



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

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Project Number: 50091-002  
October 2017

## Proposed Loan Mongolia: Sustaining Access to and Quality of Education During Economic Difficulties Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 4 October 2017)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$.000405
\$1.00	=	MNT2,467.50

## ABBREVIATIONS

ADB	–	Asian Development Bank
CPD	–	continuing professional development
GIS	–	geographic information system
IT	–	information technology
ITPD	–	Institute of Teachers Professional Development
MECSS	–	Ministry of Education, Culture, Science and Sports
PIU	–	project implementation unit
SGAP	–	social and gender action plan
TLM	–	teaching and learning materials

## NOTES

- (i) The school year (SY) in Mongolia starts on 1 September and ends on 1 June. “SY” before a calendar year denotes the year in which the school year starts, e.g., SY2016 ends on 1 June 2017.
- (ii) In this report, “\$” refers to United States dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 50091-002	
<b>Project Name</b>	Sustaining Access to and Quality of Education During Economic Difficulties Project	<b>Department /Division</b>	EARD/EASS
<b>Country Borrower</b>	Mongolia Mongolia	<b>Executing Agency</b>	Ministry of Education, Culture, Science & Sports
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Education</b>	Pre-primary and primary Secondary		27.00 23.00
		<b>Total</b>	<b>50.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Eco-efficiency		
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Effective gender mainstreaming (EGM)	✓
Knowledge solutions (KNS)	Institutional development Organizational development		
Partnerships (PAR)	Application and use of new knowledge solutions in key operational areas Pilot-testing innovation and learning Bilateral institutions (not client government) Implementation		
<b>5. Poverty and SDG Targeting</b>		<b>Location Impact</b>	
Geographic Targeting	No	Rural	Low
Household Targeting	No	Urban	High
SDG Targeting	Yes		
SDG Goals	SDG4		
<b>6. Risk Categorization:</b>	Low		
<b>7. Safeguard Categorization</b>	<b>Environment: B Involuntary Resettlement: C Indigenous Peoples: C</b>		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>50.00</b>	
Sovereign Project (Regular Loan): Ordinary capital resources		50.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.69</b>	
Government		0.69	
<b>Total</b>		<b>50.69</b>	

## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to Mongolia for the Sustaining Access to and Quality of Education During Economic Difficulties Project.

2. Mongolia is facing severe economic difficulties. Significant cuts in the education budget for 2017 and beyond greatly constrain the government's capacity to mitigate further deterioration of education services. This will result in lost opportunities for pre-primary, primary, and secondary education, especially for children who come from disadvantaged backgrounds. Support from the Asian Development Bank (ADB) is urgently needed to minimize the negative effects during this difficult economic period by (i) narrowing the gap in the enrollment capacity of schools and kindergartens in Ulaanbaatar and some *aimag*<sup>1</sup> centers, (ii) supporting the completion of unfinished curriculum reform and associated assessment system reforms, (iii) ensuring the provision of teaching and learning materials (TLM) that accompany the new curriculum, (iv) upgrading the skills and knowledge of teachers and managers for the new curriculum and assessments, and (v) strengthening systems for planning and managing education services.

## II. THE PROJECT

### A. Rationale

3. The growth of Mongolia's economy has rapidly decelerated since 2011 because of declining foreign direct investment and falling commodity prices. This slowed growth has caused serious economic difficulties, including large revenue shortfalls and cuts in government investment, which are expected to continue beyond 2017 and require the government to reduce public spending further. The government has cut education spending to a minimum, only enough to keep schools and kindergartens operating. Access to and the quality of pre-primary, primary, and secondary education are likely to deteriorate with the growth of the population of kindergartner and school-age children and unfinished curriculum and assessment system reforms, unless some mitigating measures are implemented.

4. Seats in schools and kindergartens have increasingly become unavailable due to the growth in the population of kindergartner and school-age children which has been outpacing the construction and expansion of schools and kindergartens. While enrollments in pre-primary education doubled (105.9%) from SY2009 to SY2015, the number of kindergartens increased by only 58.2%.<sup>2</sup> Similarly, enrollments in primary and secondary education rose by 7.8% during SY2012–SY2015, but only 13 schools were built during the period, an increase of 1.7%. Consequently, the enrollment capacity of schools and kindergartens has been overstretched, with the class size enlarged and 33 schools operating in three shifts in SY2016 (of which 30 are in Ulaanbaatar).<sup>3</sup> The gap in enrollment capacity has been widening particularly in Ulaanbaatar because of disproportionate population growth caused by internal migration. The average class size at Ulaanbaatar schools is 37 at the primary level, the largest in the country, as enrollments expanded by 18.1% during SY2012–SY2015. With an increase of 41.5% in pre-primary enrollments, the class size at free public kindergartens in Ulaanbaatar is even larger, at 40–50

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<sup>1</sup> An *aimag* is an administrative subdivision in Mongolia.

