

Project Administration Manual

Project Number: 42322
Loan Number: LXXXX
November 2013

Mongolia: Additional Financing of Food and Nutrition Social Welfare Project

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Attachment 1: Financial and Procurement Management Capacity Assessment Report

Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Population Development and Social Protection as the executing agency and the Social Insurance General Office, General Office for Social Welfare Services as implementing agencies are wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by the executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the loan agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.

After ADB Board approval of the project's report and recommendation of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

Abbreviations

ADB	=	Asian Development Bank
ADF	=	Asian Development Fund
CQS	=	consultants' qualifications selection
FBS	=	fixed budget selection
FNSWPP	=	Food and Nutrition Social Welfare Program and Project
FNSWP	=	Food and Nutrition Social Welfare Project
GAP	=	gender action plan
GOSWS	=	General Office for Social Welfare Services
ICB	=	international competitive bidding
ICS	=	individual consultant selection
IT	=	information technology
ITIL	=	IT infrastructure library
MPDSP	=	Ministry of Population Development and Social Protection
NCB	=	national competitive bidding
PAM	=	project administration manual
PIU	=	project implementation unit
PMT	=	proxy means test
QCBS	=	quality- and cost-based selection
SAN	=	storage area network
SIGO	=	Social Insurance General Office
TOR	=	terms of reference

I. PROJECT DESCRIPTION

A. Project Rationale, Location and Beneficiaries

1. **Rationale.** In Mongolia, high economic growth coexists with large numbers of vulnerable and poor populations—requiring a continuous focus on social welfare.¹ Mongolia's promising economic outlook and the prospect of increased labor participation in the formal sector justify the increased focus on social insurance. In July 2012, the newly elected government issued the Government Action Plan 2012–2016, which aimed at introducing new and transparent financial services and advanced information technology (IT) tools in the social welfare and insurance sector. The government's intention is to address user dissatisfaction with insurance and social welfare services, and the lack of transparency in the way social insurance and welfare services are provided to beneficiaries.

2. The Ministry of Population Development and Social Protection (MPDSP) has two attached agencies—the Social Insurance General Office (SIGO) in charge of managing five social insurance funds,² and the General Office for Social Welfare Services (GOSWS) in charge of social welfare benefit management. SIGO and the GOSWS are fairly decentralized with their 30 branch offices in all 21 *aimags* (province) and nine districts of Ulaanbaatar, and services offered in all 352 *soums* (administrative subdivisions of the *aimag*) of Mongolia. The MPDSP also includes the National Children Authority and the Public Service Office of People with Disabilities.

3. **Social welfare.** Social welfare has undergone major reforms since 2001 with ADB support, but key issues such as fiscal sustainability and impact of welfare benefits still need to be addressed through consolidation of social welfare benefits.³ Social welfare includes an excessive number of benefits (more than 60), which lack proper targeting and are overlapping. The absence of an effective centrally operated management information system in the GOSWS leads to duplication of benefits, limited analysis, and other inefficiencies. Progress made in reforming social welfare since 2009 include the introduction of proxy means testing (PMT) to target the poor, cancellation of several universal benefits,⁴ the introduction of the food stamp program as the first poverty-targeted benefit in Mongolia, and passage of an amended Social Welfare Law in January 2012 that legalized the reforms. Further progress in social welfare reforms requires better availability of data and information for more efficient and effective delivery of social welfare services. A major lesson is the need for sustained support as reforming a sensitive sector such as social welfare requires long-term efforts and commitment.

¹ The National Statistical Office released its latest poverty statistics: 2012 national poverty rate stands a 27.4% down from 33.7% in 2011. National Statistical Office. 2012. *National Socio-Economic Household Survey*. Ulaanbaatar.

² The five funds are (i) pension fund; (ii) unemployment fund; (iii) health insurance fund; (iv) benefits fund (sickness, maternal, and funeral grants); and (v) IAOD insurance fund (industrial accidents, occupational diseases).

³ ADB has been at the forefront of social welfare reforms with the following: ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistance Grant to Mongolia for the Social Security Sector Development Program*. Manila; ADB. 2008. *Report and Recommendation of the President to the Board of Directors on Proposed Asian Development Fund Grants to Mongolia for the Food and Nutrition Social Welfare Program and Project*. Manila; and ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant and Technical Assistance Grant to Mongolia for the Social Sectors Support Program*. Manila.

⁴ In 2009, the Law on Children, Mothers, and Families was abolished, cancelling the child money program and benefits for newborn children and newlyweds. A universal child benefit was reintroduced in October 2012 after the new government started implementing the Government Action Plan (2012–2016).

4. **Social insurance.** The population coverage of each fund varies. All funds are subsidized by the government, and the pension and health insurance funds are contributory funds.⁵ The pension fund covered about 301,940 people at the end of 2011. The MPDSP has initiated reform to shift from a single layer contributory system to a multilayer pension system encouraging private sector involvement. The health insurance system, covering up to 98% of the population, albeit with low financial protection, is undergoing reforms. These include better governance, more managerial autonomy, and increased health services purchasing capacity.⁶ With recent changes in the economy and the changing living conditions of Mongolians, the social security sector strategy needs to be assessed and updated to develop a consensus on the way forward to 2020. The social security sector strategy was last updated in 2003.⁷

5. **Information technology systems.** The IT systems of SIGO and the GOSWS suffer from lack of automated procedures for reporting, poor connectivity to automate social services at the *soum* and *aimag* levels, and a multitude of databases, which complicate data management, analysis, and reporting. SIGO is using an outdated software system that cannot support international accounting standards requirements for the public sector. The current approach to strictly separate IT systems for the GOSWS and SIGO is inefficient. The lack of information flow and availability constrains efficient functioning of the social welfare and insurance system. Reporting and data analytics (business intelligence) lack automated processes in SIGO, the GOSWS, and at the MPDSP level—creating considerable difficulty in analyzing the performance data of social welfare and insurance, and in preparing projections for policy analysis and development. Further, data security, disaster prevention measures, and the use of licensed software are lacking. The World Bank is supporting efforts to upgrade selected aspects of the social welfare IT system. IT processes for both the GOSWS and SIGO need to become transparent, with web-based interfaces, and stakeholder-centric. Beneficiaries and other stakeholders request access to information to inquire about the status of benefits processing, capacity to retrieve information, clear grievance and complaints mechanisms, and simplified procedures.

6. Both SIGO and the GOSWS seem adequately staffed, but the human resources capacity will need to be strengthened given the planned IT improvements. Additional IT hardware (computer, server, digital storage) will need to be acquired at central level, *aimag*, district, and *soum* level. This needs to be supported by proper IT budget allocation to implement effective maintenance, depreciation, and replacement policies.⁸ About 50% of the *soums* are connected through an internet network. The government is working with private parties to extend network connectivity to remote *soums*. Bandwidth, which seems sufficient for SIGO at present, will need to be reassessed in light of the planned requirements of the IT system in the future.

7. The current project was assessed on the following indicators and is considered to be performing well.⁹

⁵ Shared contributions of employers and employees (2% for health insurance and 7% for pension contributions from each employer and employee).

⁶ ADB is preparing capacity development TA (effectiveness expected in November 2013) to support the implementation of the revised citizens' health insurance law to be passed by the Parliament within 2013. ADB. 2013. *Technical Assistance to Mongolia for Strengthening the Health Insurance System*. Manila.

⁷ Social security is to be understood as synonymous to social protection, and includes social welfare and social insurance.

⁸ SIGO has a policy to replace hardware every 5 years but most GOSWS hardware is 5–6 years old without a clear replacement policy.

⁹ ADB. 2011. Additional Financing. *Operations Manual*. OM H5/OP. Manila

- (i) **Implementation results against expected project outputs.** All outputs under component 1 (design and implementation of a targeted food stamp program) have been achieved. Nationwide coverage of the proxy means testing implementation was achieved in July 2012 (1.1). The food stamp program is institutionalized and functioning (1.2).¹⁰ Outputs under component 2 (capacity development and communication strategy for the food stamp program) were achieved. Capacity development tools for national and local stakeholders were implemented (2.1). A communication strategy was adopted and implemented nationwide (2.2). Outputs under component 3 are nearly achieved. A methodology to measure the impact of food price increases was developed and disseminated (3.1). Policy notes, a knowledge product, and recommendations to the government have been prepared (3.2). Recommendations on the early warning and response system to respond to social shocks were prepared and are awaiting the government's decision to set up the system (3.3).
- (ii) **Implementation progress.** Implementation progress is satisfactory. The current project had achieved 98% of cumulative physical progress against 90% elapsed time by 30 June 2013. Cumulative contract awards and disbursement are consistent with projections.
- (iii) **Safeguard compliance.** Safeguard classifications for environment, resettlement, and indigenous peoples were C. All requirements have been met. The gender action plan has been implemented satisfactorily. Progress on the gender action plan was reviewed, and minimal changes made to two indicators to reflect actual implementation and monitoring. The proxy means testing database, food stamp distribution, grievances, and monitoring are fully sex-disaggregated in accordance with the gender action plan.
- (iv) **Management of risks.** Risks were managed successfully. The report and recommendation of the President for the original project identified (a) food safety nets used as a political tool, (b) resistance to change in the existing social welfare system, (c) the decision to expand or prolong the food stamp program based on recommendations from the pilot approach, (d) lack of coordination among ministries and levels of government, and (e) the risks that the recommendations on the results from pilot testing will not be turned into policy reforms. Mitigation measures were implemented and no further risk has surfaced.
- (v) **Project performance rating.** The current project is rated *on track* in the project performance rating.

8. The additional financing is considered to meet the four eligibility criteria for additional financing.¹¹ First, ADB reviewed the original project in October 2012. It confirmed the satisfactory performance of the original project, and no changes in approaches or methodologies were envisioned.¹² Accordingly, the original project remains technically feasible, economically viable, and financially sound. Second, the government accords high priority to the

¹⁰ The initial results of the impact evaluation of the food stamp program show a significant increase in dietary diversity and a decrease in the number of months without adequate food supply, a significant reduction in negative coping strategies (e.g., debt), a decrease in self-reported poverty, and food insecurity (ADB. 2011. *Impact Evaluation Study: Medicaid and Food Stamp Programs in Mongolia*. Manila). At the same time, the results show no significant impact on household consumption (monetary) or caloric increase. In total, 450,000 households (1.7 million individuals) were covered by the proxy means test survey. The National Socio-Economic Household Surveys for 2010–2012 show that 85% of food stamp eligible are poor—performance in line with international benchmarking. The remaining 15% (eligible non-poor) are the result of inaccuracies of the targeting methodology.

¹¹ ADB. 2011. Additional Financing. *Operations Manual*. OM H5/BP. Manila (para. 4).

¹² Aide-Mémoire of the review mission fielded on 17–26 September 2012.

original project as proposed to be expanded through the additional financing. Additional financing will be crucial in meeting a key reform in the Government Action Plan, 2012–2016 to deliver social protection services to citizens efficiently and without bureaucratic difficulties, as acknowledged by the government's request for additional financing. Third, the revised project outcome will continue improving social welfare services started under the original project and extend to social insurance services, while the output related to preparing a package of reforms of social welfare will be expanded to cover social insurance. These changes are consistent with the revised project's development objectives. Fourth, the expanded project and its outcome are consistent with the inclusive social development pillar of the current country partnership strategy, 2012–2016 as well as with the ongoing reform efforts of the government.¹³

9. The original program (\$9 million Asian Development Fund [ADF] grant) included the design and implementation of a food stamp program as part of the social welfare system. The original project (\$3 million ADF grant) improved targeting, provided capacity building, and prepared strategies to reform social welfare. The additional financing will scale up the original project by pursuing the reforms initiated to date in social welfare.¹⁴ Social welfare benefits will be further consolidated to reduce the complexity of the system and increase its effectiveness. Gender disparities will be analyzed and addressed at policy level through the preparation of the updated social protection strategy. The use of PMT to identify poor households will be expanded to apply to other social welfare benefits. The additional financing will also support an expansion in the scope of the original project by improving social insurance services.¹⁵ The additional financing meets the three criteria for priority consideration¹⁶: (i) the project is performing well (see para. 7); (ii) there is a high degree of project readiness to implement the additional financing; and (iii) developing social welfare and insurance services that are effective, efficient, transparent, and user-centered is highly innovative in the context of Mongolia and could have a demonstration effect for other sectors.

10. **Location.** The original project through its food stamp program reached beneficiaries nationwide. Interventions under the additional financing project, which will lead to more efficient and transparent delivery of social welfare and insurance services will reach beneficiaries countrywide as well. SIGO and GOSWS are fairly decentralized with their 30 branch offices in all 21 *aimags* and 9 districts of Ulaanbaatar, and services offered in all 352 *soums* of the country.

11. **Beneficiaries.** The project benefits all beneficiaries of social welfare and insurance services as well as staff of SIGO and GOSWS. In 2011, 604,762 Mongolians contributed to the social insurance funds through compulsory contribution and about 81,642 through voluntary contributions. The contributory pension system covered 301,940 people at the end of 2011. In addition, there were about 58,000 recipients of social welfare pension. The State health insurance system covers over 90 % of the population, thanks to a large proportion of the population subsidized by the State, and about 3.2 million individuals benefited in 2011. Unemployment benefits covered about 11,500 beneficiaries. The same year, there were over 3.5 million beneficiaries of the social welfare system. The number of staff involved in IT processing, services to beneficiaries and policy that will benefit from the additional financing

¹³ ADB. 2012. *Country Partnership Strategy: Mongolia, 2012–2016*. Manila.

¹⁴ ADB. 2011. Bank Policies. *Operations Manual*. OM H5/BP. Manila (para. 7).

¹⁵ ADB. 2011. Bank Policies. *Operations Manual*. OM H5/BP. Manila (para. 8).

¹⁶ ADB. 2011. Bank Policies. *Operations Manual*. OM H5/BP. Manila (para. 11).

project, is estimated at 410 in SIGO, 370 in GOSWS, and 30 in the MPDSP, including staff in branch offices in *aimags* and districts, and at *soum* level.

B. Impact and Outcome

12. The impact and outcome will be revised. The impact of the overall project (including the additional financing) will be improved social equity, less poverty, better social risks mitigation and prevention, and improved food security. The outcome will be more efficient and transparent delivery of social welfare and insurance services (including support to food consumption), through strengthened policy, systems, and IT. The outputs will be retained, except for output 3.2 of the original project, which will be expanded to include IT improvements and social insurance. The revised design and monitoring framework is in Section IX.

C. Outputs

13. The outputs will be regrouped under the three components of the original program (component 1) and project (components 2 and 3):

- (i) **Component 1: Design and implementation of a targeted food stamp program.** The two original outputs—innovative targeting approaches for food stamps pilot tested by December 2009 (1.1) and a mechanism for delivering food stamps established by June 2009 (1.2)—have been achieved.
- (ii) **Component 2: Capacity development and communication strategy for the food stamp program.** The two original outputs—capacity development tools for national and local stakeholders and institutional strengthening designed and implemented by January 2010 (2.1) and a communication strategy to ensure transparent implementation of the food stamp program developed and implemented by December 2009 (2.2)—have been achieved as well.
- (iii) **Component 3: Strengthening social welfare strategies and systems.** The first original output under this component—effective food crisis response by 2010 (3.1)—has been achieved. The third original output—an early warning and response system to respond to social shocks by October 2011 (3.3)—is partially achieved as the system is not in place yet. The second original output of the project—a package of reform of social welfare strategies by October 2011 (3.2), which is partially achieved—will be replaced by two new outputs under the additional financing to continue reforming social welfare and improve social insurance.
- (iv) **Output 3.2 (new): Information technology processes and systems upgraded.** Activities will include (a) improving IT systems to support international accounting standards for SIGO; (b) automating periodic reporting and reducing manual processing; (c) enhancing the transparency of SIGO and GOSWS operations to ensure friendly and web-based access of social welfare and insurance data based on a secure and electronic access policy; (d) establishing the data analytics and a business intelligence system; (e) setting up information security and disaster recovery infrastructure; (f) building capacity for staff of SIGO, the GOSWS, and the MPDSP at all levels; and (g) upgrading IT equipment at central, *aimag*, district, and *soum* level.
- (v) **Output 3.3 (new): Social welfare reformed and social protection strengthened by 2017.** Activities will include (a) rationalizing the social welfare system (consolidate benefits, improve the targeting of social welfare benefits, balance cash transfer and services, and link social welfare beneficiaries to employment services); (b) updating the social protection strategy; (c) building

capacity for staff of SIGO, the GOSWS, and the MPDSP at all levels; (d) updating the database of poor households identified through proxy means testing and running the grievance and redress mechanism; (e) improving the investment opportunities of the social insurance funds; and (f) making recommendations on gender equality in social protection, and on better linking social protection with labor market policies, including gender, and child and youth protection issues.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Activities	Months												Responsible
	2013						2014						
	7	8	9	10	11	12	1	2	3	4	5	6	
Advance contracting actions ^a							X	X	X				MPDSP
Establish project management arrangements							X	X	X	X			MPDSP
ADB Board approval						X							ADB
Loan signing									X				ADB, MED
Government legal opinion provided										X			MOJ
Government budget inclusion		X										X	MPDSP
Loan effectiveness												X	ADB

^a Recruitment of staff of the project implementation unit.

