

Mongolia

Project for Market and Pasture Management Development

Partial Supervision Report

Mission Dates: 6 to 24 October 2024

Document Date: 11/12/2024

Project No. 1100001455

Report No. 7091-MN

Asia and the Pacific Division
Programme Management Department

Abbreviations and Acronyms

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

A. Project Overview

Region:	Asia and the Pacific Division	Project at Risk Status:	Not at risk
Country:	Mongolia	Environmental and Social Category:	Moderate
Project Name:	Project for Market and Pasture Management Development	Climate Risk Classification:	not available yet
Project ID:	1100001455	Executing Institution:	Ministry of Food, Agriculture and Light Industries of Mongolia
Project Type:	Storage, processing and marketing	Implementing Institutions:	Ministry of Food, Agriculture and Light Industries of Mongolia
CPM:	Sakphouseth Meng		
Project Director:	Mr. ZANDANBAL Sanjmyatav		
Project Area:	Arkhangai, Bulgan, Huvskhul, Gobi-Altai, Dornod, Dundgobi, Hentii, Sukhbaatar and Uvurkhangay		

Approval Date:	11/05/2011	Last audit receipt:	02/10/2024
Signing Date:	17/06/2011	Date of Last SIS Mission:	24/10/2024
Entry into Force Date:	26/08/2011	Number of SIS Missions:	26
Available for Disbursement Date:	26/08/2011	Number of extensions:	4
First Disbursement Date:	21/12/2011	Effectiveness lag:	3 months
MTR Date:	15/06/2014		
Original Completion Date:	30/09/2016		
Current Completion Date:	31/03/2027		
Financial Closure:	not available yet		

Project total financing

IFAD Financing breakdown	IFAD	\$3,407,997
	IFAD	\$6,919,266
	IFAD	\$9,060,000
	IFAD	\$11,479,497
Domestic Financing breakdown	Beneficiaries	\$500,000
	National Government	\$661,000
	National Government In-kind	\$876,000
	Domestic Financing Institutions	\$2,655,959
	Domestic Financing Institutions additional	\$473,000
	National Government	\$898,198
	Beneficiaries	\$1,830,324
	National Government (add)	\$1,872,000
Co-financing breakdown,	United Nations Industrial Development Organization	\$1,800,000
	Adaptation Fund-To be determined	\$2,039,000
	Global Environmental Facility	\$1,500,716
Project total financing:		\$45,972,957

Current Mission

Mission Dates:	6 to 24 October 2024
Days in the field:	n/a
Mission composition:	Meng Sakphouseth, CD and mission leader; Kevin Gallagher, consultant, Rural Development Specialist; Margarita Borzelli Gonzalez, IFAD Officer, M&E Specialist

Field sites visited: n/a

B. Overall Assessment

Key SIS Indicator #1	∅	Rating	Key SIS Indicator #2	∅	Rating
Likelihood of Achieving the Development Objective		4.82	Assessment of the Overall Implementation Performance		4.67

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

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

Relevance		5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. In May 2011 the IFAD Executive Board approved the PMPMD, providing a loan of SDR 7.25 million (equivalent to USD 11.5 million) on highly concessional terms, along with a USD 1.5 million grant from the Global Environment Facility (GEF). The project became effective on August 26, 2011. In 2016, an additional loan of SDR 6.48 million (equivalent to USD 9 million) on blend terms was approved, becoming effective on March 30, 2018. The PMPMD is scheduled to be completed by September 30, 2023, with a closing date set for March 31, 2024.
2. The goal of PMPMD is to empower poor rural women and men to achieve higher incomes and sustainable improvements in their livelihoods. The project covers nine Aimags: Arkhangai, Bulgan, Huvsgul, Gobi-Altai, Dornod, Dundgobi, Khentii, Sukhbaatar, and Uvurkhangay. The project activities are organized into three components: (a) Market Development; (b) Pasture Management and Climate Change Adaptation; and (c) Project Management and Enabling Environment for Business Development.
3. A partial supervision mission was conducted from 6 to 24 October 2024, with the following objectives: (i) to assess the final progress made, and (ii) to hold meetings with Government counterparts to accelerate the ratification of the additional financing by the Parliament. This mission was guided by a comprehensive reflection on the relevance, effectiveness, efficiency, and sustainability of the project's interventions.

