporation in the project activities. However, NBFIs high operating costs might become a hurdle for them to extend loans at a highly discounted interest rate compared to their interest rate scale.

D. Project implementation progress

Quality of project management

60. Rated as **moderately satisfactory (4)**. Late recruitment of value chain and pasture management and climate change coordinators have somehow delayed the implementation of project activities. Particularly for the VC component, the nearly 2-year procedural delay will continue to negatively impact the project until completion. Although the PMU has implemented the project in line with the Project Design Document and IFAD supervision and follow-up missions' recommendations, the PMU could improve its capacities in identifying partnership opportunities with other projects, donors and service providers to maximize PMPMD impact and reorient project activities towards achieving its objectives. A stronger network with development organizations as well as more proactive knowledge management and sharing could improve the project's presence in country and influence other on-going or planned projects.

Performance of M&E

61. **Monitoring and Evaluation.** Rated as **satisfactory (5)**. Suggestions made by the previous missions were well followed up. The PMU has refined logframe, RIMS and M&E forms, while defining outcome indicators and formulating the project M&E plan. It has to be noted that the redesign of the Market Development component one year after project inception and the implementation of Market development activities based on target groups' needs result in a difference between logframe indicators and project activities. In addition, appraisal targets are no longer accurate and useful. The project M&E has developed its own set of indicators to measure impact and performance of these new activities. The household and gender categorization included in M&E forms will be helpful to measure the number of poor households and women reached by the project. Currently, the PMPMD M&E system can be considered complete. Particular attention should be given to avoid double-counting beneficiaries of training courses (for PHGs and WGs).
62. **Coherence between AWPB and implementation.** Rated as **moderately satisfactory (4)**. PMPMD intensively accelerated the project implementation progress since 2015. PMPMD has established a good practice of developing AWPB based on last years' experience, good consultation with and alignment with the ministry's policy and planning and supporting the monitoring of the achievement of the project's outputs. To date, the project achieved a financial delivery below 70% (about 67%) but much higher physical delivery rate. The mission notes the repeated gap between financial and physical delivery rates to be improved through developing more in-depth action plans.

Gender focus

63. Rated as **satisfactory (5)**. The Market Development component has a strong gender focus. Under the micro-enterprise development sub-component, the UMPSC has formed and trained 455 women's groups consisting of 2,689 women (73%) and 975 men. About 2,322 women have accessed loan funds to finance their activities and some WGs after graduation as a cooperative will access a SME/Cooperative loan to expand their activities. Under the Pasture Management and Climate Change Adaptation component, through the division of labor among the households in different herding tasks and vegetable growing, women benefit from more

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

Poverty focus

64. Rated as **satisfactory (5)**. The average percentage of poor HHs in WGs is 31% (varying among *aimags* and *soums*) based on the soum and bag government poverty list. Better-off WGs members provide guarantees and collateral requested by commercial banks in complement to the LGF guarantee, therefore securing access to loans for poor and very poor women. Training activities are encompassing all WGs' members. Criteria for potential SMEs/Cooperatives to be selected under the SMEs/Cooperatives development sub-component include the number of active and additional poor households included in the proposed development plans (around 200 HHs already benefited from financed business plans). The current approach to PHGs' formation and organization based on commonly used pasture promotes inclusiveness and poor herders' households are reportedly to be included in PMPMD-supported PHGs and to benefit directly and indirectly of all project activities.
65. In the 2016 RIMS, the number of HHs in the project area belonging to the "poorest" quintile has decreased by 8.7 percentage points and HHs in the "rich" quintile has also decreased by 5.4 percentage points. Concomitantly, an increase is also observed in the "poor" and the "richest" quintiles by 4.5 and 9.3 percentage points respectively. This result could indicate that the project achieved its purpose that should support the most vulnerable group, if the growth of the poor quintile is derived from households emerging from the poorest quintile. As the "average" quintile has slightly decreased, some average HHs may have also fallen back into poverty. The findings seem to indicate that the project area resembles the country wide trend of growing disparity between poor and rich.
66. The 2016 RIMS survey reports that HHs' production has increased. In 2016, 52% of HHs had an increase in their production compared to 8.7% in the baseline period. Moreover, 68% of all HHs answered that they observed some change in income source: 84% of these HHs reported a production increase by less than 30% while the remaining 16 % an increase above 30%. About 43% of sampled HHs reported an increase in income from livestock and 36% of sampled HHs reported an increase in income from non-livestock activities. The 2016 RIMS also indicates that 67% of sampled HHs are using hand tools and basic simple techniques while 25% are using animal or tractor to plough their land (against respectively 92% and 7% in the baseline period). However, the economic downturn with significant reductions in prices for livestock raw materials (skin, fibre, and meat) has negatively impacted income generation for all HHs and has written-off the positive impact generated by project activities. Consequently, it is extremely difficult to assess project impact on HH income.

Effectiveness of targeting approach

67. Rated as **satisfactory (5)**. With regards to pasture management, the approach developed by the project is all inclusive: pasture management plans are to be jointly developed and agreed upon by all pasture herders' groups (PHGs) whether supported by the PMPMD or not and by the local government. So far the poverty incidence within PMPMD-supported PHGs and the average poverty incidence in PMPMD-selected *aimags* are quite similar indicating an effective approach to reach poor herders' households in each PMPMD *soum/aimag*. Elite capture has been avoided to the extent possible for investments provided by the project to herders' groups through the implementation of investment guidelines and revolving fund guidelines. WGs' membership is cross-checked with the list of poor households at *soum* level ensuring that poor and very poor households are effectively included in project activities. From an M&E

perspective, the household and gender categorization included in project M&E forms paves the way to measuring effectiveness of the targeting approach.

Innovation and learning

68. Rated as **satisfactory (5)**. The mission noticed the project endeavours to promote knowledge sharing within project areas. The pasture management and climate change adaptation component has made use of print and broadcast media to promote learning and public awareness, developed its own learning materials, as well as developed innovative extension mechanisms such as "mobile libraries" which are very appropriate for the target group of nomadic herders. Also, Soum level information rooms have been established and equipped. Experience sharing events on pasture management and climate change adaptation, as well as group organization and collaboration among PHGs and local government have proved to be effective learning and M&E tools. The market development component has made extensive use of publications to promote learning and public awareness (Encyclopaedia on berries, National standard for seabuckthorn juice, technical publications for activities related to the three selected value chains) as well as to promote its activity (Loan guarantee facility). Participation of several WGs, SMEs and Cooperatives in national and international exhibitions was an effective way to access new techniques/technologies, share knowledge and experience as well as promote their production.

Climate and environment focus

69. Rated as **satisfactory (5)**. Procedures to monitor and evaluate changes in pasture condition have been established by the service provider in the last two years. The methodology of photo monitoring has been adopted, in line with other projects (such as Green Gold) as it is a relatively simple method that can effectively be applied on local level. It is now being introduced in the regular pasture monitoring procedures in Soums country wide. Pasture recovery is a long process, and in Mongolia, large territories of pasture are non-equilibrium ecosystems, where rainfall is the main influence on pasture condition. Therefore there are significant challenges in measuring direct results in pasture condition in PHG areas. However, herders observations, particularly on improved livestock quality (increased weight, better meat on livestock in PHG managed areas), are credible evidence that pasture land improvements are being achieved through PHG activities and collaborative planning and management, though there is no quantitative data yet. Improved assets for climate adaptation proves to have empowered beneficiaries to mitigate and prevent from climate impacts. During the project's final year, more focus can be made to improving resilience to greater scale of climate shocks and disasters.

E. Fiduciary aspects

Quality of financial management

70. Rated as **moderately satisfactory (4)**. The overall financial management (FM) arrangement complies with the project's Financing Agreement and the funds received have been used for intended purpose. Financial management duties are effectively segregated within the PMU. The PMU chief accountant maintains up-to-date financial records of transactions through accounting software named "Aclous".
71. While the issue of accrued interests from investment of the LGF resources has been solved, that on the usage of interest income accumulated under the DA is still pending. As of September 2016, the interest balance for USD account was USD 65,709.46. The mission recommends the PMU to properly use the interest income for project operations draft a proper procedure and guidelines for the usage of these interest that should be exclusively used to finance project activities. This procedure and guidelines should be included in the Project Implementation Manual.

Acceptable disbursement rate

72. Rated as **moderately satisfactory (4)**. AWPB for loan 836-MN 2016 was approved in 15 November 2015 amounting MNT 6.60 million (approximately US\$ 3.04 million). PMPMD disbursement as at end of September 2016 (inclusive of commitments) is 63.9% for IFAD loan and 67.9% for GEF grant.
73. By component and for IFAD loan, the disbursement rates against AWPB 2016 stand at 60.5% for the Pasture Management and Climate Change Adaptation component (US\$ 0.45 million against 0.74 million), 68.7% for the Market Development component (US\$ 1.36 million against US\$ 1.97 million), and 42.9% for the Project Management and Policy Dialogue component (US\$ 0.23 million against US\$ 0.34 million). For the component of Pasture Management and Climate change Adaptation, the cancellation of the procurement of 6 multifunctional tractors for an amount of US\$ 0.21 million has negatively impacted the disbursement rate. For the market development component, the non-request for the transfer of US\$ 0.40 million to be used for credit line is the main reason for the low disbursement rate (recommended in the last follow-up mission AM but the transfer is not yet requested as the AM has not yet been signed) together with the non-transfer of the balance of SMEs credit line of US\$0.15 million. As far as the project management component is concerned, the comparison between the 2016 AWP&B and the expenditures for the total year 2016 (expenditures and commitments as at end of September 2016 plus projected PMU salaries and operating expenses for the 4th quarter 2016) puts the disbursement rate at 75.2%.
74. The MoF opened two separate Designated Accounts in USD for IFAD loan and GEF grant. At the time of the mission visit, the balance of the DA for IFAD Loan stands at USD 7,287.31, while the balance of the DA for GEF grant stands at USD 56,583.3.
75. To date, cumulated expenditures on the IFAD loan have reached SDR 7.25 million including USD 1.5 million as initial deposit. There are four pending WAs for replenishment for IFAD loan (No. 20, 21, 22, and 23) in amount of USD 1.54 million or 14% of total loan proceeds. Replenishment was on held by IFAD due to upcoming reallocation based on MoF letter. For GEF grant, there are also four additional WAs submitted (No. 9, 10, 11, 12) since June 2015 totalling USD 397,559.63 or 26.5% of grant amount. The mission urges close monitoring of DAs to avoid idle funds. The PMU should prepare WAs for replenishment on quarterly basis when 20% of the initial deposit is used or at intervals of 3 months, whichever comes first.
76. The mission reviewed a sample equivalent to 30% of last submitted WAs amount and concluded that transactions are adequate and properly supported and recorded.
77. PMU has five bank accounts, two USD designated accounts (DA) for IFAD loan and GEF grant, two local currency accounts for the loan and the grant respectively, and one interest account. LGF maintains seven separate bank accounts, one with each bank partnering with the project for the Market Development component and one interest account. To date, interest balances are USD 65,709.07 (from PMU operations and designated accounts) and USD 0.17 million (from investment of LGF resources).

Counterpart funds

78. Rated as **satisfactory (5)**. The mission commends timely and adequate mobilization of counterpart funding by the project, including government contribution through tax exemption. To date, the accumulated government contribution through tax exemption amounts to USD 0.33 million.
79. In addition, the project has successfully leveraged resources from the Employment Generation Fund and JICA's two-step loan facility to finance loans extended to SMEs, cooperatives and WGs.

Compliance with loan covenants

80. Rated as **satisfactory (5)**. Most of the loan covenants have been or are being complied.

Compliance with procurement

81. Rated as **satisfactory (5)**. The mission took note that procurement activities of the project are conducted in line with the procedures stipulated in the Mongolian Procurement Law and IFAD. The mission noted that the 2016 Annual Procurement Plan was approved by IFAD. The common procurement process for construction works and pasture management component are conducted through local competitive bidding, shopping, and community/PHGs contracting. The mission took random checks on procurement processes for purchasing goods and civil works and found relevant documents are traceable and completely filed.
82. The PMU organized the procurement of six multifunctional tractors as per its 2016 Procurement Plan for a budgeted amount of US\$ 0.21 million. The procurement is now pending as the winner of the bid cancelled its contract with MoFALI due to the increase of the tractors' price by his supplier, hence the impossibility for the winner to honor its contract at the proposed price.