<sup>2</sup> Students enrolled in pre-primary education totaled 109,479 in SY2009 and jumped to 225,388 in SY2015. There were 814 kindergartens in SY2009, of which 102 were private. The number rose to 1,288 in SY2015, of which 462 were private.

<sup>3</sup> Although the class size became larger, the student–teacher ratio remained constant at 18:3–18:8 during SY2012–SY2015.

students, and students are selected for admission by lottery. Although net enrollment rates at pre-primary, primary, and junior secondary levels have been improving steadily, these may be reversed unless schools and kindergartens are built or expanded. The population of kindergartners is projected to grow further until 2019, while the population of primary and secondary school-age children is expected to rise until 2025.

5. The curriculum reform, which started in SY2013 with the pilot test of a new curriculum for primary education, remains incomplete without the pilot test and implementation of a new curriculum for senior secondary education.<sup>4</sup> Moreover, the current curriculum still lacks learning outcome standards for students at every grade level, which leaves students and teachers unguided and confused. The current student learning assessment system is not reliable and fails to provide feedback on student learning or education policy. Furthermore, the standards for school performance evaluation have become too outdated to encourage school-based continuing professional development (CPD) of teachers and school leaders, and effective management of school resources to support the implementation of the current curriculum. Likewise, the current standards for teacher evaluation are too general to help teachers develop knowledge and skills.

6. The new curriculum was introduced with little accompanying TLM—including textbooks, teachers' guides, student workbooks, tools, and equipment—provided to implement it, which negatively affected the quality of student learning. There are huge disparities in the distribution of TLM among schools and kindergartens. Schools and kindergartens in rural areas are more disadvantaged than those in urban areas, as the transportation cost is higher. Since a standard set of TLM accompanying the curriculum for each grade does not exist, TLM have been provided on an ad hoc basis, further intensifying disparities.

7. Existing in-service professional development programs do not assist teachers in adopting a child-centered methodology and the formative and summative assessment and evaluation methods required by the new curriculum. The budget allocated for teacher training is generally too limited to cover even the mandatory training for teachers in the first, fifth, and 10th year of service, causing the quality of education to suffer. In addition, little CPD opportunities are provided for school and kindergarten managers who are expected to provide instructional leadership for the implementation of the curriculum.

8. The low population density and harsh winters in Mongolia have caused inefficiency in education expenditures. The cost of providing education services is high because (i) education services need to be provided in sparsely populated rural areas; (ii) school dormitory services are needed for one-quarter of the population engaged in seminomadic herding; (iii) constant heating is required in schools, dormitories, and kindergartens during extremely cold winter months; and (iv) many nonteaching staff are employed to operate and maintain schools, dormitories, and kindergartens. The government lacks effective information gathering, planning, and management systems for schools, dormitories, and kindergartens; and resource-sharing mechanisms between schools and kindergartens.

9. **Strategic fit.** The project will support key priorities set out in the Mongolia Sustainable Development Vision 2030 and Action Program for 2016–2020 for the education sector, including

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<sup>4</sup> The curriculum reform was undertaken in phases. In SY2014, the new curriculum for primary education was implemented nationwide, while a new curriculum for junior secondary education and pre-primary education was pilot tested. In SY2015, the new curriculum for junior secondary and pre-primary education was implemented nationwide. However, the development and pilot test of a new curriculum for senior secondary education were delayed and has not been completed, as of August 2017.

(i) providing equal, inclusive, and practical educational services; (ii) allowing every child in urban areas to enroll in a kindergarten; (iii) alleviating over-enrollment and eliminating three shifts in schools; (iv) introducing a system of evaluation of education quality and results at all levels of education; and (v) building an education system based on standards.<sup>5</sup> It is in line with ADB's education sector operations plan, which emphasizes the importance of improving student learning outcomes.<sup>6</sup> The project is aligned with ADB's country partnership strategy for Mongolia, 2017–2020 which promotes economic and social stability in a period of economic difficulties.<sup>7</sup>

10. **Lessons.** A review of the curriculum implementation conducted under ADB's technical assistance showed that most teachers accept the curriculum but struggle with implementation because of lack of (i) learning outcome statements in the curriculum; (ii) understanding, knowledge, and skills regarding child-centered methodology and formative and summative student assessment and evaluation methods; and (iii) quality TLM.<sup>8</sup> These findings have been incorporated into the project design. The project also draws on lessons learned from the experience of ADB and other development partners in supporting school and kindergarten construction and expansion, particularly the importance of (i) reliable enrollment and population growth projections in planning capital investments, and (ii) daily construction supervision to ensure the quality of school and kindergarten buildings.