Key Mission Agreements and Conclusions

4. The mission would like to congratulate the MOFALI for strong effort to support PMPMD. Strategic revisions throughout the project life streamlined procurement, promoted local ownership through co-financing, and established publish private partnerships. As a result, in the additional finance phase, 74 Soums benefited from investments for climate change adaptation and 156 Soums were included to access rural finance with project support.
5. The PMPMD has achieved significant progress towards its development objectives, as demonstrated by the end-line survey conducted by the Economic Institute of the National University of Mongolia. The survey reveals that project-participating households have experienced faster growth in livestock ownership compared to national, aimag, and non-participating households, highlighting the project's positive impact on agricultural productivity. Additionally, these households have seen an increase in ownership of crucial assets such as solar power, trucks, animal fencing, power generators, and wells, surpassing non-project households by notable percentages. This improvement in asset ownership reflects enhanced economic resilience and quality of life.
6. A key indicator of the project's success is the effective utilization of loans by beneficiaries. The survey of 35 households shows that a significant portion of loans was directed towards business expansion and start ups, indicating a surge in entrepreneurial activity within the project area. The absence of overdue loans and the effective utilization reported by nearly all surveyed households suggest that the credit facilities were well-aligned with the beneficiaries' needs, resulting in productive investments.
7. Moreover, the impact on household income has been particularly striking, with loan-receiving households experiencing an average annual income increase of 26.3%, a growth rate significantly outpacing the loan interest rate. This substantial income growth demonstrates the loans' effectiveness in enhancing financial stability and prosperity, directly contributing to poverty reduction and improved quality of life for rural households. Overall, the PMPMD has made commendable strides towards achieving its development objectives, as evidenced by the improved livelihoods, financial stability, and asset ownership among participating households. Feedback from field consultations further supports these findings, indicating broad-based recognition of the project's positive impact.
8. Sustainability: The implementation of the project exit strategy has created the basis for sustainable management of the project investments and infrastructure. Furthermore, the formation of PHGs, their jointly agreed pasture management plans and their contractual Rangeland Use Agreement with the Soum Governor are important elements to sustain the pasture management improvements introduced by the project. While the Loan Guaranty Fund (LGF) will not be able to continue in the short term after the project, loan guarantee mechanisms can be implemented and modelled on the PMPMD project once the draft amendment to the Guaranty Fund Policy has been approved by the government.
9. The experience gained by Participating Financial Institutions (PFIs) in extending loans to clients with reduced collateral requirements, and the resultant minimal loan losses, represents a significant learning curve for the banking sector. This successful model demonstrates the potential for banks to develop and fine-tune their financial products, specifically tailored to this client group. The project's approach challenges traditional risk assessment models, showing that lower collateral loans can be both viable and profitable. This insight encourages banks to make credit access more affordable and approachable, particularly for underserved communities, potentially leading to a shift towards more inclusive and innovative banking practices that align business goals with broader economic development objectives.

D. Overview and Project Progress

10. The financial performance of the PMPMD reflects a highly efficient use of funds. The disbursement rate for the second loan stands at 99%, with \$8,876,172 out of the approved \$9,060,000 already utilized. The first loan has been fully disbursed, with 100% of the \$11,479,497 funding utilized. Overall, the total amount approved for IFAD financing is \$20,539,497, of which \$19,408,990 has been disbursed, leaving a balance of \$183,828 available to support preparation of the additional financing.
11. The end-line survey commissioned by PMPMD and carried out by Economic Institute, National University of Mongolia,

determined that i) “the number of livestock owned by the project participating households has grown faster than those of national, aimag, and non-participating project households; ii). that “the financial situation of project-participating households has improved and their savings have increased since 2019”, and iii). that “the number of project-participating households owning assets such as solar power, trucks, animal fencing, power generator, and well was higher than in non-project households by 16.6 %, 6.8 %, 5.9 %, 4.6 %, and 3.6 % respectively. These preliminary findings indicate that PMPMD made significant achievements towards its development objectives and towards the targets under the two components. The feedback received during consultations in the field echoes this assessment.

