



# Report and Recommendation of the President to the Board of Directors

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Project Number: 49168-001  
November 2015

## Proposed Administration of Grant Mongolia: Improving School Dormitory Environment for Primary Students in Western Region Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 9 October 2015)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$.0005
\$1.00	=	MNT1,995

## ABBREVIATIONS

ADB	–	Asian Development Bank
EMP	–	environmental management plan
JFPR	–	Japan Fund for Poverty Reduction
MECS	–	Ministry of Education, Culture, and Science
NGO	–	nongovernment organization
PAM	–	project administration manual
PIU	–	project implementation unit
SEGAP	–	social, ethnic, and gender action plan
WASH	–	water, sanitation, and hygiene

## NOTE

In this report, “\$” refers to US dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 49168-001</b>	
<b>Project Name</b>	Improving School Dormitory Environment for Primary Students in Western Region Project	<b>Department /Division</b>	EARD/EASS
<b>Country Borrower</b>	Mongolia Mongolia	<b>Executing Agency</b>	Ministry of Education, Culture and Science
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Education</b>			0.00
		<b>Total</b>	<b>0.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG) Environmentally sustainable growth (ESG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive Eco-efficiency	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD) Knowledge solutions (KNS) Partnerships (PAR)	Institutional development Organizational development Application and use of new knowledge solutions in key operational areas Civil society organizations Implementation Private Sector United Nations organization	Effective gender mainstreaming (EGM)	✓
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty MDG-targeting (TI-M)	Yes MDG2		
<b>6. Risk Categorization:</b>	Low		
<b>7. Safeguard Categorization</b>	Environment: C Involuntary Resettlement: C Indigenous Peoples: B		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.00</b>	
<b>Cofinancing</b>		<b>3.00</b>	
Japan Fund for Poverty Reduction		3.00	
<b>Counterpart</b>		<b>0.38</b>	
Government		0.38	
<b>Total</b>		<b>3.38</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on the proposed administration of a grant to be provided by the Japan Fund for Poverty Reduction (JFPR) to Mongolia for the Improving School Dormitory Environment for Primary Students in Western Region Project.<sup>1</sup>

2. The project will support reform of the school dormitory system in Mongolia to ensure equal access to quality education for all students, particularly those from herder families who live a nomadic life, by establishing and implementing models to improve the physical dormitory environment and related services. The models will be developed and piloted in three *aimags* (provinces) of the western region;<sup>2</sup> the region has (i) a poverty head count ratio that exceeds the national average, (ii) a high proportion of students from herder families in dormitories, (iii) the lowest net intake rate in grade 1,<sup>3</sup> and (iv) the lowest regional primary completion rate in Mongolia.<sup>4</sup>

## II. THE PROJECT

### A. Rationale

3. The Government of Mongolia attaches great importance to education. The Education Law stipulates that all school-age children be provided with 9 years of free compulsory education, and the government has been striving to ensure access to education.<sup>5</sup> In the 2010s, the net enrollment ratio has been maintained above 95% for primary level, and 90% for junior secondary level, and the literacy rate for youth (aged 15–24) above 98.5%. Public spending on education has consistently been above 5% of gross domestic product. Since 2012 the government has implemented reforms to make the education system more responsive to the learning needs of individual students.

4. Mongolia is sparsely populated, and the number of livestock far exceeds the population. Although the number of herders is declining, a substantial percentage of the economically active population—26.1% in 2014—is engaged in herding. Mongolia's school dormitory system was developed to ensure access to education, particularly for students from herder families, and has been supported by special provisions in the Education Law since 1982. Before 1995, dormitories were fully funded by the government, and were a contributing factor in Mongolia's high primary- and secondary-level enrollment ratios before the transition from a centrally planned to a market economy.<sup>6</sup> However, the introduction in 1995 of parental fees for dormitory meals and other services (in response to cutbacks in public spending on education) resulted in a decrease in the

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<sup>1</sup> The design and monitoring framework is in Appendix 1.

<sup>2</sup> The western region comprises five *aimags*: Bayan-Ulgii, Govi-Altai, Khovd, Uvs, and Zavkhan. Of the five, Govi-Altai, Uvs, and Zavkhan *aimags* have been selected to develop and pilot models to improve the school dormitory environment because these *aimags* receive little regular support for dormitories from other development partners, and the *aimag* governments are highly committed to improving the physical dormitory environment and services.

<sup>3</sup> The net intake rate in grade 1 is expressed as new entrants in the first grade of primary education who are of the official school age (6 in Mongolia) as a percentage of the population of the same age.

<sup>4</sup> Mongolia is divided into five regions and 21 *aimags*: West (Bayan-Ulgii, Govi-Altai, Khovd, Uvs, and Zavkhan *aimags*), Highlands (Arkhangai, Bayankhongor, Bulgan, Khuvsgul, Orkhon, and Uvurkhangai *aimags*), Central (Darkhan-Uul, Dornogovi, Dundgovi, Govisumber, Selenge, Tuv and Umnugovi *aimags*), East (Dornod, Khentii, and Sukhbaatar *aimags*), and Ulaanbaatar. Ulaanbaatar, the capital, is an independent municipality consisting of nine districts.

<sup>5</sup> State Great Hural (Parliament) of Mongolia. 1991. *Education Law of Mongolia*. Ulaanbaatar.