ADB = Asian Development Bank, MED = Ministry of Economic Development, MPDSP = Ministry of Population Development and Social Protection, MOJ = Ministry of Justice.

Source: Asian Development Bank.

B. Additional Financing Project Implementation Plan

Activities	2014				2015				2016				2017			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
A. Design and Monitoring Framework																
Output 3.2: Strengthened social welfare and insurance processes and IT systems																
1.1 Assess and recommend improved IT systems and processes for SIGO and GOSWS (June 2014–May 2016).			x	x	x	x				x						
1.2 Procure equipment to support SIGO and GOSWS IT systems at central, <i>aimag</i> , district, and <i>soum</i> levels (June 2014–May 2016).			x	x	x	x	x	x	x	x						
1.3 Design and implement IT systems for SIGO and GOSWS (January 2015–March 2017).					x	x	x	x	x	x	x	x	x			
1.4 Train staff and roll out enhanced IT system for SIGO and GOSWS (January 2016–May 2017).									x	x	x	x	x	x		
1.5 Establish unit for data analysis and business intelligence under MPDSP (June 2014–September 2016).			x	x	x	x	x	x	x	x	x					
Output 3.3: Strengthened social welfare and social insurance policy, capacity of staff, and communication																
2.1 Provide participatory analysis and background studies on the impact of social welfare and insurance expenditures provided by government, on poverty reduction and vulnerability (October 2014–December 2016) (added)				x	x	x	x	x	x	x	x	x				
2.2 Assess and prepare recommendations on benefits of cash transfers versus services, and better targeting (October 2014–December 2015) (added).				x	x	x	x	x								
2.3 Study and make recommendations on the gender implications of social insurance and welfare benefits (added).																
2.4 Prepare a proposal on the rationalization of social welfare (January–December 2016) (added).									x	x	x	x				
2.5 Assess and prepare recommendations on interrelation between labor market and social protection policies, and on investment options of the insurance funds (January 2015 and December 2016) (added).					x	x	x	x	x	x	x	x				
2.6 Ensure proper updates of the PMT database over the duration of the project (grievance system and on-demand survey) (January 2014–May 2017) (added).	x	x	x	x	x	x	x	x	x	x	x	x	x	x		
2.7 Update the long-term social security strategic policy and plan in a participatory manner (January 2016–May 2017) (added).									x	x	x	x	x	x		
2.8 Carry out a training needs assessment, and develop and implement a sustainable training program for social welfare and insurance staff at all levels			x	x	x	x	x	x	x	x	x	x	x	x		

Activities	2014				2015				2016				2017			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
(September 2014–May 2017) (added).																
2.9 Train MPDSP, SIGO, and GOSWS managers to increase analytical and data management capacity, management skills, and poverty analysis capacity (September 2014–May 2017) (including PMT training).				x	x	x	x	x	x	x	x	x	x			
2.10 Prepare and implement yearly a public communication program to support social welfare reforms and public promotion of social insurance (January 2015–May 2017) (added).					x	x	x	x	x	x	x	x	X			
2.11 Run participatory surveys, focus group discussions, workshops, and conferences to create knowledge and ownership on policy reforms (January 2015–May 2017) (added).					x	x	x	x	x	x	x	x	x			
B. Management Activities																
Procurement plan key activities to procure contract packages		x	x	x	x	x	x	x	x	x	x	x	x			
Advanced consultant selection for staff of the project implementation unit	x															
Implement and report on the gender action plan key activities					x				x				x			
Annual/midterm review			x				x				x		x			
Loan closing procedures															x	x

GOSWS = General Office for Social Welfare Services, IT = information technology, MPDSP = Ministry of Population Development and Social Protection, PMT = proxy means test, SIGO = Social Insurance General Office.

Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

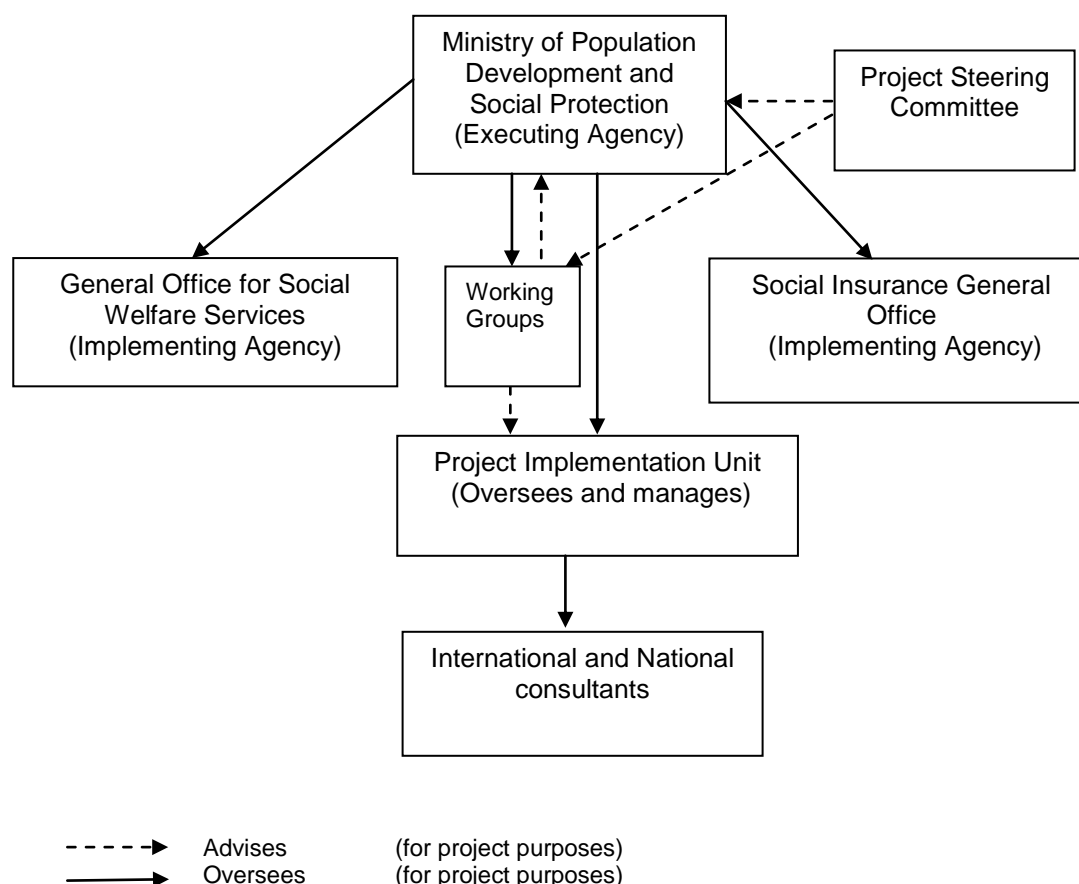
Project Implementation Organizations	Management Roles and Responsibilities
Ministry of Population Development and Social Protection (MPDSP)	Project Executing Agency <ul style="list-style-type: none"> ➤ Provide strategic, policy, and overall oversight of the project and provide coordination support for preparation and implementation of the project ➤ Responsible for procurement and recruitment of consultants^a ➤ Guide the updating of the social protection strategy ➤ Lead the development and maintenance of the proxy means test database ➤ Implement the data analytics and business intelligence agenda of the MPDSP supported through the project
Project Steering Committee	Project Oversight Body <ul style="list-style-type: none"> ➤ Advises the executing agency by providing strategic, policy, and general oversight of the project ➤ Meets at least quarterly
Social Insurance General Office	Project Implementing Agency <ul style="list-style-type: none"> ➤ Implement upgrading of information technology (IT) processes and systems
General Office for Social Welfare Services	Project Implementing Agency <ul style="list-style-type: none"> ➤ Implement upgrading of IT processes and systems ➤ Implement social welfare reform
The Project Implementation Unit	Project Implementation Unit <ul style="list-style-type: none"> ➤ The unit will be responsible for project coordination and day-to-day implementation of project activities including financial matters, review and monitoring, and progress reporting under supervision of the MPDSP. ➤ Responsible for the day-to-day administration of procurement and recruitment of consultants in support of the MPDSP ➤ Responsible, on behalf of the executing agency, for establishing and maintaining the imprest account, submitting the withdrawal applications, retaining supporting documents, submitting quarterly and annual reports, as well as annual audit reports and financial statements
Consultants (national and international)	Project Implementation Consultant <ul style="list-style-type: none"> ➤ Provide technical input in support of project implementation
Asian Development Bank (ADB)	Administer the project and ensure compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures

^a The MPDSP has advised that the procurement will be conducted by the Government Procurement Agency (GPA). Such arrangements and the respective role of the GPA and the MPDSP will be confirmed during project implementation subject to ADB's assessment of the GPA capacity and resources.

B. Key Persons Involved in Implementation

Executing Agency	
Ministry of Population Development and Social Protection	Officer's Name: Sodnomzundui Erdene Position: Minister for Population Development and Social Development Telephone: +976 51 262727 E-mail address: serdene@parliament.mn Office Address: Government Building 2, UN Street -5, Ulaanbaatar 15160, Mongolia
ADB Urban and Social Sectors Division (EASS)	Staff Name: Diwesh Sharan Position: Director Telephone No.: +63 2 632 5340 Email address: dsharan@adb.org
Mission Leader	Staff Name: Claude Bodart Position: Principal Health Specialist, EASS Telephone No.: + 976 11 329836 Email address: cbodart@adb.org

C. Project Organization Structure



14. The project steering committee of the overall project will oversee the implementation of the project and give strategic directions. It will be chaired by the State Secretary of the MPDSP and include representatives of the Ministry of Economic Development; MOF; SIGO; GOSWS; National Statistical Office; IT, Post and Telecommunication Authority; Mongolian Employers Federation; Mongolian Trade Unions Federation; Association of Elderly; social workers; and of a nongovernment organization working for vulnerable and the poor. ADB and a representative of the United Nations agencies will be observers. The project steering committee will meet quarterly and be responsible for providing strategic orientation, approving the annual budget and activity plan, and reviewing and advising on implementation progress.

15. The MPDSP will be the executing agency of the project. It will provide strategic, policy, and overall oversight of the project and provide coordination support for preparation and implementation of the project. The MPDSP will designate focal point persons for each of the two outputs under the additional financing project (output 3.2 and 3.3.) who will chair working groups to ensure achievements of the project's objectives.

16. The responsibility of the project implementation unit (PIU) of the FNSWP will be adapted according to the need of the implementation of the additional financing project. The unit will be responsible for project coordination and day-to-day implementation of project activities including financial matters, procurement, recruitment of consultants, review and monitoring and progress reporting, under the supervision of the MPDSP. The PIU will consult closely with relevant agencies, and international partners. The staff of the project implementation unit, all nationals, will include an overall project manager, an IT technical officer, a procurement specialist, a financial and administrative specialist, a secretary, and a driver. The terms of reference of the staff are in Section VI D.

17. SIGO will be the implementing agency for activities to upgrade IT processes and systems in SIGO. GOSWS will be the implementing agency for activities to upgrade IT processes and systems in GOSWS and for social welfare reform.

IV. COSTS AND FINANCING

18. The additional financing project is estimated to cost \$23 million. The overall project is estimated to cost \$26.33 million, including physical and price contingencies, and taxes and duties of \$1.23 million (Table 1).

Table 1: Project Investment Plan
(\$ million)

Item	Current Amount ^a	Additional Financing ^b	Total ^c
A. Base Cost^b			
1. Component 1: Design and implementation of a targeted food stamp program	0.00	0.00	0.00
2. Component 2: Capacity development and communication strategy	0.93	0.00	0.93
3. Component 3: Strengthening social welfare and insurance strategies and systems ^d	1.92	19.03	20.95
4. Project implementation management	0.35	0.71	1.06
Subtotal (A)	3.20	19.74	22.94
B. Contingencies^e	0.13	2.28	2.41
C. Financing Charges During Implementation		0.98^f	0.98
Total (A+B+C)	3.33	23.00	26.33

Note: Numbers may not sum precisely because of rounding.

^a Refers to the original amount. Includes taxes and duties of \$0.032 million financed from government resources.

^b Includes taxes and duties of \$1.20 million to be financed by ADB (\$1.05 million) and the government (\$0.15 million).

^c In mid-2013 prices.

^d Revised to reflect the expansion to social insurance.

^e Physical contingencies computed at 5% and price contingencies determined using ADB international cost escalation factors on international purchased equipment and services and at local escalation factors on local currency cost; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^f Interest during implementation for the ADB loan has been computed at the interest rate of 2% and will be entirely funded by the government.

Source: Asian Development Bank estimates.

19. The government has requested a loan in various currencies equivalent to SDR12,960,000 (\$20 million equivalent) from ADB's Special Funds resources for the additional financing, including contingencies and taxes and duties.¹⁷ The loan will have a 25-year term, including a grace period of 5 years, and an interest rate of 2.0% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft loan agreement. The financing plan is in Table 2. The government will provide \$3 million for the additional financing to fund recurrent costs (operation and maintenance of IT systems, \$1.62 million), contingencies (\$0.25 million), taxes and duties (\$0.15 million), and financing charges (\$0.98 million).

¹⁷ Memorandum on Mongolia: Cost Sharing Ceiling and Other Financing Parameters approved by the ADB President on 2 June 2010. The following principles were used in determining taxes and duties to be financed by ADB: (i) the amount does not represent an excessive share of the project investment plan, (ii) the taxes and duties apply only to ADB-financed expenditures, and (iii) the financing of the taxes and duties is relevant to the success of the project.

Table 2: Financing Plan

Source	Current ^a		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
ADF grant	3.00	90.09	0.00		3.00	11.39
ADF loan			20.00	86.96	20.00	75.96
Government	0.33	9.91	3.00	13.04	3.33	12.65
Total	3.33	100.00	23.00	100.00	26.33	100.00

ADF = Asian Development Fund.

^a Refers to the original amount.

Source: Asian Development Bank estimates.

20. Investment includes consultancy services to strengthen social welfare and insurance, and IT processes and systems. Equipment provision encompasses equipment for IT hardware and IT software for SIGO and GOSWS. Design and implementation of IT solutions include (i) the analysis, design, development, and implementation of IT solutions for SIGO and GOSWS; and (ii) IT solutions and social protection training (for MPDSP, SIGO, and GOSWS, including *aimag* level personnel and social workers). Training includes training for SIGO and GOSWS staff for the new IT solutions and applications. Public communication support covers cost to support the MPDSP to implement knowledge and behavioral change through TV and radio broadcasting, newspaper articles, and publications. Participatory activities will support strengthening social welfare and social insurance policy through financing workshops, focus group discussions, conferences, and surveys. Database construction and maintenance will cover the cost of consolidating and updating the poverty database, training of 700 social workers on the PMT database, and a public information campaign. Project management costs include the remuneration of project implementation unit staff, and operations and auditing costs.

A. Detailed Cost Estimates by Expenditure Category

(\$ million)				
Item	Foreign	Local	Total Cost ^a	% of Total Base Cost
A. Investment Costs^b				
1 Consultants	0.44	0.31	0.76	3.8%
1.a International	0.44		0.44	2.2%
1.b National		0.31	0.31	1.6%
2 Equipment	7.01	1.95	8.97	45.4%
3 Design and implementation of IT solutions	-	3.17	3.17	16.1%
4 Training	-	0.48	0.48	2.4%
5 Database construction and maintenance	3.12		3.12	15.8%
6 Public communication support	-	0.38	0.38	1.9%
7 Workshops and other participatory activities	-	0.48	0.48	2.4%
8 Project management	-	0.47	0.47	2.4%
Subtotal (A)	10.57	7.25	17.82	90.3%
B. Recurrent Costs				0.0%
1 Upgrade and enhancement of IT system	-	1.00	1.00	5.1%
2 Human resources		0.77	0.77	3.9%
3 Project management		0.16	0.16	0.8%
Subtotal (B)	-	1.92	1.92	9.7%
Total Base Cost	10.57	9.17	19.74	100.0%
C. Contingencies				
1 Physical ^c	0.53	0.46	0.99	5.0%
2 Price ^d	0.54	0.76	1.29	6.6%
Subtotal (C)	1.06	1.22	2.28	11.6%
D. Financing Charges During Implementation				
1 Interest during implementation		0.98	0.98	5.0%
2 Commitment charges		-	-	0.0%
Subtotal (D)	-	0.98	0.98	5.0%
Total Project Cost (A+B+C+D)	11.63	11.37	23.00	116.5%

IT = information technology.

^a Includes taxes and duties of \$1.20 million for the additional financing to be financed by the Asian Development Bank (\$1.05 million) and the government (\$0.15 million).

^b In mid-2013 prices.

^c Physical contingencies computed at 5% and price contingencies determined using Asian Development Bank international cost escalation factors on international purchased equipment and services and at local escalation factors on local currency cost; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during implementation for Asian Development Bank loan has been computed at the interest rate of 2% and will be entirely funded by the government.