12. As end line survey of the first two loans reported, a crucial indicator of the project's success is the effective utilization of loans by beneficiaries. The sample survey covering 35 households revealed a high percentage of loans used for business expansion (53.45%) and start ups (13.79%), indicating an entrepreneurial boost in the project area. The effectiveness of loan usage is further underscored by the absence of overdue loans and the fact that nearly all surveyed households reported effective loan utilization. This suggests a strong alignment of the credit facilities with the actual needs of the beneficiaries, leading to productive investments.
13. The impact on household income is particularly striking. The average annual income of households obtaining loans increased by 26.3%, a growth rate significantly higher than the loan interest rate. This substantial income growth, which is 2.4 times higher than the interest rate, demonstrates the loans' effectiveness in enhancing the financial stability and prosperity of rural households. Such an increase in household income directly contributes to reducing rural poverty and improving the quality of life.

14. **Component 1: Market Development**

15. The PMPMD has made significant progress in enhancing income-generating activities for cooperatives and micro-enterprises, alongside piloting a loan guarantee scheme for rural development. The project has successfully formed 250 women's groups, providing a framework for capacity building, improved access to finance, and investment in infrastructure such as workspaces, selling centers, and vegetable cellars. By supporting individuals and entities through a partial credit guarantee scheme and the SME fund under MOFALI, the project has facilitated access to finance, particularly for cooperatives.
16. Infrastructure development has been a key focus, with equipment installed in 13 soums and rehabilitation of workplaces completed in 24 soums. Support has been extended to 160 individuals to establish sustainable sale points, and 260 entities have improved market access. The project has also contributed to food supply improvements by building and rehabilitating potato and vegetable cellars with a capacity of 50-150 tonnes in 17 soums.
17. Financial access for agricultural cooperatives and rural small businesses has improved through project-facilitated credit lines secured via the partial credit guarantee scheme. The additional financing (2018-2023) utilized guarantee funds innovatively, with agreements signed with Khan Bank and State Bank to leverage capital resources for loan financing at a 1:10 ratio. Under the additional financing, the project managed a loan portfolio of MNT22,307.9 million (USD6.3 million), with a high repayment rate of 98.9%. Khan Bank and State Bank have disbursed MNT10,709.6 million (USD3.04 million) to 881 borrowers, including 838 individuals and 43 SMEs.
18. The project has faced challenges such as low credit demand during the pandemic and competition from government stimulus packages. However, amendments to loan terms have been made to enhance competitiveness. Additionally, the adoption of a revised cooperative law in 2022 has improved the borrowing landscape for cooperatives, although challenges remain.
19. Through collaboration with NAMAC and the SME Fund, loans have been provided to agricultural cooperatives, with 12 cooperative business plans developed and financed. The performance of the fund has been encouraging, with a 100% repayment rate. To further improve, the mission recommends conducting a client feedback survey and expediting the approval process for additional SME funds.
20. Overall, the PMPMD has demonstrated notable performance in managing its credit and guarantee programs, benefiting 2,235 rural individuals, farmers, and agricultural legal entities. Despite initial challenges, the project has made strides in enhancing competitiveness and capacity for climate change adaptation, improving access to pasture water supply, and enabling disaster preparedness in project areas.

21. **Component 2: Pasture management and adaptation to climate change**

22. The component 2 aims to enhance pasture management and resilience to climate change through two major activities: supporting pasture herder groups and soum-level public investment. This initiative has led to the formation of 140 pasture herder groups, which have received support for capacity building, development of pasture management plans, and investment/revolving funds. Soum-level public investments have focused on livestock production support and adaptation investments through a co-finance arrangement.
23. At date, a total investment of USD7 million (MNT22.4 billion) was made across 6 project Aimags, with the PMPMD financing USD5 million (MNT16.3 billion) and the Aimags contributing USD2 million (MNT6 billion) based on a co-funding approach. The investments targeted various needs, including pasture improvement, strengthening herder information services, and infrastructure development such as fodder storage, engineering wells, and sheep dips.
24. The project has significantly improved water access in pastures, benefiting over 2 million livestock and nearly 2500 households. It has also contributed to a 20-25% reduction in parasitic diseases among livestock due to the construction of sheep dips. Additionally, 50% of all soums in the 6 Aimags now have improved hay and fodder storage, with a substantial portion of soums in Dornod and Sukhbaatar Aimag benefiting from the project.
25. The Mongolian National Federation of Pasture User Groups facilitated capacity building for 140 pasture herder groups, involving

