

AUDITED PROJECT FINANCIAL STATEMENTS

Project № : 1100001455

IFAD Loan No.: 1000004018/L-I--836
IFAD Additional Loan No.: 2000001604
IFAD Grant No.: 1000004019/G-G-FSS-1

Period covered: 1 January 2019 - 31 December 2019

Project for Market and Pasture Management Development (PMPMD)

Prepared by: Mongolian National Audit Office

Received on: 26 June 2020

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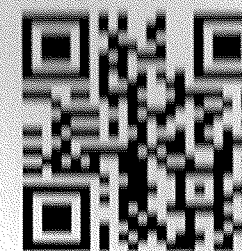
FINANCIAL AUDIT DEPARTMENT

FINANCIAL AUDIT REPORT

MARKET AND PASTURE MANAGEMENT DEVELOPMENT
ADDITIONAL FINANCIAL PROJECT, FY2019

Auditing code: GAF-2020/725/CTA-TXH

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Abbreviation list

IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
IAS	International Accounting Standards
FAD	Financial Audit department
IFAD	International Fund for Agricultural Development
GoM	The Government of Mongolia
PMU	Project Management Unit
MoFALI	Ministry of Food, Agriculture and Light Industry
PSC	Project Steering Committee

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Date 2020.06.26
Ref. 06/2559

TO ZANDANBAL.C COORDINATOR
OF MARKET AND PASTURE
MANAGEMENT DEVELOPMENT
ADDITIONAL FINANCING PROJECT

Audit certificate

In accordance with the State Audit Law article 15.1, 18.2 and the Budget Law article 8.9.1 a financial audit is conducted on the financial statements and budget execution statement for the year ended December 31, 2019 and accompanying disclosures of Market and Pasture Management Development Additional Financing project.

Unqualified opinion

In our opinion, Statement of Financial position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows of Market and Pasture Management Development Project / Additional Financeas of and for the year ended December 31, 2019 are presented true and fairly, in all material respects, in accordance with the policy, methodologies and guidelines approved by the Minister of Finance in accordance with the Accounting Law and the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We performed an audit in accordance with the International Standards and generally recognized principles of Supreme Audit Institutions, the International Standards on Auditing and the financial statements audit procedures approved by the Auditor General of Mongolia. Those standards and procedures require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

We have audited on the Market and Pasture Management Development Additional Financing project's financial statements balance, transaction amounts and disclosure notes, accounting policy of the company, bookkeeping, software, internal control system and related evidence based on test review; as well as we assessed significant estimations by the management and assessed overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion and recommendations presented on the audit report.

Responsibilities

The Market and Pasture Management Development Additional Financing project's management is responsible for the preparation and fair presentation of these financial statements in accordance with the State Budget Law article 26.1, in compliance with International Public Sector Accounting Standards (IPSAS).

Mongolian National Audit Office's responsibility is to express an independent opinion on these financial statements as to whether they are prepared true and fairly in compliance with related laws and International Standards and generally recognized principles of Supreme Audit Institutions and in accordance with guidelines and regulations approved by the Minister of Finance.

DIRECTOR OF FINANCIAL AUDIT DEPARTMENT,
PRINCIPAL AUDITOR  TS.NARANCHIMEG

2 AUDIT REPORT

2.1 FOREWORD

A financial auditing report and opinion of the Market and Pasture Management Development Additional Financing project's fiscal year 2019 and results of the budget execution statement is being presented to the project coordinator S.Zandanbal.

This report provides an overview of the project's accounting procedures and evaluation of internal control systems, the key findings during the auditing, the solutions, the explanations and clarification of the outcome of the audit, including explanations and clarification of materiality and immateriality errors, and audit opinion its form and its basis are summarized.

Based on the auditing result, recommendations for improving the project accounting, reporting, internal control system related with gain of exchange rate, classification of fixed assets and tax calculation in a timely manner, are provided in the Management Letter section.

2.2 Legal basis of the audit, objectives, obligations and responsibilities of the parties

We have audited the financial statements and budget execution statement of the Market and Pasture Management Development Project / Additional FinanceMarket and Pasture Management Development Project / Additional Financefor the year ending the 31 December 2019, in accordance with article 8.9.1 of the Budget Law, article 15.1 and 18.2 of the State Audit Law.

The purpose of this audit is to provide an opinion on whether the fiscal year 2019 financial statements and budget execution statement of the Market and Pasture Management Development Project /Additional Financeexpressed true and fairly in compliance with related laws and International Standards and generally recognized principles, guidelines and regulations.

The project management is responsible for the preparation fairly and properly presentation of these financial statements in accordance with the State budget law, International Public Sector Accounting Standards (IPSAS) and its related accounting policy and instructions.

But, State Audit Office's responsibilities are to express an independent opinion on these financial statements as to whether they are prepared true and fairly in compliance with related laws, guidelines and regulations.

This auditing was conducted between 27th of February 2019 and 18th of March 2019, the audit report finalized and to be submitted to the Budget governor on 19th of March 2019, by Suld-Audit LLC.

The National Audit Office did not receive the financial statements of the Market and Pasture Management Development Additional Financing project, but Suld-Audit LLC was received on 27 February 2019, with Official letter No. 26/20.

2.3 Audit criteria, methodology, implementation procedure

The generally accepted accounting principles, ISSAI, IAS and the Accounting Law were used criterion for the auditing. All the related documents are confirmed at the performing stage in comply with the above mentioned standards and principles procedure for the financial auditing of National Audit Office, approved by the Auditor General of Mongolia.

The audit was carried and performed with the auditing stages; all related documents confirmed in comply with the standards and principles procedure.

2.4 The organization mission, operating activities and legal environment

The objective of the Market and Pasture Management Development Project Additional Financing to reduce poverty and improve livelihoods of poor herder and soum- and aimag- centre households in the project area.

The project's operating activities aim to create value added chain, increase employments, to implement improving local livelihood of the herder household in soums and aimags, in compliance with "Mongolian livestock program", "Develop Cooperatives program" and "Support Small and Medium industry program" which implement by the Government of Mongolia, to support cooperatives, small and medium enterprises.

Operating activities:

Additional finance for financing soft loan from the IFAD, approved by the Mongolian Parliament in June 2017 and the project activities started in May 2018 and has been implemented in 24 soums of 6 aimags including Arkhangai, Khentii, Uvurkhangai, Dundgovi, Dornod and Sukhbaatar.

The project has four components.

Component 1. Pasture management and climate change adaptation

To establish Pasture user groups, capacity building, to support herder's groups' funds, to make investments aimed for overcoming obstacles climate change in soum level, to conduct monitoring, evaluation and photo monitoring.

Component 2. Market development

Main intervention is aimed to improve livelihoods of rural women and strengthening small and micro enterprises through provision of guaranteed loan, support in accessing to market such as rehabilitation or building selling points or work places in the target soums. Works and activities implanted in reporting period.

Component 3. Enabling business environment for niche market

Component 4. Project management

The project implementation in the fiscal year:

1. Pasture management and climate change adaptation component:

140 pasture herder groups formed and herders were trained in pasture management and livestock production. Groups developed their 3-year pasture management plans. The main investments conducted reporting period are digging 30 engineering wells, 44 sheep dips for animal health, building of fodder storage and hay sheds in 6 soums and rehabilitated

herders' training room in 10 soums. In addition, financial support in creation of livestock risk fund in 18 soums, worth MNT 360 million.

2. Market Development component:

Main intervention aimed to improve livelihoods of rural women and strengthening small and micro enterprises through provision of guaranteed loan, support in accessing to market such as rehabilitation or building selling point or work place in target soums.