## B. Impact and Outcome

11. The project is aligned with the following impact: more accessible, more equitable, and better quality education system developed (footnote 5). The project will have the following outcome: access to and quality of pre-primary, primary, and secondary education sustained during economic difficulties.<sup>9</sup>

## C. Outputs

12. The project will have five outputs.

13. **Output 1: Gap in enrollment capacity of schools and kindergartens narrowed.** The project will support the construction and expansion of schools and kindergartens in Ulaanbaatar and *aimag* centers (Altai, Darkhan, Sainshand, and Sumber) to make more seats available and reduce three-shift schools and class size. Inclusive (age, gender, and special needs), energy-efficient (improved insulation and heating systems), and disaster-resilient features<sup>10</sup> will be built into new and expanded schools and kindergartens using innovative designs introduced by the government and other development partners.

14. **Output 2: Unfinished curriculum reform and associated assessment system reforms completed.** The project will support the completion of unfinished curriculum reform and associated assessment system reforms by updating curriculum standards; student learning assessment criteria, methods and system for primary, junior, and senior secondary education;

<sup>5</sup> State Great Khural. 2016. *Mongolia Sustainable Development Vision 2030*. Ulaanbaatar; Government of Mongolia. 2016. *Action Program for 2016–2020*. Ulaanbaatar.

<sup>6</sup> ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila.

<sup>7</sup> ADB. 2017. *Country Partnership Strategy: Mongolia, 2017–2020—Sustaining Inclusive Growth in a Period of Economic Difficulty*. Manila.

<sup>8</sup> ADB. 2015. *Technical Assistance to Mongolia for Education Sector Development*. Manila (TA 8931-MON).

<sup>9</sup> The design and monitoring framework is in Appendix 1.

<sup>10</sup> Include sound seismic design to withstand earthquakes and winter snowstorms, improved flood control, and precipitation-resistant features.

and standards for school and teacher evaluation. The curriculum for all grades and subjects will incorporate clearly defined learning outcome standards, while the Mongolian language and literature curriculum for grades 1–12 will be reviewed comprehensively to improve the writing, reading, and communication skills of students. Based on the updated outcome standards, student learning assessment criteria and methods will also be reviewed, and the system for student learning assessment in primary, junior, and senior secondary education will be upgraded by strengthening the capacity of the Education Evaluation Center. Moreover, school evaluation standards will be updated to strengthen school-based management and assist with schools' self-evaluation, performance improvements, and reporting. The existing teacher evaluation standards will be revised to include differentiated competency levels and encourage self-appraisal and CPD. Further, the curriculum for pre-service teacher education programs will be reviewed in line with the updated school curriculum standards, student learning assessment criteria and methods, and competency-based standards for teachers.

**15. Output 3: Teaching and learning materials that accompany the new curriculum provided.** The project will update TLM standards, including those for developing, evaluating, and selecting TLM, to improve the quality of and enhance systems for distributing TLM. A profile of TLM accompanying the curriculum for each grade, including pre-primary education and equivalency program, and their layout and physical standards will be developed. The project will also support the provision of quality TLM for poorly resourced kindergartens.

**16. Output 4: Teachers' and managers' knowledge and skills upgraded for the new curriculum and assessments.** The project will upgrade the knowledge and skills of teachers and managers (principals and head teachers) of schools and kindergartens to implement the updated curriculum standards, assessment, and evaluation. Given budget constraints, the project will strengthen the capacity of the Institute of Teachers Professional Development (ITPD) to develop and deliver CPD programs for pre-primary, primary, and secondary teachers through existing online platforms and workshops.<sup>11</sup> Model science, math, and information technology (IT) laboratories will be established at the ITPD to train secondary teachers in using laboratory equipment and in facilitating student experiments emphasized in the curriculum. Moreover, CPD programs for school and kindergarten managers, and Ulaanbaatar and *aimag* education department staff, will be developed and delivered to improve leadership during the implementation of the updated curriculum standards, assessment, and evaluation.

**17. Output 5: Systems for planning and managing education services strengthened.** The project will strengthen systems for planning and managing pre-primary, primary, and secondary education services in the medium term. A geographic information system (GIS)-based real-time information system integrated into existing systems will be developed to collect and analyze information on school and kindergarten construction, expansion, and rehabilitation needs, taking into account population and enrollment growth projections, and trends in internal migration. The introduction of cluster systems for schools with senior secondary grades and kindergartens will be explored and pilot tested to facilitate resource sharing between schools and kindergartens. The policy and system for school and kindergarten catchment areas will be reviewed and measures to strengthen their enforcement will be identified to improve the planning and management of school and kindergarten enrollments, as well as construction, expansion, and rehabilitation.

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<sup>11</sup> In 2017, about 30% of primary and secondary teachers participate in CPD programs through online platforms (Appendix 1, baseline for indicator 4d).



## D. Summary Cost Estimates and Financing Plan

18. The project is estimated to cost \$50.69 million (Table 1). The base cost will be allocated as follows: civil works (87.23%), equipment and materials (1.91%), training and workshops (1.47%), consulting services (6.80%), and project management (2.59%). Physical and price contingencies total \$5.38 million.