4700 member households. The project supported pasture photo monitoring for sustainable management and helped develop 3-year pasture management plans for 122 groups, integrated into soum land management plans. Customary rights of herders were formalized, and physical investments were provided to support the implementation of these plans.

26. Component 3: Project management and support to policy implementation.

27. Component 3 focuses on project management and support for policy implementation. During the previous Annual Work Plan and Budget (AWP&B), 36 procurement activities were planned under civil works, with 50% co-financing by Aimags for 32 packages and 100% project investment for 4 packages. These included infrastructure for small-scale slaughterhouses and vegetable storage facilities.

28. However, two packages were cancelled due to unsuccessful tenders and lack of local funding, while 33 packages, with a total budget of MNT 5.374 billion, were successfully tendered through the E-procurement system. Among the 34 contracts, one was terminated due to non-performance by the contractor, 27 have been completed, and 5 are under implementation, expected to finish before project closure.

29. In terms of enabling the business environment, a total of MNT 720 million (approximately USD 252,000) was allocated for breed improvement in 2021. This included investments for purchasing breeding stock, tools, and green fodder seeds at discounted rates for SMEs. Additionally, significant achievements were made in animal breeding, with 14,000 high-quality embryos produced and artificial inseminations conducted for thousands of cows across various Aimags. Technicians were trained and equipped to support these efforts.

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness	Rating: 5	Previous rating: 5
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Justification of rating

30. The project's effectiveness is rated as satisfactory, having met 101% of outreach targets, including 8934 women-headed households, an impressive 1900% overachievement against the target of 470. The project achieved 94% of its projected goal, with household income indicators surpassing expectations. However, the household assets ownership index couldn't be tracked due to the RIMS survey discontinuation. Despite this, the project positively impacted poverty reduction and income generation, with improved income from livestock noted in project households. Most intended outputs and outcomes were met or exceeded, aligning with the Theory of Change.

Log-Frame Analysis & Main Issues of Effectiveness

- 31. The PMPMD aimed to reduce poverty and improve livelihoods for poor herder households, with a focus on empowering rural women and men. The project set specific targets, such as a 15% improvement in household income and a 35% increase in household assets ownership index. By 2016, positive changes in household assets were noted, with significant increases in the ownership of durable goods like televisions, refrigerators, and vehicles. The percentage of households in the poorest quintile decreased by 8.7 points, while those in the richest quintile increased by 9.3 points.
- 32. By 2023, average household income in project areas rose by 55.4%, with notable increases in livestock and crop production incomes. However, the household assets ownership index couldn't be tracked due to the discontinuation of the RIMS survey. The project also reduced the percentage of households below the rural poverty line by 18%.
- 33. In terms of pasture management and climate change adaptation, the project formed and capacitated Pasture Herder Groups (PHGs), achieving 230% of the training target. The project also developed soum-level investment plans for climate change adaptation, achieving the target of 264 village/community plans. Rangeland health improved, with 36.5% of photo monitoring points showing proper use.
- 34. The project exceeded its target for land under climate-resilient practices by 145%, managing 538,167 hectares. It also achieved 100% of its target for developing soum strategies for pasture management and climate change adaptation. The project supported 9,864 household members in adopting climate-resilient practices, achieving 99% of the target.
- 35. In rural finance, the PMPMD exceeded its target for women accessing financial services by 120%, although it underachieved for men. Market and processing facilities were developed at 193% of the target, and rural enterprises saw a 104% increase in profit. The project supported 2,235 borrowers, maintaining 6,363 jobs and creating 4,695 new ones, contributing MNT 922.5 million to the economy.
- 36. Inclusivity was enhanced by mandating the inclusion of people with disabilities and women heads of households in groups. Although fewer entities were supported under value chain development, those supported established crucial market linkages.