Works and activities implanted in reporting period.

Market Development Component:

250 WGs consisting of around 1800 members, of which 70% are women, in 24 soums of the 6 project aimags (170% of target). Out of formed groups, 233 of them developed business plan to finance their micro businesses, worth MNT3.3 billion in total.

Approximately 4600 group members trained in:

- (a) Group formation and management,
- (b) Business development and loan access and
- (c) Experience sharing workshop and
- (d) Technical skills and 81% of that female participant.

Group members have opportunity to access working places with no additional rent cost, due rehabilitation of workplace in 14 soums (100% against planned in 2019). Approximately 140 micro business owners were supported in participating local and national fairs in order to facilitate market access. Total of 36 economic entities trained by the project developed their business plans, worth MNT 1.8 billion. However, no business plans of both women group and also economic entities targeted under the component have been financed, due to the delay of approval revised guarantee agreement between Ministry of Finance and commercial banks.

LGF's activities:

During the project implementation's period, the PMPMD LGF has financed totally MNT 6.1 billion for 386 borrowers' loans and has extended guarantee MNT 7.2 billion for 1240 borrowers. Which includes portfolio guarantee of MNT 2.3 billion to 334 women's groups within 363 women's groups at amount of MNT 3.3 billion loan resources, individual guarantee of MNT 1.5 billion to 23 selected micro, small and medium enterprises within loan resources of MNT 2.8 billion financed to them and portfolio guarantee of MNT 3.5 billion to 854 borrowers loans financed from the Employment Generation Fund. Of which, in financial year of 2019, the PMPMD LGF was extended portfolio guarantee only for Employment Generation Fund beneficiaries at amount of MNT 230.4 million for 41 beneficiaries within loan resources of MNT387.0 million.

In the project's life time period, totally 7 claims with regard to defaulted loans, including 5 from women's groups, 1 borrower from EGF and 1 borrower from the selected micro, small and medium enterprise within the value chain development component, have been reviewed by the PMPMD LGF and paid-out with amount of MNT 34.8 million to participant banks upon the approval by the Technical Committee of the PMPMD LGF in line with their defaults. As of 31 December 2019, total repayment rate is 97.0%.

Women's groups loan and guarantee report (In thousand MNT, as of 31.12.2019)

(in thousand MNT, as of 31.12.2019)

B4.T	Year	Bank	Transferred resource		Loans financed				Loans guaranteed		From Revolving fund by loan repayment	Loan outstanding	Guarantee outstanding	Repaid amount to banks	
			Date	Amount	Aimags	Number of bor	Closed	Classified	Amount	Number of bor					Amount
2013	State Bank		2013-07-05	288,400.00	Arkhangai	9	8	-	45,000.00	2	7,262.00		-	-	45,000.00
			2013-11-06	338,600.00	Bulgan	14	14	1	126,000.00	7	18,332.01		-	-	126,000.00
					Gobi-Altai	21	21	-	169,500.00	18	101,564.70		-	-	169,500.00
					Khuvsgul	9	9	1	86,000.00	7	38,798.00		-	-	86,000.00
					Khentii	12	12	1	97,500.00	10	64,576.80		-	-	97,500.00
			Total	625,000.00		62	62	3	524,000.00	44	230,533.51	101,000.00	-	-	524,000.00
	Capital Bank		2013-11-06	96,600.00	Arkhangai	5	5	-	48,000.00	6	44,880.00		-	-	48,000.00
			2013-12-30	18,000.00	Bulgan	2	2	1	20,000.00	2	16,000.00		-	-	20,000.00
					Gobi-Altai	-	-	-	-	-	-		-	-	-
					Khuvsgul	7	7	-	56,600.00	7	44,880.00		-	-	-
					Khentii	-	-	-	-	-	-		-	-	56,600.00
			Total	114,600.00		14	14	1	124,600.00	15	105,760.00	(10,000.00)	-	-	124,600.00
	Sub total	739,600.00		76	76	4	648,600.00	59	336,293.51	91,000.00	-	-	648,600.00		
2014	State Bank		2014-08-07	373,000.00	Arkhangai	17	17	-	146,000.00	16	90,040.68		-	-	146,000.00
			2014-12-03	373,000.00	Bulgan	19	19	-	187,000.00	15	101,497.20		-	-	187,000.00
					Gobi-Altai	19	19	-	178,000.00	13	100,401.85		-	-	178,000.00
					Khuvsgul	9	9	-	86,000.00	9	56,710.00		-	-	86,000.00
					Khentii	7	7	-	44,700.00	7	34,179.88		-	-	44,700.00
			Total	746,000.00		71	71	0	641,700.00	60	382,828.61	104,300.00	-	-	641,700.00
	Capital Bank		2014-03-06	28,600.00	Arkhangai	9	9	-	86,600.00	8	61,800.00		-	-	86,600.00
			2014-11-20	145,000.00	Bulgan	-	-	-	-	-	-		-	-	-
					Gobi-Altai	-	-	-	-	-	-		-	-	-
					Khuvsgul	10	10	-	100,000.00	10	80,000.00		-	-	100,000.00
					Khentii	2	2	1	17,000.00	2	13,600.00		-	-	17,000.00
			Total	173,600.00		21	21	1	203,600.00	20	155,400.00	(30,000.00)	-	-	203,600.00
	Sub total	919,600.00		92	92	1	845,300.00	80	638,228.61	74,300.00	-	-	845,300.00		
2015	State Bank		2015-05-26	381,259.79	Arkhangai	44	43	0	395,000.00	44	315,117.58		-	-	395,000.00
			2015-08-28	297,750.00	Bulgan	36	35	1	358,500.00	36	286,760.00		4,614.09	3,690.76	353,885.91
			2015-11-11	298,926.00	Gobi-Altai	26	26	-	252,000.00	26	200,791.31		-	-	252,000.00
					Khuvsgul	37	37	-	363,000.00	37	289,262.80		-	-	363,000.00
					Khentii	39	39	0	305,900.00	39	241,618.50		-	-	305,900.00
			Total	977,935.79		182	180	1	1,674,400.00	182	1,333,550.19	(696,464.21)	4,614.09	3,690.76	1,669,785.91
	Capital Bank		2015-04-30	76,000.00	Arkhangai	-	-	-	-	-	-		-	-	-
			2015-12-02	80,000.00	Bulgan	-	-	-	-	-	-		-	-	-
					Gobi-Altai	2	2	-	20,000.00	2	16,000.00		-	-	-
					Khuvsgul	2	2	-	20,000.00	2	16,000.00		-	-	20,000.00
					Khentii	8	8	-	76,000.00	8	60,800.00		-	-	20,000.00
			Total	156,000.00		12	12	-	116,000.00	12	92,800.00	40,000.00	-	-	76,000.00
	Sub total	1,133,935.79		194	192	-	1,790,400.00	194	1,426,350.19	(656,464.21)	4,614.09	3,690.76	1,785,785.91		

Guaranteed loan report for Employment Generation Fund (In thousand MNT, as of 31.12.2019)