**Table 1: Summary Cost Estimates**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. Gap in enrollment capacity of schools and kindergartens narrowed	39.76
2. Unfinished curriculum and assessment system reforms completed	1.23
3. Teaching and learning materials accompanying the new curriculum provided	0.36
4. Teachers' and managers' knowledge and skills upgraded	0.38
5. Systems for planning and managing education services strengthened	0.20
6. Project management	1.12
<b>Subtotal (A)</b>	<b>43.05</b>
<b>B. Contingencies<sup>c</sup></b>	<b>5.38</b>
<b>C. Financial Charges During Implementation<sup>d</sup></b>	<b>2.26</b>
<b>Total (A+B+C)</b>	<b>50.69</b>

<sup>a</sup> Includes taxes and duties of \$2.74 million. Such amount does not represent an excessive share of the project cost. The government will finance taxes and duties of \$0.69 million as tax exemptions.

<sup>b</sup> In mid-2017 prices as of 5 March 2017.

<sup>c</sup> Physical contingencies computed at 5% for base investment costs. Price contingencies computed at an average of 2.5% on foreign exchange costs and 6.3% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>d</sup> Includes interest and commitment charges. Interest during construction for the ordinary capital resources loan has been computed at the 5-year United States dollar fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for the ordinary capital resources loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

19. The Government of Mongolia has requested a regular loan of \$50 million from ADB's ordinary capital resources to help finance the project. The loan will have a 26-year term, including a grace period of 5 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year (the interest and other charges during construction to be capitalized in the loan); and such other terms and conditions set forth in the draft loan agreement. Based on the straight-line method, the average maturity is 15.75 years, and the maturity premium payable to ADB is 0.10% per year.

20. The summary financing plan is in Table 2. ADB will finance the expenditures in relation to civil works, equipment and materials, training and workshops, consulting services, project management, physical and price contingencies, interest, and other charges during implementation. The Government of Mongolia will provide counterpart funding (\$0.69 million) through tax exemptions. The government has assured ADB that it will provide additional funding for any shortfall of funds or cost overruns to ensure the success of the project.

**Table 2: Summary Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	50.00	98.6
Government	0.69	1.4
<b>Total</b>	<b>50.69</b>	<b>100.0</b>

Source: Asian Development Bank estimates.

## E. Implementation Arrangements

21. The executing agency of the project will be the Ministry of Education, Culture, Science and Sports (MECSS). The implementing agencies will be MECSS and the Ulaanbaatar Metropolitan Education Department in Ulaanbaatar municipal government. MECSS will establish a project steering committee to approve annual budgets and plans for the project, and guide and support project implementation. MECSS will also establish a project implementation unit (PIU) to handle day-to-day project management. The project will be implemented from November 2017 to June 2021. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual.<sup>12</sup>

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	November 2017–June 2021		
Estimated completion date	30 June 2021		
Estimated loan closing date	31 December 2021		
<b>Management</b>			
(i) Oversight body	Project steering committee to be established by MECSS MECSS state secretary (chair) MECSS directors and representatives from the Ministry of Finance, Ulaanbaatar Metropolitan Education Department, Engineering Supply Department of Ulaanbaatar Municipality, Education Evaluation Center, Institute of Education, and Institute of Teachers Professional Development (members)		
(ii) Executing agency	MECSS		
(iii) Key implementing agencies	MECSS and Ulaanbaatar Metropolitan Education Department (responsible for output 1 in Ulaanbaatar)		
(iv) Implementation unit	A project implementation unit with 12 staff to be established in Ulaanbaatar by MECSS (project coordinator, procurement specialist, financial management specialist and/or accountant, monitoring and evaluation specialist, civil engineer, cost estimator, environment specialist, curriculum and assessment specialist, teaching and learning materials specialist, teacher training specialist, project assistant, and driver)		
Procurement	National competitive bidding	16 contracts	\$38,120,000
	Shopping	8 contracts	\$166,000
Consulting services	Quality- and cost-based selection	340.0 person-months	\$1,996,410
	Least cost selection	4.0 person-months	\$10,000
	Individual consultant selection	95.5 person-months	\$693,500
Retroactive financing and/or advance contracting	No retroactive financing or advance contracting is required.		
Disbursement	The loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank; MECSS = Ministry of Education, Culture, Science and Sports.  
Source: ADB.