Development Focus

Targeting and Outreach	Rating: 5	Previous rating: 5
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Justification of rating

37. The targeting and outreach is rated Satisfactory. The Project targeted women and men from herder households, with at least 50% having incomes near or below the poverty line, and women representing 50% of beneficiaries. The project also targeted female-headed households and those classified as poor. Value chains focused on poverty reduction and women's participation. Producers in selected aimags and soums, including micro-enterprises and cooperatives, were targeted for value chains. Women from poor households were prioritized for micro-finance, with 75% membership from poor households. Pasture user groups included all households using allocated rangelands, benefiting from access to equipment, micro-finance, and training. Target areas were selected based on government focus, geographical balance, poverty incidence, and absence of major projects or mining activities. The project emphasized partnerships, empowering rural poor as co-owners and decision-makers. It supported GoM in policy dialogue and implementation, securing tenure rights and promoting resilience-based rangeland management. Activities helped implement new legislation on livestock tax and animal health, aligning with national adaptation plans.

Gender equality & women's participation

Rating: 4

Previous rating: 4

Justification of rating

38. Rated moderately satisfactory. For decision making and equitable workloads, activities promoted by the project were focus on herder women, organization into PHGs has leveraged more engagement in social activities, roles and responsibilities in leadership and management roles, namely in management of PHG revolving funds, as well as participation in decision making, at group and Bag level. Likewise, project support to both womens groups and pasture herder groups promoted womens and mens equal voices and influence at the group/community level and within the local level government decision making processes, namely in bag meetings and soum level meetings. In focus group discussions organized during the PCR mission, discussants mentioned that social organization in PHGs has given opportunity for women to become more active in social organization and local (bag) meetings. Likewise, female SME owners who received loans through project support spoke of their enhanced social standing and economic empowerment within their local community, as well as their capacity to support higher education for their children. The project's capacity-building initiatives, such as financial literacy and technological training, were instrumental in empowering women. By equipping them with the necessary skills and knowledge, the project helped women to make informed decisions, manage their financial resources effectively, and improve their market competitiveness. The support for branding and marketing provided women entrepreneurs with the tools to create distinct identities for their products, thereby gaining better market access and recognition. Under the Pasture Management and Climate Change Adaptation component, through collective action and division of labor among the households in different herding tasks and vegetable growing, women benefitted from more opportunities and time saving to undertake income generating activities.

Adaptation to Climate Change

Rating: 5

Previous rating: 5

Justification of rating

39. Adaptation to Climate Change is rated satisfactory. The climate change adaptation efforts have been rated as satisfactory, with a focus on pasture management and climate resilience. The project, co-funded by the GEF Special Climate Change Fund, achieved its objectives through effective interventions and capacity-building initiatives. The adaptation activities were aligned with research projects and governmental policies, emphasizing traditional knowledge in pastoral mobility and sustainable management of grasslands. Key targets were met, with nearly full adoption of sustainable practices by households and substantial land brought under climate-resilient management. The project fostered resource user groups to manage pastoral mobility, involving participatory pasture unit definitions, herder group training, and management plan implementation. Investments included constructing shallow wells, fencing hayfields, and building livestock shelters. Training programs aimed at veterinary and well maintenance technicians, alongside vocational training for poor herders, enhanced skills for alternative income sources. The project also focused on ecological monitoring, insurance pilot programs, and research on drought-resistant species. The GEF grant supported the "Mongolia Livestock Sector Adaptation Project," addressing long-term pasture degradation and extreme climate events like droughts and dzuds. The project aimed to bolster the resilience of the Mongolian livestock system, improve natural resource management, and enhance risk management systems. Despite challenges in revising indicators, the outcomes exceeded expectations, with the GEF component achieving over 100% of its targets. The resilience of local communities was strengthened through group organization, training, and investments in hay sheds, tractors, and fodder storage facilities. By 2017, hay preparation capacity doubled, and the use of hay-making machinery increased significantly. The SCGF financing contributed to knowledge management and capacity building, increasing awareness of climate change impacts and adaptation measures. Phase 2 continued these efforts, enhancing local government capacities and supporting herders in adjusting herd structures to sustainable levels. Inter-Aimag grazing reserves provided refuge during extreme events, reinforcing the national pasture reserve system. The project's investments and training improved adaptation capacity, benefiting over 2 million livestock and 2,500 households with better access to pasture water supply and fodder storage. The PMPMD addressed key climate risks in Mongolia, contributing to the country's Nationally Determined Contribution objectives. The project aimed to maintain ecosystem balance, ensure sustainable pasture use, and enhance disaster prevention against climate extremes.