№	Years	Banks	Guaranteed loans				Loan outstanding /MNT/	Guarantee outstanding /MNT/
			Loan amount /MNT/	No of borrower	Closed	Arrear		
1	2015	State Bank	697,700.00	191	191	-	505,415.80	-
2		Capital Bank	447,000.00	97	97	-	277,622.40	-
3		Total	1,144,700.00	288	288	-	783,038.20	-
4	2016	State Bank	638,600.00	167	167	-	467,400.00	-
5		Capital Bank	594,500.00	122	122	-	332,615.00	-
6		Total	1,233,100.00	289	289	-	800,015.00	-
7	2017	State Bank	10,000.00	2	2	-	8,000.00	-
8		Capital Bank	13,000.00	2	2	-	5,900.00	-
9		Golomt Bank	530,000.00	46	46	-	304,700.00	-
10		Total	553,000.00	50	50	-	318,600.00	-
11	2018	Golomt Bank	1,714,000.00	142	139	3	1,046,525.00	24,393.45
12		State Bank	297,000.00	26	2	2	205,540.00	130,576.35
13		Khan Bank	195,500.00	18	-	1	101,200.00	88,854.25
14		Total	2,206,500.00	186	141	6	1,353,265.00	243,824.05
15	2019	Golomt Bank	10,000.00	1	1	-	4,000.00	-
16		State Bank	187,500.00	24	-	-	116,300.00	129,839.02
17		Khan Bank	189,500.00	16	-	-	110,146.58	67,622.53
18		Total	387,000.00	41	1	-	230,446.58	197,461.55
19		Grand total	5,524,300.00	854	769	6	3,485,364.78	490,003.21
20		Of which: State Bank	1,830,800.00	410	362	2	1,302,655.80	260,415.37
21		Golomt Bank	2,254,000.00	189	186	3	1,355,225.00	24,393.45
22		Khan Bank	385,000.00	34	-	1	211,346.58	205,194.39
23		Capital Bank	1,054,500.00	221	221	-	616,137.40	113,617.67

Value Chain Entities Loan and Guarantee report (In thousand MNT, as of 31.12.2019)

	Year	Bank	Transferred resource			Guarantee			Borrower's loan outstanding /MNT/	SLA's loan outstanding /MNT/	Guarantee outstanding /MNT/	Repaid amount /MNT/	Repayment status		
			Date	Amount /MNT/	Aimag	Borrowers	Amount /MNT/	Coverage						Amount /MNT/	
1	2015	XacBank	JICA TSL II	Arkhangai	Ar Az Tuvshin LLC	130,000.00	50	65,000.00	57,431.00	-	28,715.50	72,569.00	bad		
2				Khentii	Munkhlin Duuril LLC	300,000.00	50	150,000.00	57,499.64	-	28,749.82	242,500.36	normal		
3		Golomt Bank	JICA TSL II	Khuvsgul	Selenge LLC	60,000.00	-	-	-	-	-	60,000.00	closed		
4				Khuvsgul	Gurvan Ivel LLC	70,000.00	50	35,000.00	-	-	-	70,000.00	closed		
5				Capital Bank	JICA TSL II	Bulgan	Bulgan Anar LLC	130,000.00	-	35,000.00	-	-	-	130,000.00	
6								200,000.00	40	80,000.00	26,875.66	-	10,750.34	173,124.14	normal
7		State Bank	2015-12-21	45,000.00	Bulgan	Saikhan Harzai LLC	50,000.00	50	25,000.00	11,551.70	10,396.53	5,775.85	38,448.30	normal	
8							2015-12-25	45,000.00	Bulgan	ImButen Butel cooperative	50,000.00	60	30,000.00	23,593.07	21,233.76
9		Total In 2015					90,000.00		55,000.00	35,144.77	31,630.29	19,931.69	64,555.23		
10							100,000.00		38,000.00		17,651.27	14,630.29	8,847.36	683,048.73	
11	2016	State Bank	JICA TSL II	2016-01-18	Govt-Altai	121,950.00	60	81,300.00	176,951.27	31,630.29	88,147.36	683,048.73			
12				2016-01-18	Govt-Altai	72,000.00	60	48,000.00	37,099.71	33,389.74	22,259.83	98,400.29	normal		
13				2016-01-11	Khentii	Enkhbum cooperative	80,000.00	60	48,000.00	21,901.54	19,711.39	13,140.92	58,098.46	normal	
14				2016-05-13	Khuvsgul	Gazar Shoro LLC	48,000.00	50	24,000.00	24,236.46	21,812.81	14,541.88	55,763.54	normal	
15				2016-08-29	Bulgan	Hyalganet Gaser coop	120,000.00	60	72,000.00	74,589.91	67,130.92	44,753.95	45,410.09	bad	
16				2016-11-18	Bulgan	Bulgan Achuat LLC	50,000.00	50	25,000.00	25,937.20	23,343.48	12,968.60	24,062.80	normal	
17				XacBank	2016-07-19	Arkhangai	OD Kr cooperative	396,600.00	50	198,300.00	328,629.95	-	164,314.98	67,970.05	normal
18								462,150.00		496,600.00	530,368.48	181,564.88	280,967.00	379,731.52	
19		Total In 2016					72,000.00	40	32,000.00	5,091.93	4,582.74	2,036.77	74,908.07	normal	
20							72,000.00		32,000.00	5,091.93	4,582.74	2,036.77	74,908.07		
21	2017	State Bank		2017-02-13	Bulgan	135,000.00	50	75,000.00	87,107.58	78,396.82	43,553.79	62,892.42	normal		
22				2017-04-07	Khentii	Haiaast Hairhan coop	50,000.00	60	30,000.00	26,439.06	23,795.15	15,863.44	23,560.94	closed	
23				2017-03-27	Arkhangai	Baga Rashaant LLC	115,000.00	50	57,500.00	-	-	-	115,000.00	closed	
24				2017-04-05	Govt-Altai	Hurireen Dolgic coop	134,100.00	60	89,400.00	73,148.37	65,833.53	43,889.02	75,851.83	normal	
25				2017-06-12	Govt-Altai	Altan Tuvshin LLC	132,865.20	60	88,576.60	97,715.83	87,944.25	56,629.50	49,312.17	normal	
26				2017-06-19	Khentii	Xas Delgerkh LLC	90,000.00	50	50,000.00	68,217.54	59,595.79	33,108.77	33,782.46	normal	
27				2017-09-29	Khuvsgul	Dalai Eejilin Dolgic coop	121,500.00	40	54,000.00	86,473.47	77,826.12	34,589.39	48,528.53	normal	
28		XacBank	2017-09-29	Arkhangai	Ar Enkh Naran coop	90,000.00	50	50,000.00	60,889.58	54,782.60	30,434.78	39,130.44	normal		
29	Total In 2017					851,965.20		946,628.00	494,476.80	497,971.41	448,174.27	260,068.68	448,658.59		
30						946,628.00		494,476.80	497,971.41	448,174.27	260,068.68	448,658.59			
31	Grand total					1,476,115.20		2,796,728.00	1,408,078.80	1,210,383.09	665,951.98	631,219.81	1,586,344.91		
32						Of which: from JICA TSL II	-			1,156,600.00		528,300.00	470,436.45		232,530.64
33	: from PMPMD					1,476,115.20		1,640,128.00	879,776.80	739,946.64	665,951.98	398,689.18	900,181.36		
34						State Bank	732,150.00		1,210,100.00	679,059.89	515,386.95	630,315.92	531,040.11		
35	XacBank	162,000.00		810,000.00	297,000.00	180,892.13	59,355.34	89,936.87							
36	Golomt Bank	-		130,000.00	35,000.00	-	-	-							
37	Capital Bank	-		200,000.00	80,000.00	26,875.86	-	10,750.34							
38	Khan Bank	581,965.20		646,628.00	339,476.80	323,555.21	291,189.68	170,216.68	173,124.14						

IFAD Mission: Totally 4 mission working groups worked during the financing period.