## III. DUE DILIGENCE

### A. Technical

22. The project will support the construction and expansion of schools and kindergartens based on standard designs that are improved with features such as (i) disabled access, sanitation, signage, and handrails; (ii) low-height handwashing and toilet facilities for early grade students; and (iii) energy-efficiency-enhancing wall, roof, and ground floor insulation; triple glazed windows;

<sup>12</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

light-emitting diode lighting; and heat meters and regulators. Heating, water, and wastewater facilities linked to the constructed and expanded schools and kindergartens will be (i) compatible with available infrastructure for basic services on-site, and (ii) easy and inexpensive to operate and maintain. School and kindergarten furniture to be supplied will be of better quality and safer, with sharp corners eliminated. The facilities will have sound seismic design to withstand earthquakes and winter snowstorms, improved flood control, and precipitation-resistant features for all the schools and kindergartens supported under the project. Additionally, the project will support the establishment of model science, math, and IT laboratories at the ITPD building. Adequate water, wastewater, and ventilation facilities will be built into the laboratory design. Database, data analytics, test item validation, GIS, and other software, information systems, and equipment to be procured for the Education Evaluation Center, ITPD, and MECSS will be user-friendly and compatible with existing systems, and users will be trained. In developing an e-learning, e-textbook, and e-library policy and implementation plan, e-learning technical preparedness, including internet and power connectivity, security, IT equipment, furniture, and operation and maintenance costs will be reviewed and suitable e-learning modalities will be identified. Teaching and school staff will be provided with appropriate training.

## **B. Economic and Financial**

23. **Economic analysis.** The project economic rationale was assessed as sound, because the project will support the construction and expansion of schools and kindergartens in Ulaanbaatar where the demand for additional seats is particularly high. A cost-effectiveness analysis was conducted to compare the project case with two alternatives in terms of (i) the target area for school and kindergarten construction and expansion; (ii) the presence or absence of interventions related to curriculum and student learning assessment system reforms, and CPD; and (iii) anticipated impacts on access to quality education, student learning outcomes, and curriculum and education policy. The project case was assessed as the most cost-effective option as it would enable the largest number of students to enroll in the supported facilities, and contribute to improvements in student learning and education policy. The project is considered as economically viable and sustainable.

24. **Financial sustainability.** The financial sustainability of the project was assessed at the fiscal and project levels, since there are no revenue-generating components. An analysis of recent expenditures, incremental recurrent costs, and projected budgets was undertaken to evaluate the fiscal impact of the project on the budget of the government and MECSS. Given economic difficulties, counterpart funding will be limited to \$0.69 million or 1.4% of the total project cost in the form of tax exemptions. Hence, negative impacts on the budget are considered minimal.

## **C. Governance**

25. The financial management risk is *substantial* mainly because of the lack of staff with experience in managing donor-funded projects, and weaknesses in internal controls and asset management procedures at MECSS. Key mitigation measures for these risks include the (i) establishment of a PIU staffed by an experienced financial management professional to manage the project funds, (ii) installation of accounting software at the PIU to generate financial reports and track the project assets, and (iii) training of MECSS and PIU staff on ADB's guidelines and procedures. Annual project audits will be arranged by the National Audit Office.

26. The project is classified *category B* for procurement risk. The project procurement risk is *moderate* because of (i) lack of full-time procurement staff and technical capacity to prepare, procure, and supervise civil works for school and kindergarten construction and expansion, and

consulting services; and (ii) weaknesses in goods receipt procedures and controls at MECSS. These risks will be mitigated by the recruitment of an experienced procurement specialist for the PIU and the training of MECSS and PIU staff on ADB's guidelines and procedures. The engineers with experience in school and kindergarten construction and expansion at the Ulaanbaatar Metropolitan Education Department will be part of the civil works bid evaluation committees. All procurement under the project will be carried out by MECSS with the support of the PIU.

27. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the MECSS. The specific policy requirements and supplementary measures are described in the project administration manual (footnote 12).

#### **D. Poverty, Social, and Gender**

28. The project will directly benefit about 11,000 primary and secondary students and 4,500 pre-primary students enrolled in newly constructed or expanded schools and kindergartens with inclusive features (disabled access and age- and gender-inclusive sanitation) in Ulaanbaatar and some *aimag* centers. Five schools and 12 kindergartens supported under the project will be in low-income, poorly serviced districts of Ulaanbaatar (Bayanzurkh and Songinokhairkhan), which are the main destinations of rural migrants. The other schools and kindergartens will be in the districts (Bayangol, Chingeltei, Khan-Uul, Nalaikh, and Sukhbaatar) and *aimag* centers (Altai, Darkhan, Sainshand, and Sumber), which have large classes with 35–50 students and three shifts (Altai). The project will also support the provision of quality TLM for poorly resourced kindergartens in rural areas.

29. **Gender benefits.** The project is designed to mainstream gender effectively. Eliminating three-shift schools will reduce the risk of accidents and assaults on the way home for students in the third shift, especially females, as the third shift class finishes at 8 or 9 p.m. The poverty and social analysis conducted for the project revealed that women are concerned with the lack of seats in kindergartens and schools close to home, and they often have to look for kindergartens and schools elsewhere and spend more time dropping off and picking up children at kindergartens and schools. In addition, since children need to walk long distances to kindergartens and schools, women worry about potential accidents. Boys remain less likely to enroll in schools than girls, especially in rural areas where they need to look after animals.<sup>13</sup> A social and gender action plan (SGAP) has been developed to ensure social inclusion and gender mainstreaming in all the project outputs. The SGAP includes actions and targets related to (i) gender-sensitive and inclusive features in school and kindergarten designs; (ii) gender-sensitive criteria and standards for TLM; (iii) women's participation in training for school and kindergarten managers and teachers; and (iv) the collection of sex-disaggregated data for planning, monitoring, and evaluation, to be included in the GIS-based real-time information system.