<sup>6</sup> By 1986, the gross enrollment ratio reached 100% at the primary and 94% at the junior-secondary level, with 74,967 students (18% of primary and secondary students) staying in 412 dormitories nationwide.

number of students staying in dormitories, and a drop in student enrollment in primary and secondary education.<sup>7</sup> Both the number of students staying in dormitories and student enrollments increased considerably following resumption of full government financing of dormitory services in 2000.<sup>8</sup>

5. Chronically low levels of capital investment have resulted in deterioration of the physical environment of school dormitories. During 2013–2014, the number of dormitories decreased from 511 to 486; 81 (17%) did not meet government building standards. The majority of these dormitories were built in the 1970s and 1980s, and have become unfit to accommodate students. Although public spending on education in Mongolia has been higher than in other lower-middle-income countries, a large share has been devoted to covering the relatively high recurrent costs resulting from the country's low population density and harsh winters. Schools tend not to spend money on dormitories, because school budgets do not distinguish funding for dormitories from other budget items, except dormitory staff salaries and dormitory meals. As a result, dormitories often lack safe drinking water, adequate sanitation facilities, heating systems, and protection from precipitation and wind.<sup>9</sup> The situation surrounding water, sanitation, and hygiene (WASH) in dormitories is further complicated by the absence of basic infrastructure (for water, wastewater, and heating) in rural remote areas.

6. Child-centered education sector reforms have yet to be applied to the school dormitory system. The current per-student funding formula for dormitory meals does not take into account the age and differing nutritional requirements of students. Student–teacher ratios in dormitories are generally high (42–87), and students engage in little study, reading, and extracurricular activities in dormitories. Dormitory teachers are required to have a teacher's certification, but 30% do not meet the requirement. Dormitory teachers are considered nonteaching staff, and receive lower salaries than do teaching staff, complicating the recruitment and retention of qualified individuals. Many dormitory teachers and guards who stay with students in dormitories at night lack the skills needed to work and communicate with children. A 2008 study indicated that students staying in dormitories have lower academic performance.<sup>10</sup>

7. The western region is poor—in 2012 the poverty head count ratio was 32.5%, above the national average of 27.4%, with herders accounting for 41.9% of poor households. Of Mongolia's five regions, the western region has the largest number of students staying in dormitories (11,691, or 14.3% of students enrolled in primary and secondary education in 2014); 86% of these students are from herder families. In 2012, the region had a primary completion rate of 86.1%, the lowest in Mongolia and well below the national average of 94.5%. Children in the region tend to start school later than the official school age of 6, as evidenced by the net intake rate in grade 1 (85.4% in 2014, which was the lowest in Mongolia, and below the national average of 90.5%). The same study (footnote 10) shows that the academic performance of those who enter school at the age of 7 or 8 is lower than those who enter school at the age of 6. An unfavorable school dormitory environment, compounded by other social and safety issues, has been the major

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<sup>7</sup> In 1995, the number of students staying in dormitories decreased to 18,867, while the gross enrollment ratios dropped to 87% at primary and 69% at junior secondary levels.

<sup>8</sup> In 2000, the number of students staying in dormitories increased to 27,435, and gross enrollment ratios recovered to 98% at primary and 74% at junior secondary levels.

<sup>9</sup> Many school dormitories in rural and remote areas are not connected to a piped water supply. Water is delivered daily by truck and stored in tanks, which are frequently unfit for drinking water storage, or unclean.

<sup>10</sup> Education Evaluation Center of Mongolia. 2008. *Mongolian National Assessment of Primary Education Mathematics and Reading*. Ulaanbaatar.

reason for parents' reluctance to send children to school (especially at an early age), in remote rural areas.<sup>11</sup>

8. Since 2012, the policy environment surrounding school dormitories has been changing. The Ministry of Education, Culture, and Science (MECS) has identified the learning environment, including the school dormitory system, as one of 11 areas of reforms to ensure equity of access to quality education under its education sector reform policy framework, 2012–2016.<sup>12</sup> In 2015, the MECS drafted amendments to the Education Law, which specify improved qualifications for dormitory teachers, and the role of local governments in financing dormitory services. In collaboration with the Ministry of Health, United Nations Children's Fund, and nongovernment organizations (NGOs), the MECS also developed minimum requirements for WASH in schools and dormitories. The MECS further plans to develop comprehensive standards for dormitories, which would cover the physical dormitory environment and services (which have poorly been regulated), and a national strategy and financing policy to improve school dormitory environments, with a focus on *soum* (district) schools, and greater involvement of local governments. To reform the school dormitory system in the evolving policy environment, the MECS requested Asian Development Bank's (ADB) support to develop and pilot models to improve the school dormitory environment, with a view to replicating the models nationwide.

9. **Strategic fit.** The project is consistent with the strategies in the ADB education sector operations plan to promote equity in education and reform education financing, and to provide cross-sector knowledge solutions.<sup>13</sup> The project forms part of ADB's broader policy dialogue with the government on education sector reforms to improve equity of access to quality education, together with the capacity development technical assistance to the MECS.<sup>14</sup> The project is aligned with ADB's interim country partnership strategy, 2014–2016 for Mongolia, which provides a renewed focus on basic education.<sup>15</sup>

10. **Lessons.** The project builds on the experience of ADB and other development partners in the education sector, which indicate the need for comprehensive support to improve financial, human, and physical resources for dormitories. It also draws on good practices in boarding school management in Japan and other countries where students are provided with additional learning opportunities, including reading and extracurricular activities.