Quality and timeliness of audits

83. Rated as **satisfactory (5)**. The project timely submitted the 2015 audited consolidated annual financial statement. The National Audit Office of Mongolia conducted the audit for the fiscal year 2015. An unqualified opinion on project's financial statements, Designated Accounts and SOEs was issued by the auditor who concluded that reviewed financial statements are in full compliance with the terms and conditions specified in the Financing Agreement and with International Audit Standards (ISA).
84. The quality of the Financial Reporting is mostly satisfactory. 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. However, the 2015 Audit Report has been received by IFAD on July 12, 2016. The PMU should ensure submission of audit reports in line with the General Conditions attached to the Financing Agreement (within 6 months of the end of each fiscal year).
85. Audit findings include: (i) recording of stationary and fuel purchase in year's end inventory (implemented by the project), and (ii) effective and efficient usage of interests generated from PMU's operations (procedure and guidelines still to be decided by the PSC).

F. Sustainability

Institution building

86. Rated as **satisfactory (5)**. In line with the GoM policy, PHGs and WGs formed under the project are receiving training on cooperative development and management. The project has supported these groups in their gradual and voluntary transformation into cooperatives. This transformation entails several benefits, among other: access to financial services from commercial banks, and legal protection under the Law on Cooperatives. Access to these benefits will further contribute to the sustainable institutionalization of PMPMD-supported groups and cooperatives.
87. The participation of representatives of line ministries and local authorities at national, aimag and soum levels in training and capacity building activities also contributes to the institution building and ensures the sustainability of project activities even after its completion.

Empowerment

88. Rated as **satisfactory (5)**. Among the 455 women's groups formed and trained, more than 85% have women in group's key managerial positions. The graduation of 23 WGs into cooperatives and LLCs is indeed the result of empowerment. According to women themselves, their status in

their communities has greatly improved. WGs' members have also learnt to become team members, work together, assist and support each other. Each WG receive demand from other women in their communities to join and participate in WGs' activities, indicating the good perception of WGs' and project's activities even outside the target group. WGs are also considered as important players for the development of communities by local authorities, hence resulting in their strong financial commitment to co-finance workplaces for women's groups.

89. PHG member herders are reportedly more empowered; they present their PMPs at Bag level and with their plans they are active partners in soum wide pasture land planning as their plans are incorporated in the soum plan; PHG herders are leading planning among herders. All 120 PHGs have developed pasture land management plans that are being incorporated into Soumwide pasture land planning, and the implementation of which has been supported by the project with investments and trainings. The active participation of herders is an important achievement, particularly in the absence of a pasture land law.

Quality of beneficiary participation

90. Rated as **satisfactory (5)**. When created, the UMPSC requests each WG to implement its own revolving fund (RF) financed by members' annual contributions (the amount and periodicity of which are variable). To date, 423 WGs formed and trained have contributed MNT 202.4 million (US\$ 92,000) in their RF from their own savings. The RF resources are mainly used to extend loans at low interest rate to members (mainly social seeds). These RF contribute to the WGs' sustainability and cohesion.
91. For any investment provided by the project to PHGs (tractors, sprinklers, etc.) and WGs (sprinklers, two-row seeding machine), the amount of which is above MNT 8 million, the recipient group has to implement a RF that is regulated by the PHG RF Guidelines issued by the project and approved by the Technical Working Group. Group's members have to contribute an equivalent of 80% of the cost of the equipment provided by the project (the 20% balance is considered as a grant from the project). RFs' resources are used by their members to extend productive and/or social loans at low interest rate to members. To date, contributions in PHGs RF amount to MNT 533 million (90% of amount to be contributed) while contributions in WGs RFs amount to MNT 146 million (93% of amount to be contributed). For both PHGs and WGs, the repayment rate for loans to members is 100%.
92. SMEs, WGs and cooperatives have also contributed to the cost of training extended under the market development component: US\$ 60,129 from SMEs, cooperatives and WGs against a contribution from the project of US\$ 62,509.

Responsiveness of service providers

93. Rated as **moderately satisfactory (4)**. The two NGOs responsible for the Pasture Management and Climate Change Adaptation component (AGROM) and for the Micro-Enterprise Development sub-component (UMPSC) have been instrumental in the successful implementation of these components/sub-component. They have been regularly rated as satisfactory by MoFA monitoring and evaluation department. Both have been responsive to the recommendations formulated by the different missions either in their reports but also during field trips.
94. Although selected commercial banks (State Bank, Capital Bank and XacBank) have disbursed the credit lines extended by the project to the project target groups, in many cases, these banks have unilaterally modified the terms and conditions of the SLAs they signed with MoF. For example, guarantees issued by the project LGF should be substitutive one and not additional ones but banks are still asking for collateral the value of which exceeds 20-40% of the loan, despite formal agreement reached in 2015. Banks are also reducing the amount of WGs' loans

from max. MNT 10 million to MNT 3.5 million, jeopardizing any chance of successful development of WGs activities.

95. It has to be noted that only 3 commercial banks with limited network of branches in the project rural areas have entered into agreement with the project, despite favourable terms and conditions offered by the project. Lack of competition as well as limited banks' outreach have hampered the implementation and development of credit-based project activities.

Exit strategy

96. Rated as **satisfactory (5)**. The compliance of the project with the GoM policy with regard to Cooperatives constitutes a key exit strategy for the project activity related to WGs and PHGs. Additional training will be provided by the project to both WGs' and PHGs' members to further facilitate the transformation of groups into cooperatives (so far 23 WGs and 10 PHGs have been transformed into cooperatives/LLCs).
97. The future of the PHGs and WGs Revolving Funds (RF) capitalized with the repayment of investments provided by the project is still under discussion at ministries' level. The mission suggested that these RFs remain with PHGs and WGs but that the soum accountant supervises the use of their funds as well as their financial books. The soum accountant operating cost would be covered by PHGs and WGs through an annual 1% fee based on their resources. Any misuse of resources would trigger the transfer of RF resources of that PHG/WG to the appropriate Soum Development Fund.
98. A specific "Roadmap to the merger" has been elaborated jointly by the LGF and the SCGF under the auspices of the MoF and the Financial Regulatory Commission. This roadmap aims at facilitating the smooth merger. Since 2015, joint training and capacity building activities, public awareness campaign, and the revision of manual of procedures to facilitate joint operational activities have been implemented by LGF and SCGF. The merger is also subject to a due diligence exercise on both institutions (LGF and SCGF) and a proper operational set-up. Considering the possible signature of the Additional Financing, the merger of both guarantee institutions will not take place in the short-term, leaving the LGF with the opportunity to further fine-tune its approach, procedures and instruments to better meet the demand from groups, cooperatives, and small and micro-enterprises in rural areas.

Potential for scaling-up and replication

99. Rated as **satisfactory (5)**. Several achievements of the project can be scaled-up and replicated such as: soum pasture management plans elaborated by all herder HHs; PHGs Revolving Funds that further strengthen cohesion among groups; WGs as a first step before becoming cooperatives that enable women to start and develop their activities through accessing financial resources, and strengthened backward linkages between processing SMEs and producers (herders, farmers) facilitating inclusion of these producers into supply chains and access to markets.
100. The LGF is by definition a permanent structure the activity of which can be further expanded in terms of geographical outreach and target groups outreach. When the merger will occur, a specific structure within SCGF will host LGF activities and LGF resources will be transferred to that structure with financial autonomy granted to the management of that structure to manage these resources.

G. Other

Physical/financial assets

101. Rated as **satisfactory (5)**. Assets provided by the project to PHGs were in line with their needs. Any asset provided to PHGs the value of which was above MNT 1 million triggers the creation of a Revolving Fund managed by PHGs in which 80% of the value of the asset will accumulate

and be used for on-lending purposes among PHGs members. The project also ensures that PHGs are able and willing to maintain these assets. When assets proposed by the project are not efficiently used by PHGs, the project took the decision to reallocate them to women's groups (sprinklers) under the same terms and conditions. PHGs' ownership of assets provided by the project is greatly improved by this financial mechanism. The mission also reviewed the project's intention to provide 10 multifunctional tractors to 10 soums and concluded that 1 multifunctional tractor should be provided on a pilot basis to each aimag and rotate within each three project-supported soums of each aimag. Preconditions for the provision of these tractors are: a clear ownership and a clear operation and maintenance procedure and responsibility.

102. LGF financial assets are constantly monitored by the LGF unit to determine its level of maximum liability and current outstanding liability. LGF Financial resources/assets are also generating financial income used to cover LGF pay-outs that are likely to increase due to the current economic situation of the country and the worsening of banks' loan portfolio performances. Balance of income will be capitalized as LGF additional resources used to extend guarantees.

Food security

103. Rated as **satisfactory (5)**. The 2015 Annual Outcome Survey reports that HH income has increased for 81% of project beneficiaries against only 21% for non-project beneficiaries, and has remained stable for 11% of the project beneficiaries (against 65% of non-project beneficiaries). Should these data be confirmed by thorough studies, it would indicate that project activities have enabled project-supported HHs to better increase their income, improve their livelihood and resist to the downturn of the economy than non-project beneficiaries. In view of project's completion in March 2017, the PMU should organize outcome/impact surveys as soon as possible so as to provide information on outcome/impact level results and achievements.

Quality of natural asset improvement and climate resilience

104. Rated as **satisfactory (5)**. Through the successful (re)establishment of guarded grazing reserves, as well as fenced hay making areas, and through developing and rehabilitating water supplies (water harvesting points, wells) to pastures, herders have been enabled to move and let pastures rest to recover. In addition, the protection of surface water sources has been improved. These were key measures to promote improved pasture use. Investments such as hay and fodder storages, and support to fodder production, were key measures to increase resilience to climate change impacts. It is manifest in increased hay and fodder harvests, and increased number of households accessing these resources. Access to information/forecasts on extreme weather events has also been enhanced, and an April 2015 snowstorm in Bulgan Aimag proved the effectiveness of project support as the loss of livestock was much reduced compared to previous disasters, and no human life was lost.

Policy Dialogue

105. Rated as **satisfactory (5)**. As a direct result from the project and the LGF performances, the Mongolian Law on Guarantee which stated that the maximum risk percentage a loan could be guaranteed by a guarantee fund was 60%, has been modified to allow for an 80% maximum risk coverage for poor households. In parallel, the EGF which loans had a ceiling of MNT 5 million has also increased its ceiling as a result of the MNT 10 million maximum loan possibility under the PMPMD.
106. Herders collaboration as groups, both for pasture management and economic activities (as cooperatives) is well accepted and understood as key to developing sustainable pasture management as well as herders' livelihoods. However, securing herders' rights to access and use of pasture and water resources according to customary practice is an important aspect in the face of climate change impacts and competing land use through mining sector

development. The project's advocacy for a two-pronged approach in the transformation of PHGs as well as WGs into cooperatives is worth to be noted. In the case of PHGs, it is important to acknowledge their dual activities: pasture management and commercially-oriented activities that might not be compatible within a cooperative structure.

H. Scenario for Additional Financing

107. Additional Financing amounting to US\$ 9.06 million has been approved by IFAD. Implementation is subject to Cabinet approval in November 2016 and then submission to Standing Committee of the Parliament by the end of December 2016 for approval. Once approved, IFAD and GoM signs the AF at the latest by February 28th, 2017 which coincides with the closing date of the Parliamentary session. When the financing agreement amendment is signed by GOM and IFAD, the implementation of the PMPMD AF can start immediately. If the AF is not ratified by the Parliament following the above timeline, the PMPMD will close on September 2017 and the remaining balance (equivalent to 10.7% of the initial loan amount, according to the current plan) will be cancelled and returned to IFAD.
108. When the AF is ratified, the balance of resources available at the closing date of the PMPMD (i.e. approximately US\$ 1.19 million) will be carried forward to the PMPMD AF. However, the remaining balance will be solely used to finance activities in the two aimags that will be further supported under the PMPMD AF (Arkhangay and Hentii). Activities eligible for financing will include: (i) financial and non-financial support to SMEs, cooperatives in the 3 selected value chains and strengthening of VC stakeholders platforms; (ii) assistance to herders to create PHGs in soums that were not previously part of PMPMD project area, and (iii) support to newly created PHGs in the form of investments (and creation of PHG RF), linkage with VC stakeholders for access to market, and access to finance. The extent of support and activities will be determined by the balance of resources carried forward from PMPMD.
109. IFAD acknowledges the request of MoFALI to have part of IFAD financing to PMPMD AF provided as a grant. While it is not possible to change the financing terms of the AF after IFAD Executive Board approval, IFAD confirms it will actively seek opportunities to mobilize additional grant resources to Mongolia through its regional grant window and/or through partnerships with other development partners operating in Mongolia.