#### **E. Safeguards**

30. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.<sup>14</sup>

31. **Environment (category B).** Initial environmental examination and public consultations were conducted on 49 potential school and kindergarten construction and expansion sites. All

<sup>13</sup> The gender parity index at the primary and secondary levels improved in favor of boys from 1.00 in 2008 to 0.94 in 2014, but this was largely because school-age boys outnumbered school-age girls.

<sup>14</sup> ADB. Safeguard Categories. <https://www.adb.org/site/safeguards/safeguard-categories>

potential impacts have been identified, including dust, noise, vibration from machinery and casting, temporary traffic disturbance, associated risks to the community, and occupational health and safety on-site. Related mitigation measures, construction supervision, monitoring, grievance redress, and reporting have been defined in an environmental management plan. The initial environmental examination has been disclosed on the ADB website. The climate change impact of the project was assessed and classified low climate risk as increases in precipitation and temperatures are unlikely to affect the project outputs.<sup>15</sup> However, the facilities will be designed to minimize risks from increased precipitation, temperature, snowfall, and storm. The project will also introduce increased energy-efficiency measures to reduce heat loss and indirectly reduce greenhouse gas emissions.

32. **Involuntary resettlement (category C).** The project will not require any permanent and/or temporary land acquisition or resettlement. Due diligence had been conducted on potential school and kindergarten sites, which confirmed that no physical or economic displacement will ensue because of the project. The construction, expansion, and rehabilitation of schools and kindergartens will be accommodated within the existing premises and compounds. With no planned land acquisition, the project is unlikely to trigger Safeguard Policy Statement requirements for involuntary resettlement.

33. **Indigenous peoples (category C).** The project seeks to sustain access to and quality of education for all kindergartner and school-age children, regardless of ethnicity. The poverty and social analysis confirmed that ethnic groups will not be impacted negatively. Measures to enhance inclusiveness and sensitivity, and maximize project benefits for all vulnerable groups, including ethnic groups, have been incorporated into the SGAP. These include the improvement of textbooks and other TLM in the Kazakh language, as well as the introduction of culturally responsive teaching approaches.

## F. Summary of Risk Assessment and Risk Management Plan

34. The overall benefits and impacts are expected to outweigh the costs and risks involved. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.<sup>16</sup> The overall risk was rated *substantial*.

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

Risks	Mitigation Measures
MECSS lacks sufficient number of qualified staff to develop detailed specifications and evaluate bids; and to monitor all phases of school and kindergarten construction, expansion, and rehabilitation.	The PIU procurement specialist and civil engineer will support the civil works bid evaluation committees. Engineers with experience in school and kindergarten construction from UMED will be part of the civil works bid evaluation committees. MECSS, UMED, and the PIU will be supported by national construction supervision specialists and an international construction supervision training specialist, as well as by engineering firms that will prepare designs, drawings, specifications, and bill of quantities to oversee civil works on a daily basis.
Delays in procurement and late application for construction permits reduce construction time.	The PIU will develop a detailed plan for school and kindergarten construction and expansion to be reviewed and approved by the project steering committee, which will coordinate procurement processes, as well as application and awarding of permits between different government agencies.
MECSS has no accounting staff with experience in managing donor-funded projects and no full-time procurement staff.	A PIU will be established and staffed by a financial management specialist and/or accountant and a procurement specialist with skills and experience to manage donor funds and procurement. The PIU will develop detailed accounting procedures to ensure effective management and control of the

<sup>15</sup> Rapid Environmental Assessment checklist.

<sup>16</sup> Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigation Measures
	project funds and assets. MECSS and PIU staff will be trained in ADB disbursement and procurement.
Asset management procedures, contract compliance procedures, and internal controls have some weaknesses.	The PIU will develop procedures to control receipt of assets and manage them. Project assets will be tracked in the accounting software. It will also develop procedures to administer, monitor, and control contracts. The PIU will be supported by international and national consultants to ensure that civil works contractors comply with contractual terms and specifications. The Internal Audit Committee of MECSS will be trained and an internal audit charter will be developed.

ADB = Asian Development Bank; MECSS = Ministry of Education, Culture, Science and Sports; PIU = project implementation unit; UMED = Ulaanbaatar Metropolitan Education Department.

Source: ADB.

#### IV. ASSURANCES

35. The government and MECSS 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 project administration manual and loan documents.

36. The government and MECSS have agreed with ADB on certain covenants for the project, which are set forth in the draft loan agreement.