11. **Innovative features.** The project will have innovative features, including (i) an inclusive approach incorporating elements responsive to gender, age, and special needs in terms of WASH facility design and capacity building for dormitory staff, teachers, and school management; (ii) a financing policy to thus upgrade the school dormitory system; and (iii) a built-in impact evaluation that will assess effects of improved physical school dormitory environment and services on student learning.

## B. Impacts and Outcome

12. The impacts of the project will be a reformed school dormitory system, more equitable access to quality education (footnote 13), and achievement of universal primary education.<sup>16</sup> The

<sup>11</sup> Other social and safety issues include parents' attitude toward children's education, children's first impression of schools and dormitories, and potential bullying, child and sexual abuse at dormitories.

<sup>12</sup> MECS. 2012. *Pre-School, Primary and Secondary Education Reform Policy Framework, 2012–2016*. Ulaanbaatar.

<sup>13</sup> ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila.

<sup>14</sup> ADB. 2015. *Technical Assistance to Mongolia for Education Sector Development*. Manila.

<sup>15</sup> ADB. 2014. *Interim Country Partnership Strategy: Mongolia, 2014–2016*. Manila.

<sup>16</sup> State Great Hural (Parliament) of Mongolia. 2008. *The Millennium Development Goals-based Comprehensive National Development Strategy of Mongolia*. Ulaanbaatar.

outcome of the project will be models to improve the physical dormitory environment and services established and implemented in three *aimags* of the western region.

### C. Outputs

13. The project will have three outputs:

14. **Output 1: Physical school dormitory environment improved.** The project will improve the physical school dormitory environment by supporting minor civil works for *soum* school dormitories in the Govi-Altai, Uvs, and Zavkhan *aimags* of the western region, which have been identified as in need of upgrading, based on the condition of dormitory buildings and facilities, the year of dormitory construction and/or rehabilitation, the number of primary students staying in dormitories, the existence of junior and senior secondary grades, and the lack of basic infrastructure (water, wastewater, and heating). Minor civil works will include rehabilitation of buildings to adequately cope with winter temperatures, wind, and precipitation; repair and/or installation of universal-design WASH facilities that meet minimum requirements (including those related to gender and early grade students) developed by the MECS in collaboration with the Ministry of Health, United Nations Children's Fund, and NGOs; provision of beds and other furniture to accommodate more students; and renovation of common rooms that will be properly furnished for study, reading, and extracurricular activities.

15. **Output 2: Capacity to deliver school dormitory services improved.** The project will support capacity development of school dormitory staff and primary class teachers, school management and accountants, and *aimag* education department staff to improve school dormitory services for primary students staying in dormitories and their parents in Govi-Altai, Uvs, and Zavkhan *aimags*. All school dormitories in the three *aimags* will be supported. School dormitory teachers will be trained in child abuse issues and child-centered methods to facilitate study, reading, and extracurricular activities; and improve school preparedness of students, especially in the early grades. Dormitory guards will receive training regarding child abuse and child-centered communication to encourage study, reading, and extracurricular activities; and enable them to care for dormitory students, especially in early grades, at night. School staff involved in the preparation of dormitory meals will receive training concerning the nutritional requirements of students, while school management, accountants, and *aimag* education department staff will be trained to use tools and reference materials to enhance management of financial, human and physical resources for school dormitories. Workshops will be organized for school dormitory teachers, primary class teachers, and social workers to exchange experiences regarding (i) student- and teacher-organized study, reading, and extracurricular activities at dormitories; and (ii) communication and outreach activities for parents of primary students staying in dormitories.

16. **Output 3: Policy and regulatory frameworks to improve the school dormitory environment developed.** The project will support the development of policy and regulatory frameworks to improve the school dormitory environment. Comprehensive standards for dormitories, covering the physical dormitory environment and services, will be developed based on (i) the models to improve the physical dormitory environment and services, which are to be established and implemented in the three *aimags* of the western region; and (ii) national and international good practices in boarding school management in Japan and other countries. Funding formulas for school dormitory meals will be revised to take into account the age and nutritional requirements of students. To enable replication of the models nationwide, a national strategy and financing policy will be developed (i) to improve the school dormitory environment, particularly at *soum* schools with a greater involvement by local governments; and (ii) with due consideration for the hiring and recruitment of qualified dormitory teachers, and operation and



maintenance of the physical dormitory environment. An impact evaluation study will be conducted to inform the nationwide replication of the models.

17. To ensure sustainability, the project will support the establishment of an effective project management system by strengthening the capacity of the MECS and *aimag* education departments, and ensuring their coordination for project implementation and management.

#### D. Investment and Financing Plans

18. The project is estimated to cost \$3.38 million. The base cost will be allocated as follows: civil works (58.3%); project management (17.7%); consultants (15.0%); equipment and furniture (2.9%); books, teaching–learning and other materials (1.9%); training and workshops (1.0%); and recurrent costs (3.2%). Physical and price contingencies total \$300,000.