Source: Asian Development Bank estimates.

B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Food and Nutrition Social Welfare Project – Additional Financing)				
Number	Item	Total Amount Allocated for ADB Financing SDR		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Consultants	489,000		
1A	International		286,000	100% of total expenditure claimed
1B	National		203,000	100% of total expenditure claimed
2	Equipment	5,810,000		100% of total expenditure claimed
3	Design and implementation of IT solutions	2,054,000		100% of total expenditure claimed
4	Training	311,000		100% of total expenditure claimed
5	Database construction and maintenance	2,019,000		100% of total expenditure claimed
6	Public communication support	246,000		100% of total expenditure claimed
7	Workshops and other participatory activities	312,000		100% of total expenditure claimed
8	Project management Total	406,000		
9	Contingency	1,313,000		
	Total	12,960,000		

ADB = Asian Development Bank, IT = information technology.

C. Detailed Cost Estimates by Financier

(\$ million)

Item	ADB		Government		Total Cost ^a
	Amount	% of Cost Category	Amount	% of Cost Category	
A. Investment Costs^b					
1 Consultants	0.76	100.0%	-	0.0%	0.76
1.a International	0.44				
1.b National	0.31				
2 Equipment	8.97	100.0%	-	0.0%	8.97
3 Design and implementation of IT solutions	3.17	100.0%		0.0%	3.17
4 Training	0.48	100.0%		0.0%	0.48
5 Database construction and maintenance	3.12	100.0%		0.0%	3.12
6 Public communication support	0.38	100.0%		0.0%	0.38
7 Workshops and other participatory activities	0.48	100.0%	-	0.0%	0.48
8 Project management	0.47	100.0%	-	0.0%	0.47
Subtotal (A)	17.82	100.0%	-	0.0%	17.82
B. Recurrent Costs					
1 Upgrade and enhancement of IT system		0.0%	1.00	100.0%	1.00
2 Human resources		0.0%	0.77	100.0%	0.77
3 Project management	0.16	100.0%		0.0%	0.16
Subtotal (B)	0.16	8.1%	1.77	91.9%	1.92
Total Base Cost	17.97	91.1%	1.77	8.9%	19.74
C. Contingencies^{cd}	2.03	89.0%	0.25	11.0%	2.28
D. Financing Charges During Implementation	-	0.0%	0.98	100.0%	0.98
Total Project Cost (A+B+C+D)	20.00	87.0%	3.00	13.0%	23.00
% Total Project Cost	87.0%		13.0%		100.0%

ADB = Asian Development Bank, IT = information technology.

^a Includes taxes and duties of \$1.20 million for the additional financing to be financed by the Asian Development Bank (\$1.05 million) and the government (\$0.15 million).

^b In mid-2013 prices.

^c Physical contingencies computed at 5% and price contingencies determined using Asian Development Bank international cost escalation factors on international purchased equipment and services and at local escalation factors on local currency cost; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during implementation for Asian Development Bank loan has been computed at the interest rate of 2% and will be entirely funded by the government.

Source: Asian Development Bank estimates.

D. Detailed Cost Estimates by Output

(\$ million)

Item	Total Cost ^a	Output 3.2		Output 3.3		Project Management	
		Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A. Investment Costs^b							
1 Consultants	0.76	0.61	80.5%	0.10	12.7%	0.05	6.8%
1.a International	0.44	0.36		0.08			
1.b National	0.31	0.24		0.02		0.05	
2 Equipment	8.97	8.94	99.7%	-	0.0%	0.03	0.3%
3 Design and implementation of IT solutions	3.17	3.17	100.0%		0.0%		0.0%
4 Training	0.48	0.48	100.0%	-	0.0%		0.0%
5 Database construction and maintenance	3.12		0.0%	3.12	100.0%		0.0%
6 Public communication support	0.38	-	0.0%	0.38	100.0%	-	0.0%
7 Workshops and other participatory activities	0.48	-	0.0%	0.48	100.0%	-	0.0%
8 Project management	0.47	-	0.0%		0.0%	0.47	100.0%
Subtotal (A)	17.82	13.19	74.0%	4.07	22.9%	0.55	3.1%
B. Recurrent Costs							
1 Upgrade and enhancement of IT system	1.00	1.00	100.0%	-	0.0%	-	0.0%
2 Human resources	0.77	0.77	100.0%	-	0.0%	-	0.0%
3 Project management	0.00		0.0%		0.0%	0.16	
Subtotal (B)	1.92	1.77	91.9%	-	0.0%	0.16	8.1%
Total Base Cost	19.74	14.96	75.8%	4.07	20.6%	0.71	3.6%
C. Contingencies							
1 Physical ^c	0.99	0.75	75.8%	0.20	20.6%	0.04	3.6%
2 Price ^d	1.29	0.95	73.7%	0.28	22.0%	0.06	4.3%
Subtotal (C)	2.28	1.70	74.6%	0.49	21.4%	0.09	4.0%
D. Financing Charges During Implementation^e	-						
1 Interest during implementation	0.98	0.73	74.6%	0.21	21.4%	0.04	4.0%

Subtotal (D)	0.98	0.73	74.6%	0.21	21.4%	0.04	4.0%
Total Project Cost (A+B+C+D)	23.00	17.39	75.6%	4.77	20.7%	0.84	3.6%

IT = information technology.

^a Includes taxes and duties of \$1.20 million for the additional financing to be financed by the Asian Development Bank (\$1.05 million) and the government (\$0.15 million)

^b In mid-2013 prices.

^c Physical contingencies computed at 5% and price contingencies determined using Asian Development Bank international cost escalation factors on international purchased equipment and services and at local escalation factors on local currency cost; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during implementation for Asian Development Bank loan has been computed at the interest rate of 2% and will be entirely funded by the government.

Source: Asian Development Bank estimates.

E. Detailed Cost Estimates by Year

		(\$ million)				
Item		Total Cost ^a	2014	2015	2016	2017
Investment Costs^b						
1	Consultants	0.76	0.41	0.29	0.04	0.02
1.a	International	0.44	0.26	0.17	0.02	-
1.b	National	0.31	0.15	0.12	0.03	0.02
2	Equipment	8.97	0.02	8.41	0.54	-
3	Design and implementation of IT solutions	3.17	0.15	1.36	1.07	0.59
4	Training	0.48	-	-	0.22	0.26
5	Database construction and maintenance	3.12	0.02	0.69	1.21	1.20
6	Public communication support	0.38	0.02	0.09	0.16	0.10
7	Workshops and other participatory activities	0.48	0.04	0.25	0.15	0.04
8	Project management	0.47	0.12	0.12	0.12	0.12
Subtotal (A)		17.82	0.77	11.22	3.51	2.32
Recurrent Costs						
1	Upgrade and enhancement of IT system	1.00	-	0.33	0.33	0.34
2	Human resources	0.77	-	0.26	0.26	0.26
3	Project management	0.16	0.02	0.05	0.05	0.05
Subtotal (B)		1.92	0.02	0.63	0.63	0.64
Total Base Cost		19.74	0.79	11.85	4.14	2.96
Contingencies^{cd}		2.28	0.07	1.23	0.54	0.45
Financing Charges During Implementation		0.98	0.13	0.29	0.37	0.20
Total Project Cost (A+B+C+D)		23.00	0.98	13.37	5.05	3.60
% Total Project Cost		100.0%	4.3%	58.1%	22.0%	15.7%

IT = information technology.

^a Includes taxes and duties of \$1.20 million for the additional financing to be financed by the Asian Development Bank (\$1.05 million) and the government (\$0.15 million).

^b In mid-2013 prices.

^c Physical contingencies computed at 5% and price contingencies determined using Asian Development Bank international cost escalation factors on international purchased equipment and services and at local escalation factors on local currency cost; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during implementation for Asian Development Bank loan has been computed at the interest rate of 2% and will be entirely funded by the government.

Source: Asian Development Bank estimates.

F. Required Ministry of Population Development and Social Protection Budget

(\$ million)					
A. Investment Costs^a	2014	2015	2016	2017	Total
1 Consultants					
2 Equipment					
3 Design and Implementation of IT solutions					
4 Training					
5 Database construction and maintenance					
6 Public communication support					
7 Workshops and other participatory activities					
8 Project management					
Subtotal (A)					
B. Recurrent Costs					
1 Upgrade and enhancement of IT system		0.33	0.33	0.34	1.00
2 Human resources	-	0.26	0.26	0.26	0.77
3 Project management					-
Subtotal (B)	-	0.59	0.59	0.60	1.77
Total Base Cost	-	0.59	0.59	0.60	1.77
C. Contingencies^{bc}	-	0.07	0.08	0.10	0.25
Subtotal (A+B+C))	-	0.66	0.67	0.69	2.02
D. Financing Charges	0.13	0.29	0.37	0.20	0.98
Total	0.13	0.94	1.04	0.89	3.00

IT = information technology.

^a In mid-2013 prices.

^b Physical contingencies computed at 5% and price contingencies determined using ADB international cost escalation factors on international purchased equipment and services and at local escalation factors on local currency cost; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate

^c Interest during implementation for Asian Development Bank loan has been computed at the interest rate of 2% and will be entirely funded by the government.

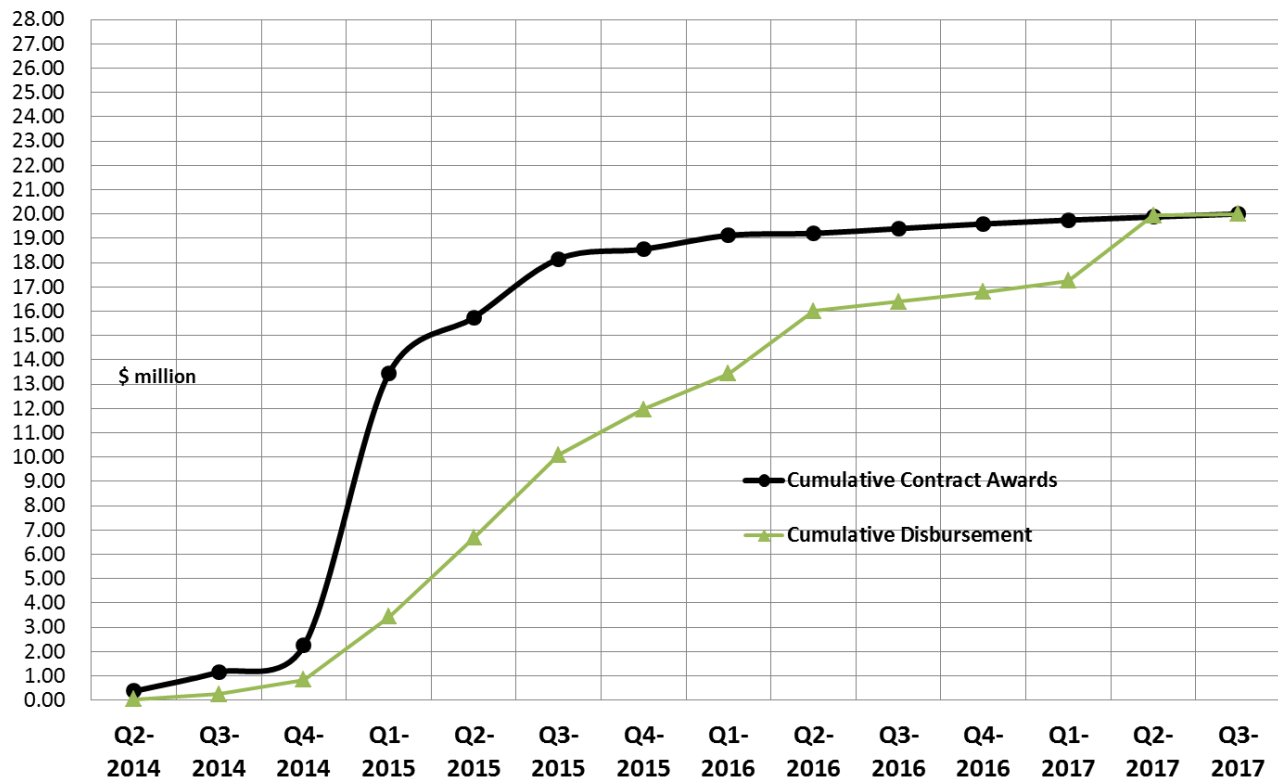
Source: Asian Development Bank estimates.

G. Cumulated Contract and Disbursement S-curve*

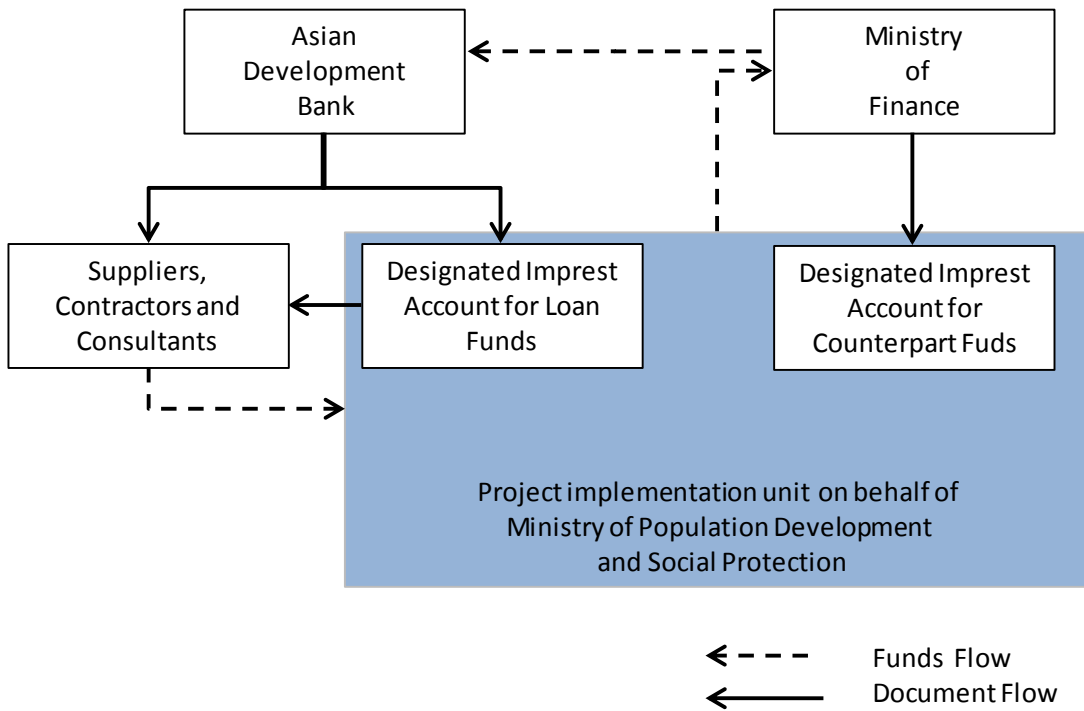
	(\$ million)			
	2014	2015	2016	2017
Contract Yearly	2.25	16.31	1.04	0.41
Cumulative Contract Awards	2.25	18.55	19.59	20.00
Disbursement Yearly	0.83	11.13	4.82	3.23
Cumulative Disbursement	0.83	11.96	16.78	20.00

*All costs include contingencies.

Projected Cumulative Disbursement and Contract Award S-curves



H. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

21. The project has no revenue earning component, hence financial cost-benefits were not analyzed. The financial sustainability of the project was assessed at the fiscal and project level. An analysis of recent and projected government expenditures was undertaken to evaluate the potential impact of the project on the budget of the Ministry of Population Development and Social Protection (MPDSP). The MPDSP, Social Insurance General Office (SIGO), and the General Office for Social Welfare Services (GOSWS) will contribute counterpart funding and shoulder the project's operation and maintenance costs. The government's annual share of project costs will average around \$1.00 million or less than 0.1% of the population development and social protection sector annual budget in 2012. The recurrent costs of the project are estimated to be about \$0.67 million per annum and include operation and maintenance of IT systems. The annual operation and maintenance cost to be borne by the executing agency will not exceed 0.005% of its current expenditure. The counterpart funding and operation and maintenance costs are considered both financially sustainable and affordable.

22. A financial management assessment, informed by the Governance and Anti-Corruption Action Plan II (GACAP II) at the country level, concluded that the MPDSP is experienced in managing Asian Development Bank (ADB) projects and is prepared for project implementation. The financial management analysis identified issues that will be addressed through the maintenance of project accounts by a project implementation unit (PIU) dedicated to the project and through external audits for the project duration. The government has committed to provide the necessary funds to ensure that the investment benefits are not lost. The main weaknesses identified in the financial management assessment are related to (i) high inflation in the country and appreciating local currency caused by the booming economy leading to potential project costs escalation, (ii) lack of internal project auditing, and (iii) sub-optimal capacity of current human resources to manage the project.

23. Financial management assessments conducted for the executing agency and the two implementing agencies noted that all the agencies have adequate accounting professionals equipped with computerized financial accounting and reporting system and procedures on flow of accounting, financial, and project physical progress related to their current project activities. All the agencies have clearly defined responsibilities with accountability allocated among different units at different levels of authority within their institutions. According to the audit law of the Government of Mongolia, the two agencies are currently subject to annual auditing conducted by independent auditors. In general, the financial management assessment has concluded that the current financial management system in the agencies can meet the general requirements of the government in terms of staffing, accounting, and internal control. A risk analysis was carried out as part of the project design requirements. The financial risk assessment was carried out in accordance with the principles established by ADB and the summary of this analysis is shown in the table below.