#### V. RECOMMENDATION

37. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$50,000,000 to Mongolia for the Sustaining Access to and Quality of Education During Economic Difficulties Project, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 26 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao  
President

30 October 2017

## DESIGN AND MONITORING FRAMEWORK

<b>Impact the Project is Aligned with</b> More accessible, more equitable, and better quality education system developed (Mongolia Sustainable Development Vision 2030 and Action Program for 2016–2020) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks</b>
<p><b>Outcome</b> Access to and quality of pre-primary, primary, and secondary education sustained during economic difficulties</p>	<p>By 2022:</p> <p>a. Net enrollment ratio for pre-primary education improved by 2% (2.5% for boys), primary education by 1% (1.5% for boys), and junior secondary education by 0.5% (1.0% for boys) (2015 baselines: 74.4% for pre-primary, 96.3% for primary, 94.1% for junior secondary education)</p> <p>b. Primary and junior secondary education completion rates improved by 0.1% for primary (0.2% for boys) and 3.0% for junior secondary (3.5% for boys) (2015 baselines: 99.7% for primary, 49.0% for junior secondary education)</p> <p>c. Grades 5, 9, and 12 student learning assessment average scores improved by three points (2015 baselines: 68.9 for grade 5, 72.6 for grade 9, 78.3 for grade 12)</p>	<p>a. Data generated from MECSS's education sector information system at the beginning of the school year</p> <p>b. Data generated from MECSS's education sector information system at the end of the school year</p> <p>c. Data provided by the Education Evaluation Center at the end of the school year</p>	<p>Delays in procurement and late application for construction permits reduce the time available for construction because of the short construction period in Mongolia, failing to create additional seats on time</p>
<p><b>Outputs</b></p> <p>1. Gap in enrollment capacity of schools and kindergartens narrowed</p> <p>2. Unfinished curriculum reform and associated assessment system reforms completed</p> <p>3. TLM that accompany the new</p>	<p>1. 3 schools and 7 kindergartens constructed, and 8 schools and 17 kindergartens expanded, with more than 5,500 additional seats created at schools and 4,500 at kindergartens; improved insulation and heating systems; facilities for students with disabilities; disaster resilient features; and age- and gender-inclusive sanitation by 2021 (2017 baseline: 0)</p> <p>2a. 60% of teachers trained in the updated curriculum standards, assessment criteria, and methods by 2020, of whom more than 85% are female (2017 baseline: 0)</p> <p>2b. 25% of schools using the updated standards in their school improvement plans and school report cards by 2020 (2017 baseline: 5%)</p> <p>2c. 70% of school principals and other school managers trained in the use of the revised competency-based standards for teachers (of whom 55% are female) to mentor staff and identify CPD needs by 2020 (2017 baseline: 0)</p> <p>3a. Profiles and standards of TLM for all grades and pre-primary education</p>	<p>1. PIU's annual progress monitoring reports</p> <p>2a–c. PIU's annual progress monitoring reports</p> <p>3a. MECSS's orders and PIU's annual</p>	<p>MECSS lacks enough qualified staff to monitor all phases of school and kindergarten construction, expansion, and rehabilitation, and critical decisions to resolve issues are not made on time</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
curriculum provided	<p>developed with gender and socially inclusive aspects incorporated by 2019 (2017 baseline: not developed)</p> <p>3b. 30% of kindergartens in rural areas provided with a standard set of TLM by 2020 (2017 baseline: not provided)</p>	<p>progress monitoring reports</p> <p>3b. Data generated from MECSS's education sector information system at the beginning of the school year</p>	
4. Teachers' and managers' knowledge and skills upgraded for the new curriculum and assessments	<p>4a. CPD programs developed for school and kindergarten managers, and Ulaanbaatar and <i>aimag</i> (administrative subdivision) education department staff using online platforms by 2019 (2017 baseline: not developed)</p> <p>4b. CPD programs developed for teachers on assessment, and child-centered and inclusive teaching approaches by 2019 (2017 baseline: not developed)</p> <p>4c. 30% of secondary science teachers (of whom more than 80% are female) trained in science laboratory skills and management by 2020 (2017 baseline: not trained)</p> <p>4d. 60% of pre-primary, primary, and secondary education teachers (of whom more than 85% are female) regularly participating in CPD programs through online platforms by 2020 (2017 baseline: 30%)</p>	4a–d. PIU's annual progress monitoring reports	
5. Systems for planning and managing education services strengthened	<p>5a. Real-time information system to identify school and kindergarten construction, expansion, and rehabilitation needs developed with gender-sensitive and inclusive design parameters by 2020 (2017 baseline: not developed)</p> <p>5b. Plan to introduce cluster systems for schools and kindergartens developed and pilot tested by 2020 (2017 baseline: not pilot tested)</p>	<p>5a. MECSS's information system operating at the beginning of 2020</p> <p>5b. MECSS's orders and PIU's annual progress monitoring reports</p>	