**Table 1: Project Investment Plan**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Output 1: Improvement of physical school dormitory environment	2.16
2. Output 2: Improvement of capacity to deliver school dormitory services	0.21
3. Output 3: Development of policy and regulatory frameworks	0.09
4. Project management <sup>c</sup>	0.64
<b>Subtotal (A)</b>	<b>3.09</b>
<b>B. Contingencies<sup>d</sup></b>	<b>0.30</b>
<b>Total (A+B)</b>	<b>3.38</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Administered by the Asian Development Bank. Includes taxes and duties of \$60,000 to be financed from government resources (\$20,000, tax exemptions) and Japan Fund for Poverty Reduction grant resources (\$40,000). The financing of taxes and duties is necessary to avoid delays in procurement. The amount of taxes and duties is determined on the grounds that (i) the amount will not represent an excessive share of the project cost, (ii) the taxes and duties apply only to Japan Fund for Poverty Reduction-financed expenditures, and (iii) the financing of taxes and duties is relevant to the success of the project.

<sup>b</sup> In mid-2015 prices.

<sup>c</sup> Includes project implementation unit staff salaries and insurance (project implementation unit staff will not be civil servants receiving salaries from the government), office space, and operational costs; furniture and information and communication technology equipment; training on procurement, disbursement, and financial management; and vehicle hire. Also includes estimated fees of \$20,000 for the audit of the annual project financial statements for 2016–2019 to be financed from Japan Fund for Poverty Reduction grant resources.

<sup>d</sup> Physical contingencies computed at 5% for base investment costs. Price contingencies computed on average at 1.35% for foreign exchange costs and 2.87% for local currency costs; includes provision for potential exchange rate fluctuations under the assumption of a purchasing power parity exchange rate.

Source: Asian Development Bank estimates.

19. The JFPR will provide financing on a grant basis the amount not exceeding the equivalent of \$3 million, to be administered by ADB. The total project cost of \$3.38 million will be financed by the JFPR grant (not exceeding \$3 million); the Government of Mongolia (\$300,000 equivalent); and Govi-Altai, Uvs, and Zavkhan *aimag* governments (\$80,000 equivalent). Specifically, the Government of Mongolia will fund training and workshops, project management, and contingencies; the Govi-Altai *aimag* government will provide \$20,000 equivalent from the Local Development Fund for training and workshops; and the Uvs (\$40,000 equivalent) and Zavkhan *aimag* governments (\$20,000 equivalent) will finance civil works. The government has assured ADB that it will provide additional counterpart funding for any shortfall of funds or cost overruns to ensure the success of the project. The financing plan is in Table 2 and is further detailed in the project administration manual (PAM).<sup>17</sup>

<sup>17</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

**Table 2: Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Japan Fund for Poverty Reduction <sup>a</sup>	3.00	88.8
Government of Mongolia	0.30	8.9
Govi-Altai <i>aimag</i> government	0.02	0.6
Uvs <i>aimag</i> government	0.04	1.2
Zavkhan <i>aimag</i> government	0.02	0.6
<b>Total</b>	<b>3.38</b>	<b>100.0</b>

<sup>a</sup> Administered by the Asian Development.  
Source: Asian Development Bank estimates.

## E. Implementation Arrangements

20. The MECS will be the executing agency and will oversee overall project implementation and management. The implementing agencies will be the MECS and the education departments of the Govi-Altai, Uvs, and Zavkhan *aimags*. A project steering committee, to be established by the MECS, will approve annual budgets and plans for the project, and guide and support project implementation. Three project steering subcommittees will be established in Govi-Altai, Uvs, and Zavkhan *aimags* to approve annual budgets and plans concerning each *aimag*; guide and support project implementation; and coordinate between departments and other stakeholders in each *aimag*. A project implementation unit (PIU)—to be established by the MECS in Ulaanbaatar, and supported by local project coordinators in Govi-Altai, Uvs, and Zavkhan *aimag* education departments—will handle day-to-day project management. The implementation arrangements are summarized in Table 3 and described in detail in the PAM (footnote 17).

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	December 2015–October 2018		
Estimated completion date	31 October 2018 (grant closing date: 30 April 2019)		
Management			
(i) Oversight bodies	A project steering committee will be established by the MECS. The committee will be chaired by the MECS director of the Strategic Policy and Planning Department, and composed of the directors of the MECS and representatives of the Ministry of Finance. Three project steering subcommittees will also be established in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> . In Govi-Altai and Zavkhan <i>aimags</i> , the subcommittees will be chaired by <i>aimag</i> governors, and composed of the heads of finance, social development, and education departments, representatives of NGOs and parents. In Uvs <i>aimag</i> , the subcommittee will be chaired by the head of the social development department. It will be composed of the heads of the finance, education, and urban development departments; education department specialists; representatives of NGOs; parents; and other stakeholders.		
(ii) Executing agency	MECS		
(iii) Key implementing agencies	The MECS and Govi-Altai, Uvs, and Zavkhan <i>aimag</i> education departments		
(iv) Implementation unit	A PIU will be established by the MECS and located in Ulaanbaatar. On behalf of the executing and implementing agencies, the PIU will be responsible for the day-to-day management of the project. The PIU will be staffed by a project manager, a procurement specialist, and an accountant and/or financial management specialist to be based in Ulaanbaatar. The PIU will be further staffed and supported by three local project coordinators in Govi-Altai, Uvs, and Zavkhan <i>aimag</i> education departments.		
Procurement	National competitive bidding	10–20 contracts	\$1,800,000
	Shopping	8 contracts	\$168,000
Consulting services	Consultant's qualifications selection <sup>a</sup>	36 person-months	\$100,000
	Individual consultants selection <sup>b</sup>	59 person-months	\$363,000

Aspects	Arrangements
Retroactive financing and/or advance contracting	Advance contracting for a national engineering firm will be conducted.
Disbursement	The grant proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed between the government and ADB.