Risk Assessment and Mitigation Measures

Risk	Risk Assessment	Risk	Risk Mitigation Measures
a. Funds flow	Medium	Inefficiencies in funds flow may slow down	The government has provided assurance on the timely availability of counterpart funds

Risk	Risk Assessment	Risk	Risk Mitigation Measures
		project activities.	starting in 2014.
b. Internal audit	Medium	Lack of dedicated internal audit function may impair proper utilization of loan proceeds and increase chances of fraud/corruption.	Lack of project internal audit will be addressed through an external auditor (appointed by MOF) acceptable to ADB.
c. External audit	Low	Lack of dedicated external audit function may impair proper utilization of loan proceeds and increase chances of fraud and/or corruption.	An external auditor acceptable to ADB will audit the project accounts annually in accordance with the international standards of auditing. Audited project accounts are required to be submitted to ADB within 6 months after the end of a calendar year.
d. Accounting policies and procedures	Medium	Lack of accounting policies and procedures may lead to improper accounting.	Accounting policy and procedures manual for the PIU will be based on the manual of the Food and Nutrition Social Welfare Project, taking into account the national accounting standards and the requirements of ADB.
e. Reporting and monitoring	Low	Poor reporting and monitoring may cause inefficiencies and an inaccurate reporting and monitoring.	The PIU and the implementation consultants will regularly report in accordance with ADB requirements on inherent adequate control mechanisms.
f. Information systems	Low	Poor information system may cause inefficiencies and an inappropriate information flow.	The computerized information systems established for the Food and Nutrition Social Welfare Project will be used by the PIU.

ADB = Asian Development Bank, MPDSP = Ministry of Population Development and Social Protection, PIU = project implementation unit.

B. Disbursement

24. The loan proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2012, as amended from time to time),¹⁸ and detailed arrangements agreed upon between the government and ADB.

25. Pursuant to ADB's Safeguard Policy Statement (2009),¹⁹ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

26. To facilitate project implementation through timely release of loan proceeds, the Government of Mongolia will establish an imprest account at a commercial bank acceptable to the ADB after loan effectiveness. The project implementation unit will administer the imprest

¹⁸ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf.

¹⁹ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>

account. The maximum ceiling of the imprest account will be 10% of the loan amount.. The currency of the imprest account will be the dollar. The government may request for initial and additional advances to the imprest account based on 6 months estimated expenditures to be financed through the imprest account.²⁰ For every liquidation and replenishment request of the imprest account, the government will furnish to the ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement reconciling the above mentioned bank statement against the executing agency's records.^{21 22}

27. To expedite flow of funds and simplify the documentation process, the ADB statement-of-expenditure (SOE) procedure will be used for liquidation and replenishment of the imprest account, and for reimbursement of eligible expenditures not exceeding \$50,000 per individual payment. The payments in excess of the SOE ceiling will be reimbursed, liquidated, or replenished based on full supporting documentation. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.²³

28. Before the submission of the first withdrawal application, the government should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000, unless otherwise approved by ADB. Individual payments below this amount should generally be paid from the imprest account or by the MPDSP, and subsequently claimed to ADB through reimbursement. ADB reserves the right not to accept withdrawal applications below the minimum amount.

C. Accounting

29. The MPDSP will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. The MPDSP will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

D. Auditing

30. The MPDSP will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing and with the government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the MPDSP.

31. The MPDSP will also cause the SIGO financial statements to be audited in accordance with International Standards on Auditing and with the government's audit regulations, by an independent auditor acceptable to ADB. The audited SIGO financial statements, together with

²⁰ Available in Appendix 10B of the *Loan Disbursement Handbook*.

²¹ Bank charges will be financed from the loan proceeds.

²² Following the format provided in Appendix 10C of the *Loan Disbursement Handbook*.

²³ Checklist for SOE procedures and formats are in Appendix 9A, 9B, 9C of the *Loan Disbursement Handbook*.

the auditors' report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the competent authority.

32. The annual audit report for the project accounts will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) use of the imprest fund procedure; and (v) the use of the statement of expenditure procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the SOE and imprest procedures in accordance with ADB's *Loan Disbursement Handbook* and the project documents.

33. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

34. The Government, MPDSP, SIGO, and GOSWS have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.²⁴ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

35. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011)²⁵. After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter will not be disclosed.

²⁴ ADB Policy on delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

²⁵ Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

VI. PROCUREMENT AND CONSULTING SERVICES

36. A procurement capacity assessment (PCA) was conducted to assess the capacity of the executing agency and implementing agencies to procure goods, works and consulting services under the project. The executing agency has advised that procurement will be conducted by the Government Procurement Agency (GPA). Such arrangements and the respective role of the GPA and the executing agency will be confirmed during implementation of the additional financing project subject to ADB's assessment of the GPA capacity and resources. The PCA found that, while the executing agency and implementing agencies have established procurement procedures and staffing, and have significant procurement experience, including with foreign-funded projects, including ADB-financed projects, the PCA recommends that training and support should be provided on ADB procurement policies and procedures. The PCA is in Attachment 1: Financial and Procurement Management Capacity Assessment Report of this project administration manual.

A. Advance Contracting

37. All advance contracting to be financed out of the proceeds of the loan shall be subject to and governed by the Asian Development Bank's (ADB) Procurement Guidelines²⁶ (2013, as amended from time to time) and Guidelines on the Use of Consultants²⁷ (2013, as amended from time to time). The issuance of invitations to bid under advance contracting shall be subject to ADB approval. The Borrower and the executing agency have been advised that approval of advance contracting does not commit ADB to finance the project.

38. Advance contracting for the recruitment of staff of the project implementation unit (PIU) (individual consultant selection [ICS]) will include preparation of the terms of reference, advertising, shortlisting and interview. The contract to recruit the individuals will be signed after loan effectiveness.

39. There shall be no retroactive financing for this project.

B. Procurement of Goods, Works and Consulting Services

40. All procurement of goods and works will be undertaken in accordance with ADB's Procurement Guidelines. International competitive bidding (ICB) will be applied to goods contracts estimated to cost \$500,000 or more and works contracts estimated to cost \$1,000,000 or more. Goods contracts with values less than \$500,000 and works contracts with values less than \$1,000,000 will follow national competitive bidding (NCB). Works and goods contracts with values less than \$100,000 will be procured using ADB's shopping procedure. NCB procurement will be carried out on the basis of NCB procedures, in accordance with the Mongolian Procurement Law, subject to modifications agreed with ADB. Before the start of any procurement, ADB and the government will review the public procurement laws of the state to ensure consistency with ADB's Procurement Guidelines. The internationally tendered equipment packages will include the necessary technical support for ensuring proper installation, testing, commissioning, and training of operational staff as part of the related contracts, and maintenance contracts to be included in the main contract. In accordance with ADB requirements, foreign contractors may participate in bidding for NCB contracts. An 18-

²⁶ Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

²⁷ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

month procurement plan indicating threshold and review procedures, goods, works, and consulting service contract packages and national competitive bidding guidelines is in Section C. For NCB, the first draft English language of the procurement documents (advertisements and invitations, bidding documents, draft contract) should be submitted for ADB prior approval regardless of the estimated contract amount. Subsequent procurement is subject to post review. All ICB contracts are subject to prior review. Prior review and approval of ADB of the procurement documents (advertisements and invitations, bidding documents, draft contract) is required.

41. The Borrower is responsible for selecting, engaging, and supervising consultants engaged under the loan funded by ADB. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants. An information technology (IT) consulting firm will be recruited following quality-and cost-based selection (QCBS) procedure (quality-cost ratio 80:20), 17 IT firms will be recruited following consultants' qualifications selection (CQS) procedure, and three firms will be recruited following fixed budget selection (FBS) procedure. In total, 18.5 person-months of national consultants (excluding PIU staff) and 15.5 person-months for international consultants will be recruited following ICS procedure to support the executing agency in project implementation and capacity development for all project outputs and for providing safeguards, social, technical, legal, and monitoring support to the project. The terms of reference for all consulting services are outlined in Section D.

C. Procurement Plan

Basic Data

Project Name: Additional Financing of Food and Nutrition Social Welfare Project	
Country: Mongolia	Executing Agency: Ministry of Population Development and Social Protection
Loan Amount: \$20,000,000	Loan Number: xxxx
Date of First Procurement Plan: 23 Oct 2013	Date of this Procurement Plan: 23 Oct 2013

1. Process Thresholds, Review and 18-Month Procurement Plan

42. **Project procurement thresholds,** Except as ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works

Method	Threshold
International Competitive Bidding for Goods	Equal or more than \$500,000
International Competitive Bidding for Works	Equal or more than \$1,000,000
National Competitive Bidding for Goods	Equal or more than \$100,000 and below \$500,000
National Competitive Bidding for Works	Equal or more than \$100,000 and below \$1,000,000
Shopping for Goods	Below \$100,000
Shopping for Works	Below \$100,000

Source: Asian Development Bank estimates.

43. **ADB Prior or post review.** Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project. (See Procurement Guidelines, Appendix 1 and Guidelines on the Use of Consultants, paragraph 1.16).

Procurement Method	Prior or Post	Comments
Procurement of Goods and Works		
ICB Works	Prior	All
ICB Goods	Prior	All
NCB Works	Post	Except for the first procurement which will be subject to prior review
NCB Goods	Post	Except for the first procurement which will be subject to prior review
Shopping for Works	Post	
Shopping for Goods	Post	
Recruitment of Consulting Firms		
QCBS	Prior	Quality cost ratio of 80:20
CQS	Prior	
FBS	Prior	
Recruitment of Individual Consultants		
Individual consultant selection	Prior	

CQS = consultants' qualifications selection, FBS= fixed budget selection, ICB = international competitive bidding, NCB = national competitive bidding, QCBS = quality- and cost-based selection.

Source: Asian Development Bank estimates.

2. Goods and Works Contracts Estimated to Cost More Than \$1 Million

44. The following table lists goods and works contracts.

General Description	Contract Value (\$)	Procurement Method	Pre-qualification of Bidders (yes/no)	Advertisement Date (quarter/year)	Comments
Computer terminal	1,876,944	ICB	No	Q3-2014	-
Software for SIGO core operation	2,047,106	ICB	No	Q1-2015	-
Software for business intelligence and data analytics	1,970,477	ICB	No	Q4-2014	-
Operating system software	1,861,006	ICB	No	Q3-2014	-

ICB = international competitive bidding, Q = quarter, SIGO = Social Insurance General Office.

Source: Asian Development Bank estimates.

3. Consulting Services Contracts Estimated to Cost More Than \$100,000

45. The following table lists consulting services contracts.

General Description	Contract Value (\$)	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
Consulting firm for database	3,474,457	FBS	Q3-2014	International or National	-

General Description	Contract Value (\$)	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
construction and maintenance					
IT solution and social protection training	2,060,388	FBS	Q3-2014	National	-
Public communication support	431,620	FBS	Q4-2014	National	-
IT firm local consultants	147,373	QCBS	Q3-2014	National	40 person-months ^a
Health insurance process specialist	274,706	ICS	Q3-2014	International	7 person-months
Information architect	117,791	ICS	Q3-2014	National	30 person-months
Finance consultant	117,791	ICS	Q3-2014	International	3 person-months
Project manager	118,688	ICS	Q1-2014	National	Advance contracting national
Design and Implementation of IT system to support SIGO core operation	338,746	CQS	Q4-2015	National	-
Design and implement enhanced social welfare program/services management system for social welfare agency	282,288	CQS	Q2-2015	National	-
Design and Implementation of unit for data analytics with adequate process, tool and technique	338,746	CQS	Q3-2015	National	-
Design and Implementation of central user management tool	112,915	CQS	Q3-2015	National	-

^a National consultants = IT architect enterprise (10 person-months), IT architect web technology 1 (2 person-months), IT architect web technology 2 (1 person-month), IT architect web technology 3 (1 person-month), IT governance specialist ITIL 1 (2 person-months), IT governance specialist ITIL 2 (2 person-months), IT infrastructure specialist – data center (6 person-months), IT infrastructure specialist – storage (4 person-months), IT infrastructure specialist – network (2 person-months), IT security specialist 1 (8 person-months), IT security specialist 2 (2 person-months),

CQS = consultants' qualifications selection, FBS = fixed budget selection, ICS= individual consultant selection, IT = information technology, ITIL = IT infrastructure library, Q = quarter, QCBS = quality- and cost-based selection.

Source: Asian Development Bank estimates.

4. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000

46. The following table groups smaller-value goods, works and consulting services contracts.

General Description	Contract Value (\$)	Procurement/ Recruitment Method	Advertisement Date (quarter/year)	Comments
Server package 1	303,623	NCB	Q4-2014	
Server package 2	303,623	NCB	Q4-2014	
Network equipment	220,817	NCB	Q3-2014	
Internet connecting device	552,042	NCB	Q3-2014	
Storage device	165,613	NCB	Q4-2014	
Software for social welfare development program/services management system for GOSWS	109,471	NCB	Q4-2014	
Data center software	54,735	Shopping	Q4-2014	
Software for storage management	54,735	Shopping	Q4-2014	
Access control software	109,471	NCB	Q3-2016	
User management software	109,471	NCB	Q1-2015	
Access token device	29,810	Shopping	Q1-2016	
Service management software	43,788	Shopping	Q1-2016	
Internet firewall software	27,368	Shopping	Q4-2015	
Network monitoring software	27,368	Shopping	Q2-2015	
Vehicle	65,136	Shopping	Q4-2014	
Office equipment	33,031	Shopping	Q4-2014	
Workshops and other participatory activities package	540,675	NCB	Q3-2014	
Labor market and social protection expert	50,816	ICS	Q1-2015	1.5 person-months international
Social insurance finance expert	33,739	ICS	Q3-2014	1 person-month international
Labor market and social protection expert	7,565	ICS	Q3-2014	2 person-months national
Social insurance finance expert	5,626	ICS	Q1-2015	1.5 person-months national
Website designer	7,841	ICS	Q3-2014	3 person-months national
Social, poverty, and gender specialist	23,636	ICS	Q3-2014	6 person-months national
Legal expert	33,766	ICS	Q3-2014	7 person-months
IT technical officer	94,950	ICS	Q1-2014	Advance contracting
Procurement specialist	94,950	ICS	Q1-2014	Advance contracting

General Description	Contract Value (\$)	Procurement/ Recruitment Method	Advertisement Date (quarter/year)	Comments
Financial management specialist	47,475	ICS	Q1-2014	Advance contracting
Design and implement enhance the external website to include information/tool for stakeholders	56,458	CQS	Q3-2016	National
Design and implementation of process/tool to share relevant information.	56,458	CQS	Q3-2016	National
Design and implementation of IT infrastructure for backup and disaster recovery.	56,458	CQS	Q2-2015	National
Design and implementation of governance process related to change in production environments.	28,229	CQS	Q1-2016	National
Design and Implementation of centralized helpdesk for all IT related issues.	11,292	CQS	Q1-2016	National
Install legal operating systems in all computers	28,229	CQS	Q2-2015	National
Install computer at each <i>soum/aimag</i> /district level.	28,229	CQS	Q2-2015	National
Design and Implementation of SAN for all storage needs, separate for development and production.	28,229	CQS	Q2-2015	National
Design and Implementation of 2 factor authentications for external users.	28,229	CQS	Q1-2017	National
Set up internet firewall	28,229	CQS	Q1-2016	National
Set up separate network for production and development environments	28,229	CQS	Q2-2015	National
Implement Internet connectivity for all the <i>soums</i> (320), <i>aimags</i> (21), and districts (9)	56,458	CQS	Q1-2015	National
Setting up system to monitor the network traffic.	11,292	CQS	Q4-2015	National

CQS = consultants' qualifications selection, ICB = international competitive bidding, ICS = individual consultant selection, IT = information technology, FBS= fixed budget selection, GOSWS = General Office for Social Welfare Services, NCB = national competitive bidding, PIU = project implementation unit, Q = quarter, QCBS = quality- and cost-based selection, SAN = storage area network, SIGO = Social Insurance General Office.

Source: Asian Development Bank estimates.