I. Conclusion

110. Substantial progress has been achieved in the implementation of all components and sub-components, with value chain development sub-component still lagging behind due to its late start. High potential is already observed for the scaling-up of many activities beyond the project area and positive impact on livelihoods for poor rural households is reportedly assessed through RIMS and 2016 Outcome Survey. Effectiveness of the targeting of women and poor households, herders and producers/farmers is also satisfactory. Financial commitment from local governments to facilitate the strengthening and capacity building of WGs and PHGs paves the way to long-term sustainability of project-supported activities and assets. The project enjoys high physical delivery rates for most of its activities. However, financial delivery rate remains below IFAD project standards.
111. Balance of funds available as at September 30th, 2016 amounts to US\$ 2.76 million for IFAD loan and US\$ 0.27 million for GEF grant. To plan the next 6 month activities of the PMPMD, the mission and the PMU jointly developed a budget for the period from October 2016 to March 2017. During this period, GOM will be seeking the Parliamentary approval of the PMPMD AF. This budget for the next 6 months indicates that the PMU will be able to disburse 100% of the balance of GEF grant and about 57% of the current balance of IFAD loan (US\$ 1.57 million disbursed). The PMU will develop a 6-month Work Plan and Budget in line with this budget and will submit it to the Project Steering Committee for approval and IFAD no later than November 7th, 2016.

112. In order to ensure that project activities planned in the 2016/2017 budget are physically completed by end of March 2017, it is suggested to expedite all procurements before the end of December 2016 (specific PMU-led bidding committee for goods and services below MNT 50 million and civil works below MNT 80 million through a 3-quotation procedure, and National Bidding Committee for any amount above these thresholds).
113. IFAD suggests the next follow-up-support mission to be fielded as soon as the Financial Agreement has been officially ratified by the Parliament (tentatively in March 2017).
114. The Government of Mongolia and the mission have agreed on the content of the above report.

Appendix 1: Summary of project status and ratings

Country	Mongolia			Project ID	1455 [1100001455]	Loan/DSF/Grant/ASAP FI No.	1000004018, 1000004019
Project	Project for Market and Pasture Management Development					Top-up Loan/DSF/Grant/ASAP FI No.	2000001604
Date of Update	05-Dec-2016						
Supervising Inst.	IFAD						
No. of Supervisions	4	No. of Implementation Support/Follow-up missions	6				
Last Supervision	28-Oct-2016	Last Implementation Support/Follow-up mission	25-Oct-2015				

					USD million	Disb. rate %
Approval	11-May-2011			Total financing	29.77	
Agreement	17-Jun-2011	Effectiveness lag	3.6	IFAD Total	20.54	
Entry into force	26-Aug-2011	PAR value	-----	IFAD loan	20.54	37
First disbursement	21-Dec-2011			DSF grant		
MTR	05-Jul-2014	Last amendment	14-Apr-2014	IFAD grant		
Original completion	30-Sep-2019	Last audit		ASAP grant	0.00	0
Current completion	30-Sep-2021			Domestic Total	7.73	
Current closing	31-Mar-2022			Beneficiaries	1.83	0
No. of extensions	1			National Govern	0.90	3
				Dom. Fin. Inst.	2.66	0
				Dom. Fin. Add	0.47	0
				National Govern	1.87	0
				External Cofinancing Total	1.50	
				GEF	1.50	26

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	5	4
2. Acceptable disbursement rate	3	4	2. Performance of M&E	5	5
3. Counterpart funds	5	5	3. Coherence between AWPB & implementation	5	4
4. Compliance with financing covenants	5	5	4. Gender focus	5	5
5. Compliance with procurement	5	5	5. Poverty focus	5	5
6. Quality and timeliness of audits	5	5	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	5	5
			8. Climate and environment focus	5	5
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Pasture Management and Climate Change	5	5	1. Institution building (organizations, etc.)	5	5

Adaptation					
2. Market Development	5	5	2. Empowerment	5	5
			3. Quality of beneficiary participation	5	5
			4. Responsiveness of service providers	5	4
			5. Exit strategy (readiness and quality)	5	5
			6. Potential for scaling up and replication	5	5

B.5 Justification of ratings

Disbursement rates on both IFAD loan and GEF grant are below Project Disbursement Profile. For the 2016 AWP&B, the situation is similar. However, 3 external reasons are leading to that situation. At the end of initial project completion, balance of funds available will cumulatively amount to US\$ 3 million (i.e. 23.9%). The recurrent differences between the financial and physical delivery rates indicate that a more in-depth action plans and assessment of needs should be carried out. High potential for scaling-up is already observed in many activities. Positive impact on livelihoods for rural HHs is reportedly assessed. Effectiveness of targeting poor and women, herders and producers/farmers is also satisfactory. Loans have a high repayment rate. Herders and women's contributions are satisfactory. Commercial banks' partnerships are weak and are unilaterally modified, despite signature of SLAs.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	5	5
C.2 Food security	4	5
C.3 Quality of natural asset improvement and climate resilience	5	5
C.4 Overall implementation progress (Sections B1 and B2)	5	5

Rationale for implementation progress rating

All activities are in line with the project's objective. Poverty and gender focus as well as the targeting approach are contributing to effectively reach poor herders, households, women and young people in soums or in aimag centers. The project has contributed significantly, through policy dialogue, to a change in several policies. The rating for Project Management has been decreased as the PMU has lacked flexibility to approach and enter into partnerships with other projects/donors that could have maximized project impact and reorient project activities towards achieving its objective.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	5	5
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Rationale for development objectives rating

After a slow implementation process mainly resulting from the time needed to internalize an innovative approach such as the guarantee facility for which an institutional and regulatory framework was not existing at project's inception, or an innovative concept such as value chain development, for which experience and skills were not available in the country, the project has reached in 2015 its momentum in terms of implementation of all activities. Despite the slow start, substantial positive impact has already been assessed especially for PHGs, Pasture Management Plans integrated in soum-wide ones, women's groups, transformation of groups into cooperatives, and empowerment. In addition, local authorities are now considering PHGs and women's groups constitute a thrust for the local economy and they have already been co-financing the rehabilitation of workplaces for women's groups at soum centers to facilitate their activity. PHGs and WGs Revolving Funds are successful instruments for herders and women to finance their activities and/or social needs. 2016 Annual Outcome Survey has already identified significant improvement in key livelihood indicators such as: HHs assets ownership; reduction in prevalence of child malnutrition, and increased HHs income.

C.6 Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	No major risk identified.
Project implementation progress	No major risk identified.
Outputs and outcomes	No major risk identified.
Sustainability	No major risk identified.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Project completion report	Final design for the Additional Financing. Assessment of balance of funds available at the end of the extension period (Oct 2016 - Mar 2017). Assistance to the PMU for the completion report	March 2017	

Additional observations

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Revised logframe

	Narrative Summary	Verifiable Indicators	Status			
Goal	Empower poor rural women and men to achieve higher incomes and sustainable improvements in their livelihoods	National poverty incidence		2012	2014	2016
				26%	21.60%	No record yet
Development Objective	Reduce poverty and improve livelihoods of poor herder and soum and aimag center households in the project area.	· Improvements in household assets ownership index	Goods	2012	2016	Change in percentage point
			Radio	27.10%	25.50%	-1.7
			Television	86.80%	93.30%	6.4
			Refrigerator	31.80%	61.00%	29.2
			Bicycle	7.90%	18.90%	11
			Motorcycle	51.20%	56.50%	5.3
			Vehicle	36.60%	49.70%	13.1
			Computer/cell phone	8.90%	98.40%	
			Tractor	6.40%	5.00%	-1.3
		· Reduction in prevalence of child malnutrition;	Underweight	5	4	-1
			Chronic malnutrition children	31	20	-11
			Acute malnutrition children	5	5	0
		· Improvements in household income;	43.4% of households reported an increase in livestock income compare to 2012.			
		· Poverty incidence reduction in project area	% of households of poorest has decreased from 20% to 11.7% in the project area. (RIMS baselien and follow up)			

Component : Pasture Management and Climate Change Adaptation			
1.1	Herder households collaborate effectively in joint management of pastures, executing 120 PMPs	. 120 pasture herder groups formed and PMPs issued;	120 PHGs established
		. At least 60% of herder groups remain active at project completion	All formed groups are active for today.
		. 95% of PHG member HHs moving on time in relation to PMP spring/summer pasture rotation targets	In 2014 it was 95% and reduced to 75% in 2015 (AOS)
		. Hectares of pastoral area used as result of improved water supply	164,252 hectares of pasture available to use due to construction of new wells
1.2	4,800 Herder households are better able to cope with climate variability and extreme events	. 60% of beneficiaries reported decrease of livestock mortality & livestock diseases	11% in 2012 and 38% in 2016 (RIMS survey)
		. At least 50% of PHGs that increase hay-making and fodder production to the original group target level	25.5% in 2012 & 34% in 2016 (RIMS survey)
		. At least 50% of beneficiaries reported increase of their livestock production	91% in 2014 & 69% in 2015 (AOS)
1.3	Herder Group's PMPs are integrated, and actively enforced by local government (policies, regulations, budget)	. At least 5 Aimag and 12 soum allocate budgets for direct support to PMPs;	15 soums allocated budget
		. 1890 of user-rights contracts /winter and spring shelter certification/ between Soum governments and herders	2,100 households received winter and spring shelter possession certification

Component : Market Development			
2.1.1	Small and medium enterprises have been established or strengthened through project guaranteed loan and household income has improved by a) employment creation and b) value addition	1.1.a. 45 enterprises operating after three years	Early to measure
		1.1.b. At least 80% of biz plan financing requirements met (grants + bank credits/GF secured);	All selected 55 SMEs developed business plan meeting with bank requirements. 29% or 16 SMEs received loan
		1.2.c. Improvement in SME net revenue by 20% compared to before the project support;	Early to measure
		1.2.d. At least 135 new jobs created by small and medium enterprises since the project support	It has been estimated that 35 SMEs (20 SMEs selected in 2016 not included) created around 90 full time and part time/seasonal jobs in last years.
2.2.1	3600 women have knowledge and skills needed for generating income and accessing credit from own resources or externally	410 WGs with 3,280 members have been formed;	455 WGs with 3,664 members formed
		80% of WGs have savings in their revolving fund;	93% of formed WGs have savings
		70% of formed WG received bank loans	86% (393) received loan
		Repayment rate on loans extended to WGs is not less than 90%	Repayment rate is 97.1% so far.
2.2.2	Poor HHs are able to access formal financial services	50% of applicants who has obtained loans for income generating activities for the first time	45% beneficiaries responded that they did not receive loan for the purpose of business (AOS 2015)

Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Action Agreed	Date	Whom	Progress
Project Implementation	Finance 150 additional women's groups	From Sept. 2015	UMPSC, LGF, PMU	
	Capacitate 45 additional PHGs	From Sept. 2015	AGROM, PMU	
	Finance workplaces in all soums and exhibition halls in 5 aimags	From Sept. 2015	Soum facilitators, soum/aimag governors, PMU	
Outputs	Increase % of women in PHGs decision-making bodies	Immediately	AGROM, PMU	
	Ensure PHGs RF stay at level of PHGs	Immediately	AGROM, PMU	
	Enhance skills on photo monitoring techniques and use for pasture management	Immediately	AGROM, PMU	
	Replicate practice of larger grazing reserves w/ appointed herders as guards	Immediately	AGROM, PMU	
	Identify non-financial and financial services needed by selected VC stakeholders	From Sept. 2015	LGF	
	Assistance to build win-win agreements between suppliers and VC stakeholders	From Sept. 2015	LGF, Professional organizations	
	Focus SMEs/Cooperatives financing on PHGs and women's groups recently upgraded as cooperatives	From Sept. 2015	LGF	
	Finalize MoU and Roadmap for merger between LGF and SCGF	Project completion	LGF, SCGF, MoF, FRC	
Sustainability				
Fiduciary Aspects	Update Accounting guidelines to reflect changes in the Mongolian Accounting Act, and use of accumulated interest incomes and related procedures	By Sept. 2015	PMU	
	DA replenishment on quarterly basis	Continuously	PMU	
	Re-submission of 2015 AWP&B for initialization	Immediately	PMU	
Other				

Implementation Status of Supervision Mission November 2015 and Support Mission May 2016