b. Sustainability and Scaling up

Environment and Natural Resource Management

Rating: 5

Previous rating: 5

Justification of rating

40. The Environment and Natural Resource Management component of PMPMD has been rated as satisfactory. The project managed 10.8 million hectares of rangeland through Pasture Herders' Groups (PHGs), who followed agreed management plans to improve livestock quality and productivity. Support included herd structure adjustments and local government assistance in implementing livestock taxation laws to reduce rangeland pressure. Photo monitoring indicated that PHG-managed areas showed the highest recovery, with 880,000 hectares of healthy rangeland. Environmental monitoring revealed no negative impacts from project installations, and all activities complied with Mongolia's EIA legislation. The project contributed to pasture and water resource rehabilitation and biodiversity conservation. The "National Report on the Rangeland Health of Mongolia" (2015) highlighted variability in rangeland conditions, with significant degradation in some Aimags. However, recovery was noted in many areas under PMPMD AF, particularly in Dornod, Khentii, and Uvurkhangai Aimags. A resilience-based rangeland management approach, integrating traditional and scientific practices, was developed with support from national institutions and the SDC Green Gold Program. PMPMD AF assisted the Mongolian government in implementing this approach, focusing on sustainable management and reversing degradation. By project completion, 368 photo monitoring points were established, with 36.5% in good condition, 27% recovering, and 36.5% degraded. PHG-managed areas showed a higher recovery rate. Practices like seasonal moves and rotational grazing, along with Rangeland Use Agreements, promoted sustainable resource use. Environmental conditions improved around natural springs, with infrastructure installed to prevent livestock trampling. Deep well rehabilitation expanded usable pasture, reduced workloads, and supported wildlife, contributing to biodiversity conservation. Water harvesting structures further enhanced water sources. Animal health improvements, including anti-parasite treatments, increased livestock productivity and positively impacted rangeland health. The project reduced herder communities' environmental vulnerability, enhancing their capacity to manage and monitor pastureland and respond to extreme climate events. The General Agency for Veterinary Services reported a 20-25% decrease in parasitic diseases due to project interventions. A standard for sheep dip construction was approved, addressing potential environmental impacts. Proper waste containment measures were implemented, with no detected negative effects. Future interventions should consider modern mobile units for safer waste disposal.