No	Mission name	Outcome /brief/
1	Follow-up Mission 18-22 March	The mission reviewed project implementation progress and performance in related to project sub-components in aimag and soum levels, and worked closely with PMU/Project Team to identify the emerging issues and existing difficulties, suggested alternative solutions and supports to address them.
2	Implementation Mission 3-4 June Support	The mission is to review project performance and implementation progress particularly related to LGF, Project Implementation Manuals (PIM), withdrawal applications and procurement process.
3	Supervision Mission 23 September to 13 October	The working group assessed the progress made, also reviewed the fiduciary aspects, worked in aimags/soums. In terms of the bottlenecks and current issues, the team proposed potential corrective measures implementable during the remaining timeframe which would ensure to achieve the PMPMD development objectives.
4	Implementation Mission 2 to 12 December 19 Support	The Mission discussed with Khan Bank, State Bank, National Association of Mongolia Agricultural Cooperatives, and the PMPMD LGF. The mission also visited cooperatives in Bayanchandmani soum of Tuv aimag. Reviewed the status of the Long Term Deposit Fund guarantee (LTDFG), the pending comments made by the Banks, and proposed solutions and finalized the negotiations in order to reach an agreement acceptable by the parties. Training of the staffs on the 4Ps/Contract farming methodology and Training on Due Diligence process to analyse the Business Plan provided in order to reach the objectives as describe in the last supervision mission.

Project Steering Committee and Technical Working Groups of Components:

The Project Steering Committee was established by the order of the Minister of Food, Agriculture and Light Industry on November 17, 2017 and met twice in 2018 for selection of project soums, discussed and approved annual work plan and budget of 2019.

In 2019, PSC meeting has not being organized, but a Project annual report and financial performance as for 2019 were submitted to PSC all members, and the project's 2020 budget plan and 2020 procurement plan were submitted and approved by PSC Chairman.

The Meeting of Technical working group was organized 5 times during the time, and discussed with the IFAD Mission working group, and finalized the following regulation.

- Developed "Temporary regulation on investment of PMPMD, AF and approved by the Order No. A-239 of the Minister of Food, Agriculture and Light Industry dated July 19, 2019.

- "Temporary procedure for spending funds to create hay and fodder reserves to prevent livestock from natural risks, creating savings fund and reporting" was developed and approved by Order No. A-361 of the Minister of Food, Agriculture and Light Industry dated October 28, 2019.
- The Minister of Food, Agriculture and Light Industry's Order No. A-361 approved the allocation of 20.0 million MNT to each of the soums included in the component, for a total of 360.0 million MNT for the purpose of creating fodder reserves.

PMU staff training

1. "Certification of legal knowledge on procurement of goods and services with state and local funds" A3 certificate training was organized on January 22-24, 2019 for 43 people including project aimag and soum, and PMU staff.
2. PMU staff received online B safe certification for on-the-job safety.
3. In order to motivate local staff, several trainings were organized during the reporting year and relevant instructions were given. These include participation in the procurement process, oversight, and training on "Research Methodology".

Local information dissemination activities:

The priority of the project local staff is to provide and disseminate information on project activities and principles to locals, aimags and soums, and in accordance with the direction, they provided information about the project implementation activities to over 300 residents in each soum, so more than 8,000 people and households totally provided by the information. In addition, the bag public meeting, soum governor's office staff and soum citizens' khural members are provided with detailed information about the project such as distributed brochures, personally visit small and medium enterprises and herder cooperatives, and distribute information and announcements to households. The information was disseminated by all possible means, such as delivering information, explaining in detail to those who came to seek information, posting information on the soum's Facebook page, and placing information on local media and bulletin boards.

Project M&E system:

A management information system is being developed for internal monitoring and evaluation of the project. In this context, in December 2019, a system user training was organized for all local staff, and comments were discussed.

Special account:

The project closing value of account balance at the year ending, Ulaanbaatar city bank the loan account # was USD 692,800.43 and additional financing loan account the State bank # was USD 725,604.62 respectively.

Total of USD 756,844.84 or XDR 490,457.08, the remaining balance of original PMPMD loan, still held in two bank accounts, USD 687,242.36 in the designated account in Ulaanbaatar city bank and MNT184,090,282.80 or equivalent to USD 69,602.48 in the project account in the State treasury bank.

As reported by PMU, until decision how to utilize the fund is made by funding organization or IFAD and Implementing agency, MoFALI, it is not allowed to spend.

In accordance with IFAD recommendation, USD 676,752.35, which was used from the above mentioned fund for the activity of Additional Finance, is transferred back into the designated account of the original PMPMD loan from the designated account of Additional Finance on April 10, 2019.

The project annual work plan of budget was approved by the Ministry of Finance in consultation with IFAD, based on the approved annual budget, the project main operating activity costs from the State treasury MNT account # the budget for every quarter approved the Ministry of Finance, in accordance with Regulation #196 by the Ministry of Finance, and monthly report on disbursement is submitted to the Ministry as an internal monitoring as well.

At the beginning of fiscal year, State treasury account # was opened and credited in MNT 3,438,806,698.50 of the loan guarantee funds which transferred to the State budget in the year ending 2018. There is no disbursement from this account in the reporting year.

Account balances of PMPMD-AF

No	Bank name	currency	balance 19.01.01		balance 19.12.31	
			\$	₮	\$	₮
	The closing rate of the Mongol Bank		2,642.92		2,733.52	
1	Additional funding Statebank-	\$	1,506,873.51	3,982,546,137.04	725,604.62	1,983,454,740.86
2	Loans UB bank-	\$	207,323.80	547,940,217.50	692,800.43	1,893,783,831.41
3	Grants UB bank-	\$	62,503.91	165,192,833.82		-
4	Bank interest UB bank-	\$	9,846.27	26,022,903.91		-
5	Loans Treasury Bank-	₮		318,102,632.91		177,040,416.76
6	Loans Treasury Bank-	₮		-		660,195,372.01
7	Bank interest Treasury Bank-	₮		838,815,127.88		330,351,644.88
8	Loans Treasury Bank-	₮		-		3,438,806,698.50
9	Cash	₮		8,569.00		1,909.16
	Total		1,786,547.49	5,878,628,422.06	1,418,405.05	8,483,634,613.58

The balances of amount at the Ulaanbaatar city bank grant account # back to the financing organization and interest income account # to the State budget funds respectively transferred and closed on 1 August 2019.

The additional financing loan fund disbursement of WA03 or USD 290,532.18, WA04 or USD 532,185.16, WA05 or USD 211,653.10, WA06 or USD 730,585.15 and total USD 1,764,955.59 of amount of withdrawal application forming and claimed from IFAD. The previous year WA02 or USD 430,914.49 credited in the reporting year and total USD 1,466,284.93 of amounts were financed.

No	Withdrawal application	Claimed amount /USD/	Disbursed amount /USD/
1	WA-02	-	430,914.49
2	WA-03	290,532.18	290,532.18
3	WA-04	532,185.16	532,185.16
4	WA-05	211,653.10	211,653.10
5	WA-06	730,585.15	-
	Total	1,764,955.59	1,466,284.93

The project an annual budget was approved by the Ministry of Finance in consultation with IFAD, the project main operating activity costs from the State treasury MNT account # the budget for every quarter approved the Ministry of Finance, in accordance with Regulation #196 by the Ministry of Finance, and monthly report on disbursement is submitted to the Ministry as an internal monitoring as well.

Disbursement:

The project disbursed USD 1,764,955.59 amount of loan fund in the reporting year. Disbursements of fund claimed WA-03, WA-04 and WA05 documentation collected and calculated exchange rate based on the date of the transfer from the special account to the MNT's account.