#### Key Activities with Milestones

##### 1. Gap in enrollment capacity of schools and kindergartens narrowed

- 1.1 Prepare designs, drawings, and specifications and procurement packages for schools and kindergartens, at the latest 3 months before the start of the first construction season (Q1–Q3 2018)
- 1.2 Apply for building, land, and utility permits for schools and kindergartens (Q3 2018)
- 1.3 Recruit and train construction supervision specialists 1 month before the start of the first construction season (Q4 2018–Q1 2019)
- 1.4 Conduct daily supervision of construction and expansion sites (Q2 2019–Q3 2021)
- 1.5 Implement, monitor, and report on environmental management plans (Q3 2018–Q2 2021)
- 1.6 Conduct civil works completion inspections for schools and kindergartens (Q4 2019–Q4 2021)

##### 2. Unfinished curriculum reform and associated assessment system reforms completed

- 2.1 Review and rewrite curriculum standards to be aligned with expected student learning outcomes (Q2 2018–Q1 2019)
- 2.2 Update Mongolian language and literature curriculum for grades 1–12 (Q3–Q4 2018)



<p><b>Key Activities with Milestones</b></p> <p>2.3 Review pre-service teacher education curriculum and equivalency program curriculum in line with the updated curriculum standards (Q3 2018–Q2 2019)</p> <p>2.4 Develop appropriate learning assessment methods and items in line with the updated curriculum standards (Q2 2018–Q3 2019)</p> <p>2.5 Strengthen the capacity of the Education Evaluation Center to plan, develop, and administer a secure and reliable assessment system (Q2 2018–Q3 2019)</p> <p>2.6 Review progress of school-based management and provide training programs for school leaders to develop annual school improvement plans and school report cards (Q2 2018–Q4 2020)</p> <p>2.7 Review, test, and finalize competency-based standards for teachers and prepare handbooks on the use of competency-based standards for teachers (Q2 2018–Q1 2020)</p> <p><b>3. TLM that accompany the new curriculum provided</b></p> <p>3.1 Develop a profile of TLM for each grade; a TLM publication plan; and criteria and standards for reviewing, developing, evaluating, and selecting TLM (Q1–Q2 2018)</p> <p>3.2 Prepare procurement packages for TLM for kindergartens (Q4 2018)</p> <p><b>4. Teachers' and managers' knowledge and skills upgraded for the new curriculum and assessments</b></p> <p>4.1 Review, develop, and upgrade CPD programs for school and kindergarten leaders, teachers, and Ulaanbaatar and <i>aimag</i> education department staff (Q2–Q4 2018)</p> <p>4.2 Deliver CPD programs for school and kindergarten leaders, teachers, and Ulaanbaatar and <i>aimag</i> education department staff through online platforms and workshops (Q1–Q2 2019)</p> <p>4.3 Strengthen the capacity of the Institute of Teachers Professional Development to develop and deliver CPD programs for school and kindergarten leaders, teachers, and Ulaanbaatar and <i>aimag</i> education department staff (Q2 2018–Q1 2020)</p> <p>4.4 Establish model science, math, and information technology laboratories at the Institute of Teachers Professional Development (Q4 2018–Q2 2020)</p> <p><b>5. Systems for planning and managing education services strengthened</b></p> <p>5.1 Review existing information systems for school and kindergarten buildings and facilities, and prepare data list and functional requirements for a real-time information system for identifying school and kindergarten construction, expansion, and rehabilitation needs (Q3–Q4 2018)</p> <p>5.2 Review the current allocation of human, financial, and physical resources for schools with senior secondary grades and kindergartens; and develop policy frameworks for introducing cluster systems for schools and kindergartens (Q2 2018–Q4 2019)</p> <p>5.3 Review the current system and policy for school and kindergarten catchment areas, update the system and policy, and pilot test the updated system (Q2 2018–Q4 2019)</p> <p><b>Project Management Activities</b></p> <p>Establish and fully staff the PIU (Q1 2018)</p> <p>Prepare documents for consultant recruitment and procurement of goods and civil works (Q1 2018–Q4 2020)</p> <p>Monitor and report on the social and gender action plan (Q1 2018–Q4 2021)</p> <p>Prepare quarterly and annual reports (Q1 2018–Q4 2021)</p> <p><b>Inputs</b></p> <p>ADB: \$50.00 million (loan)</p> <p>Government: \$0.69 million</p>
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ADB = Asian Development Bank; CPD = continuing professional development; MECSS = Ministry of Education, Culture, Science and Sports; PIU = project implementation unit; Q = quarter; TLM = teaching and learning materials.

<sup>a</sup> State Great Khural. 2016. *Mongolia Sustainable Development Vision 2030*. Ulaanbaatar; Government of Mongolia. 2016. *Action Program for 2016–2020*. Ulaanbaatar.

Source: ADB.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/RRPs/?id=50091-002-3>

1. Loan 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. Social and Gender Action Plan
11. Initial Environmental Examination
12. Risk Assessment and Risk Management Plan

### **Supplementary Documents**

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