5. Indicative List of Packages Required Under the Project

47. The following table provides an indicative list of all procurement (goods, works, and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the comments section

General Description	Estimated Value (cumulative, \$)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable (yes/no)	Comments
Computer terminal	1,876,944	1	ICB	Yes	Q3-2014
Software for SIGO Core operation	2,047,106	1	ICB	No	Q1-2015
Software for business intelligence and data analytics	1,970,477	1	ICB	No	Q4-2014
Operating system software	1,861,006	1	ICB	No	Q3-2014
Server package 1	303,623	1	NCB	No	Q4-2014
Server package 2	303,623	1	NCB	No	Q4-2014
Network equipment	220,817	1	NCB	No	Q3-2014
Internet connecting device	552,042	1	NCB	No	Q3-2014
Storage device	165,613	1	NCB	No	Q4-2014
Software for social welfare development program/services management system for GOSWS	109,471	1	NCB	No	Q4-2014
Data center software	54,735	1	Shopping	No	Q4-2014
Software for storage management	54,735	1	Shopping	No	Q4-2014
Access control software	109,471	1	NCB	No	Q3-2016
User management software	109,471	1	NCB	No	Q1-2015
Access token device	29,810	1	Shopping	No	Q1-2016
Service management software	43,788	1	Shopping	No	Q1-2016
Internet firewall software	27,368	1	Shopping	No	Q4-2015
Network monitoring software	27,368	1	Shopping	No	Q2-2015
Vehicle	65,136	1	Shopping	No	Q4-2014
Office equipment project management	33,031	1	Shopping	No	Q4-2014
Consulting firm for database construction and maintenance	3,474,457	1	FBS	No	Q3-2014
IT solution and social protection training	2,060,388	1	FBS	No	Q3-2014
Public communication support	431,620	1	FBS	No	Q4-2014
Workshops and other participatory activities package	540,675	1	NCB	No	Q3-2014
IT Firm Local	147,373	1	QCBS	No	Q3-2014 ^a

General Description	Estimated Value (cumulative, \$)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable (yes/no)	Comments
consultant					
Health insurance process specialist	274,706	1	ICS	No	Q3-2014 7 person-months international
Information architect	117,791	1	ICS	No	Q3-2014 30 person-months national
Finance consultant	117,791	1	ICS	No	Q3-2014 3 person-months international
Project manager	118,688	1	ICS	No	Q2-2014 advance contracting
Design and Implementation of IT system to support SIGO core operation	338,746	1	CQS	No	Q4-2015
Design and implement enhanced social welfare development program/services management system for social welfare agency	282,288	1	CQS	No	Q2-2015
Design and Implementation of unit for data analytics with adequate process, tool and technique	338,746	1	CQS	No	Q3-2015
Design and Implementation of central user management tool	112,915	1	CQS	No	Q3-2015
Labor market and social protection expert	50,816	1	ICS	No	Q1-2015 1.5 months international
Social insurance finance expert	33,739	1	ICS	No	Q3-2014 1 person month international
Labor market and social protection expert	7,565	1	ICS	No	Q3-2014 2 person-months national
Social insurance finance expert	5,626	1	ICS	No	Q1-2015 1.5 person-months national

General Description	Estimated Value (cumulative, \$)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable (yes/no)	Comments
Website designer	7,841	1	ICS	No	Q3-2014 3 person-months national
Social, poverty, and gender specialist	23,636	1	ICS	No	Q3-2014 6 person-months national
Legal expert	33,766	1	ICS	No	Q3-2014 6 person-months national
IT technical officer	94,950	1	ICS	No	Q2-2014 advance contracting
Procurement specialist	94,950	1	ICS	No	Q2-2014 advance contracting
Financial management specialist	47,475	1	ICS	No	Q2-2014 advance contracting
Design and implement enhance the external website to include information/tool for stakeholders	56,458	1	CQS	No	Q3-2016
Design and Implementation of process/tool to share relevant information	56,458	1	CQS	No	Q3-2016
Design and Implementation of IT infrastructure for backup and disaster recovery	56,458	1	CQS	No	Q2-2015
Design and Implementation of governance process related to change in production environments	28,229	1	CQS	No	Q1-2016
Design and Implementation of centralized helpdesk for all IT-related issues	11,292	1	CQS	No	Q1-2016
Install legal operating systems in all computer	28,229	1	CQS	No	Q2-2015
Install computer at each <i>soum/aimag</i> /district	28,229	1	CQS	No	Q2-2015

General Description	Estimated Value (cumulative, \$)	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable (yes/no)	Comments
level					
Design and Implementation of SAN for all storage needs, separate for development and production	28,229	1	CQS	No	Q2-2015
Design and Implementation of two-factor authentications for external users	28,229	1	CQS	No	Q1-2017
Set up internet firewall	28,229	1	CQS	No	Q1-2016
Set up separate network for production and development environments	28,229	1	CQS	No	Q2-2015
Implement Internet connectivity for all the <i>soums</i> (320), <i>aimags</i> (21), and districts (9)	56,458	1	CQS	No	Q1-2015
Setting up system to monitor the network traffic	11,292	1	CQS	No	Q4-2015

^a National consultants = IT architect enterprise (10 person-months), IT architect web technology 1 (2 person-months), IT architect web technology 2 (1 person-months), IT architect web technology 3 (1 person-month), IT governance specialist ITIL 1 (2 person-months), IT governance specialist ITIL 2 (2 person-months), IT infrastructure specialist – data center (6 person-months), IT Infrastructure specialist – storage (4 person-months), IT infrastructure specialist – network (2 person-months), IT security specialist 1 (8 person-months), IT security specialist 2 (2 person-months),

CQS = consultants' qualifications selection, FBS = fixed budget selection, GOSWS = General Office for Social Welfare Services, ICB = international competitive bidding, ICS = individual consultant selection, IT = information technology, ITIL = IT infrastructure library, NCB = national competitive bidding, PIU = project implementation unit, Q = quarter, QCBS = quality- and cost-based selection, SAN = storage area network, SIGO = Social Insurance General Office.

Source: Asian Development Bank estimates.

6. National Competitive Bidding

48. The procedures to be followed for national competitive bidding shall be those set forth in the Public Procurement Law of Mongolia of 1 December 2005, effective 1 February 2006, as amended on 6 February 2007 and 16 July 2009 (hereinafter referred to as PPLM), with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of ADB's Procurement Guidelines.

- (i) The Standard Bidding Documents of Mongolia for Goods and Works that have been approved by ADB as acceptable for ADB-financed projects, together with ADB's clarifications and modifications thereto, shall be used.
- (ii) Government-owned enterprises in Mongolia shall be eligible for projects only if they can establish that they (a) are legally and financially autonomous; (b) operate under the principles of commercial law; and (c)

are not dependent agencies of the executing agency and/or the implementing agency.

- (iii) If a bid security is required, the bid security shall be in any of the following forms at the bidder's option: (a) a bank guarantee; or (b) a cashier's or certified check.
- (iv) Bidders must be nationals of member countries of ADB, and offered Goods and Works must be produced in and supplied from member countries of ADB. Bidders or potential bidders shall not be required to register with the taxation and other registration authorities of the government as a condition or requirement of bidding or award, leaving these requirements for after award and before signing of contract.
- (v) Foreign bidders from eligible countries of ADB shall be allowed to participate in bidding under the same conditions as local bidders and without any domestic preference.
- (vi) Prequalification shall not be required, except in the case of large or complex works, and with prior written concurrence of ADB.
- (vii) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified shall be used to determine whether a bidder is qualified. The evaluation of a bidder's qualifications shall only take into account the bidder's capacity and resources to perform the contract, in particular its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction or manufacturing facilities, and financial position. The evaluation of the bidder's qualifications shall be conducted separately from the technical and commercial evaluation of the bid.
- (viii) Evaluation and qualification criteria, and submission requirements, to be used in each bidding activity shall be clearly specified in the bidding documents. The evaluation of bids shall be done in strict adherence to the criteria specified in the bidding documents.
- (ix) The invitation to bid and the bidding documents shall be prepared in the Mongolian language. If another language will be used, then such other language shall be English.
- (x) Bidders shall be requested to extend the validity of their bids only under exceptional circumstances and the executing or implementing agency, as the case may be, shall communicate such request for extension to all bidders before the date of expiry of their bids. When the procurement is subject to ADB's prior review, the executing or implementing agency, as the case may be, shall obtain in a timely manner the prior written concurrence of ADB for the extension of the bid validity period.
- (xi) All bids shall not be rejected or new bids invited without ADB's prior written concurrence. No bid shall be rejected merely on the basis of a comparison with the estimated cost or budget ceiling without ADB's prior written concurrence (with specific reference to Article 30 of the PPLM).
- (xii) Negotiations with bidders shall not be undertaken before award of contract, except as provided in Paragraph 2.63 of ADB's Procurement Guidelines (with specific reference to Article 30.2 of the PPLM). A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify its bid as originally submitted.

- (xiii) Bidding documents and contracts under national competitive bidding procedures financed by ADB shall include a provision requiring suppliers, contractors and consultants to permit ADB to inspect their accounts and records relating to the bid submission and the performance of the contract by the supplier, contractor and/or consultant, as the case may be, and to have them audited by auditors appointed by ADB, if so required by ADB.
- (xiv) At the same time that notification on award of contract is given to the successful bidder, the results of the bid evaluation shall be posted on a well-known freely accessible website (namely Mongolia's Ministry of Finance e-procurement website: www.e-procurement.mn) identifying the bid and lot numbers and providing information on the: (a) name of each bidder that submitted a bid; (b) bid prices as read out at bid opening; (c) names of bidders whose bids were rejected and the reasons for their rejection; and (d) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. The executing agency or implementing agency, as the case may be, shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids were not selected.
- (xv) Bidding documents and contracts under national competitive bidding procedures financed by ADB shall include a provision requiring compliance with core labor standards.

D. Consultants' Outline Terms of Reference

49. The project will provide consulting services through ICS, QCBS, CQS, and FBS in accordance with ADB's Guidelines on the Use of Consultants.

1. Output 3.2: Individual Consultants

50. **Health insurance process specialist** (7 person-months, international). The consultant will have a postgraduate degree in finance or related fields. The consultant should have at least 15 years of experience in formulating health insurance (process) policy, strategy, and implementing end to end process for health insurance preferably in the government sector. The candidate must have hands-on experience in working with health insurance management systems (HIMS) and should be knowledgeable about the current best practices in the field. The consultant will:

- (i) carry out a baseline study to understand the current practice of the Social Insurance General Office (SIGO);
- (ii) understand the gaps in the current process against the best practices in the domain;
- (iii) recommend process improvements for SIGO, including that the beneficiary database will be sex- and socioeconomically-disaggregated;
- (iv) develop key indicators to measure the efficiency of the process;
- (v) design a blueprint for implementing the new process, including piloting and testing;
- (vi) evaluate and recommend possible information technology (IT) platform for HIMS;
- (vii) provide support to IT architect to design the IT components of the HIMS, including preparation of transition plan considering logical phases for system roll out;
- (viii) set up evaluation criteria to select appropriate HIMS IT solution;

- (ix) take part in selecting the correct IT platform; and
 - (x) update the terms of reference (TOR) for the implementation service.
51. The following deliverables are expected:
- (i) Inception report: baseline study, (i) above
 - (ii) Interim report: report on actionable recommendations for (ii)–(iv) above
 - (iii) Implementation plan, (v)–(vi) above
 - (iv) Evaluation criteria, (viii) above
 - (v) Updated TOR of the implementation service, (x) above
52. **Information architect** (30 person-months, national). The consultant should have a postgraduate degree in the information technology (IT) or related fields. The consultant should have at least 15 years of experience in the IT field spanning over data modeling; business intelligence; and extract, transform, and load (ETL) technology preferably in the insurance–finance field. The candidate must have hands-on experience in working with one or more reporting tools and database technologies. The consultant must have participated in selecting IT tools in the information management field. The consultant will:
- (i) understand the current and future needs for data analysis and reports across SIGO and the General Office for Social Welfare Services (GOSWS);
 - (ii) study the possible data sources to understand the relationships among them;
 - (iii) recommend an architecture setup for data consolidation and ensure that the beneficiary database will be sex- and socioeconomically-disaggregated;
 - (iv) recommend an ETL platform considering the existing constraints;
 - (v) design a blueprint for implementing a business intelligence environment;
 - (vi) evaluate and recommend possible tools for reporting;
 - (vii) plan for capacity in terms of IT hardware;
 - (viii) set up evaluation criteria to select appropriate tools in the business intelligence domain;
 - (ix) take part in selecting the correct IT tools;
 - (x) update the TOR for the implementation service;
 - (xi) review and approve the data structure during implementation of the systems;
 - (xii) create and maintain data classification in terms of sensitivity of the information on a periodic manner;
 - (xiii) create and maintain different version of data models across different systems; and
 - (xiv) create and maintain data dictionary across different systems.
53. The following deliverables are expected:
- (i) Business intelligence architecture guideline, (iii) above
 - (ii) Implementation plan, (v)–(vi) above
 - (iii) Evaluation criteria, (viii) above
 - (iv) Updated TOR of the implementation service, (x) above
54. **International financial consultant** (international, 3 person-months). The financial consultant should be a Certified Public Accountant with extensive knowledge of international financing reporting standards and international public sector accounting standards. The financial consultant should also have at least 10 years of professional experience in auditing of retirement plan administrators, leading of finance transformation projects, and capacity building of finance functions in public sector entities.
55. **Tasks.** By collaborating with consultants working on improving the IT processes and systems for SIGO (output 3.2), the MOF, and MPDSP and SIGO staff; and clearing the

proposed changes with investment and auditing authorities in the public sector, the financial consultant will:

- (i) update and expand SIGO's accounting policies, procedures, and transaction entry forms to be compliant with international accounting standards taking into account current and anticipated requirements of the MOF. An emphasis should be placed on addressing potential gaps related to valuation of investments and estimation of the actuarial present value of promised benefits;
- (ii) perform a diagnostic of SIGO's procedures related to the processing of contributions, distributions, and setup of participants to identify control steps that can be added or automated;
- (iii) perform a detailed assessment of SIGO's finance function to design and develop a roadmap for reaching a target operating model (TOM) where financial statements are generated in a timely manner and in conformance with international accounting standards;
- (iv) define required changes for reaching the TOM. In conjunction with IT expertise under output 3.2., design and deploy an IT solution that addresses required changes to technology, data capture, business process, and governance; and
- (v) after the deployment of the solution, transition finance operations to a steady state and establish effective procedures for ongoing maintenance.

56. **Deliverables:**

- (i) Updated accounting policies and procedures that are compliant with international accounting standards
- (ii) Diagnostic report with detailed recommendations for (ii) above
- (iii) Implementation plan, including detailed design specifications, for reaching the TOM in (iii) above
- (iv) Report on implementation results, including results of testing and training
- (v) Operational policies, procedures, and training materials for stabilization and ongoing maintenance of the TOM in (iii) above

2. Output 3.2: Consulting Firms

57. Quality-and-cost-based selection of a firm for IT assessments to include:

58. **IT architect – enterprise** (10 person-months, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 10 years of experience in the IT field related to designing architecture of an organization. The candidate must have hands-on experience working in three major architecture components: business process, information, and infrastructure. The consultant must have participated in selecting IT tools/technology for an organization. The consultant will:

- (i) understand the current and future IT needs for SIGO;
- (ii) work with health insurance process specialist to understand the IT needs for HIMS;
- (iii) recommend an architecture setup for HIMS;
- (iv) recommend an integration setup for other relevant systems like access control, disaster recovery, etc.;
- (v) design a blueprint for implementing HIMS in collaboration with the health insurance process specialist;
- (vi) evaluate and recommend possible IT systems to support HIMS;
- (vii) plan for capacity in terms of IT hardware for HIMS;

- (viii) set up evaluation criteria to select appropriate supporting IT systems like a database for HIMS;
- (ix) take part in selecting the correct IT platforms; and
- (x) update the TOR for the implementation service.

59. The following deliverables are expected:

- (i) Architecture guideline for HIMS, (iii) above
- (ii) Implementation plan, (v)–(vi) above
- (iii) Evaluation criteria, (viii)
- (iv) Updated TOR of the implementation service, (x) above

60. **IT architect web technology 1** (2 person-months, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 10 years of experience in the IT field related to web-based applications. The candidate must have hands-on experience working in developing and/or enhancing three-tier application. The consultant must have participated in selecting IT tools/technology for developing web-based applications. The consultant will:

- (i) understand the current human development client-server application for GOSWS;
- (ii) work with GOSWS IT team to understand possible platform for re-architecture;
- (iii) recommend an architecture setup for human development application using web technology;
- (iv) recommend an integration setup for other relevant systems like access control, disaster recovery;
- (v) design a blueprint for implementing of a re-architecture project for human development application;
- (vi) evaluate and recommend possible IT systems to support human development application;
- (vii) plan for capacity in terms of IT hardware for human development application;
- (viii) set up evaluation criteria to select an appropriate IT platform like a database for human development application;
- (ix) take part in selecting the correct IT platforms; and
- (x) update the TOR for the implementation service.

61. The following deliverables are expected:

- (i) Architecture guideline for human development application, (iii) above
- (ii) Implementation plan, (v)–(vi) above
- (iii) Evaluation criteria, (viii)
- (iv) Updated TOR of the implementation service, (x) above

62. **IT architect web technology 2** (1 person-month, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 10 years of experience in the IT field related to web-based applications. The candidate must have hands-on experience working in developing/enhancing three-tier application. The consultant must have participated selecting IT tools and/or technology for developing web-based applications. The consultant will:

- (i) understand the current external website for SIGO;
- (ii) work with SIGO IT team to understand the enhancement for the website;
- (iii) recommend an architecture setup for the website;
- (iv) recommend an integration setup for other relevant systems like access control, disaster recovery, HIMS, etc.;

- (v) design a blueprint for implementing the enhancement for the website;
- (vi) evaluate and recommend possible IT systems to support the SIGO website;
- (vii) plan for capacity in terms of IT hardware for SIGO website;
- (viii) set up evaluation criteria to select an appropriate IT platform like a database for the SIGO website;
- (ix) take part in selecting the correct IT platforms; and
- (x) update the TOR for the implementation service.