Category	Category description	Disbursement				
		WA-3	WA-4	WA-5	WA-6	Total
200003	Works	6,817.80	151,735.08	86,490.19	216,560.12	461,603.19
200010	Credit and Guarantee Funds		200,000.00			200,000.00
200013	Goods, Service and Inputs	173,160.67	90,970.43	91,440.94	405,702.59	761,274.63
200016	Operating Costs	78,105.94	38,270.42	27,117.66	50,097.38	193,591.40
200019	Training	32,447.77	51,209.23	6,604.32	58,225.06	148,486.38
	Total	290,532.18	532,185.16	211,653.10	730,585.15	1,764,955.59

Total disbursement of the additional financing loan fund is 24.24 percent or USD 2,195,875.08 and utilization of loan is 33.13 percent or USD 2,965,284.93.

Additional Financing disbursements (USD, as at 31/12/2019)

Category code	Category description	Allocated	Disbursement						Balance	Percent disbursed
			WA-1	WA-2	WA-3	WA-4	WA-5	WA-6		
200003	Works	3,327,592		186,950.44	6,817.80	151,735.08	86,490.19	216,560.12	648,553.63	19.49%
200010	Credit and Guarantee Funds	978,704				200,000.00			200,000.00	20.44%
200012	Grants and Subsidies	139,815							0.00	0.00%
200013	Goods, Service and Inputs	1,677,778		117,197.13	173,160.67	90,970.43	91,440.94	405,702.59	878,471.76	52.36%
200016	Operating Costs	1,188,426		110,659.79	78,105.94	38,270.42	27,117.66	50,097.38	304,251.19	25.60%
200019	Training	838,889		16,107.13	32,447.77	51,209.23	6,604.32	58,225.06	164,593.51	19.62%
	Unallocated	908,796							0.00	0.00%
270001	Initial deposit	1,500,000.00	1,500,000.00						(1,500,000.00)	0.00%
	Total	9,060,000	0	430,914.49	290,532.18	532,185.16	211,653.10	730,585.15	2,195,870.08	24.24%

Additional Financing Loan disbursement (SDR, as at 31/12/2019)

Category Code	Category description	Allocated	Disbursed						Available amount	Percent disbursed
			WA-1	WA-2	WA-3	WA-4	WA-5	Total		
200003	Works	2,380,000		134,886.82	4,913.73	110,741.79	62,842.08	313,384.42	2,066,615.58	13.17%
200010	Credit and Guarantee Funds	700,000				145,967.29		145,967.29	554,032.71	20.85%
200012	Grants and Subsidies	100,000						-	100,000.00	0.00%
200013	Goods, Service and Inputs	1,200,000		84,559.03	124,800.48	66,393.53	66,439.20	342,192.24	857,807.76	28.52%
200016	Operating Costs	850,000		79,842.27	56,292.57	27,931.15	19,703.16	183,769.15	666,230.85	21.62%
200019	Training	600,000		11,621.48	23,385.78	37,374.36	4,798.57	77,180.19	522,819.81	12.86%
	Unallocated	650,000						-	650,000.00	0.00%
270001	Initial deposit	1,084,042.18	1,084,042.18						1,084,042.18	16.73%
	Total	6,480,000	1,084,042.18	310,909.60	209,392.56	388,408.12	153,783.01	1,062,493.29	2,146,535.47	33.13%

Contribution of the Mongolian Government:

Government contribution consists of followings:

- Value added tax exemption worth MNT 189.0.

- Operating cost of Loan guarantee fund Sub unit worth MNT247.2 million

Office rent worth MNT 62.9 million. The above mentioned amounts accounted in revenue and cost account in the reporting year.

Procurement :

The project planned to purchase MNT 5.2 billion of 38 procurements including with 14 goods, 16 consulting services and 8 works.

➤ Pasture management and climate change adaptation component:

- 1 Consulting service /under the part of component, tender for the selection of non-governmental organizations to provide consulting services and organizations to develop plans for soum territorial development in 2019/

- 6 goods / equipments for soum officers, medium sized hay set equipments, small capacity of tractors with accessories, hay accessories, gerbil destruction equipments and crop irrigation systems/.

- 4 works / to build new engineering wells, fodder storages, livestock washing points and rehabilitation of the information hall/.

➤ Market development component:

- 1 consulting service /under the part of component, tendering for selection of a non-governmental organization for consultancy services in 2019/

- 2 works / workplaces maintenance of Woman groups, to build a new selling points of Woman groups/.

➤ Enabling business environment for niche market:

- 13 consulting services /tender for selection of consultanting for value added, a market research on milk, cheese, fruits, vegetables, sea buckthorn and wool brand products, as well as value-added research for milk, cheese, fruits, vegetables, sea buckthorn and wool products/

- 4 goods / small equipments for processing and packaging of fruits, cabbage and vegetables, milk and dairy products /.

- 2 works / to support and maintenance for aimags and soums market/.

➤ Project management:

-2 goods /The project vehicles, monitoring, evaluation system and warranty/

Above mentioned 38 tenders is planned to be organized 30 procurements open and comparison method tenders by Committee evaluation of tenders of MoFALI, 6 procurements with comparison method would be done by Committee evaluation in soums and provinces and 2 procurements done by the project management unit within purchased comparison method.

The planned 18 out of 38 procurements were organized and MNT 3.1 billion of amount of contracts signed which means performance 60 percent, MNT 226.7 million saved from procured purchases.

2.5 EVALUATION FOR FACTORS RELATED WITH ACCOUNTING POLICY, OPERATING ACTIVITIES AND INTERNAL CONTROL

We have reviewed the project's accounting policies, operations and internal controls as necessary to ensure that no material misstatement exists in the financial statements. It aims to clarify and analyze key policies and controls that should be protected against material misstatement.

The current accounting policy document of the project was reviewed to ensure that whether these new accounting policies to be in accordance with relevant standards and legislation approved by Ministry of Finance and the project accounting policy was in complied within these reformed regulations.

The Market and Pasture Management Development Additional Financing project's financial activity and financial statements preparation are in using the financial software program "Acolous".

The Market and Pasture Management Development Additional Financing project's internal control risk assessment was a "medium" at the planning stage and re-examined its no impact at the implementing stage.

2.6 IDENTIFIED RISKS AT THE PLANNING STAGE AND ITS ASSESSED

In order to obtain reasonable assurance whether the financial statements of the Market and Pasture Management Development Project / Additional Finance were prepared and

expressed free from material misstatement, identified and assessed the risks associated with the financial statements and budget execution statement, internal and external environment of the project and internal control system.

During the planning stage, a preliminary risk assessment procedure was implemented to identify six risk issues of auditing. Based on the risk assessment results, to be planned and assured to implement a test of control, substantive advanced procedure to the risks.

2.7 BASIS OF MATERIALITY LEVEL, DESCRIPTION

Materiality level was determined at the planning stage in accordance with ISSAI 1320 and ISA 320, assessed the risk level "medium" and total cost of statement of comprehensive income selected 2 percent from as a base of materiality level in 2018.

The selected baseline at the planning stage, a materiality level was estimated and confirmed MNT 24,310.3 thousands from the baseline of MNT 1,215,513.7 thousands.

At the performing stage, the estimated materiality level was MNT 113,778.6 thousands, because total the cost was MNT 5,688,929.1 in 2019.

2.8 FINANCIAL STATEMENTS INDICATORS

The year ending 2019, the Market and Pasture Management Development project's total assets amount of Statement of financial position decreased by MNT 715,362.5 thousands or 92.8 percent comparing with the previous year. There are materiality changes in the Cash and cash equivalents, Receivables and Government assets accounts from the previous year.