#	Agreed actions	Responsibility	Agreed date	Implementation status	Status
Likelihood of achieving the development objectives					
1	Finance 150 additional women's groups through project credit line and complement contract of NGO and aimag/soum facilitators	UMPSC, LGF, PMU	From Sept. 2015	Fund was not included in the AWP&B 2015. Ministry of Finance did not allow to finance activity that not included approved budget. Project appraisal target to form 360 groups achieved over 100.	Not complied
2	Capacitate around 45 PHGs in 15 soums already under PMPMD and finance an investment envelop of MNT 25 million per PHG	ASCOM, PMU	From Sept. 2015	Fund was not included in the AWP&B 2015. Ministry of Finance did not allow to finance activity that not included approved budget.	Not complied
3	Finance workplaces in about 25 soums and exhibition halls in 5 aimags	Soum facilitators, soum and aimag governors, PMU	From Sept. 2015	Total of 21 work places were rehabilitated.	Complied
Component A. Pasture Management and Climate Change Adaptation					
4	Further focus on women for cooperative, financial and business mgmt. training so as to increase to 50% the percentage of women in PHGs decision-making	AGROM, PMU	Immediately	PMU recommended all herder group leaders and soum facilitators to increase the number of women in the loan committee. But it shouldn't be pressure of the project to decide who should be in the loan committee as herder group being independent organization.	Complied
5	Elaborate a procedure to transfer PHG Revolving Fund to cooperative after transformation or to ensure that Revolving Fund remains at PHGs level	PMU, AGROM	Immediately	Currently PMU is preparing for both case. One is to leave the revolving fund with PHGs. Another one is to integrate soum development fund. For first case, PHGs bank account security and task to monitor proper implementation of revolving fund activities. And also in that case PHGs should be very active. So that PMU obliged all soum facilitators to facilitate PHG special meetings for revolving fund. If the meetings were not organized or most members of the herder group were not attended to this meeting, that herder group may evaluated as not active or weak. PMU is also preparing for another case. Based on the decision or recommendation made by the MoFA and MoF, PMU will do follow up activities to solve revolving fund issue. PMU is planned to organize the meeting soon.	Work-in-progress
6	Provide further capacity building and institutional strengthening training to PHGs members on cooperatives	PMU, AGROM	Immediately	PMU has contracted on NGO named "Khugnu meej" to organize herder cooperative training in Bulgan province. Because the province is weakest province for cooperative approach compare to other provinces. But another big seminar planned in November for active members of the cooperatives	Complied
7	Further enhance skills of local governments in photo monitoring techniques and its use for pasture mgmt. s well as use of its related database	PMU, AGROM	Immediately	All 15 soums have implemented photo monitoring with financial support of the project. Additionally, more detail pasture monitoring have been done by experts team using special method. Specific reports and important recommendation should be developed for that soum, and	Complied
8	Finance rehabilitation and equipment of information rooms in 10 soums	PMU	From Sept. 2015	In 2016, 6 soums were supported by the project to rehabilitate special room as herder information center. But two others received bookcase as library and projector and small portable computer. Consequently all 15 soums have received project support for information room for herders.	Complied
9	Scale-up and replicate reintroduced practice of larger grazing reserves with appointed herders as guards	PMU, AGROM	Immediately	In 2016, reservation of pasture for hay making continued with the financial and technical support of the project. Over 40,000 hectare of pasture in 13 soums were reserved as hay making area.	Complied
10	Undertake field research on improvement of rodent controls with assessment of overall ecological impact	PMU	Dec. 2015	In previous years, number of methods were used for rodent control. In 2016, less budget have been allocated. So PMU asked from the Heads and officers of the Agricultural departments of the province and the Ministry officer. Many of them were mentioned that if the project will buy and supply modern equipment to produce smoke to collapse rodents in their hole, that would be more effective than to use that small budget for operational cost of the rodent. After investigation of the price and function of such kind of item, PMU bought 35 modern fogging equipment produced in Korea. 7 for each aimag distributed and now being used for rodent control. So that PMU will also collect information from the province how much pasture are covered for the rodent control using that equipment.	Work-in-progress
11	Increase lifetime of mobigator battery up to 3 hours	PMU	Immediately	The equipment is not requested by the meteorological office anymore. When the PMU staff met with some meteorological officers to investigate real need of the project support, other need such as extension of the fence of weather station, support for research of plants and connection to the internet supply etc. So that PMU has not do any good action for the recommendation.	Not complied

#	Agreed actions	Responsibility	Agreed date	Implementation status	Status
12	Further adjust PHGs investments to their needs through a consensus with aimag/soum governments	PMU	Immediately	In 2014, all project soums established their soum committee by order of the Soum Governor by following recommendation of the PMU. The role of the committee is to define real need of project support including investments and trainings for PHGs and all herders of the soum. The structure helped PMU to plan its investment and trainings according to the real need of herders. PMU also collaborating with Agricultural department of Aimag for monitoring and evaluation of project achievements. The report of the counterpart are being one source to evaluate whether the Project activities are based on the real need or not. PMU staff and soum facilitators can also be the one of the investigator of real need of the	Complied
13	Explore possibility to extend direct contract duration up to May 2016 for well drilling in Gobi Altai	PMU, MoFA, Procurement Office	By Sept. 2016	Bidding to select contractor for new well in Gobi-Altai aimag organized by Bidding Committee of MoFA by local shopping and contracted with "Us-Altai" company. The contract was implemented on time. Direct contract has been done with a company named "Water gold drilling" for well drilling in Altai soum of Gobi-Altai province in 2015. The company has drilled well successfully according to the contract.	Complied
14	Request MoFA to expedite the procurement of the 60 tractors	PMU, MoFA	Immediately	The direct contracting was made with MOFA's "Crop production support fund" in according to the permissions of IFAD and MoFA. The 60 tractors were procured and supplied to project herder groups.	Complied
Component B: Market Development					
15	Further identify non-financial and financial needs from suppliers in selected national value chains	LGF	From Sept. 2016	In November 2015, the needs assessment was conducted among 27 delegates of SMEs and cooperatives. They determined following supports are needed for business improvement: - Increase sale - Professionalize staff - Information sharing - Equipment support - Credit loan support which are not dependent from bank	Complied
16	Assistance to build win-win agreement between suppliers and other stakeholders in selected value chains	LGF, Professional organizations	From Sept. 2015	To assist to build agreement between suppliers and stakeholders, the project enabled 30 SMEs, cooperatives and women groups to participate in the annual traditional event "Green days of autumn" and their income from the fair was MNT 67.5 million.	Partially complied
17	Develop linkages with other projects dealing in VCs	LGF	On-going	The VC subcomponent developed linkages with other projects: - Organized introduction session about EBRD project for SME development for 27 beneficiary SMEs and cooperatives in November 2015. - Jointly with projects and private businesses in milk value chain, organized the celebration of "World Milk Day" under the supervision of MOFA in May 2016.	Partially complied
18	Organize exposure visits on VC Development	LGF	From Sept. 2016	VC coordinator attended in the experience sharing tour to Korea in September 2015.	Complied
19	Document success stories in SMEs/Cooperatives financing	LGF	From Jan. 2016	After the documentation, the 10 success stories were developed and 7 SMEs and cooperatives' success was included in the PMPMD project movie.	Complied
20	Focus SMEs/Cooperatives financing on PHGs and women's groups cooperatives that have recently upgraded	LGF	From Sept. 2015	In 2015 and 2016, in total 12 groups, 7 from women groups and 5 herder groups, were upgraded as a VC beneficiary and 3 of them could access to credit of MNT265.5 million.	Partially complied
21	Provide refresher training in selected topics to all women's groups formed since 2012	PMU, UMPSC	From Sept. 2015	3 kinds of trainings were conducted in 2015, loan access and group management, cooperative and production technologies, and nearly 1,000 participants of which 845 female, involved. In 2016 cooperative training was organized covering 289 participants.	Complied

#	Agreed actions	Responsibility	Agreed date	Implementation status	Status
22	Merger between LGF and SCGF subject to due diligence on SCGF June 2016 financial statements and LGF operating as a specific department within SCGF with complete financial autonomy for the management of its resources	LGF, SCGF, MoF, FRC	Project completion	The Technical Committee of the PMPMD LGF and the Ministry of Food and Agriculture have entered into MOU and Service Providing Agreement with state CGF respectively on 28th August 2015 and 24th September 2015 to strengthen their collaboration with regard to the PMMPD LGF exit strategy. The MOU is intended to be a primary document the Parties shall follow for their collaboration with ensuring a better ground/environment consistently with domestic legislation in regard of the PMPMD LGF Unit merges with Credit Guarantee Fund at the project completion. Accordingly the MOU sets following three frameworks: (i) harmonization of guarantee legislations and regulations; (ii) knowledge/information sharing and capacity building, and (iii) joint training in increasing public awareness for PFI staff and SMEs in UB and rural. The purpose of the Service Providing Agreement is to regulate the Parties relations, that the CGF receives a guarantee request through PFIs from the target beneficiaries operate in the field of 1) Milk and dairy products, 2) Berries, 3) Vegetables with creating a value-add under the PMPMD, makes a due diligence and risk evaluation, and the PMPMD LGF pays the required operational cost to the CGF with regard of due diligence of guarantee request and increasing a public awareness in rural area through the CGF's representatives in each aimags. The PMMPD LGF instead will pay monthly MNT1.4 million for the due diligence exercise and MNT 50.0 thousand for the representing the PMPMD LGF in aimags to the CGF. Therefore the PMPMD has paid totally MNT10.6 million for their invoice to the state CGF.	Work-in-progress
23	Expedite transfer of 2 nd tranche for LGF guarantee (USD 1.2 million)	IFAD, PMU, LGF	Jan. 2016	To date, the PMPMD LGF has issued a global amount of MNT 4,517,586,000 or USD 1,975,074 as a portfolio and individual guarantees for 936 borrowers. Therefore, it already reached LTB requirement that at least 75% of the resources should be committed. It means the additional tranche for the loan guarantee resources is necessary immediately. The PMU submitted WAs to IFAD by May 2016 and following it. MoF also sent official request letter.	Partially complied (only US\$ 800,000 requested for transfer)
24	Ensure organization of workshop for LGF, MoL-EGF, and State Bank	LGF	Immediately	The PMPMD LGF has jointly organized with Ministry of Labour one day workshop on 3rd July 2015 to the State Bank staff and Labour Division's staff of all UB branches. During the workshop the PMPMD LGF has delivered a presentation on the project implementation and the portfolio guarantee concept, and the bank staff and Labour Division's staff effectively discussed EGF loan and guarantee issuance procedures. Also they discussed and identified main bottlenecks for the EGF loan why take a longer procedures and rejected at bank's level. Following up the recommendation from the Design Mission in April 2016, the PMPMD LGF suspended to conduct field trips with MOL given the recommendation that portfolio guarantee Subsidiary Loan Agreement for the additional resources of USD 300,000 has been entered into between Ministry of Finance and State Bank on 06th August 2015. Consequently based on the loan disbursement report issued by State Bank, the PMPMD PMU has transferred USD300,000 with two tranches on 28th August 2015 and on 11th November	Complied
25	Expedite transfer of USD 0.3 million as credit line for 2014 formed women's groups financing and USD 0.5 million for 2015 selected SMEs/Cooperatives financing	IFAD	Immediately	The PMPMD LGF has invited participant 4 banks including State Bank, Capital Bank, XacBank and Golomt Bank to submit the interest rate and margins, with regard to on-lend the additional USD 500,000 for VC selected SMEs. Due to the economic downturn resulting in banks stop lending to SMEs, the marginal interest rate proposed by above banks is much higher, for example XacBank offered 7.5% as marginal interest rate while Golomt Bank 2.5% and State Bank 4-5%. The PMPMD LGF negotiated with all 4 commercial banks at following conditions: (i) SLA has co-financing approach (90% from the project and 10% from the bank's own resources); (ii) loan amount shall not exceed MNT 150 million per borrower; (iii) Interest charged to beneficiaries is 8% per annum (MoF charges 1.5% per annum with bearing exchange rate risk + bank's margin + bank's own resources lending rate), and (iv) 5-year maturity including 1 year grace period. As of 30 September 2016 out of 20 local value chain entities that were selected in 2015 and selected in 2014 but not yet financed in 2015, 10 entities are already financed, 3 were refused by the banks, 4 were postponed due to their own preferences, 1 is waiting for JICA TSL decision and 1 is under the bank's loan assessment stage.	Complied
26	Negotiate with MoF an on-lending interest rate of 1.5% to commercial bank for credit line to SMEs/Cooperatives	LGF	Immediately	The PMPMD LGF and the CGF have jointly successfully organized the study tour to Korea KODIT on 01-08th September 2015, with 11 delegates from FRC, MOF, MOFA and PMPMD PMU. We immediately submitted report of the study tour to the MOF Technical Committee.	Complied
27	Organize exposure visits to Korea	LGF, SCGF	From Sept. 2016		Complied