ADB = Asian Development Bank; MECS = Ministry of Education, Culture, and Science; NGO = nongovernment organization; PIU = project implementation unit.

<sup>a</sup> A national engineering firm will be recruited using the consultant's qualifications selection method on the grounds that highly specialized expertise is required, recruitment time is critical and the assignment is short-term, few consultants are qualified, and the process of preparing and evaluating competitive proposals is unjustified.

<sup>b</sup> A total of 13 consultants will be engaged using the individual consultants selection method because collective responsibility is not needed, while individual experience and qualifications are the main requirements.

Source: ADB estimates.

### III. DUE DILIGENCE

#### A. Technical

21. The project will improve the physical environment of school dormitories. Dormitory buildings and rooms will be rehabilitated to adequately cope with winter temperatures, wind, and precipitation in accordance with national regulations, standards, and codes. Selected WASH facility models will be (i) compatible with available infrastructure for basic services (water, wastewater, and heating) and winter temperatures on site; (ii) easy to maintain; and (iii) responsive to gender, age, and special needs. Beds and other furniture to be supplied will be safe for students, especially in early grades, and durable. Capacity-building activities for teachers, dormitory staff, and school management, as well as study, reading, and extracurricular activities for dormitory students and parent involvement in education, have been designed to incorporate international and national good practices (e.g., school-based continuous professional development, teacher collaboration and involvement of local communities, and communication and outreach activities for parents of students in dormitories who reside in remote rural areas).

#### B. Economic and Financial

22. The economic rationale of the project was assessed as sound, because the project will increase the availability of improved school dormitory services to ensure access to 9 years of free compulsory education in the western region, which has the largest unmet demand for dormitory services, and where dormitory services have increasingly become unaffordable for children from poor herder families. The project cost-effectiveness was evaluated by comparing the average investment cost per dormitory for three project alternatives (i.e., project case, with construction of a new building, and without school-based continuous capacity building) and their anticipated impacts on student learning. The project case was assessed as the least-cost and most effective option as it would consolidate different types of investments and have the lowest maintenance cost. The project is considered economically viable and sustainable.

23. **Financial sustainability.** The financial sustainability of the project was assessed at the fiscal and project levels. An analysis of recent and projected government expenditures was undertaken to evaluate the potential impact of the project on the budgets of the MECS, and the Govi-Altai, Uvs, and Zavkhan *aimag* governments. The MECS and *aimag* governments' annual commitments to the project are considered adequate, because they are estimated to be less than 0.1% of their total annual budgets as described in detail in the financial analysis.<sup>18</sup> The

<sup>18</sup> Paragraph 9 of Financial Analysis (accessible from the list of linked documents in Appendix 2).

government has assured that sufficient budgets for operations and maintenance will be provided as set forth in the grant agreement.

### C. Governance

24. The project procurement risk was classified as category B. The procurement risk for the MECS has been assessed as moderate because of weaknesses in staffing of the procurement unit of the MECS and the PIU, and procurement practices. These risks will be mitigated by engaging the Government Procurement Agency of Mongolia in evaluating bids for civil works to be procured using national competitive bidding, and recruiting a qualified and experienced procurement specialist to the PIU. The specialist will be supported by consultants who specialize in preparing drawings and design specifications of and supervising minor civil works, preparing technical specifications of equipment and furniture, and managing projects. All procurement under the project will be carried out by the MECS, and coordinated by the PIU.

25. The financial management risk for the MECS has been assessed as moderate due to weaknesses identified in staffing, safeguard over assets, and internal audit at the MECS. To address these risks, the key mitigating measures include training for the MECS, and the education departments of Govi-Altai, Uvs, and Zavkhan *aimags*; and strengthening of their capacity through the PIU. The PIU will be staffed by qualified professionals, including an accountant and/or financial management specialist, a project manager, and local project coordinators in the *aimag* education departments; and guided and coached by an international project management specialist to ensure that the project is implemented in compliance with ADB policy, operational, and procedural requirements. Project assets will be appropriately labeled and recorded, and reported in quarterly and annual project reports. Annual project audits will be arranged by the National Audit Office.

26. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the MECS. The specific policy requirements and supplementary measures are described in the PAM (footnote 17).