Table 1 Statement of financial position's indicators

(In thousand MNT)			
Indicators	Opening balance	Closing balance	Difference
A	1	2	3=2-1
Cash and cash equivalents	5,878,628.4	8,483,664.6	2,605,036.2
Receivables	3,491,075.2	27,658.5	(3,463,416.7)
Inventories	6,191.5	6,191.5	-
Fixed assets	590,780.5	733,798.5	143,018.0
Total assets	9,966,675.6	9,251,313.1	(715,362.5)
Liabilities	3380,170.0	3,722,651.5	342,481.5
Government assets/ owner's equity/	6,586,505.6	5,528,661.6	(1,057,844.0)
Total liabilities owner's equity	9,966,675.6	9,251,313.1	(715,362.5)

The cash and cash equivalents balance increased by MNT 2,605,036.2 thousands, as a result of that MNT 3,475,348.1 thousands amount of the Loan Guarantee Fund transferred to the State central budget on 31 December 2018 and these amount returned back in 2019.

The receivables balance decreased by MNT 3,463,416.7 thousands, the Loan guarantee Fund's above mentioned MNT 3,475,348.1 had been transferred into the State treasury fund and returned back.

The fixed asset increased, the project purchased MNT 178,400.0 of vehicles, MNT 2,866.5 thousands of computers, MNT 2,652.5 of office furniture of their needs.

The liabilities of balance increased; within the project scope MNT 344,786.9 thousands of five organizations contract works payment did not pay in the reporting year.

The Government assets account balance was MNT 5,528,661.6 thousands decreased by MNT 1,057,844.0 that MNT 1,951,833.0 of IFAD financing withdrawal did not make in the reporting year.

2.9 BUDGET EXECUTION EXPLANATION AND ITS DESCRIPTION

In order to implementation of under the budget law article 6.1 Authorized bodies and budget governors shall be responsible for following the budget principles in budget planning and reporting processes, responsible to follow the principles of budget law article 5.1.

The direct governor's a budget of MNT 5,792,778.6 thousands was approved for programs and activities financed by foreign loan and the project internal current expenses including with MNT 4,004,376.6 thousands for the current expenses and MNT 1,788,400.0 thousands for assets expenses to be approved to disburse in the reporting year.

The approved budget of MNT 5,792,778.6 thousands was planned to be financed by the soft loan MNT 5,473,658.3 from United Nation IFAD and MNT 319,120.0 from the Government of Mongolia or the state budget.

In fiscal year, the project's total income was MNT 4,315,736.0 thousands including with MNT 3,904,241.6 thousands of a soft loan from the IFAD, MNT 319,120.0 thousands of amount financing from the State budget and MNT 92,374.4 thousands of income from a supporting activities, MNT 5,309,636.4 thousands disbursed.

The financing MNT 310,197.1 thousand out of approved the State budget financing of MNT 319,120.0 thousands disbursed and the leftover of MNT 8,922.8 thousand amounts were transferred back to the State central budget fund. MNT 4,077,564.0 thousand of amount disbursed from the planned IFAD loan MNT 5,473,658.6.

For more detailed information on the approved budget, execution, over expenditure in section 4.5 of this report.

Amount of MNT 3,628,346.6 were disbursed and MNT 376,031.9 thousands left from the planned the current cost. This undisbursed amount related with MNT 57,713.9 thousands from a contracted work of the project internal control evaluation done over the year, MNT 34,598.2 thousands from the value added chain consultant's a contract terminated before the date, according to the financing organization advice the planned equipments and the market research work on value added chain for brand products were not given to the selected enterprises under the "improve business environment, developing brand product" component MNT 283,719.8 thousands of payments have not paid in the fiscal year.

MNT 1,788,400.0 thousand amounts planned for assets costs, under the Pasture management and climate change adaptation component contracted work of to build new engineering wells payment have not paid in the reporting year and MNT 484,439.3 thousands of saved from the budget costs.

A total expenditure performed MNT 4,932,307.3 thousands or 85 percent, reflecting the planned works and the contracted payments have not done in 2019.

4 AUDITED FINANCIAL STATEMENTS

4.1 Audited statement of financial position

**THE MARKET AND PASTURE MANAGEMENT
DEVELOPMENT ADDITIONAL FINANCING PROJECT**
for the year ending the 31 December 2019

/ In MNT/

Code	Accounts	2018.12.31	2019.12.31
1	Current assets sum	9,375,895,157.16	8,517,514,556.14
31	CASH AND CASH EQUIVALENTS	5,878,628,422.06	8,483,664,614.58
311	Cash on hand	8,569.00	1,909.16
31110	Mongolian tugriks	8,569.00	1,909.16
312	Cash in bank	5,878,619,853.06	8,483,662,704.42
3121	Tugriks	1,156,917,760.79	4,606,424,132.15
312113	State treasury bank account #	318,102,632.91	177,070,416.76
312114	State treasury bank account #		660,195,372.01
312115	Credit guarantee fund interest income State treasury fund	838,815,127.88	330,351,644.88
312116	Credit guarantee fund State treasury bank		3,438,806,698.50
3122	Foreign currency	4,721,702,092.27	3,877,238,572.27
312231	Current account for additional funding at State bank	3,982,546,137.04	1,983,454,740.86
312232	Current account at Ulaanbaatar bank	739,155,955.23	1,893,783,831.41
33	RECEIVABLES	3,491,075,255.10	27,658,461.56
33100	Receivables from employees	18,090.00	31,814.00
33300	Subsidy funding receivables	3,475,348,075.10	-
33400	Receivables from tax authorities/ organisations		4,702,059.56
335	Other receivables	15,709,090.00	22,924,588.00
3351	Receivables from entities	15,709,090.00	22,924,588.00
35	INVENTORIES	6,191,480.00	6,191,480.00
354	Supply materials	6,191,480.00	6,191,480.00
35420	Supply materials	5,791,680.00	5,791,680.00
35470	Other supply materials	399,800.00	399,800.00
2	NON-CURRENT ASSETS SUM	590,780,490.77	733,798,536.95
39	FIXED ASSETS	590,780,490.77	733,798,536.95
392	Tangible assets	590,780,490.77	733,798,536.95
39203	Vehicles	244,500,000.00	422,900,000.00
39204	Accumulated depreciation	(109,995,833.38)	(122,220,833.38)
39205	Equipments	202,662,910.00	205,529,440.00
39206	Accumulated depreciation	(22,369,539.48)	(46,860,147.98)
39207	Furniture and fixtures	84,126,004.00	86,778,604.00
39208	Accumulated depreciation	(5,793,050.37)	(9,978,525.69)
39214	Other fixed assets	197,650,000.00	197,650,000.00

3	TOTAL ASSETS	9,966,675,647.93	9,251,313,093.09
4	TOTAL LIABILITIES	3,380,170,016.21	3,722,651,535.00
41	CURRENT LIABILITIES	3,380,170,016.21	3,722,651,535.00
413	LIABILITIES	2,570,016.21	345,051,535.00
41310	Liabilities related with employees	1,245,565.21	-
41320	Payable of Inventory expenses		12,120,290.00
4136	Other payables	1,324,451.00	332,931,245.00
41361	Payables to suppliers/ organizations		332,666,637.00
41362	Payable to individuals	1,324,451.00	264,608.00
414	Unearned revenue	3,377,600,000.00	3,377,600,000.00
41410	Government organizations and other higher level of budget	3,377,600,000.00	3,377,600,000.00
5	TOTAL OWNER'S EQUITY	6,586,505,631.72	5,528,661,558.09
51	Government assets	6,586,505,631.72	5,528,661,558.09
512	Cumulated Retained Earnings	6,586,505,631.72	5,528,661,558.09
51210	Previous years Retained Earnings	2,409,130,721.16	6,586,505,631.72
51220	Current year Retained Earnings	4,177,374,910.56	(1,057,844,073.63)
6	TOTAL LIABILITIES OWNER'S EQUITY	9,966,675,647.93	9,251,313,093.09