Mongolia
Project for Market and Pasture Management Development
Supervision report - Mission dates: 17-Oct-2016 to 28-Oct-2016
Appendix 6: Compliance with legal covenants: Status of implementation

#	Agreed actions	Responsibility	Agreed date	Implementation status	Status
22	Merger between LGF and SCGF subject to due diligence on SCGF June 2016 financial statements and LGF operating as a specific department within SCGF with complete financial autonomy for the management of its resources	LGF, SCGF, MoF, FRC	Project completion	The Technical Committee of the PMPMD LGF and the Ministry of Food and Agriculture have entered into MOU and Service Providing Agreement with state CGF respectively on 28th August 2015 and 24th September 2015 to strengthen their collaboration with regard to the PMMPD LGF exit strategy. The MOU is intended to be a primary document the Parties shall follow for their collaboration with ensuring a better ground/environment consistently with domestic legislation in regard of the PMPMD LGF Unit merges with Credit Guarantee Fund at the project completion. Accordingly the MOU sets following three frameworks: - Harmonization of guarantee legislations and regulations; - Knowledge/information sharing and capacity building; - Joint training in increasing public awareness for PFI staff and SMEs in UB and rural. The purpose of the Service Providing Agreement is to regulate the Parties relations, that the CGF receives a guarantee request through PFIs from the target beneficiaries operate in the field of 1) Milk and dairy products, 2) Berries, 3) Vegetables with creating a value-add under the PMPMD, makes a due diligence and risk evaluation, and the PMPMD LGF pays the required operational cost to the CGF with regard of due diligence of guarantee request and increasing a public awareness in rural area through the CGF's representatives in each aimags. The PMMPD LGF instead will pay monthly MNT1.4 million for the due diligence exercise and MNT 50.0 thousand for the representing the PMPMD LGF in aimags to the CGF. Therefore the PMPMD has paid totally MNT10.6 million for their invoice to the state CGF.	Work-in-progress
23	Expedite transfer of 2 nd tranche for LGF guarantee (USD 1.2 million)	IFAD, PMU, LGF	Jan. 2016	As of 30 September 2016, the PMPMD LGF has issued a global amount of MNT 4,517,586,000 or USD 1,975,074 as a portfolio and individual guarantees for 936 borrowers. Therefore, it already reached LTB requirement that at least 75% of the resources should be committed. This means the additional tranche for the loan guarantee resources is necessary immediately. The PMPMD PMU submitted WAs to IFAD by May 2016 and following it MoF sent official request letter as well.	Partially complied (only US\$ 800,000 requested for transfer)
24	Ensure organization of workshop for LGF, MoL-EGF, and State Bank	LGF	Immediately	The PMPMD LGF has jointly organized with Ministry of Labour one day workshop on 3rd July 2015 to the State Bank staff and Labour Division's staff of all UB branches. During the workshop the PMPMD LGF has delivered a presentation on the project implementation and the portfolio guarantee concept, and the bank staff and Labour Division's staff effectively discussed EGF loan and guarantee issuance procedures. Also they discussed and identified main bottlenecks for the EGF loan why take a longer procedures and rejected at bank's level. Following up the recommendation from the Design Mission in April 2016, the PMPMD LGF suspended to conduct field trips with MOL given the recommendation that portfolio guarantee	Complied
25	Expedite transfer of USD 0.3 million as credit line for 2014 formed women's groups financing and USD 0.5 million for 2015 selected SMEs/Cooperatives financing	IFAD	Immediately	Subsidiary Loan Agreement for the additional resources of USD 300,000 has been entered into between Ministry of Finance and State Bank on 06th August 2015. Consequently based on the loan disbursement report issued by State Bank, the PMPMD PMU has transferred USD300,000 with two tranches on 28th August 2015 and on 11th November	Complied
26	Negotiate with MoF an on-lending interest rate of 1.5% to commercial bank for credit line to SMEs/Cooperatives	LGF	Immediately	The PMPMD LGF has invited participant 4 banks including State Bank, Capital Bank, XacBank and Golomt Bank to submit the interest rate and margins, with regard to on-lend the additional USD 500,000 for VC selected SMEs. Due to the economic of the country is getting slowing down and the banks tend to stop its lending to SMEs, the marginal interest rate proposed by above banks are much higher, for example XacBank offered 7.5% as marginal interest rate while Golomt Bank 2.5% and State Bank 4-5%. The PMPMD LGF has negotiated with totally 4 commercial banks including State Bank, Capital Bank, Golomt Bank and Xacbank at following conditions: /Golomt Bank also accepted our proposed conditions, but eventually they refused to be participated in this activity due to only 1 aimag they have a branch out of 5 aimags/ - SLA has Co-financing approach /90% from the project and 10% from the bank's own resources/ - Loan amount shall not exceed 150.0 mln MNT per borrower - 8% per annum /MoF charges 1.5% per annum with bearing exchange rate risk + bank's margin + bank's own resources lending rate/ - 5 year maturity including 1 year grace period. As of 30 September 2016 out of 20 local value chain entities that were selected in 2015 and selected in 2014 but not yet financed in 2015, 10 entities are already financed, 3 were refused by the banks, 4 were postponed due to their own preferences, 1 is waiting for JICA TSL decision and 1 is under the bank's loan assessment stage The PMPMD LGF and the CGF have jointly successfully organized the study tour to Korea KODIT on 01-08th September 2015, with 11 delegates from FRC, MOF, MOFA and PMPMD PMU.	Complied
27	Organize exposure visits to Korea	LGF, SCGF	From Sept. 2016		Complied

#	Agreed actions	Responsibility	Agreed date	Implementation status	Status
Climate and environment focus					
28	Share updated revised logframe and ensure its utilization during project completion mission	PMU	Immediately and on-going	Revised Logframe shared and adjusted in accordance with comment from IFAD (Liu Kei and Dina Stefania).	Complied
29	In training, avoid counting participants that have already attended previous training	PMU, UMPSC, AGROM	Immediately	Under implementation. In order to extend project coverage, the project try to involve more individuals in trainings rather than same person in more than two. PMU gave a specific guideline to the soum facilitators and training organizations contracted with PMU to organize trainings to avoid inviting participants to trainings who has already participated same kind of training.	Work-in-progress
30	Further support inclusion of PHGs in value chain development component	PMU, UMPSC, AGROM	Immediately	In 2015 and 2016, 5 cooperatives which are upgraded from PHGs are included in the VC and 2 of them had access to credit of MNT 215.5 million.	Work-in-progress
Fiduciary aspects					
31	Update and revise the Accounting guideline to reflect (1) the changes made in the Mongolian Accounting Act and related laws; and (2) usage of accumulated interest incomes and procedures.	PMU	By Sept, 2015	Guideline was developed	Complied
32	Resubmission of the AWPB to IFAD in writing for an official non-objection	PMU	By July 3, 2015	AWPB, reviewed by MoF and MoFALI, was submitted to IFAD and received no-objection	Complied
33	DA replenishment on quarterly basis	PMU	Continuously	Under implementation. WA s are being sent quarterly and monthly.	Work-in-progress
34	Preparation for completion, key FM related activities such as:(i) prepare a detailed projection on winding up fees to be submitted to IFAD for non-objection; (iii) work on the recovery plan for non-objection	PMU	From Sept. 2015	Detailed projection is under progress and pending due to considration of final decision of Additional financing	
35	Development of a withdrawal plan for remaining guarantee funds together with MOF and MOFA with elaborated timings and amounts to be made in 2016	PMU, LGF	By Sept. 2015 and continuously	WA for USD 800.000 was sent on 25 May, 2016.	Work-in-progress (funds not received as at Sept. 2016)

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

FIRST LEVEL RESULTS													
Results			Unit	Period ending: Dec. 2015			Period ending: Sept. 2106			Cumulative by Sept, 2016			
				AWP&B	Actual	%	AWP&B	Actual	%	Appraisal	Actual	%	
Total Outreach													
	1.8.4	Communities receiving project services	Number	-	na	na	-	na	na	15	73	487%	
	1.8.3	Groups receiving project services	Number	277	250	90%	-	na	na	480	574	120%	
	1.8.2	Households receiving project services	Number	3,400	10,550	310%	3,400	3,464	102%	19,700	20,733	105%	
	1.8.1	People receiving project services	Number	11,900	11,035	93%	6,356	7,602	120%	88,650	82,933	94%	
			Male	5,950	6,067	102%	3,178	4,200	132%	44,325	45,633	103%	
			Female	5,950	4,963	83%	3,178	3,402	107%	44,325	37,300	84%	
Component	Sub Comp												
Market development	Micro-enterprise development	1.3.1	Women's self-help groups formed and strengthened	Number	-	na	na	-	na	na	410	455	111%
		1.3.2	People in women's self-help groups formed/strengthened	Number	-	na	na	-	na	na	3,600	3,664	102%
				Female	-	na	na	-	na	na	2,880	2,851	99%
				Male	-	na	na	-	na	na	720	813	113%
		1.3.3	Women's self-help group with women in leadership position	Number	-	na	na	-	na	na	324	383	118%
		1.3.4	Financial institutions participating in the project	Number	-	na	na	-	na	na	nt	5	n/a
		1.3.5	Staff of financial institutions trained	Number	50	80	160%	-	na	na	nt	130	n/a
				Female	25	65	260%	-	na	na	nt	85	n/a
				Male	25	15	60%	-	na	na	nt	45	n/a
		1.3.6	Self help groups with voluntary savings	Number	-	na	na	-	na	na	454	423	93%
		1.3.7	Value of voluntary savings	USD	nt	43,500	na	-	6,500	na	nt	50,000	n/a
		1.3.8	Active borrowers	Number	250	190	76%	nt	1	na	360	393	109%
			Female	200	171	86%	nt	1	na	288	353	123%	
			Male	50	19	38%	nt	-	na	72	40	56%	
	1.3.10	Value of gross loan portfolio	USD	400,000	913,500	228%	nt	5,000	na	1,600,000	1,556,190	97%	
	1.3.12	People trained in financial services	Number	250	472	189%	-	na	na	2,880	1,510	52%	
			Female	200	371	186%	-	na	na	2,304	1,250	54%	
			Male	50	101	202%	-	na	na	576	260	45%	
	1.5.1	People trained in production technology	Number	400	394	99%	-	na	na	1,800	1,344	75%	
			Female	320	339	106%	-	na	na	1,260	1,217	97%	
			Male	80	55	69%	-	na	na	180	127	71%	
	1.5.3	People trained in business and entrepreneurship skills/cooperative	Number	200	165	83%	200	289	145%	2,880	1,649	57%	
			Female	160	135	84%	160	230	144%	2,880	1,348	47%	
			Male	40	30	75%	40	59	148%	720	301	42%	
	Value chain	1.6.2	People trained in community management topics	Number	-	na	na				3,600	3,093	86%
				Female	-	na	na				2,880	2,401	83%
				Male	-	na	na				720	692	96%
			Number of individuals trained in production technology	Number	450	511	114%	150	202	135%	NT	713	na
				Female	225	252	112%	75	159	212%	NT	411	na
				Male	225	259	115%	75	43	57%	NT	302	na
Small and medium enterprise development		1.5.3	People trained in business management and entrepreneurship skills/	Number	35	79	226%	110	68	62%	135	238	176%
				Female	18	24	133%	55	50	91%	68	102	150%
				Male	17	55	324%	55	18	33%	67	136	203%
		1.6.2	People trained in community management topics	Number	150	123	82%	-	na	na	nt	123	na
				Female	75	56	75%	-	na	na	nt	56	na
				Male	75	67	89%	-	na	na	nt	67	na
1.5.4		Enterprises accessing non-financial services facilitated by the project	Number	35	35	100%	15	20	133%	45	55	122%	
1.5.5		Enterprises accessing financial services facilitated by the project	Number	35	8	23%	42	5	12%	45	13	29%	
1.3.9		Active borrowers (enterprises)	Number	35	13	37%	42	5	12%	45	16	36%	
1.3.11		Value of the gross loan portfolio (enterprises)	USD	NT		na			253,202	500,000	253,202	50%	

Mongolia
Project for Market and Pasture Management Development
Supervision report - Mission dates: 17-Oct-2016 to 28-Oct-2016
Appendix 6: Compliance with legal covenants: Status of implementation