### D. Poverty and Social

27. The project will directly benefit about 3,900 primary students staying in dormitories in Govi-Altai, Uvs, and Zavkhan *aimags*, including about 2,000 early grade students, the majority of whom come from poor herder families and who face barriers and challenges in learning because of the unfavorable physical dormitory environment and services, and lack of parental support. Because of concerns with the dormitory environment, mothers often have to move closer to schools to live with young children, or children are left in a *ger* (traditional tent) set up close to the school without an adult caregiver. Currently, less than 30% of primary students in dormitories regularly engage in study, reading, and extracurricular activities at dormitories, which is probably the result of the high student-teacher ratios in dormitories, and lack of qualifications and skills among dormitory teachers and staff. Only 20%–30% of parents of primary students in dormitories participate in meetings and events organized by schools to familiarize them with their children's learning.

28. **Gender benefits.** The project is designed to effectively mainstream gender. In 2014, the overall primary-level gender parity index in Govi-Altai, Uvs, and Zavkhan *aimags* averaged 0.96, while that for primary students staying in dormitories was 0.79, suggesting that the dormitory environment is potentially less favorable for female than for male students. Many dormitories in rural remote areas are not connected to water supply, sewerage and heating systems, and have only rudimentary pit toilets outside dormitory buildings, raising safety issues (particularly for

female students). A social, ethnic, and gender action plan (SEGAP) has been developed to address poverty, social inclusion, gender, and ethnicity issues. The SEGAP ensures (i) the collection of disaggregated data—by grade, gender, family background (e.g., ethnicity or herder), and poverty status—for planning, monitoring, and evaluation; (ii) inclusion of issues related to early grade, female, herder, and ethnic group students at dormitories, including child and sexual abuse issues, in training sessions and materials; (iii) participation of female teachers, dormitory staff, school management, accountants, and *aimag* education department staff in capacity development activities; (iv) participation of early grade, female, herder and ethnic group students in student- and teacher-organized study, reading, and extracurricular activities at dormitories; and (v) inclusion of mothers and female caregivers in communication and outreach activities for parents.

## E. Safeguards

29. **Environment.** The project is classified as category C for the environment, and low climate risk. Environmental implications were reviewed in compliance with ADB's Safeguard Policy Statement (2009) and the Government of Mongolia's regulatory framework. A generic environmental management plan (EMP) has been prepared that identifies all potential minor adverse impacts of repair and extension works and related mitigation measures, and defines institutional responsibilities for environmental management planning, construction supervision and monitoring, grievance redress, and reporting. The generic EMP will guide proper environmental management throughout the design and rehabilitation of dormitory buildings, the repair and/or installation of WASH facilities, and their sustainable operations and maintenance.

30. **Involuntary resettlement and indigenous peoples.** The project is categorized as C for involuntary resettlement as it will not require any permanent and/or temporary land acquisition or resettlement. All minor civil works will be accommodated within the existing premises, avoiding land acquisition and/or resettlement. The project is categorized as B for indigenous peoples, because one of the project sites, Uvs *aimag*, is the home of the Dorvord, Bayad, Eljigen, Khalkh, and Khoton ethnic groups that live a seminomadic life. The needs and concerns of these ethnic groups were assessed, as well as those of herder families. The assessment confirmed that ethnic groups and herder families will not be negatively impacted, but do face additional barriers and challenges to being integrated into the education system because of their customs, dialects, and traditional lifestyles. Measures to enhance inclusiveness, sensitivity, and maximize project benefits for the ethnic groups and herder families have been incorporated into the project SEGAP. The Uvs *aimag* education department has disclosed and undertaken consultations on the SEGAP.

## F. Risks and Mitigating Measures

31. The overall benefits and impacts are expected to outweigh the costs and risks involved. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.<sup>19</sup> The overall risk was rated medium.

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<sup>19</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

**Table 4: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigating Measures</b>
The priority of the <i>aimag</i> (province) governments shifts away from school dormitories, adversely affecting the availability of financial resources	Inform and involve major stakeholders in planning, monitoring, and evaluating the project through the project steering subcommittees established in each <i>aimag</i> .
Frequent turnover of dormitory staff, school management, accountants, and <i>aimag</i> education department staff who were trained to provide improved services and manage financial, human, and physical resources for school dormitories	Support school-based continuous professional development for dormitory staff, and develop reference materials and tools for school management, accountants, and <i>aimag</i> education department staff (such as school-based, easy-to-use resource management manuals)
Limited experience of the MECS staff in directly managing donor funds, causing delays in project implementation	Establish a PIU staffed by qualified and experienced professionals to assume day-to-day management of the project in compliance with ADB policy, operational, and procedural requirements; engage an international project management specialist to train, guide, and coach the MECS, the <i>aimag</i> education departments, and the PIU
No procedures are in place to safeguard assets, causing loss of project assets	Label and record all project assets, and report on them in quarterly and annual project reports
Understaffed and compliance-driven internal audit functions of the MECS, leading to risks for project implementation and completion	Review transactions and financial reports during review missions; and engage an international project management specialist to train, guide, and coach the MECS and PIU staff on ADB guidelines and procedures

ADB = Asian Development Bank; MECS = Ministry of Education, Culture, and Science; PIU = project implementation unit.  
Source: Asian Development Bank.

#### **IV. ASSURANCES AND CONDITIONS**

32. The government and the MECS have assured ADB that implementation of the project shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and grant documents.

33. The government and the MECS have agreed with ADB on certain covenants for the project, which are set forth in the grant agreement.

34. The government and the MECS have agreed with ADB on a condition to the effectiveness of the grant agreement concerning the engagement of a project manager for the project implementation unit as described in the project administration manual.