Potential for Scaling-up

Rating: 5

Previous rating: 5

Justification of rating

41. The scaling up of initiatives has been rated as satisfactory, with the Government of Mongolia (GoM) showing strong interest in expanding the rural finance approach demonstrated by the project, pending legislative adoption. The Ministry of Food, Agriculture, and Light Industry (MoFALI), the main implementing partner of PMPMD, has been a strong advocate, encouraging other development partners to adopt its co-finance approach with local governments. PMPMD's success has garnered political support at both Aimag levels and within the parliamentary committee on rural development and environment. MoFALI has also promoted PMPMD as a contributor to the GoM's action plan on food security, which has been approved by the national parliament. A number of best practices piloted by PMPMD have been scaled up at various levels. Following the completion of phase 1 in 2016, the Government of Mongolia approved a national action program to support micro businesses, aligning with amendments to the Law on Employment Promotion. This program aims to boost individual assets, improve cash flow, and enhance the production and sales of small and medium-sized enterprises. The program's guidelines emphasize increasing individual income, creating jobs, and enabling volunteer groups to form economic entities by scaling up PMPMD experiences, forming 455 women-dominated business groups, and supporting micro businesses through loans and loan guarantee services. Notably, a herder community in Arhangay Aimag adopted rotational grazing, a PMPMD-supported practice, demonstrating local-level scale-up. The 2019 SM/MTR report highlighted that the Loan Guarantee Fund (LGF) has extended its activities beyond the project area, supporting beneficiaries of the Employment Generation Fund. This expansion paves the way for the LGF's institutionalization as a financial instrument for rural development. By 2023, stakeholders were actively advocating for the expansion of PMPMD approaches. MoFALI, for instance, encouraged other projects to adopt a co-financing strategy, with local governments contributing 50% to local investments. The Speaker of the Parliament recognized Soum level Pasture User Associations, established with PMPMD support, as key institutions for implementing government policies locally. Several opportunities for scaling up have been identified, including implementing the new Law on Livestock Tax with the National Federation of Pasture User Groups (NFPUG), promoting sustainable stocking rates and local revenue generation for pasture management, and amending the Law on Credit Guarantee and the Land Law to create a conducive legal environment for expanding PMPMD's models in rural finance. Additionally, learning from PFIs' success with reduced collateral loans challenges traditional risk assessment approaches and makes credit more accessible. Strengthening public-private partnerships can optimize the strengths of both sectors, enhancing the impact of financial programs in rural areas. Expanding financial literacy and education initiatives is crucial for empowering borrowers and ensuring effective loan utilization. The success of reduced collateral loans demonstrates creditworthiness in overlooked client groups, leading to the development of tailored financial products to meet diverse needs, fostering satisfaction and loyalty. Policy and regulatory support is essential to facilitate the replication and adoption of successful models, leveraging PMPMD insights to inform future strategies and make credit more accessible for underserved communities. The most notable opportunity for nationwide impact is the PMPMD-introduced practice of banks providing loans with lower collateral, demonstrating that reduced security does not necessarily lead to higher defaults. This initiative is a significant deviation from conventional banking practices, which typically prioritize high collateral as a key risk mitigation strategy. Although the LGF will not continue immediately post-project, loan guarantee mechanisms can be modeled on PMPMD once the draft amendment to the Guaranty Fund Policy is approved by the government. This approach holds the potential to transform rural economies by making credit more accessible and affordable, aligning banking practices with broader economic development goals.

c. Financial Management & Execution

Fiduciary aspects

Procurement

F. Relevance

Relevance

Rating: 5

Previous rating: 5

Justification of rating

42. The Project Relevance is rated satisfactory based on several factors. First, the PMPMD design effectively addressed key development challenges faced by the target group and its sub-groups. It provided a comprehensive analysis of the economic and natural resource management challenges stemming from the transition from a centrally planned economy to a market economy. This transition impacted market access, access to finance, and weakened local government functions in regulating pasture management and providing services to herders, all of which were exacerbated by extreme climate change events. The design document offered quantitative evidence further elaborated in working papers on social and economic development, as well as rangeland health and management challenges. It provided detailed data on the situation of herder households, using livestock numbers as a measure of well-being and referring to poverty assessments that analysed the poverty incidence and dimensions among herders and rural center households at the time of project design. The design also drew insights from detailed surveys by the predecessor project, the Rural Poverty Reduction Program (RPRP), and considered findings from ongoing nationwide rangeland health assessments across all target provinces. PMPMD effectively addressed the challenges faced by sub-groups such as poor herder households, poor rural center households, and women/women-headed households. It offered tailored and comprehensive solutions, including group organization to build social capital, capacity building, innovations in rural finance, and a newly emerging approach to rangeland management developed by consensus among academia and relevant government agencies. This approach was based on both scientific and traditional knowledge, with investments determined through a participatory process. The vertical logic of the intervention was clearly articulated, with activities designed to contribute to planned outputs, and outputs structured to achieve project outcomes. The initial design was highly consistent with the policies and national priorities of the International Fund for Agricultural Development (IFAD) and the Government of Mongolia (GoM), as referenced under Alignment. The design has remained highly relevant until project completion, as GoM policy prioritized food security under a 2022 action plan, and MoFALI identified PMPMD as a key project to implement this plan. PMPMD activities for climate change adaptation and rangeland management and improvement remain highly relevant concerning Mongolia's commitments under the United Nations Framework Convention on Climate Change (UNFCCC).

G. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
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