Results				Unit	Period ending: Dec. 2015			Period ending: Sept. 2106			Cumulative by Sept, 2016		
					AWP&B	Actual	%	AWP&B	Actual	%	Appraisal	Actual	%
Pasture management and climate change adaptation	Pasture management	1.1.1	People trained in infrastructure management	Number	-	na	na	-	na	na	46	32	70%
		1.1.6	Livestock water points constructed/rehabilitated	Number	15	19	0%	21	24	114%	46	80	174%
		1.1.7	Rainwater harvesting system constructed/rehabilitated	Number	3	3	100%	3	2	67%	5	10	200%
		1.1.9	People trained in natural resources management	Number	450	840	187%	-	na	na	2,160	2,272	105%
				Female	225	382	170%	-	na	na	1,080	840	78%
				Male	225	458	204%	-	na	na	1,080	1,432	133%
		1.1.10	Natural resources management groups formed/strengthened	Number	-	na	na	-	na	na	120	121	101%
		1.1.11	People in natural resources management groups formed/strengthened	Number	-	na	na	-	na	na	9,450	9,844	104%
				Female	-	na	na	-	na	na	4,725	5,799	123%
				Male	-	na	na	-	na	na	4,725	4,744	100%
	1.1.12	Natural resources management groups with women in leadership position	Number	-	na	na	-	na	na	36	22	61%	
	1.1.13	Environmental management plans formulated	Number	60	60	100%	-	na	na	120	120	100%	
	1.1.14	Land under improved management practices	Ha	nt	1,227,274	n/a				nt	2,026,514	n/a	
	1.1.17	Extent of land with rehabilitated or restored ecosystem services	Ha	nt	37,458	na	nt	41,000	na	nt	41,000	n/a	
	Climate change adaptation	1.1.15	Households covered new or improved climate information services	Number	4,025	4,025	100%	nt	4,624	na	2,771	4,624	167%
		1.1.16	Other productive infrastructure constructed/rehabilitated	Number	94	98	104%	36	36	100%	nt	230	na
		1.2.3	People trained in livestock production and technologies	Number	-	na	na	-	na	na	1,350	1,882	139%
				Female	-	na	na	-	na	na	540	710	131%
				Male	-	na	na	-	na	na	810	1,172	145%
		1.4.8	Storage facilities constructed/rehabilitated	Number	4	4	100%	3	6	200%	10	7	70%
		1.4.9	Value of infrastructure protected from extreme weather events	USD	957,140	858,930	90%	807,500	460,550	57%	nt	2,348,570	na
		1.5.2	People receiving vocational training	Number	30	40	133%	-	na	na	30	83	277%
				Female	15	9	60%	-	na	na	15	30	200%
				Male	15	31	207%	-	na	na	15	53	353%
		1.5.3	People trained in cooperative development	Number	250	282	113%	150	-	0%	n/t	570	n/a
				Female	125	111	89%	75	-	0%	n/t	187	n/a
				Male	125	171	137%	75	-	0%	n/t	383	n/a
		1.6.1	Government officials trained	Number	50	60	120%	-	na	na	nt	150	n/a
				Female	25	21	84%	-	na	na	nt	30	n/a
				Male	25	39	156%	-	na	na	nt	120	n/a
		1.6.2	People trained in community management topics	Number	450	840	187%	-	na	na	120	1,463	1219%
	Female			225	382	170%	-	na	na	60	630	1050%	
	Male			225	458	204%	-	na	na	60	833	1388%	
	1.6.8	Households accessing revolving funds created under the project/herder group fund	Number	NT	588	n/a	nt	1,409	na	1,350	1,997	148%	
	1.6.10	NRM or DRR activities	Number	450	624	139%	450	452	100%	n/t	2,986	n/a	
			Female	225	248	110%	225	226	100%	n/t	1,286	n/a	
			Male	225	376	167%	225	224	100%	n/t	1,700	n/a	

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD loan	11,165	8,407	75
GEF grant	1,500	1,232	82
Government	899	291	32
Beneficiaries	168	447	266
Companies	1,663	151	9
Institutions	2,657	1,293	49
Total	18,052	11,821	65

Table 5B: Financial performance by financier by component (USD '000)

Component	IFAD loan			GEF grant			Government			Private Sector			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Pasture Management and Climate Change Adaptation	2,752	2,444	89	1,500	1,232	82	602	158	26		488		4,854	4,322	89
Market Development	6,719	4,939	74				208	59	28	4,488	1,403	31	11,415	6,401	56
Project Management	1,694	1,024	60				89	74	83				1,783	1,098	62
Total	11,165	8,407	75	1,500	1,232	82	899	291	32	4,488	1,891	42	18,052	11,821	65

Table 5C-1: IFAD loan disbursements (SDR, as at 30-9-16)

Category	Category description	Original Allocation	1 st Revision Mar. 2013	2 nd Revision Apr. 2014	3 rd Revision Oct. 2016	Disbursement	W/A pending	Balance	Per cent disbursed
I	Civil works	320,000	330,000	330,000	927,403	605,006	242,750	79,648	91
II	Vehicles, Equipment	170,000	620,000	620,000	620,000	441,164		178,836	71
III-a	Tools, Materials	1,030,000	570,000	570,000	570,000	455,005		114,995	80
III-b	Economic Development costs	1,200,000	1,190,000	1,190,000	930,260	425,209		505,051	46
IV	Group Formation & Project Grant	780,000	620,000	620,000	620,000	476,419		143,581	77
V	Loan Guarantees	1,930,000							
V-a	Loan Guarantee for Beneficiaries in project area		660,000	660,000	465,195	454,545		10,649	98
V-b	Loan Guarantee for Beneficiaries outside project area		1,240,000	1,240,000	915,325	129,870	519,481	265,975	71
V-c	Credit Line		330,000	750,000	1,269,481	994,961	239,682	34,837	97
VI	Field & Management, operating and maintenance costs	1,100,000	1,100,000	1,100,000	905,195	475,292		429,903	53
	Unallocated	720,000	590,000	170,000	27,143	0		27,143	
	Total	7,250,000	7,250,000	7,250,000	7,250,000	4,457,471	1,001,912	1,790,616	75

(a) Category V has been split in Categories V-a, V-b, and V-c as per the redefinition of PMPMD activities with regards to the Guarantee Facility.

Table 5C-2: GEF grant disbursements (USD, as at 30-9-16)

Category	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
II	Vehicles, Equipment	60,000	60,000	38,280		21,720	64
III-a	Tools, Materials	340,000	468,000	453,490		14,510	97
III-b	Economic Development costs	930,000	930,000	722,312	17,548	190,141	80
VI	Field & Management, operating and maintenance costs	22,000	22,000	159		21,841	1
	Unallocated	148,000	20,000	0		20,000	0
	Total	1,500,000	1,500,000	1,214,241	17,548	268,211	82

Appendix 6: Compliance with legal covenants: Status of implementation

SECTION	COVENANT	TARGET/ ACTION DUE DATE	COMPLIANCE STATUS/DATE
Section 4.02	PCU to open and maintain a Project Account to make an initial deposit equivalent to USD		Complied
Section 4.02	GoM to replenish Project Account quarterly in advance		Being complied
Section 4.05, section 11.10(b)	Audit report submitted to IFAD.	June 2015	Being complied
Schedule 4, para 7	AWPB to be submitted to the Fund, for its review and comments		Complied
Schedule 4, para 8(a)	A Mid-Term Review (MTR) to be carried out jointly by the Borrower and IFAD.		Complied
Schedule 4, para 16	Project to be exempted from all import duties, excise taxes and value added tax (VAT) on investment expenditures		Complied
Section B.6 Financing Agreement	There shall be a designated account in a bank acceptable to the Fund denominated in USD for the purpose of receiving funds in advance from the IFAD Loan.	By the end of 2011	Complied. In December 2011, designated account denominated in USD was opened with Ulaanbaatar Bank by MoF. Initial deposit of USD 1,5 million was received into this account
Section B.7 Financing Agreement	There shall be a designated account in a bank acceptable to the Fund denominated in USD for the purpose of receiving funds in advance from the GEF Grant.	By the end of 2011	Complied. In December 2011, designated account denominated in USD was opened with Ulaanbaatar Bank by MoF. Initial deposit of USD 250 thousand was received into this account.
Section B.8 Financing Agreement	There shall be 2 Project Accounts opened by the implementing agencies in local currency for Project operations, in commercial banks satisfactory to IFAD. One will receive resources from the GEF designated account; the other will receive resources from the IFAD designated account.	By the end of 2011	Complied. In December 2011, 2 project accounts in local currency for project operation were opened with Ulaanbaatar Bank by PMU as advised by MoF. One is for IFAD loan proceeds and one is for GEF grant proceeds
Section B.9 Financing Agreement	The Borrower/Recipient shall exempt all duties and taxes associated with the Project.		Complied
Section E.1(a) Financing Agreement	The Project key staff such as project manager, project accountant and procurement officer shall have been duly appointed in accordance with this Agreement and shall have taken office.	By the end of 2011	Complied. D. Dalantainyam was appointed as a Project director by the order B/56 of the state secretary of MoFALI on 16 th November 2011. J. Boldhuyag was appointed as an accountant by the order 337 of the state secretary of MoF on 18 November 2011. Ms. Oyuntuya was appointed as a procurement officer by the order B/26 of the state secretary of MoFALI on 23 March 2012. Two offices have been provided by the MoFALI.
Section E.1(b) Financing Agreement	The Designated accounts and the Project accounts shall have been opened	By the end of 2011	Complied. The Designated Accounts and the Project Accounts have been opened

SECTION	COVENANT	TARGET/ ACTION DUE DATE	COMPLIANCE STATUS/DATE
Section E.1(c) Financing Agreement	The Project Steering Committee (PSC) shall have been established.	By the end of 2011	Complied. The PSC was established by the order of the State Secretary of MoA in December 2011. 7 members, representing MoFALI, MoF, Mongol Bank, MoED, and MEGD were included into the PSC. Following up the formation of the Ministry of Industry and Agriculture, composition of PSC was renewed by the order A/06, issued by the Minister of MoFALI on 18 January 2013. 2 members were added from the MoFALI.
Section E.2 Financing Agreement	The establishment of a designated unit in the Ministry of Finance to manage the LGF along with a Technical Committee reviewing the operations of the Loan Guarantee Fund. The approval of Loan Guarantee Operational Manual by IFAD.	By the end of March 2013	Complied. Loan Guarantee Technical Committee was established by the resolution of the Chairperson of the PSC on 11 th April 2013. This committee is composed of 6 members from MoF, MoFALI and MoL. IFAD desk officer of MoF is a secretary of this committee. The designated unit is currently operational within the MoF and the LGF Operational Manual is to approve by both the LGF Technical Committee and the PMPMD Steering Committee (approved by IFAD).
Para. 6, Schedule 1 Financing Agreement	The PSC will meet at least twice per year.		Complied
Para. 8, Schedule 1 Financing Agreement	Annual Wok Plan and Budget. Separate AWPB will be prepared for IFAD and for GEF expenditures. AWPBs should be reviewed and approved by the PSC.	4 th quarter of 2012	Complied.
Section E.3 Financing Agreement	This Agreement is subject to ratification by the Borrower/Recipient.		Complied. The Financing Agreement was ratified by the Parliament of Mongolia on 10 July 2011.
Para. 1, Schedule 1 Financing Agreement	The project target group will include women and men from herder households and from Soum and Aimag center households; and female headed households and households classified by the local government as poor and vulnerable in the lists at Bagh and Soum level, in the Aimags of Huvsgul, Arhangay, Bulgan, Hentii and Gobi-Altai (the "Project area").		Being complied.