#### **V. RECOMMENDATION**

35. I am satisfied that the proposed grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and, acting in the absence of the President, under the provisions of Article 35.1 of the Articles of Agreement of ADB, I recommend that the Board approve the administration by ADB of the grant not exceeding the equivalent of \$3,000,000 to Mongolia for the Improving School Dormitory Environment for Primary Students in Western Region Project to be provided by the Japan Fund for Poverty Reduction.

Stephen Groff  
Vice-President

4 November 2015

## DESIGN AND MONITORING FRAMEWORK

<b>Impacts the Project is Aligned with:</b>			
School dormitory system reformed (MECS's education sector reform policy framework, 2012–2016) <sup>a</sup> Equal access to quality education increased (MECS's education sector reform policy framework, 2012–2016) <sup>a</sup> Universal primary education achieved (MDGs-based Comprehensive National Development Strategy of Mongolia) <sup>b</sup>			
<b>Project Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting</b>	<b>Risks</b>
<b>Outcome</b> Models to improve physical dormitory environment and services in three <i>aimags</i> of the western region established and implemented	By 2019 a. 50% of school dormitories (about 40) in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> meet comprehensive standards for physical dormitory environment and services (2015 baseline: 0%)  b. 70% of primary students in dormitories (about 2,700, including 1,200 girls) regularly participate in study, reading, and extracurricular activities organized at dormitories in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> <sup>c</sup> (2015 baseline: 30%)  c. 80% of parents of primary students in dormitories (about 1,000, including 500 mothers or female caregivers) are regularly informed about their children's learning in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> <sup>d</sup> (2015 baseline: 40%)	a. End of school year reports prepared by schools to <i>aimag</i> education departments; quarterly and annual project reports  b–c. School dormitory journals; quarterly reports of <i>aimag</i> education departments; quarterly and annual project reports	Priority of <i>aimag</i> (province) governments shifts away from school dormitories, adversely affecting the availability of financial resources
<b>Outputs</b> 1. Physical school dormitory environment improved	By 2017 (2015 baselines: 0): Up to 20 school dormitories in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> certified through completion inspections that they are:  1a. renovated to adequately cope with winter temperatures, wind, and precipitation;  1b. equipped with WASH facilities meeting MECS's minimum requirements, including those related to gender and early grade students;  1c. furnished to accommodate larger numbers of students; and  1d. refurbished to have common rooms for study, reading, and extracurricular activities.	1a–1d. Completion inspection reports prepared by architectural engineers in 2016 and 2017	
2. Capacity to deliver school dormitory services improved	By 2018: 2a. 100% of dormitory teachers (about 85, including 60 women) trained in child abuse issues and child-centered methods to facilitate study, reading, and extracurricular activities, and improve school preparedness of early grade students in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> (2015 baseline: 0%)  2b. 100% of dormitory guards (about 180, including 100 women) trained in child abuse issues and child-centered communication skills to encourage study, reading, and extracurricular activities, and take care of dormitory students, especially in early grades, at night in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> (2015 baseline: 0%)	2a–e. Quarterly reports of <i>aimag</i> education departments; quarterly and annual project reports	Frequent turnover of dormitory staff, school management, accountants, and <i>aimag</i> education department staff trained to provide improved services and manage financial, human, and physical resources for school dormitories

Project Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	<p>2c. At least 400 school staff (including 320 women) involved in the preparation of dormitory meals trained in nutritional requirements of students in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> (2015 baseline: 0)</p> <p>2d. At least 200 school management, accountants and <i>aimag</i> education department staff (including 110 women) trained regarding tools and reference materials to enhance management of financial, human, and physical resources for school dormitories in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> (2015 baseline: 0)</p> <p>2e. 70% of dormitory teachers, primary class teachers, and social workers (about 700, including 580 women) have shared experiences of student- and teacher-organized study, reading, and extracurricular activities at dormitories, and communication and outreach activities for parents of dormitory students at primary level through workshops in Govi-Altai, Uvs, and Zavkhan <i>aimags</i> (2015 baseline: 0%)</p>		
3. Policy and regulatory frameworks to improve the school dormitory environment developed	<p>By 2018</p> <p>3a. Comprehensive standards for school dormitories covering physical school dormitory environment and services developed (2015 baseline: not developed)</p> <p>3b. Funding formula for school dormitory meals revised to take into account the age of students and nutritional requirements (2015 baseline: not revised)</p> <p>3c. National strategy and financing policy to improve school dormitory environment with focus on <i>soum</i> schools developed (2015 baseline: not developed)</p>	<p>3a. Documents containing standards for school dormitories</p> <p>3b. MECS's budgets</p> <p>3c. Strategy document and MECS's budgets</p>	

### Key Activities with Milestones

#### 1. Physical school dormitory environment improved

- 1.1 Prepare drawing and specifications for rehabilitation works and installation of WASH facilities for selected school dormitories, as well as technical specifications for furniture and equipment (Q4 2015) [KNS]
- 1.2 Procure and supervise minor civil works and installation of furniture and equipment in the selected school dormitories (Q4 2015–Q3 2017)