4.2 Audited statement of comprehensive income

**THE MARKET AND PASTURE MANAGEMENT
DEVELOPMENT ADDITIONAL FINANCING PROJECT**
for the year ending the 31 December 2019

		/in MNT/	
Code	Item	2018.12.31	2019.12.31
1	OPARETING ACTIVITIES INCOME (I)	5,062,748,898.74	4,507,707,807.88
12	NON TAXATION INCOME	5,062,237,382.60	4,188,587,807.88
120	Common non-taxation income	4,959,341,863.41	4,188,587,807.88
120004	State budget organization to be financed by its income	4,939,862,834.31	4,185,669,854.88
1200041	Financing from main activities	4,542,833,717.89	3,904,241,645.64
1200043	Interest incomes from Bank accounts	335,023,596.53	84,238,706.52
1200044	Income from value added taxes	61,787,337.89	189,053,785.72
1200042	Revenue from bidding	218,182.00	3,891,000.00
1200047	Guarantee fees	19,479,029.10	4,244,717.00
120009	Other income		2,917,953.00
122	Grant income	102,895,519.19	-
122002	Grants /foreign/	102,895,519.19	-
13	GRANT, FINANCING REVENUES	511,516.14	319,120,000.00
1310	From the State budget		319,120,000.00
131001	Financing for current operating activities		319,120,000.00
1340	Social insurance fund	511,516.14	-
134002	Health insurance fund	511,516.14	-
2	OPERATOINAL EXPENSES (II)	1,200,582,781.01	5,688,929,072.76
21	CURRENT EXPENSES	1,192,428,745.01	4,151,365,063.76
210	GOODS, SERVICES COSTS	1,192,428,745.01	3,774,035,997.34
2101	Salary and compensations	561,641,998.00	898,274,833.00
210101	Salary	561,641,998.00	898,274,833.00
2102	Social insurance fees of employer	66,896,843.31	110,679,883.00
210201	Social insurance fees	44,825,403.28	76,513,360.00
210202	Allowance insurance fees	5,603,175.66	8,982,748.00
210203	Industrial accidents and occupational diseases insurance	4,482,540.33	7,186,198.00
210204	Unemployment insurance fees	1,077,737.94	1,636,143.00
210205	Health insurance fees	10,907,986.10	16,361,434.00
2103	Loan guarantee's sub-unit	-	78,276,786.02
210301	Utilities /Electricity expenses	-	195,799.99
210303	Utilities/ water expense	-	36,186.48
210304	Rent for premises	-	78,044,799.55
2104	Supply and inventory costs	25,626,845.16	27,252,756.51
210401	Stationery materials	8,210,793.00	5,052,803.00
210402	Car expenses	13,144,865.00	8,868,272.89

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210403	Official expenses	4,271,187.16	4,130,817.62
210406	Low costs of expenses		9,200,863.00
2105	Loan, loan guarantee costs	-	-
210501	Loan	-	-
210502	Loan guarantee fund	-	-
2107	Diem and delegate cost	5,680,000.00	29,929,750.00
210701	Foreign per diem expenses	-	-
210702	Internal per diem expenses	5,680,000.00	29,929,750.00
2108	Fees and expenses for work and services done by others	532,583,058.54	2,121,840,043.70
210801	Work and services done by others	532,583,058.54	2,121,840,043.70
2109	Other costs of goods and services	14,930,931.00	507,781,945.11
210901	Other expenses of goods and services	-	466,880,861.29
210903	Depreciation	14,930,931.00	40,901,083.82
213	TRANSFER	-	377,329,066.42
2133	Funding from the State budget		75,447,852.04
213303	Remittance to the State budget		8,922,847.44
213306	Remittance to the State budget income account		66,525,004.60
2135	Funding from the budget governor		301,881,214.38
213503	Remittance to the State budget		301,881,214.38
22	ASSET EXPENSES	8,154,036.00	1,537,564,009.00
2200	Internal sources	8,154,036.00	1,537,564,009.00
220001	Premises	-	896,568,250.00
221001	Maintenance	-	456,692,492.00
222001	Equipments	8,154,036.00	184,303,267.00
3	OPERATING ACTIVITIES RESULTS (III=I-II)	3,862,166,117.73	(1,181,221,264.88)
145	NON-OPERATING ACTIVITIES RESULTS (IV)	333,976,530.41	162,284,229.35
145001	Foreign exchange gain	333,976,530.41	162,284,229.35
225	NON-OPERATING TOTAL EXPENSES (V)	3,836,806.21	38,907,038.10
225001	Loss of fixed assets sold	3,836,806.21	
225004	Foreign exchange loss	-	38,907,038.10
4	NON-OPERATING ACTIVITIES RESULTS (VI=IV-V)	330,139,724.20	123,377,191.25
5	TOTAL RESULTS (VII=III+VI)	4,192,305,841.93	(1,057,844,073.63)

4.3 Audited statement of changes in equity

THE MARKET AND PASTURE MANAGEMENT DEVELOPMENT ADDITIONAL FINANCING PROJECT

for the year ending the 31 December 2019

/in MNT/

Code	Items	Government financing property	Resource of re-evaluate property	Retained earnings	SUM of Government property
1	Balance as at December 31, 2017	-	-	2,409,130,721.16	2,409,130,721.16
2	Changes in accounting policies	-	-	0	0
3	Restated balance	-	-	2,409,130,721.16	2,409,130,721.16
4	Current year Retained Earnings	-	-	4,177,374,910.56	4,177,374,910.56
5	Balance as at December 31, 2018	-	-	6,586,505,631.72	6,586,505,631.72
6	Changes in accounting policies	-	-	0	0
7	Restated balance	-	-	-	-
8	Current year Retained Earnings	-	-	-1,057,844,073.63	-1,057,844,073.63
9	Balance as at December 31, 2019	-	-	5,528,661,558.09	5,528,661,558.09