SECTION	COVENANT	TARGET/ ACTION DUE DATE	COMPLIANCE STATUS/DATE
Para. 4.1.1 Schedule 1 Financing Agreement	Value chain development. The project approach in a given value chain will be to identify demand first and then link it to herders' cooperatives and producer groups, selling quality output on the basis of a medium-long term commercial agreement. Main activities will include the following: selection of value chains and/or commodities which can be produced profitably and in a sustainable manner, identification of private and/or public enterprise, herders' cooperatives and producer groups for the development of the priority value chains, establishment with project support, of a draft business plan by the selected companies including an investment plan, consultation with potential producers on the basis of the draft business and investment plan, review of the proposed production, quality and marketing modalities as well as the premium pricing mechanism, finalization of the business and investment plans. In order to enable poor herders to benefit from and participate in value chain, the project will support the establishment of voluntary micro-finance Self Help Groups (SHGs) and develop SHGs as a cooperative. Joint liability Self Help Groups, will be eligible for group loans for micro-enterprise development. Loans will be disbursed by selected PFIs from their own resources under an agreement with the microfinance development Fund (MDF). The component will where relevant support the implementation of the Mongolian Government's "Mongol Livestock" and "Cooperative Development" programs and its measures, undertaken to develop agricultural commodity exchange in context of their general goals		Being complied. The three VCs selected by MoFALI Technical Working Group include: berries, vegetables and dairy products. Project activities include: (i) strengthening capacity of herders, producers, and farmers and ensuring their inclusion in supply chains, and (ii) knowledge management and experience sharing.
Para. 4.1.2 Schedule 1 Financing Agreement	Small enterprise development. The Project will determine the feasibility of establishing local small scale processing units at the level of two or three Soums. Investments may include e.g. vegetables processing, milk collection, powder milk production, slaughter house and meat processing, or any other such activity. Investment in economic diversification such as in services and tourism inter alia, may also be considered. Investments will be undertaken jointly by producer groups and private buying companies. Loan guarantees. The loan financing for the above activities will be provided by Participating Financial Institutions (PFIs) using their own resources. The project will guarantee those loans at levels varying from 50% to 80% of their value. To support its guarantees, the Project will establish a Loan Guarantee Fund. The Operation of the Loan Guarantee Fund will be overseen by a Loan Guarantee Fund Board, which will be composed of members of the already established Micro-Finance Board, but also of representatives of MOIA and the PMU. A Loan Guarantee Operational Manual will be prepared by the project and approved by IFAD prior to disbursements under this component. Changes to the Loan Guarantee Operational Manual will only be made with IFAD's prior approval. The implementation of the guarantees and the micro-finance sub-component shall be entrusted to a designated Unit in the MOF as part of the PMU until a Loan Guarantee Fund operated by a private or public entity has become matured operationally and financially.		Being complied. Investments have been financed in 35 SMEs involved in 12 different activities (mainly agriculture-related ones). 455 women's groups have been formed and 92% of them have had access to loan resources guaranteed by the LGF. Repayment rate is 97%. Activities financed are above 25 different ones. Being complied. The merger between the LGF and the State Credit Guarantee Fund (SCGF) is subject to: (i) due diligence exercises on both institutions; (ii) roadmap to merger drafted; (iii) SCGF organizational chart indicates that LGF will become a department with full financial and operational autonomy, and (iv) SCGF financial and accounting procedures show that IFAD-extended LGF resources will be allocated solely to the new department and will be used to guarantee similar target groups under both individual and portfolio guarantee schemes.

SECTION	COVENANT	TARGET/ ACTION DUE DATE	COMPLIANCE STATUS/DATE
Para. 4.2.1 Schedule 1 Financing Agreement	Pasture management. The focus of the project would be on building sustainable community organizations that promote sustainable pasture use and equity through inclusive approaches and socially responsible practices. The project will support the participatory definition of geographic Pasture Units and their approval by the Soum administration, and the establishment, registration and training of about 135 Pasture Herder Groups(PHG). Existing PHGs, established under the previous projects will be prioritized for cooperation and support under this component. A three-year Pasture Management Plan and annual activity plans will be drawn up by each PHG in a participatory manner		Being complied.
Para. 4.2.2 Schedule 1 Financing Agreement	Climate change adaptation. This sub-component will be co-funded by the GEF Grant and will provide the resources for implementation of the pasture management plans of PHGs and of specific measures to increase the capacity and resilience of herders to cope with climate change impacts and manage pastoral risks. Specific investments identified in the pasture management plans will include collective activities such as: construction of new shallow wells for livestock watering (to extend access to grazing areas), fencing of hayfields for winter pasture conservation and fodder preparation, construction of winter shelters for livestock, and fencing of wetlands and water sources to protect from degradation by overgrazing and trampling. The project will support measures to increase the capacity of PHG communities to adapt to climate change and manage pastoral risk. Implementation of the whole component will be contracted out to an experienced and qualified NGO or consortium of NGOs.	Activities would only start in 2013	Being complied.
Para. 4.3 Schedule 1 Financing Agreement	Project management and policy support. The project will be implemented under the responsibility of the Ministry of Industry and Agriculture (MOIA). A Steering Committee, chaired by the Ministry of Finance will be established. A Project Management Unit (PMU) will be established, reporting to the State Secretary of MOIA. It will be staffed by a Project Manager, an Economist, a Socio-economic and gender specialist, an Accountant, a Monitoring and Evaluation officer, a Secretary and a Driver. The PMU will outsource the implementation to experienced and qualified service providers. Its main responsibilities thus will be in planning, supervision, financial management and monitoring. At the beginning of the project, consultant support will be mobilized to establish an appropriate Monitoring & Evaluation system	By the end of 2011	Complied.

SECTION	COVENANT	TARGET/ ACTION DUE DATE	COMPLIANCE STATUS/DATE
Para. 6 Schedule 1 Financing Agreement	<p>Project Steering Committee. The overall authority of the project will be vested in the Project Steering Committee (PSC). The Chair of the Committee will be held by a representative of the Ministry of Finance, members will include representatives of the MoFALI, the Ministry of Economic Development, the Bank of Mongolia, and the Ministry of Environment and Green Development and representatives of NGOs (the latter as observer). The Project Manager will acts as the Secretary of the PSC. The PSC will meet at least twice per year.</p> <p>The Steering Committee will review and approve the project's AWPB. It will review and approve the Annual report and the annual Financial Statements before auditing. It will review and approve the Implementation Agreements with the respective service providers prior to obtaining no-objections from IFAD, and will review and approve Value Chain business plans and investment plans as well as the small enterprise investment plans. It will provide policy advice on request of the Project Manager, any time a policy issue comes up during implementation. The PSC will not be involved in day-to-day executive matters</p>		Complied.

Appendix 7: Knowledge management: Learning and Innovation

FINAL REPORT

Stakeholder Workshop for Project Evaluation – Impacts, Lessons Learnt and Sustainability

Ulaanbaatar, October 21, 2016

“Project for Market and Pasture Management Development – PMPMD”

I. Introduction

To generate lessons learnt from the implementation of PMPMD, a stakeholders’ workshop was held in Ulaanbaatar on October 21st, 2016 with 25 participants² from selected Soums of the project area, representing Womens Groups, Pasture Herder Groups, Soum and Aimag governments and Soum facilitators, as well as PMU and IFAD mission members.

II. Project Description

The PMPMD goal is to contribute to empower poor rural women and men to achieve higher 4.incomes and sustainable improvements in their livelihoods. Its objective is to reduce poverty, improve livelihoods of poor herder and *Soum* and *Aimag* centre households in the project area, which is in line with the Mongolian Government’s “Mongol Livestock” and “Cooperative Development” programmes.

The PMPMD consists of 3 components: (i) Market Development to enable livelihood 5.development of poor households through small-and micro-enterprises development and through value chain development; (ii) Pasture Management and Climate Change Adaptation to increase the capacity and resilience of herders to cope with climate change impacts and to establish grassroots herder institutions for sustainable pasture management; and (iii) Project Management and Policy Development.

The PMPMD target area covers the following five *aimags*: Arkhangay, Bulgan, Gobi-Altai, 6.Huvsgul, and Khentii. Within those 5 *aimags*, the Pasture Management and Climate Change Adaptation component is being implemented in 15 *soum*, and the Market Development component is being implemented in 45 *soums*. Some of these *soums* are common to both components. The project target groups include: (i) poor producers, herders, and women living in project-supported *soums*, *soum* centres and *baghs*, as well as (ii) existing emerging micro-and small enterprises and cooperatives that have backward linkages with PMPMD target groups.

III. Workshop Objectives

The objectives of the workshop were to jointly assess overall impact of the project, identify constrains faced during the project implementation, and discuss ways to sustain the project impacts. Participants discussed i) impacts on the sustainability of livestock and pasture management and the vulnerability of herders to climate change impacts, ii) planning processes and implementation arrangement, and iii) contribution to the overall project goal and development objective to empower poor rural women and men, to reduce poverty and improve livelihoods of poor herder and Soum and Aimag centre households in the project area.

IV. Workshop Program and Process

1. Introductory Session

- Opening, introduction of participants and of objectives and program of the workshop)
- Brief review of project design and implementation by component coordinators (pasture management/climate change component and women groups) by component

2. Session One – Assessment of Project Impacts

- Group work by component to discuss all impacts they observed, including but not limited to impacts on livestock and pasture management, vulnerability of herders to climate change impacts, poverty, gender roles/empowerment, livelihood improvement/strategies – income

² List of participants in Annex 1

generation of herders and Soum/Aimag households. Working groups were asked to identify impacts, evidence for the impacts, and main drivers.

- Presentation of working group's findings and plenary discussion.
 - Evaluation of degree/effectiveness of different impacts, by each participant
3. Session Two – Evaluation of Implementation Arrangements, Key Constraints and Sustainability
- Group work by components to:
- Reflect on the question *"If this project would be implemented in another Aimag/Soum, how would you organize it in terms of planning processes and implementation arrangement?"*
 - Jointly review the constraints occurred during the implementation of the project and on how they could be addressed.
 - Discuss sustainability (institution building and strengthening, women's empowerment, exit strategy (priority actions for sustainable project results), potential for scaling-up and replication
 - Summarize findings for final presentation
4. Presentations to plenary and IFAD team, Discussion, Q&A
5. Closing of the workshop by IFAD Mission Team Leader

V. Findings

Both investments as well as human and institutional capacity development, and the development of collaborative management mechanisms were defined as success factors. Herders' observations on livestock productivity improvement signal impacts in pasture improvement though the latter ones remain difficult to evaluate on group level and short-term.

Participants felt that a good foundation has been created upon which to build with value chain development and measures to facilitate market access for herders. The role of government on all levels to support these measures with policies and to sustain project achievements was emphasized. Working group discussions and presented narratives highlighted income generation for women through successful women's groups activities as a very important outcome for women's empowerment, enhancing women's social status and decision making in the household.

ASSESSMENT OF IMPACTS OF THE PROJECT

Pasture Management and Climate Change Adaptation Component

Key impacts	Evidence of impact	Main drivers of impact
Herder groups develop their pasture management plans	The herder groups' pasture management plans are integrated into the soum and bag pasture management plan.	Trainings and experience sharing provided by the project
Pasture water resource has increased – reducing the vulnerability of herders to climate change impacts	Remote pastureland areas were started to be used, allowing other pasture areas to be set aside for recovery. "Mandal" pasture herder group of Delgerkhaan Soum fenced the spring area and now almost 5000 hectares of surrounding pastureland are available as autumn pasture.	Project support with well and spring protection/fencing, combined with herders' labor input which created good ownership.
Skills and knowledge of herders to work together for better pastureland management as well as livelihood improvement have increased.	By selling hay the herder groups increased their income. For example, herders of Rashaant Soum of Bulgan Aimag harvested 200 tons, instead of previous 50 tons, of hay after fencing hay fields. 24 herder groups of Khentii Aimag (Delgerkhaan, Tsenkhermandal and Darkhan Soums) were	Herder groups were provided with tractor and hay making equipment by the project. All herder groups established their revolving fund and most of them are managing their fund successfully.

	active in rodent control, and improved the condition of 10,000 hectares of pasture.	
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Notes from plenary discussion:

- In Arkhangai Aimag, successful work in pasture management improvement of project supported herder groups in the project Soum has scaled up. Herders from Tsakhir Soum started practicing rotational movement after seeing the successes of project activities.
- While it is difficult to quantify the increased productivity of herder groups livestock in the project area, herders do observe positive impacts on livestock. Livestock that gained weight under a rotational grazing scheme, is notably stronger and survives harsh spring conditions and snow storms better compared to livestock that was fattened without moving which lose their fat easily.
- Project area herder groups actively contribute to the development of soum level pasture management plan.
- A trend that herders pay more attention to the productivity of livestock rather than to increasing livestock numbers is noticeable in the project areas.