#### 2. Capacity to deliver school dormitory services improved

- 2.1 Review MECS's policy and pre-service training program for school dormitory teachers and adapt the program to in-service training; develop training materials in line with revised TORs for dormitory teachers; and train dormitory teachers in Govi-Altai, Uvs, and Zavkhan *aimags* (Q4 2015–Q3 2018) [GCD] [KNS] [PAR]
- 2.2 Review MECS's policy on school dormitory guards; develop training program in line with new TORs for dormitory guards; and train dormitory guards in Govi-Altai, Uvs, and Zavkhan *aimags* (Q4 2015–Q3 2018) [GCD] [KNS]
- 2.3 Review guidelines, instructions, and handbooks on financial, human, and physical resource management of school dormitories for *aimag* department staff, school management, and accountants; develop training materials and tools; and train school management, accountants, and *aimag* education department staff in Govi-Altai, Uvs, and Zavkhan *aimags* (Q4 2015–Q3 2018) [GCD] [KNS]
- 2.4 Conduct a study of student- and teacher-organized study, reading, and extracurricular activities at school dormitories; organize experience-sharing workshops for dormitory teachers, primary class teachers, and social workers; prepare resource materials; procure books, teaching–learning materials, and other materials for extracurricular activities; and monitor student- and teacher-organized study, reading, and extracurricular activities at dormitories in Govi-Altai, Uvs, and Zavkhan *aimags* (Q2 2016–Q3 2018) [GCD] [KNS] [PAR]
- 2.5 Research involvement of parents of dormitory students at primary level in children's learning; organize experience-sharing workshops for dormitory teachers, primary class teachers, and social workers; prepare resource materials; and monitor parent involvement in Govi-Altai, Uvs, and Zavkhan *aimags* (Q4 2015–Q1 2016) [GCD] [KNS] [PAR]

#### 3. Policy and regulatory frameworks to improve the school dormitory environment developed

- 3.1 Review government standards, regulations, and policies related to school dormitories based on the project



<b>Key Activities with Milestones</b>
<p>experiences, and national and international good practices in boarding school management in Japan and other countries; draft standards for physical school dormitory environment and services; and conduct stakeholder consultations (Q2 2017–Q3 2018) [GCD] [KNS]</p> <p>3.2 Study school dormitory meals from nutrition, child development, and financial perspectives; revise funding formula for dormitory meals, taking into account student ages and nutritional requirements; and conduct stakeholder consultations (Q1 2016–Q2 2017) [GCD]</p> <p>3.3 Review investment gaps to improve physical school dormitory environments and services nationwide; develop simulation models for different policy and financing options to improve physical dormitory environments and services; and conduct stakeholder consultations (Q3 2016–Q3 2018) [GCD]</p> <p><b>Project management</b>            Establish a project implementation unit and train staff in procurement, disbursement, financial management, contract management, EMP, SEGAP, monitoring and evaluation, and reporting (Q4 2015–Q1 2017)            Update the project performance management system involving MECS and <i>aimag</i> education departments; train MECS and <i>aimag</i> education department staff in project management; collect baseline data (disaggregated by grade, gender, family background, and poverty status); and generate quarterly and annual reports on time (Q4 2015–Q4 2018) [GEM]            Report progress in implementing EMP and achieving SEGAP targets (Q4 2015–Q4 2018) [GEM]</p>
<p><b>Inputs</b>            Japan Fund for Poverty Reduction: \$3,000,000 (grant)            Government of Mongolia: \$300,000            Govi-Altai <i>aimag</i> government: \$20,000            Uvs <i>aimag</i> government: \$40,000            Zavkhan <i>aimag</i> government: \$20,000</p>
<p><b>Assumptions for Partner Financing</b>            Not applicable.</p>

EMP = environmental management plan, GCD = governance and capacity development, GEM = gender equity and mainstreaming, KNS = knowledge solutions, MECS = Ministry of Education, Culture, and Science, PAR = partnerships, Q = quarter, SEGAP = social, ethnic, and gender action plan, TOR = terms of reference, WASH = water, sanitation, and hygiene.

<sup>a</sup> MECS. 2012. *Pre-School, Primary and Secondary Education Reform Policy Framework, 2012–2016*. Ulaanbaatar.

<sup>b</sup> State Great Hural (Parliament) of Mongolia. 2008. *The Millennium Development Goals-based Comprehensive National Development Strategy of Mongolia*. Ulaanbaatar.

<sup>c</sup> Currently, less than 30% of primary students in dormitories regularly participate in study, reading and extracurricular activities organized at dormitories.

<sup>d</sup> Only 20%–30% of parents of primary students in dormitories participate in meetings and events organized by schools to familiarize them with children's learning.

Source: Asian Development Bank.

### **LIST OF LINKED DOCUMENTS**

<http://adb.org/Documents/RRPs/?id=49168-001-2>

1. Grant Agreement
2. Sector Assessment (Summary): Education
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Financial Analysis
7. Economic Analysis
8. Country Economic Indicators
9. Summary Poverty Reduction and Social Strategy
10. Gender Action Plan: Social Development, Ethnic, and Gender Action Plan
11. Indigenous Peoples Plan: Social Development, Ethnic, and Gender Action Plan
12. Risk Assessment and Risk Management Plan

### **Supplementary Documents**

13. Project Financial Management Assessment Report
14. Project Procurement Risk Assessment Report