63. The following deliverables are expected:

- (i) Architecture guideline for SIGO website, (iii) above
- (ii) Implementation plan, (v)–(vi) above
- (iii) Evaluation criteria, (viii)
- (iv) Updated TOR of the implementation service, (x) above

64. **IT architect web technology 3** (1 person-month, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 10 years of experience in the IT field related to web-based applications. The candidate must have hands-on experience working in developing and/or enhancing three-tier application. The consultant must have participated selecting IT tools and/or technology for developing web-based applications. The consultant will:

- (i) understand the data sharing requirement for SIGO and GOSWS;
- (ii) work with SIGO and GOSWS IT team to understand the data source systems including data analytics platform;
- (iii) recommend an architecture setup data sharing mechanism.
- (iv) recommend an integration setup for other relevant systems like data sources, access control, disaster recovery, etc.;
- (v) design a blueprint for implementing the data sharing platform;
- (vi) evaluate and recommend possible IT systems to support the platform;
- (vii) plan for capacity in terms of IT hardware for platform;
- (viii) set up evaluation criteria to select an appropriate IT platform like a database for the platform;
- (ix) take part in selecting the correct IT platforms; and
- (x) update the TOR for the implementation service.

65. The following deliverables are expected:

- (i) Architecture guideline for data sharing mechanism, (iii) above
- (ii) Implementation plan, (v)–(vi) above
- (iii) Evaluation criteria, (viii)
- (iv) Updated TOR of the implementation service, (x) above

66. **IT governance ITIL specialist 1** (2 person-month, national). The consultant should have a postgraduate degree in information technology or related fields. The consultant should have at least 8 years of experience in the IT field related to the IT governance process and related IT infrastructure library (ITIL). The candidate must have hands-on experience working in setting up configuration management and production deployment process in an IT organization. The consultant must have participated in selecting IT tools and/or technology for ITIL processes. The consultant will:

- (i) understand the current practice for production changes in SIGO and GOSWS,
- (ii) work with SIGO and GOSWS IT team to understand the gap in the current process,
- (iii) recommend a process setup for production changes,

- (iv) design a blueprint for implementing the new process,
- (v) evaluate and recommend possible IT systems to support production change process,
- (vi) plan for capacity in terms of human resources,
- (vii) set up evaluation criteria to select an appropriate IT platform to support the production change process,
- (viii) take part in selecting the correct IT platforms, and
- (ix) update the TOR for the implementation service.

67. The following deliverables are expected:
- (i) Process for production changes, (iii) above
 - (ii) Implementation plan, (iv)–(v) above
 - (iii) Evaluation criteria, (vii)
 - (iv) Updated TOR of the implementation service, (ix) above

68. **IT governance ITIL specialist 2** (2 person-months, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 8 years of experience in the IT field related to IT governance process and related ITIL. The candidate must have hands-on experience working in setting up the help desk process in an IT organization. The consultant must have participated in selecting IT tools and/or technology for the help desk. The consultant will:

- (i) understand the current practice help desk structure in SIGO and GOSWS,
- (ii) work with SIGO and GOSWS IT team to understand the gap in the current process,
- (iii) recommend a process setup for the help desk,
- (iv) design a blueprint for implementing the new process,
- (v) evaluate and recommend possible IT systems to support the help desk,
- (vi) plan for capacity in terms of human resources,
- (vii) set up evaluation criteria to select an appropriate IT platform help desk,
- (viii) take part in selecting the correct IT platforms, and
- (ix) update the TOR for the implementation service.

69. The following deliverables are expected:
- (i) Process for help desk, (iii) above
 - (ii) Implementation plan, (iv)–(v) above
 - (iii) Evaluation criteria, (vii)
 - (iv) Updated TOR of the implementation service, (ix) above

70. **IT infrastructure specialist – data center** (6 person-months, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 10 years of experience in the IT field related to data center for a medium size organization. The candidate must have hands-on experience working in managing a data center. The consultant must have participated in selecting IT equipment for a data center. The consultant will:

- (i) carry out a baseline study to understand the current practice of SIGO and GOSWS,
- (ii) understand the gaps in the current process against ongoing new IT system requirements,
- (iii) recommend process and infrastructure improvements for backup and recovery,
- (iv) develop key indicators to measure the efficiency of the process,
- (v) design a blueprint for implementing the new process,
- (vi) evaluate and recommend possible equipment for the data center,

- (vii) provide support to set up a backup and disaster recovery site,
- (viii) set up evaluation criteria to select appropriate equipment,
- (ix) take part in selecting the correct equipment, and
- (x) update the TOR for the implementation service.

71. The following deliverables are expected:

- (i) Inception report: baseline study, (i) above
- (ii) Interim report: report on actionable recommendations for (ii)–(iv) above
- (iii) Implementation plan, (v)–(vi) above
- (iv) Evaluation criteria, (viii) above
- (v) Updated TOR of the implementation service, (x) above

72. **IT infrastructure specialist – storage** (4 person-months, national). The consultant should have a postgraduate degree in information technology or related fields. The consultant should have at least 10 years of experience in the IT field related to storage infrastructure for a medium size organization. The candidate must have hands-on experience working in a storage area network (SAN). The consultant must have participated in selecting SAN equipment for a data center. The consultant will:

- (i) carry out a baseline study to understand the current storage architecture of SIGO and GOSWS,
- (ii) understand the challenges to establish a SAN,
- (iii) recommend process and infrastructure necessary for a SAN,
- (iv) develop key indicators to monitor the SAN utilization,
- (v) design a blueprint to migrate existing storage into a SAN,
- (vi) evaluate and recommend possible equipment for a SAN,
- (vii) provide support to set up the SAN infrastructure,
- (viii) set up evaluation criteria to select appropriate equipment,
- (ix) take part in selecting the correct equipment, and
- (x) update the TOR for the implementation service.

73. The following deliverables are expected:

- (i) Inception report, baseline study, (i) above
- (ii) Interim report: report on actionable recommendations for (ii)–(iv) above
- (iii) Implementation plan, (v)–(vi) above
- (iv) Evaluation criteria, (viii) above
- (v) Updated TOR of the implementation service, (x) above

74. **IT infrastructure specialist – network** (2 person-months, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 8 years of experience in the IT field related to network infrastructure for a medium size organization. The candidate must have hands-on experience setting and managing an IT network. The consultant must have participated in selecting network equipment. The consultant will:

- (i) carry out a baseline study to understand the current network architecture of SIGO and GOSWS,
- (ii) understand the future network requirements for ongoing IT initiatives,
- (iii) recommend the process and infrastructure necessary to upgrade the network keeping the security requirements,
- (iv) develop key indicators to monitor the network,
- (v) design a blueprint of implementation with the data center specialist to set up the network,

- (vi) evaluate and recommend possible equipment for the network,
- (vii) provide support to set up network infrastructure,
- (viii) set up evaluation criteria to select appropriate equipment,
- (ix) take part in selecting the correct equipment, and
- (x) update the TOR for the implementation service.

75. The following deliverables are expected:

- (i) Inception report: baseline study, (i) above
- (ii) Interim report: report on actionable recommendations for (ii)–(iv) above
- (iii) Implementation plan, (v)–(vi) above
- (iv) Evaluation criteria, (viii) above
- (v) Updated TOR of the implementation service, (x) above

76. **IT security specialist 1** (8 person-months, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 10 years of experience in the IT field related to IT security infrastructure for a medium size organization. The candidate must have hands-on experience setting up and managing IT security in network and user access. The consultant must have participated in selecting IT security equipment. The consultant will:

- (i) carry out a baseline study to understand the current IT security practice in network, internet firewall, and user management of SIGO and GOSWS;
- (ii) understand the future IT security requirements for ongoing IT initiatives;
- (iii) recommend process and infrastructure necessary to upgrade IT security infrastructure;
- (iv) develop a framework for centralized user management process;
- (v) design a blueprint for integrating existing systems with central user management tool;
- (vi) evaluate and recommend possible equipment for central user management process, internet firewall;
- (vii) provide support to set up network security;
- (viii) set up evaluation criteria to select appropriate equipment;
- (ix) take part in selecting the correct equipment; and
- (x) update the TOR for the implementation service.

77. The following deliverables are expected:

- (i) Inception report: baseline study, (i) above
- (ii) Interim report: report on actionable recommendations for (ii)–(iv) above
- (iii) Implementation plan, (v)–(vi) above
- (iv) Evaluation criteria, (viii) above
- (v) Updated TOR of the implementation service, (x) above

78. **IT security specialist 2** (2 person-months, national). The consultant should have a postgraduate degree in IT or related fields. The consultant should have at least 8 years of experience in the IT field related to IT security infrastructure for a medium size organization. The candidate must have hands-on experience setting and managing user access through a token management tool. The consultant must have participated in selecting IT security equipment. The consultant will:

- (i) carry out a baseline study to understand the requirement for two-factor authentications,
- (ii) understand the integration requirement for two-factor authentication for ongoing IT initiatives,

- (iii) recommend process and infrastructure necessary to set up two-factor authentication,
- (iv) develop a framework to integrate two-factor authentication with existing IT systems,
- (v) design a blueprint with the IT security specialist 1 for rollout of the solution,
- (vi) evaluate and recommend possible equipment for two factor authentication,
- (vii) provide support to set up authentication mechanism,
- (viii) set up evaluation criteria to select appropriate equipment,
- (ix) take part in selecting the correct equipment, and
- (x) update the TOR for the implementation service.

79. The following deliverables are expected:

- (i) Inception report: baseline study, (i) above
- (ii) Interim report: report on actionable recommendations for (ii)–(iv) above
- (iii) Implementation plan, (v)–(vi) above
- (iv) Evaluation criteria, (viii) above
- (v) Updated TOR of the implementation service, (x) above

80. **Consultants’ qualifications selection for all 17 firms below.** The TOR of the 17 firms below cannot be pooled as the assignments are very specific. The separate assignments are small where (i) highly specialized expertise is required for the assignment and recruitment of “boutique” consulting firms that provide depth of expertise in specific areas is contemplated; (ii) recruitment time is critical and the assignment is short-term; (iii) few consultants are qualified; and (iv) the preparation and evaluation of competitive proposals is not justified. The TOR of the 17 firms below will be updated by the individual consultants hired under output 1.

81. **Firm to establish/enhance the system to support SIGO core operation.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the IT system in the health management system domain);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process and data flow for the IT systems;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

82. **Firm to enhance the external website to include information/tool for stakeholders.**

The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the external website);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process and data flow for the IT systems;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing; and

- (vii) conduct post go live support.

83. **Firm to enhance the social welfare program/services management system for the social welfare agency.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the web-based **social welfare program/services** management system);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process and data flow for the IT systems;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

84. **Firm to establish a process/tool to share relevant information.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the information sharing system);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process and data flow for the IT systems;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

85. **Firm to establish unit for data analytics with adequate process, tool, and technique. Consultation with strategy group to understand their data requirements.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the business intelligence system);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process and data flow for the IT systems;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

86. **Firm to establish an infrastructure for backup and disaster recovery.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the data center);

- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process for the data center;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

87. Firm to establish a governance process related to change in production environments. The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the change management process);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process and data flow for the IT systems;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

88. Firm to establish a centralized help desk for all IT-related issues. The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the centralized help desk);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

89. Firm to ensure each computer terminal has legal operating systems. The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations of the licensed software;
- (ii) design technical process;
- (iii) prepare and arrange functional and technical training;
- (iv) implement configuration and necessary customization;
- (v) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vi) support cutover and production go live; and
- (vii) conduct post go live support.

90. **Firm to provide computers at each soum/aimag/district level.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations of the computer at different locations;
- (ii) prepare and arrange functional and technical training;
- (iii) implement configuration and necessary customization;
- (iv) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (v) support cutover and production go live; and
- (vi) conduct post go live support.

91. **Firm to establish a SAN for all storage needs, separate for development and production.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the SAN);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

92. **Firm to establish two-factor authentications for external users.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the two-factor authentication);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

93. **Firm to establish a central user management tool.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the central user management tool);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;

- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

94. **Firm to set up an internet firewall.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of the internet firewall);
- (ii) analyze and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

95. **Firm to set up separate networks for production and development environments.** The objective is to separate out the network between the production environment and development and support environment. This will restrict non business users to access the applications in production. As a result it will serve as an additional layer for data confidentiality. The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of separate networks);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

96. **Firm to ensure all the *soums* (320), *aimags* (21), and districts (9) will be connected through the internet with minimum 1 mbps speed.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations of hardware;
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

97. **Firm to set up a system to monitor the network traffic.** The scope of work to be delivered by the vendor includes the following implementation services:

- (i) technical installations (hardware, software, third party applications required for the operation of network monitoring);
- (ii) analysis and implementation of functional and technical requirements;
- (iii) design technical process;
- (iv) prepare and arrange functional and technical training;
- (v) implement configuration and necessary customization;
- (vi) support issue resolution and technical support during the following testing phases: (a) unit testing, (b) system integration testing, and (c) user acceptance testing;
- (vii) support cutover and production go live; and
- (viii) conduct post go live support.

3. Output 3. 3: Individual Consultants

a. Social Insurance Finance Expert (1 person-month, international)

98. **Background and rationale.** The social protection system in Mongolia is financed through five insurance funds ((i) pension fund; (ii) unemployment fund; (iii) health insurance fund; (iv) benefits fund (sickness, maternal, and funeral grants); and (v) IAOD insurance fund (industrial accidents, occupational diseases) and three social welfare funds (social welfare, human development, child development). Those funds are sourced by contributions from the insured the employer and the Ministry of Finance (MOF). While the resources under those funds could provide a huge potential for further income generation through funds investments, the funds are basically not managed financially to generate income on the assets beyond some small interests on bank accounts. The MOF is currently finalizing a policy for parliament approval in 2013 on more innovative use of the country's 40 special funds, including the 8 social insurance and welfare funds.

99. **Tasks.** The social insurance expert will assess the financial performance of the social protection funds and make recommendations on more profitable and safer investment strategies. To this end the expert will:

- (i) assess the financial performance of the social insurance and social welfare funds in Mongolia;
- (ii) assess investment opportunities in Mongolia and abroad for the various social protection funds;
- (iii) assess specifically the potential to invest in domestic bond markets and treasury bills;
- (iv) assist the national finance expert in assessing the human resources and IT needs for more proactive asset management in social protection;
- (v) discuss the main issues with the Ministry of Population Development and Social Protection (MPDSP), SIGO, and GOSWS as well as with the MOF and the Central Bank;
- (vi) coordinate with consultants of the World Bank-supported multisector technical assistance (TA) and the ADB-supported TA on Strengthening the Health Insurance System on recommendations related to pension and health insurance reforms;
- (vii) make recommendation to the government on more profitable and safer investment strategies;

- (viii) provide suggestions to the workshop organizer on content and discussion dynamics for the policy workshop;
- (ix) discuss the recommendations in a policy workshop;²⁸ and
- (x) finalize the recommendations based on the various participatory feedback.

100. **Deliverables:**

- (i) Initial draft report
- (ii) Draft report
- (iii) Draft presentation and policy recommendation
- (iv) Workshop participation
- (v) Final report with recommendations

101. **Expertise.** The international expert will be an economist or financial analyst by training with at least a masters' or preferably a postgraduate degree. S/he should have a minimum of 10 years international experience in social insurance funds financing, and advice on insurance funds' investments. The expert will have special experiences on well recognized social protection systems in OECD countries and the former Soviet Union as well as in Asia. The working language for the international consultant is English.

102. **Contracting arrangements.** An international expert will be hired based on ADB's Guidelines on the Use of Consultants (2013, as amended from time to time) for 1 person-month (30 days). The expert is intended to work in Mongolia for at least 25 days. S/he will be supported by a national expert engaged separately by the project.

b. Social Insurance Finance Expert (1.5 person-months, national)

103. **Background and rationale.** The social protection system in Mongolia is financed through five insurance funds ((i) pension fund; (ii) unemployment fund; (iii) health insurance fund; (iv) benefits fund (sickness, maternal, and funeral grants); and (v) IAOD insurance fund (industrial accidents, occupational diseases) and three social welfare funds (social welfare, human development, child development). Those funds are sourced by contributions from the insured the employer and the MOF. While the resources under those funds could provide a huge potential for further income generation through funds investments, the funds are basically not managed financially to generate income on the assets beyond some small interests on bank accounts. The MOF is currently finalizing a policy for parliament approval in 2013 on more innovative use of the country's 40 special funds, including the 8 social insurance and welfare funds.