4.4 Audited statement of cash flow

**THE MARKET AND PASTURE MANAGEMENT
DEVELOPMENT ADDITIONAL FINANCING PROJECT**
for the year ending the 31 December 2019

Code	Items	2018.12.31	2019.12.31
1	OPARETING ACTIVITIES CASH FLOW (I)	5,600,447,418.42	7,791,295,419.26
12	NON-TAXATION INCOME	5,600,447,418.42	3,996,827,344.16
120	Common non-taxation income	5,497,551,899.23	3,996,827,344.16
120004	State budget organisation to be financed by its income	4,878,075,496.42	3,996,616,069.16
1200042	Funding from supporting activities	335,241,778.53	92,374,423.52
1200044	Financing from main activities	4,542,833,717.89	3,904,241,645.64
120009	Other income	619,476,402.81	211,275.00
122	Grant income	102,895,519.19	-
122002	Grant /foreign/	102,895,519.19	-
13	Revenue from Grant and funding		3,794,468,075.10
1310	Funding from the State budget		3,794,468,075.10
131001	Funding to the current operating activity		319,120,000.00
131003	Transfer to the State budget		3,475,348,075.10
21	TOTAL EXPENDITURE AND NET LOAN AMOUNT (II)	4,662,847,686.51	4,005,675,700.99
210	CURRENT COST	4,662,847,686.51	4,005,675,700.99
2101	GOODS, SERVICES COSTS	1,187,499,611.41	3,628,346,634.57
2101	Salary and compensations	419,582,166.99	-
210101	Pension	419,582,166.99	-
2102	Social insurance fees of employer	67,369,299.50	-
210201	Pension	67,369,299.50	-
2103	Utility expenses	-	71,857,078.19
210301	Utilities /Electricity expenses	-	178,000.00
210303	Utilities/ water expense	-	32,896.80
210304	Rent for premises	-	71,646,181.39
2104	Supply and inventory costs	23,309,891.00	25,650,160.62
210401	Stationery	7,857,716.00	4,970,401.00
210402	Expenses of car	11,302,960.00	7,933,900.00
210403	Official cost	4,149,215.00	4,008,838.62
210406	Low costs of expenses	-	8,737,021.00
2105	Loan, credit guarantee	-	-
210501	Loan	-	-
2107	Diem and delegate cost	5,680,000.00	29,929,750.00
210702	Internal per diem expenses	5,680,000.00	29,929,750.00
2107	Fees and expenses for work and services done by others	671,558,253.92	3,034,028,784.47
210801	Work and services done by others	671,558,253.92	3,034,028,784.47

2109	Other cost of goods and services	-	466,880,861.29
210901	Other cost of goods and services		466,880,861.29
213	TRANSFER	3,475,348,075.10	377,329,066.42
2133	Financing from state budget, transfer	3,475,348,075.10	75,447,852.04
213303	Transfer to central budget	3,475,348,075.10	8,922,847.44
213306	Transfer to the State budget income account		66,525,004.60
2135	Funding from the budget governor		301,881,214.38
213503	Transfer to the State budget		301,881,214.38
3	NET OPERATING ACTIVITIES CASH FLOW (III)=(I)-(II)	937,599,731.91	3,785,619,718.27
4	INVESTMENT CASH FLOWS	-	-
5	COST OF INVESTMENT (V)	413,312,270.00	1,303,960,717.00
22	ASSETS COST	413,312,270.00	1,303,960,717.00
2200	Internal sources	413,312,270.00	1,303,960,717.00
220001	Premises		577,010,025.00
221001	Maintenance		396,615,584.00
222001	Equipments	413,312,270.00	330,335,108.00
6	NET INVESTMENT CASH FLOWS (VI)=(IV)-(V)	(413,312,270.00)	(1,303,960,717.00)
14	FINANCIAL ACTIVITIES CASH FLOW	333,976,530.41	162,284,229.35
145001	Foreign exchange gain	333,976,530.41	162,284,229.35
25	Financial activities expenses	-	38,907,038.10
250001	Foreign exchange rate difference		38,907,038.10
7	NET FINANCIAL ACTIVITIES CASH FLOW	333,976,530.41	123,377,191.25
8	TOTAL NET CASH FLOWS	858,263,992.32	2,605,036,192.52
10	Opening balance of cash and cash equivalents	5,020,364,429.74	5,878,628,422.06
314	Closing balance of cash and cash equivalents	5,878,628,422.06	8,483,664,614.58

4.5 Audited the budget execution statement

**THE MARKET AND PASTURE MANAGEMENT
DEVELOPMENT ADDITIONAL FINANCING PROJECT**
for the year ending the 31 December 2019

/ In MNT/

Code	Items	Plan	Executed budget	Difference	Percentage
	Opening balance of cash and cash equivalents	5,878,628,422.06	5,878,628,422.06	0.00	
II	TOTAL COST AND NET LOAN AMOUNT	5,792,778,600.00	4,932,307,351.57	-860,471,248.43	85%
21	CURRENT EXPENSES	4,004,378,600.00	3,628,346,634.57	-376,031,965.43	91%
210	GOODS, SERVICES COSTS	4,004,378,600.00	3,628,346,634.57	-376,031,965.43	91%
2101	Salary, compensations and bonus	-	-	-	
210101	Salary	-	-	0.00	
2102	Social insurance fees of employer	-	-	-	
210201	Pension insurance			0.00	
2103	Fixed costs related with building rent	78,753,000.00	71,857,078.19	(6,895,921.81)	91%
210301	Utilities /Electricity expenses	178,000.00	178,000.00	0.00	100%
210302	Utilities/ water expense	63,000.00	32,896.80	-30,103.20	52%
210304	Rent for premises	78,512,000.00	71,646,181.39	-6,865,818.61	91%
2104	Supply and inventory costs	44,059,000.00	25,650,160.62	(18,408,839.38)	58%
210401	Stationery	6,442,000.00	4,970,401.00	-1,471,599.00	77%
210402	Transportation and fuel expenses	18,432,000.00	7,933,900.00	-10,498,100.00	43%
210403	Communication Charges	10,185,000.00	4,008,838.62	-6,176,161.38	39%
210406	Low costs of expenses	9,000,000.00	8,737,021.00	-262,979.00	97%
2107	Diem and delegate cost	36,000,000.00	29,929,750.00	(6,070,250.00)	83%
210702	Internal per diem expenses	36,000,000.00	29,929,750.00	-6,070,250.00	83%
2108	Fees and expenses for work and services done by others	3,845,566,600.00	3,500,909,645.76	344,656,954.24	91%
210801	Work and services done by others	3,845,566,600.00	3,500,909,645.76	344,656,954.24	91%

22	ASSETS COST	1,788,400,000.00	1,303,960,717.00	(484,439,283.00)	73%
220001	Premises	1,040,000,000.00	577,010,025.00	-462,989,975.00	55%
221001	Maintenance	417,600,000.00	396,615,584.00	-20,984,416.00	95%
222001	Equipment	330,800,000.00	330,335,108.00	-464,892.00	100%
223001	Other assets	-	-	0	
224001	Strategic resources	-	-	0	
23	NET LOAN REDUCED BY REPAYMENT	-	-	0	
230001	Repayable loan	-	-	0	
231001	Loan for financing from foreign financial market	-	-	0	
III	FINANCING SOURCES FOR EXPENSES	5,792,778,600.00	7,537,343,544.09	1,744,564,944.09	130%
31	FINANCING FROM STATE BUDGET	319,120,000.00	310,197,152.56	-8,922,847.44	97%
310001	FINANCING FROM STATE BUDGET	319,120,000.00	310,197,152.56	-8,922,847.44	97%
35	FINANCING FROM STATE BUDGET	5,473,658,600.00	7,405,650,414.66		135%
350002	Financing income from supporting activities		26,060,693.92		
350003	Funding from the previous year's leftover		3,475,348,075.10		
350004	Financing from foreign sources	5,473,658,600.00	3,904,241,645.64	1,569,416,954.36	71%
37	OTHER SOURCE	-	(178,504,023.13)		
	Transfer to the State budget		(301,881,214.38)		
	Transfer of leftover from the grant		(204,172,661.29)		
	Exchange rate gain		123,377,191.25		
4	Opening balance of cash and cash equivalents		5,878,628,422.06		
5	Closing balance of cash and cash equivalents		8,483,664,614.58		
6	OTHER INFORMATION OF BUDGET				
61	ORGANIZATION NUMBER	1.00	1.00		
62	STAFF NUMBER	56.00	56.00		
620001	Management staff	2.00	2.00		

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620002	Executive staff	50.00	50.00		
620003	Service staff	2.00	2.00		
620004	Contract workers	2.00	2.00		