Market Development Component – Women’s Groups

Key impacts	Evidence of impact	Main drivers of impact
Women’s groups are established and strengthened	<ul style="list-style-type: none"> • Monthly meetings of the women’s group are regular, and they undertake their own planning • All women’s groups have established their revolving fund • Repayment rate of loans is high 	<p>Trainings organized by the project:</p> <ul style="list-style-type: none"> • Group formation • How to write Business plan • Loan and bank training • Technical, such as sewing, vegetable preserving, etc.
Jobs are created in local areas for women	<p>Success case: Previously, all members of the “Uran Gar” Womens Group of Bulgan Aimag, Khyalganat Soum were unemployed. After receiving project support including a work space, 4 members now have permanent jobs and 6 of them work temporarily.</p>	<p>Group members gave between 5000-20.000MNT at the beginning to establish revolving fund. Now group funds in general amount to 2-7 Mio. MNT. Members receive loans from the fund to develop their business, as well as for household needs such as for tuition fee of their children.</p> <p>Of a womens group in Huvsgul Aimag, Galt Soum, every member contributed 100 MNT every day to create their revolving fund, which is now 5 Mio. MNT. Now, the members give 10% of the their income to the revolving fund.</p> <p>With support of the project every group received a loan between 8-10 Mio. MNT through banks, for 36 months duration. All groups spent their loan to increase the productivity level of</p>

		their business. For example, Bulgan Aimag "Eco Khaylagant" Group received a 10 Mio MNT loan (2.5 Mio for buying sewing equipment, 4.5 Mio for vegetable growing equipment, 3 Mio. for buying material)
Local productivity has increased	<p>Success case: People from Khyalganat village used to buy bread in Erdenet, as there was no local bakery. After receiving the project support, the village citizens are able to buy bread made in Khyalganat, saving time and travel cost.</p> <p>The capacity of the factory is 600-1000 loaves of bread daily. As they use briard baking technology, the bread can easily be sold in Erdenet and Bulgan Aimag center.</p>	<p>With their improved productivity, cooperatives can participate in tenders.</p> <p>For example, in Arkhangai Aimag, Erdenebulgan soum, OU-KAR Cooperative won the tender to supply vegetables and seabuckthorn to 5 schools of the Aimag. Their monthly income has reached 2-3 Mio MNT on regular basis.</p> <p>Khentii Aimag, "Khailaast Khaikhan" Cooperative won a tender to supply lunch and vegetables for local school and dormitory students. Their monthly income is now 2.5-3 Mio MNT.</p>
Womens Groups and cooperatives are able to add value to products, involved in value adding network.	<p>Success case: Khatgal Soum of Khuvgsul Aimag, "Dalai Eejin Dolgio" women's group was established in 2012 with 5 members. Now it became a cooperative with 9 members. The revolving fund of the group had amounted to 1.4 million MNT. Now the cooperative has a fund of 8 million MNT. The cooperative's monthly income is 2-3 million MNT.</p>	<p>With project support, work spaces were renovated at the cost of 20-30 million MNT.</p>
Social activeness of women has increased in local areas	<p>Women groups are empowered. Gender equality has increased. Decision making power of women at household level has increased as they have jobs and are able to contribute to the family income</p>	<p>Job creation. Different meetings among women. Local people recognize their status in the society as women's groups contribute to local development</p>

The women headed SME "Arz Tuvshin LLC" in Arkhangai Aimag Arz received 100 million MNT loan from the project and discussed their particular achievements and impacts:

Key impacts	Evidence of impact	Main drivers of impact
Local herders income has increased: The company bought raw material from herders with higher price: During last summer, the SME bought curds from herders for 60-70 million	<p>As livestock raw material prices have decreased considerably, the local company, after receiving the loan from the project, bought curd from local herders at a higher price.</p>	<p>Received loan of 100 Mio MNT through project support</p>

MNT.		
Jobs created for young adults from herder households	<p>During summer vacation, 6 younger adults and 7 adults were hired and received 5-6 million MNT as salary together</p> <p>The number of permanent workers increased: 2 new women workers were recruited</p> <p>Won tender to supply vegetables to school and kindergarten</p>	<p>Productivity level has increased</p> <p>New and advanced technology equipment was purchased</p> <p>Income of the SME has increased</p> <p>More accumulation of capital</p>

Notes from plenary discussion:

- A key advantage of establishing a cooperative is to become eligible to participate in tenders
- An important local impact is that local citizens save time and costs to have services/products locally available. Previously, they often had to go to nearby city or Aimag center to get services like haircut, repairing shoes, making deel etc.
- Group members get loan from revolving fund to develop their business, spending the loan mostly on working capital, buying materials to make products etc.
- Decision to give loan to members are always made during members' meeting. So mostly loans are given to members who are able to pay it back
- The loan is given from profit/interest of the revolving fund, not from actual revolving fund
- Herder women group expressed their interest to market their products in Soum or Aimag center as they do not have proper networking. The two project components should collaborate closer to this end.
- Loan guarantee mechanism established with project support was key to success, enabled womens groups that did not have collateral to access loans.

EVALUATION OF IMPLEMENTATION ARRANGEMENTS, KEY CONSTRAINTS AND SUSTAINABILITY

Pastureland Management and Climate Change Adaptation Component

Working group discussion "If this project would be implemented in another Aimag/Soum, how would you organize it in terms of planning processes and implementation arrangement?"

- The selection procedure of local facilitators should be more strict: for instance facilitator should not have other work except his/her current work for the project
- Herder groups should be formed on voluntary basis
- To improve the Soum project working group's activities, share more information with them. All should have the same level of understanding about local project activities, and what is their own role in implementation, for example in supporting herder groups.
- The project should consider more the comments and suggestions of the herder groups in local project planning and implementation.
- Investment to herder groups should be given after they are empowered and after mutual trust has been created among members of groups
- Investment allocation should be planned well and in the proper way, local people should be consulted well.
- Vocational trainings can be organized for herder households to maintain the equipment
- More events or consultation meetings on how to increase the quality and productivity of the livestock should be undertaken.
- Support herder groups to market their products through enhancing the linkages of the two project components.

Working group discussion on constraints in implementation and how to address them

Main constraints	Ways to address them
Difficulties occurred during the initial phase of forming the herder groups. They were formed based on shared pasture land, but did not necessarily know each other well or trusted each other.	Herder groups could be formed on voluntary basis, while at the same time considering the pastureland they share. <i>Comment by consultant: the original project design recommended a very thorough process of defining group membership and pasture boundaries, including consultations Soum wide with all herders.</i>
Lack of information sharing between Soum facilitator and Soum government officers creates weakness in local collaboration. As a result, 1) local government reports to the central government do not include all information on project activities and results, and 2) Soum government officers support to project activities may be poor due to lack of understanding of objectives, plans and their role in implementation	PMU should ensure that there is a functioning working relationship and good exchange of information between Soum government and Soum project facilitator Facilitator should be active in informing soum officials

Working group discussion on sustainability (institution building and strengthening, women's empowerment, exit strategy (priority actions for sustainable project results), potential for scaling-up and replication

- To sustain the impacts of the project, all the investment done by the project should remain with the herder groups
- Local government should constantly support herder groups in terms of policy and awareness raising activities to sustain the impacts of the project
- More interventions should be initiated on improving the productivity of livestock
- Government should support cooperatives through regulation to lessen tax payments

Market Development Component - Women's Groups

Working group discussion: "If this project would be implemented in another Aimag/Soum, how would you organize it in terms of planning processes and implementation arrangement?"

In general, the working group agreed that the same planning and implementation arrangement as used in the current project should be continued. But the following points and suggestions should be considered to implement the project in other areas with even better impacts:

- At project inception, its objectives, target groups, and main activities should be well explained to local people. The project should use local broadcasting systems such as local radio, TV and newspaper to give local people realistic understanding of the project and to avoid misconceptions and unrealistic expectations.
- The project should increase the collaboration with local government in planning and implementation.
- When forming the herder groups and organizing trainings for local people, the project planning should consider the following features of the local areas: workload of the local men and women including seasonal work stress, movement routine of herder households and time of young livestock receiving in spring time etc. to enhance productiveness and usefulness of each planned activities
- The project should investigate options to give loans through non-banking financial institutions that are locally based to avoid long and complicated procedure of banks

- To be more consistent and timely in terms of loan release, bank senior officers and managers should be involved in the training
- Regarding the investment, required equipment could be given to groups with 20-30% discount rate. Currently groups has to pay 80% from the revolving fund
- Would be more productive to increase the loan amount

Working group discussion on constraints in implementation and how to address them

Main constrains	How to address
No active and regular support from local government: Government is reluctant to give plot area in proper place to the vegetable growers Facilitators of the project should be provided proper work space from local government Local government should encourage its people to buy locally made products	The project should create/build close collaboration with local government, and involve them in the planning and implementation processes. Increase local government ownership of the project.
Groups lost time and money due to bank's long and complicated procedure	To look at the possibility that non-banking financial institutions provide loans
The allowance/incentive from the government makes local poor poorer as it does not encourages them to work hard	Reduce the allowance Spent this for other purposes to encourage people to work hard for themselves
Too many small cooperatives or women groups – scattered resources	Integrate the small activities to build/create small local factory: vegetable processing, chips, juice making etc
Herder groups lack a network and capacity to market their products	Link the activities of the two components. Create joint groups of herder households and women (in rural centers)

Working group discussion on sustainability (institution building and strengthening, women's empowerment, exit strategy (priority actions for sustainable project results), potential for scaling-up and replication

1. Scaling up the current business activities and progress:
 - a. Support groups and cooperatives to create their business in other areas of the country to scale up their businesses. For instance, Arkhangai brand milk curd selling shop can be opened in Khentii, so that local people can have Arkhangai products in their local areas, saving cost to go to UB or Arkhangai. Also it will create a possibility to have experience sharing initiatives
 - b. Study marketing opportunities abroad
 - c. Create market spots in each Aimag centers to sell the products
 - d. Increase the amount of loan
2. Local labeling could bring huge difference in terms of marketing the products and for cost saving purposes. Currently, labeling and packaging services are bought from China with high price.

EVALUATION OF THE DEGREE/EFFECTIVENESS OF IMPACTS

Each participant gave their score (high, medium, low) to each impact identified by the working groups.

Market Development Component – Women's Groups

Impacts identified by the participants	Ranking	Number high and medium scores
Women's groups are strengthened	High	15
Jobs created	High	15

Productivity level has increased	High	13
Improved women's social activeness	High	12
Groups transform into cooperative	Medium	7
Included in/accessing value chain	Medium	5

Pastureland Management and Climate Change Adaptation Component

Impacts identified by the participants	Ranking	Number of high and medium votes
Herder group members are working together, and building trust among each other	High	12
Start coping with climate change	High	11
Herder groups develop their pasture management plan	High	7

Annex 1 – List of Workshop Participants

#	Names	Institution	Province	Contact address
1	Tserenbaljid	Head of women group , Khotont	Arkhangai	94744142
2	Odongerel	Head of women group, Bayanbulag	Arkhangai	94327635
3	Baasadulam	Director of Ar Az tuvshin Co,ltd	Arkhangai	
4	Yanjinkham	Director of Od Ka R Co,ltd	Arkhangai	
5	Chuluunsukh	Head of women group	Bulgan	
6	Altanshagai	Member of women group	Bulgan	
7	Enkhtuya	Head of aimag Agricultural Department	Bulgan	
8	Enkhmaa	Selenge soum facilitator	Bulgan	95059977
9	Daariimaa	Head of Eko Hyalganat cooperative, from women group	Bulgan	95800604
10	B. Tsestegmaa	Head of Women group, Bulgan soum	Bulgan	99009589
11	Mendsaikhan		Bulgan	
12	Gantulga	Officer for Agricultral Department	Bulgan	
13	Taivanmunkh	Head of herder group, Guranbulag	Bulgan	88620869
14	Tudevдорj	Memberof herder, group, Gurvanbulag	Bulgan	88680965
15	Narandolgor	Head of Women group	Khuvsgul	99956569
16	Tsezmaa	Head of cooperative,	Khuvsgul	98292549

17	Bayartsetseg	Head of cooperative, Dalai eej, from women group	Khuvsgul	99022768
18	Taivanjargal	Soum governor, Bayan-Agt	Khentii	99014308
19	Uranchimeg	Aimag facilitator, Market development	Khentii	99014366
20	G. Munkhzul		Khentii	91298504
21	O. Battogtokh	Soum facilitator, PMCCA, Darkhan	Khentii	
22	D. Batjargal	Soum facilitator, PMCCA, Delgerkhaan	Khentii	
23	Ireeduimunkh	Aimag Agricultural Department	Khentii	
24	Sh. Dulamsuren	Head of herder group	Khentii	
25	Battulga	member of soum working group	Khentii	
26	B. Tsetsenbaatar	PMU Coordinator	Ulaanbaatar	
27	S.Gun-Uyanga	PMU Monitoring officer	Ulaanbaatar	
28	Boldkhuyag	PMU accountant	Ulaanbaatar	
29	Z. Nasandelger	PMU	Ulaanbaatar	
30	Ts. Altantsetseg	PMU Coordinator	Ulaanbaatar	
31	Thierry Mahieux	IFAD Mission team leader		
32	Sabine Schmidt	IFAD Mission team member/ Pasture management specialist	Ulaanbaatar	
33	Lisa Hubert	IFAD Mission team member/ Economist		
34	Patricia Sonata	IFAD Mission team member/ Financial management		
35	Ya. Narangerel	Workshop facilitator	Ulaanbaatar	