104. **Tasks.** The social insurance expert will assist in assessing the financial performance of the social protection funds and make recommendations on more profitable and safer investment strategies. To this end the expert will:

- (i) prepare background information and data and help the international expert assess the financial performance of the social insurance and social welfare funds in Mongolia;
- (ii) prepare a background study on investment opportunities in Mongolia for the various social protection funds;

²⁸ The policy workshop is organized and financed separately through the national firm responsible for workshop organization and participatory activities, engaged separately under the project.

- (iii) assess the human resources and IT needs for more proactive asset management in social protection;
- (iv) coordinate—together with the international insurance finance expert—with the MPDSP, SIGO, and GOSWS as well as with the MOF and the Central Bank;
- (v) participate in the discussions with the World Bank and ADB (and their consultants) on pension and health insurance reforms and their potential for asset investments;
- (vi) coordinate with the workshop organizer as well as the MPDSP and the MOF on policy workshop and participate in the policy workshop (footnote 28); and
- (vii) assist the international consultant in setting up meetings and with interpretation and translation.

105. Deliverables:

- (i) Report on the human resources and IT needs for more proactive asset management in social protection
- (ii) Background study on investment opportunities in Mongolia
- (iii) Inputs on specific sections in the draft report, draft presentation, draft policy recommendation, and final report prepared by the international expert
- (iv) Active workshop participation

106. Expertise. An economist or financial analyst or auditor by training, the national individual consultant should have a minimum of 15 years experience in relevant technical areas, 3 years in auditing, and 3 years in social insurance funds financing. Some international experience in auditing, and in social insurance or social policy advice is preferred. The expert will be fluent in English and Mongolian.

107. Contracting arrangements. A national expert will be hired based on ADB's Guidelines on the Use of Consultants for 1.5 person-months. S/he will work under the technical guidance of the international social insurance expert, separately hired by project.

c. Labor Market and Social Protection Expert (1.5 person-months, international)

108. Background and rationale. The country is currently experiencing an economic boom which is mainly based on income from the mining sector. While this creates new employment opportunities—especially in construction and services, the economic path is not inclusive in employing people especially from the lower income groups. As a result, underemployment rates remain high and the workforce is increasingly being engaged in informal labor markets. This has major implications for the social insurance systems, resulting in less contribution from employers, lower coverage rates for pension, unemployment, and health insurance, and the necessity for increased budget financed subsidies for those people. Hence, new approaches need to be developed to better align the current and future labor market trends with the social protection system. At the same time, with high inflation the value of social welfare benefits and insurance contributions are rapidly eroding, requiring new approaches to better index contributions to employment and income changes.

109. Tasks. An international expert will be hired to study the implications of labor market changes in Mongolia on the social protection system and make recommendations for better targeting, more sustainable financing, and wider coverage of both the insurance as well as the benefits systems by including the informal sector. The expert will:

- (i) assess formal labor market trends and their implications on the contribution level for social insurance;
- (ii) assess size and structure of the informal labor market and its implications for targeted social protection;
- (iii) make recommendations to better include rural and informal employees in the social protection system;
- (iv) specifically consider active labor market policies (such as training), as instruments for social protection;
- (v) prepare a short paper on international experiences of active labor market policies including references to Germany post 2005, India's employment guarantee scheme, and employment policies and its linkages to social protection in Singapore and Japan, and other countries;
- (vi) calculate the budget implications of the proposed reforms;
- (vii) provide conceptual inputs to the consulting firm responsible for communication activities for preparing a publication on the subject;
- (viii) provide inputs to the various training activities in Ulaanbaatar arranged by the consulting firm responsible for training (at least 2 person-days field office work, and about 0.5 person-days home office work);
- (ix) do electronic mentoring for high-level MPDSP staff on labor market and social protection issues (1 person-day home office work);
- (x) discuss the results of the assessments and the proposed reforms with the MPDSP, the Ministry of Labor, the Ministry of Economic Development, and the MOF;
- (xi) coordinate the findings with the International Labour Organization, World Bank, and ADB;
- (xii) attend a conference (held in Ulaanbaatar) as resource person, and provide conceptual inputs in the international conference (including support with the identification of possible resource speakers);
- (xiii) attend, as silent observer, one of the two focus group discussions related to labor markets and social protection. The focus group discussions are organized by a separate firm responsible for participatory activities, and the consultant will coordinate with that firm on the contents of the focus group discussions; and
- (xiv) coordinate closely with the national consultant.

110. **Deliverables.** The consultant will produce the following reports:

- (i) Report on effective active labor market policies in selected countries and their implications on social protection
- (ii) Draft recommendations for linking better labor market policies with social protection reforms in Mongolia
- (iii) Outline of the report with main argumentation structure (about 2 pages)
- (iv) Draft report (about 20 pages)
- (v) Final report (about 30 pages plus appendixes)

111. **Expertise.** The expert will be an international labor market and social protection expert with background in economic policy. S/he will have at least 20 years of experience in development advice and will have worked at least 8 years on labor market-related and 7 years on social protection-related issues. In addition to showing knowledge on unemployment insurance, the expert will have expertise in active labor market policies and public employment programs especially in OECD countries and the former Soviet Union as well as in Asia. The working language for the international consultant is English.

112. **Contracting arrangements.** An international labor market and social protection expert will be hired based on ADB's Guidelines on the Use of Consultants for 1.5 person months. The exact timing for the assignment and field work will be determined later in cooperation with the government and ADB.

d. Labor Market and Social Protection Expert (2 person-months, national)

113. **Background and rationale.** The country is currently experiencing an economic boom which is mainly based on income from the mining sector. While this creates new employment opportunities—especially in construction and services, the economic path is not inclusive in employing people especially from the lower income groups. As a result, underemployment rates remain high and the workforce is increasingly being engaged in informal labor markets. This has major implications for the social insurance systems, resulting in fewer contributions from employers, lower coverage rates for pension, unemployment, and health insurance, and the necessity for increased budget financed subsidies for those people. Hence, new approaches need to be developed to better align the current and future labor market trends with the social protection system. In 2013 the new government separated the functions of the Ministry of Labor and the MPDSP.

114. **Objectives and tasks.** The national labor market and social protection expert will assist the international expert with background information, and prepare separate reports on specific issues. In particular the national labor market expert will:

- (i) assess size and structure of the informal labor market and its implications for targeted social protection;
- (ii) assist the international consultant with data gathering and report writing;
- (iii) assist the international consultants with interpretation and translation issues;
- (iv) design and organize a local survey on labor market benefits for social protection (costs for participants are paid through the national consulting firm responsible for participatory activities);
- (v) prepare and conduct two focus group discussions (costs for participants are paid through the national consulting firm responsible for participatory activities);
- (vi) prepare and attend a local workshop on policy reforms;
- (vii) attend the international conference;
- (viii) assist the consulting firm responsible for participatory activities in organizing 2 focus group discussions (of which one will be in the rural areas and 1 in Ulaanbaatar), 1 workshop, and 1 international conference;
- (ix) provide conceptual inputs to the consulting firm responsible for communication activities with sharing the knowledge and recommendation through papers, TV spots, radio broadcasting, and newspaper articles;
- (x) provide inputs to the various training activities arranged by the consulting firm responsible for training (up to 5 person-days);
- (xi) do on demand mentoring for high-level MPDSP and Ministry of Labor staff on labor market and social protection issues (up to 2 person-days home office work); and
- (xii) discuss the results of the assessments and the proposed reforms with the MPDSP, the Ministry of Labor, the Ministry of Economic Development, and the MOF.

115. **Deliverables.** The consult will deliver the following outputs:

- (i) Report on recent informal employment trends and implications for social protection in Mongolia (in Mongolian and English)

- (ii) Various inputs to the international consultant's report
- (iii) Summary report on the results from the participatory activities
- (iv) Summary report on the various labor market-related training activities

116. **Expertise.** A national labor market economist will be hired. S/he should have a minimum of 10 years experience in social protection and labor market issues. She/he will be fluent in English.

117. **Contracting arrangements.** The national expert will be hired based on ADB's Guidelines on the Use of Consultants for 2 person-months.

e. Website Designer (3 person-months, national)

118. **Background and rationale.** Mongolia has a comprehensive system for social assistance and social insurance. However the system and the individual benefits are not transparent to the beneficiaries or the social services providers (e.g., hospitals). One impact of the upgrading of the IT system through the investment project will be a more transparent data system for the end users. However, this database will be based on individual accounts and ensure strict data security rules. The public website, developed by the website consultant will complement the transparency efforts under the new data system for public use.

119. **Tasks.** The expert will design and implement a revamped website for the MPDSP on social protection. In particular, the expert will:

- (i) prepare a content design of the new website and agree with the MPDSP on the general structure;
- (ii) draft the website text, and coordinate the content with the government and ADB;
- (iii) seek inputs for the website content from the national and international consultants working under the loan and the TA;
- (iv) make linkages of the website to social protection entitlements under other ministries;
- (v) coordinate the draft website text with MPDSP, Ministry of Labor, SIGO, and GOSWS, as well as with the team leader of the separately grant-financed TA project and ADB;
- (vi) make an English translation of the Mongolian website;
- (vii) arrange the technical linkages and upload the website under the MPDSP;
- (viii) provide maintenance support of the website over 8 months; and
- (ix) train at least two MPDSP staff on maintaining the website.

120. **Deliverables.** The consult will produce the following outputs:

- (i) Website outline in English and Mongolian
- (ii) Draft website
- (iii) Final website
- (iv) Regular updates (once every two weeks) for 8 months

121. **Expertise and contracting arrangements.** The expert will be a website designer with experience in social policy. S/he will be fluent in English and Mongolian. The national expert will be hired based on ADB's Guidelines on the Use of Consultants for 3 person-months.

4. Output 3.3: Consulting Firms

122. The three firms of output 3.2 will be hired through ADB's output-based fixed budget selection method.

a. IT Solution and Social Protection Training (national firm)

123. **Background and rationale.** The comprehensive social protection system in Mongolia is led by the MPDSP under its two main implementing agencies, the SIGO and the GOSWS. The project will reform social protection and these changes will be accompanied by IT related design and operational changes. The social protection system is currently mainly delivering cash transfers; however the government intends to reform the system to become more oriented towards the delivery of actual services targeted to poor and vulnerable people or households. This requires a substantial increase in its social welfare staff on the ground. Both agencies also experience a large turnover of staff and training for staff is very rare. The government therefore asked ADB to support a substantial investment in capacity building for social protection reform and its integration in IT solutions under the additional financing. This would comprise:

- (i) external training (both international and national) for management and higher level staff for social protection and IT related purposes;
- (ii) management training for high-level MPDSP, SIGO, and GOSWS staff (2 training courses per year are planned for 3 years) for social protection and IT related purposes;
- (iii) specific capacity building for staff under the MPDSP analytical units (3 courses over 3 years with 15 participants from central level—including staff from the Ministry of Labor, if possible) for social protection and IT related purposes;
- (iv) training for social insurance workers (SIGO) on general reforms trends and IT (1 training per year for 300 participants [implemented in various courses at not more than 40 participants each] x 3 years x 3 days, at *aimag* level); and
- (v) training for social welfare workers (GOSWS) for social protection and IT related purposes at *aimag* level (1 training per year for 600 participants [implemented in various courses at not more than 40 participants each] x 3 years x 4–5 days). The training would also include selected staff at *soum* and *khoroos* level working on other sectors (e.g., social workers in schools or in local government agencies).

124. **Tasks.** A consulting firm will be hired to deliver the above mentioned training courses. Specifically the firm will:

- (i) make a training needs assessment at various levels. Especially, review individual training needs among those involved in deciding over targeted benefits; and the training needs of social workers in an environment of targeted benefits and improved IT environment;
- (ii) make recommendations to the MPDSP on the required skills of social workers under the new Social Welfare Law and the government's reform plans (especially delivering more services rather than cash transfers) within an enhanced IT environment;
- (iii) design the various training courses mentioned under (ii), (iii), and (iv). Coordinate the outline with the government and ADB;
- (iv) Update the proposed training course for social welfare workers developed under the multisector TA project supported by the World Bank;
- (v) agree with the MPDSP and ADB on the various outlines for the training courses;
- (vi) after agreement on the training substance, prepare adequate training materials and pilot test the materials;
- (vii) after the pilot testing, make necessary adjustments and roll out the training;

- (viii) coordinate with the international experts under the piggybacked TA project to provide on the job training for the MPDSP, SIGO, and GOSWS through online mentoring;
- (ix) prepare reports on the implementation and results of the various training courses
- (x) involve the international experts (financed under the loan component 2 and under the piggybacked TA) in the respective training;
- (xi) plan and implement the various training courses in coordination with the government;
- (xii) arrange adequate external training—both local as well as international—on poverty and social protection for senior management in cooperation with the MPDSP and endorsed by ADB;
- (xiii) properly arrange all financial statements; and
- (xiv) provide annual reports to the MPDSP (in Mongolian) and ADB (in English) on the training implemented, and make an impact assessment of the related training courses.

125. **Inputs and expertise.** A national firm specialized in policy and IT training will be hired through ADB's output-based fixed budget selection method to plan and deliver the services for the training courses. To this end, the consultant company will—in its proposal to ADB—suggest (i) the methodology for training, and (ii) a team of experts for each group of activities such as training content development, training implementation, training evaluation, and training management, then evaluate the team except for some key experts such as the project manager. The consulting firm will have expertise in training policy makers in social protection, including IT related aspects. Mongolia has about 10 universities running social workers programs, an Academy for Management, and a Center for Social Workers Excellence. These institutions—among others, and in addition to or in cooperation with specialized international firms—could be interested in bidding for this consultancy.

126. **Costs and contracting arrangements.** The total costs are estimated at \$1.8 million (base costs, and \$2.1 million including contingencies) comprising of the following estimated base costs: (i) \$135,000 for external trainings; (ii) \$55,000 for management training; (iii) \$22,000 for training of the analytical staff; (iv) 480,000 for social insurance training; and (v) 1.13 million for social welfare workers' training. The assignment will be implemented between mid-2014 and mid-2017.

b. Facilitating Communication and Knowledge Sharing (national firm)

127. **Background and rationale.** The project—through the loan investments and the TA grant—will prepare various knowledge products on rationalizing, targeting, and strategizing Mongolia's social protection system. These structural reforms—based on knowledge work—need to be communicated properly to the people of Mongolia and the interested public. To this end, the project will finance publications, TV and radio spots, and newspaper articles.

128. **Tasks.** A national firm will be hired to design and deliver the communication and knowledge sharing activities. Specifically the firm will:

- (i) coordinate with the government and the various consultants (under the loan and the TA) on the different knowledge products, and which knowledge product should be shared in what way;
- (ii) coordinate with the various experts under the project (both loan as well as TA grant financed) who write the various knowledge products, and support them with the publication of those papers;

- (iii) print and actively distribute appropriate numbers of copies of the knowledge papers among relevant institutions, as decided by the government;
- (iv) coordinate with various journalists and hire them to write about 36 strategic newspaper articles on topics coming out from the knowledge and strategy papers. (The exact numbers and topics of those knowledge products are being determined during project implementation);
- (v) coordinate with journalist and TV broadcasting experts to prepare up to 25 TV and video spots based on the various knowledge and strategy papers and products generated under the project (through loan and TA financing). The exact number, content, and time of the TV spots will be determined during project implementation;
- (vi) coordinate with journalist and radio broadcasting experts to prepare up to 25 radio news broadcastings based on the various knowledge and strategy papers and products generated under the project (through loan and TA financing). The exact number, content, and time of the radio spots will be determined during project implementation;
- (vii) engage with universities, knowledge hubs, research institutes, and development partners to further distribute the various printed knowledge products generated under the project widely. Provide copies to those organizations and discuss further distribution activities;
- (viii) engage with the various newspapers, and TV and radio stations to publicize the knowledge products widely; and
- (ix) coordinate with the website expert to place all communication and knowledge sharing products also on the social protection website of the MPDSP.

129. **Deliverables.** While the exact topics for publication and broadcasting will be detailed during project implementation, the table below provides an indication of the possible communication products by thematic area; this will be adjusted during project implementation. The dates for the deliverables depend on the government's progress in the policy and strategy, and will therefore be determined during project implementation.

Table 1: Communication and Public Awareness Raising Activities

Topics	Publications	Newspaper Articles	TV Spots	Radio Broadcasting
Child and mother benefits	1	3	2	2
Health insurance and disability benefits (SIGO + GOSWS)	1	3	2	2
Old age benefits (SIGO and GOSWS)	1	3	2	2
Employment benefits (SIGO and GOSWS), employment policy, and social welfare	1	3	2	2
Cash versus services	1	3	2	2
Options for conditional welfare services in Mongolia	1	2	2	2
Other study	1	2	2	2
Rationalization of social protection services	2	3	3	3
Poverty programs (food stamps, community-based programs) and targeting special groups	2	3	2	2
Integrating labor markets and social protection dimensions for inclusive growth	2	3	2	2
Investment opportunities and financial due diligence issues of social protection funds in Mongolia	1	1	0	0
Gender equality in social protection	2	2	1	1

Topics	Publications	Newspaper Articles	TV Spots	Radio Broadcasting
Social protection policy update and follow ups	2	5	3	3
Total (number)	18	36	25	25
Estimated costs (\$)	72,000	72,000	125,000	75,000

GOSWS = Government Office for Social Welfare Services, SIGO = Social Insurance General Office.

Source: Asian Development Bank.

130. **Expertise.** A national firm specialized in public communication will be hired under the project in accordance with ADB's Guidelines on the Use of Consultants. The consulting firm will be hired through ADB's output-based fixed budget selection method.

131. **Costs and contracting arrangements.** The total base costs are estimated at \$0.38 million, of which estimated (i) \$72,000 are for at least 18 publications, (ii) \$108,000 for publishing about 36 newspaper articles, (iii) \$125,000 for about 25 TV spots, and (iv) 75,000 for about 25 radio and other broadcasting activities.²⁹ The above cost estimates include the costs for managing the contract, which are initially estimated to be about 10%. The assignment will be implemented between mid-2014 and mid-2017. The bidding consulting firms will include in their proposals further details on how to organize the communication activities to gain maximum impact on policy buy-in and knowledge sharing. The proposal will further detail (and single out) the administrative costs for planning and organizing the various activities; these are currently built into the above cost estimates.

c. Poverty Database Updating and Targeting Social Protection (international/National firm)

132. **Background and rationale.** In 2003 the government of Mongolia developed its first social protection strategy. Since then, with support from ADB and the World Bank, the government is implementing ambitious reform projects in the sector, especially on pension and health insurance, social welfare rationalization, and targeting the very poor through food and nutrition benefits. However, most of those reforms were faced with strong resistance to change, and particularly limited progress was made on the various suggestions for targeting. With the amended Social Welfare Law of 2012, the government introduced proxy means testing (PMT). From July 2010 onwards, 60% of the 750,000 households—focusing on the poorer families in the country—were surveyed. The PMT is currently the basis for targeting the poorest 5% of the population for food and nutrition benefits. The national statistics committee has already approved the PMT as the method for selecting households in need of food and for the poverty benefits, which is included in the 2012 amended social welfare law, but not yet implemented. The new social welfare law enshrines not only the food stamps program—for which the PMT was initially created³⁰—but also provides for better targeted provision of the categorical social welfare benefits. The PMT is also used by the Medicard program (a program to improve access to health care for the 5% poorest households in the PMT database). It is the intention of the government to use the PMT methodology for further targeting other vulnerable population groups through both social protection entitlements as well as benefits provided by other government agencies (e.g., education support, transport and heating subsidies, consultancy services under the Ministry of Justice, etc.).

²⁹ Costs and number of deliverables can change during the project implementation and will be subject to further discussion with the government and ADB

³⁰ There are currently almost 17,000 households in the PMT database (about the 5% poorest population) receiving food stamps.

133. In 2010 the government completed the first phase of the first round of the PMT survey, and it is currently updating the system to target not only severely poor households but also vulnerable groups. The government endorsed a new survey in late 2013, but this may not be completed within the year. The government is currently working on the methodological update and the modifications of the online application for the PMT system. The revised system would also require training of GOSWS workers. While it would be possible to start some small-scale PMT assessments in response to grievances in 2013, the large scale PMT data collection updates could only start in 2014. The project would help finance those updates from 2014 onwards.

134. Because of the rapid economic changes and its implications on the changing living standards of Mongolian households, the poverty database requires regular updates to address complaints and grievances. For example, by July 2013 about 8,000 households have asked to be reassessed, but only 10% of them have actually be re-interviewed. This major backlog is that PMT reassessments will be even greater when the database is used for targeting not only food and nutrition benefits to the very poor, but also more general social welfare benefits to the vulnerable people, which is a much broader population group.³¹ It was found more efficient to do such updates on a regular basis rather than all 3 years through a survey. The project will support those regular updates and grievance mechanisms.

135. **Tasks.** An international /National will be hired to (i) procure the services required to help the government update its multisectoral poverty database on an application-based system, and (ii) ensure a gradual transfer of technology/capacity on PMT targeting-related activities. Specifically the firm will:

- (i) provide international technical expertise to the government on the PMT formula and the survey methodology for poverty and vulnerability targeting;
- (ii) provide technical expertise to support the government in managing the PMT updates;
- (iii) develop a training module and train social workers on the PMT methodology and its use for targeting social welfare benefits (beyond food and nutrition) of MPDSP and for targeting benefits of other ministries. The training will particularly comprise components such as targeting skills, PMT methodologies, database management, grievances process, and monitoring and evaluation, among others;
- (iv) build up capacity in MPDSP and especially the analytical unit under the policy department as well as the inter-ministerial PMT working group to gradually transfer the PMT technology to government entities and make recommendation s on how this can be institutionalized over the next 2–3 years;
- (v) support the government in PMT information campaigns through radio and pamphlets;
- (vi) support the government in validating—on a regular basis (about 70,000 households per year with preference to those requesting reassessment through the grievance system)—through external enumerators³² the PMT score for updated information in the PMT database;

³¹ The 2012 Household Income and Expenditure survey for Mongolia estimates 27.3% of the population below the national poverty line.

³² The government agreed to do the validation of the PMT exercises through independent external enumerators and not through social workers, as such independent external assessment would ensure avoiding possible fraud and corruption at the local level.

- (vii) work with the targeting specialist at the 21 *aimag* and the 9 Ulaanbaatar district levels, in coordination with GOSWS, and provide training and advice on PMT related targeting;
- (viii) support the government in addressing grievance and complaint issues after having reassessed the respective households;
- (ix) coordinate with the National Statistical Office and the World Bank on the technical dimensions of the new PMT database, including linkages to the household and expenditure survey, and how to use the PMT as an interdepartmental data base for poverty and vulnerability targeting;
- (x) coordinate with the intersectoral working group on social protection reforms and using the PMT as a database for benefit targeting to the vulnerable. The working group is chaired by the Deputy Minister for Population Development and Social Protection; close cooperation with the Chair and provision of policy advice are required; and
- (xi) prepare a short paper on international experiences on the use of inter-sectoral databases for targeting benefits to vulnerable households.

136. **Costs and contracting arrangements.** The total costs are estimated at \$2.9 million (base costs), with estimated (i) \$110,000 for technical advice through an international PMT expert; (ii) \$500,000 for training of social workers in grievance and redress mechanisms; (iii) up to \$320,000 for public information campaigns on PMT updates and targeting social protection entitlements; and (iv) up to \$1.9 million for the enumerators doing approximately 70,000 verification and updates per year over 3 years at a rate of \$8 per interviewed household (including remuneration for local enumerators, travel costs, and backup TA support) as based on historical data of the 2010/11 PMT survey. The assignment will be implemented between mid-2014 and end 2017. The consulting firm will be hired under ADB's output-based fixed budget selection method.

5. Project Implementation Unit Staff

137. To ensure smooth implementation of the project, the following staff will be hired.

a. Project Manager (36 person-months, national)

138. The project manager will be responsible for the overall management and monitoring of implementation of the project under the supervision of the MPDSP. The project manager will work closely with the MPDSP, the executing agency, and the two implementing agencies of the project; ADB; and other partners involved in project implementation.

139. **Requirements.** The project manager will be an experienced manager with at least 10 years of demonstrated experience, skilled in procurement and financial matters, and fluent in English.

140. **Tasks.** The project manager's responsibilities include the following tasks:

- (i) manage the staff of the project implementation unit;
- (ii) liaise with the MPDSP and ADB;
- (iii) ensure that sufficient counterpart funds are included in the draft MPDSP budget submitted to the MOF;
- (iv) prepare quarterly and annual reports to the MPDSP and ADB in line with the project in a format consistent with ADB's project performance management system;
- (v) act as a secretariat for the project steering committee;

- (vi) monitor the implementation of project activities and report to the MPDSP and ADB;
- (vii) ensure overall coordination among consultants (firms and individual) as per TOR;
- (viii) prepare annual project work plans approved by the MPDSP;
- (ix) ensure that procurement activities and fund flow arrangements are in accordance with ADB guidelines and government requirements;
- (x) support the MPDSP in recruiting consultants and monitor the process;
- (xi) arrange for annual audits of project accounts and ensure their timely submission; and
- (xii) assist ADB missions in undertaking reviews; prepare in advance of the missions the reviews of the status of project activities, status of consultant recruitment and procurement, implementation of covenants, and gender plan.

b. IT Technical Officer (36 person-months, national)

141. **Requirements.** The officer should have a postgraduate degree in information technology or related fields. S/he will also have extensive IT knowledge and at least 10 years of IT hands-on experience, including with change projects and procurement of IT hardware, software, and consultant services. Fluency in English is required.

142. **Tasks.** Under the supervision of the project manager, the IT technical officer's responsibilities include the following:

- (i) provide technical assistance for all IT-related procurement and IT consultant recruitment processes organized by the MPDSP;
- (ii) work closely with the procurement specialist and provide all technical data and information require for the procurement of IT hardware, software and consultant services;
- (iii) monitor the proper procurement of IT hardware, software, and consultant services in collaboration with the PIU procurement specialist under the supervision of the MPDSP; and pay particular attention to the timely input of the consultants and coordination required among the IT consultants;
- (iv) assess the timely submission and quality of the deliverables under each IT consultants as per TOR and contract;
- (v) monitor the work of each IT-related consultant (individual or firm) recruited under the project and the proper installation and use of hardware and software in coordination with the MPDSP and the implementation agencies (SIGO and GOSWS); report any difficulty encountered in the implementation to the project manager; and
- (vi) provide IT-related inputs in the quarterly and annual reports under the responsibility of the project manager.

c. Procurement Specialist (36 person-months, national)

143. **Requirements.** The procurement specialist should have a minimum of 10 years of professional experience in international and national bidding procedures, procurement procedure, especially preparation of expression of interest, notice inviting tender, TOR, request for proposal, and bidding document for procurement of consultant services, goods, and works. Preference will be given for handling ADB procurement procedure. Fluency in English is required.

144. **Tasks.** Under the supervision of the project manager, the procurement specialist's responsibilities include:³³

- (i) ensure that the procurement under the project is conducted in accordance with ADB guidelines and the project procurement plan approved by ADB and the government, and its updates;
- (ii) regularly update the procurement plan as required under ADB guidelines and seek approval from the MPDSP;
- (iii) provide assistance to the MPDSP and the evaluation and recruitment committees in organizing procurement and recruitment of consultants to accelerate processes;
- (iv) coordinate with the MPDSP and ADB in preparing advertisements, short listing, bidding documents, evaluation, letters of awards, draft contracts, etc., in the procurement of goods, works, and services including consultancies;
- (v) liaise with ADB staff as required and submit the items to ADB requiring prior review and documents needing ADB approval;
- (vi) make necessary arrangement for contract signatures in consultation with the MPDSP;
- (vii) keep progress of procurement and consultant recruitment activities against procurement timetables, highlight variations in progress, record reasons, and identify remedial actions, if any; and
- (viii) prepare periodic progress report on status of procurement and consultant recruitment as required by the project manager.

d. Financial Management Specialist (36 person-months, national)

145. **Requirements.** The specialist will have a degree in public administration, business administration, economics, public finance management or related fields. The financial specialist should have 10 years of demonstrated work experience in project financial management and administration. Work experience in financial management with ADB or other international development organizations is desired. Fluency in English is required.

146. **Tasks.** Under the supervision of the project manager and in close coordination with the MPDSP and MOF, the procurement specialist's responsibilities include:

- (i) ensure proper management and disbursement of the project funds following a sound accounting, budgeting, financial control and audit procedures in line with ADB policies and guidelines and acceptable to the Government of Mongolia;
- (ii) prepare regular budgets in line with projects planned activities;
- (iii) maintain the project bank account(s);
- (iv) maintain proper accounting records and prepare financial statements and reports that provide a true and fair view and are in compliance with ADB guidelines;
- (v) prepare regular financial reports and arrange timely financial information for internal audits of internal and external audits;
- (vi) ensure all financial transactions are booked timely and accurately;
- (vii) prepare all requests for payments;
- (viii) prepare withdrawal applications and their supporting documents according to ADB guidelines and government procedures;
- (ix) maintain accounting books in accordance with ADB and government guidelines

³³ The terms of reference of the procurement specialist will conform to any new government procurement arrangements agreed by ADB.

- (x) review invoices and contracts as part of implementation and execution of payments under such contracts;
- (xi) carry out control and filing of all payment documents, invoices, and other financial documents relating to project transactions;
- (xii) ensure that all documents, information, and supporting materials are kept in safe custody and are readily made available to the ADB and the auditors;
- (xiii) guide the MPDSP on financial management of the ADB financed project;
- (xiv) ensure compliance with the financial covenants of the project in coordination with the MPDSP;
- (xv) prepare regular financial report for ADB and the MPDSP; and
- (xvi) take prompt remedial action in respect to irregularities detected by the Auditor or the World Bank.

6. Support to Project Implementation

a. Social, Poverty, and Gender Specialist (6 person-months, national)

147. **Requirements.** The national consultant will have a postgraduate degree and at least 5 years of relevant experience in sociology or gender studies. Fluency in spoken and written English is required. Significant field experience in Mongolia and familiarity with gender issues of Mongolia is required. Training experience is required. Experience in survey design and analysis is helpful. The national consultant will work within the PIU. The consultant will work with the specific technical work streams to ensure that gender mainstreaming maintains a central position in the execution of tasks.

148. **Tasks.** Under the supervision of the project manager and in close coordination with the MPDSP, the specialist's responsibilities include the following tasks:

- (i) conduct an initial review of the goals, outputs, activities, and indicators in the gender action plan (GAP) with the MPDSP and the PIU to confirm understanding and assigned responsibilities; develop monitoring indicators and process for GAP implementation;
- (ii) prepare and conduct workshops (content and methodology) on gender and social dimensions of social protection, for the MPDSP and the PIU;
- (iii) hold regular consultations with the MPDSP gender focal point, the MPDSP Monitoring and Evaluation Department, and the MPDSP Human Resource Department to exchange information and action steps on relevant activities which have bearing on their programs (e.g., demographic disaggregated data, human resource policies, and relevant training events);
- (iv) assure that data for GAP indicators and performance targets are collected and reported on at critical reporting junctures (e.g., quarterly and annual report, midterm review);
- (v) provide assistance to adjust plans as necessary based on results at annual and midterm reporting juncture;
- (vi) assist ADB mission reviews by preparing the updated GAP and other required inputs;
- (vii) assist in the preparation of final reporting upon completion of the project; and
- (viii) meet with key stakeholders in the MPDSP, the PIU, and ADB to brief them on progress related to the GAP.

b. Legal Expert (6 person-months national).

149. **Requirements.** The expert should be a qualified lawyer in Mongolia specializing in social, labor, and family matters. Basic English is a must.

150. **Tasks.** Under the supervision of the project manager and in close coordination with the MPDSP, the specialist's responsibilities include the following tasks:

- (i) advise the project on legal matters pertaining to the reforms promoted under the project;
- (ii) draft relevant guidelines, regulations, orders, and laws as needed under the project; and
- (iii) assist in implementation, promulgation and assessments of orders, laws, and regulations.

E. Procurement through National Competitive Bidding of a National Firm for Facilitating Participatory Activities

151. **Background and rationale.** The project—through the loan investments and the TA grant—will make various policy suggestions to rationalize the social welfare system, better target the poor and vulnerable groups, and update the social protection strategy to harmonize it with multisectoral investments in social protection (e.g., educational support) and labor market policies. Involving the beneficiaries of the social protection system, the policy makers, implementing bodies (such as the insurance system), and other interested stakeholders in a participatory way will ensure proper knowledge generation and strategy buy-in. This will be facilitated through focus group discussions, workshops, conferences, and surveys.

152. **Tasks.** While the content for those participatory activities will be provided by the individual consultants under the loan and the TA, the consulting firm will serve as the participation facilitator. Its main task is to facilitate the logistical arrangements (i.e., plan, organize, and conduct) for the various workshops, focus group discussions, surveys, and conferences under the project. Specifically the firm will:

- (i) coordinate with the consultants under the TA and the loan, as well as with the government and ADB, on timing, content, and method of the participatory activity. The actual content for the workshops, conferences, surveys, and focus group discussions will come from the separate experts doing the various studies and preparing the policy discussions;
- (ii) help the consultants organize focus group discussions, and pay for the costs;
- (iii) engage—on suggestion of the individual TA and loan consultants—and in cooperation with the government and ADB, resource speakers for the conferences (and the workshops);
- (iv) help the government in organizing and conducting workshops and conferences;
- (v) the conferences will especially facilitate a process of educating the parliamentarians in social welfare policy options, by showing best practices in other countries. To this end, the national firm will engage—in cooperation with the experts working under the project and the TA, and in coordination with the government—international resource speakers and practitioners; and
- (vi) prepare annual reports (with financial statements) on the various participatory activities.

153. **Deliverables.** The actual number of participatory activities and the actual timing of implementation depend on the progress by the government in agreeing on the various social protection reforms. The table below provides an indication of the possible participation outputs by thematic area, and this will be further detailed and amended during project implementation.

Table 2: Participatory Activities

Topics	Local Survey	Workshops	Conference	Focus Group Discussions
Child and mother benefits	1	1	0	2
Health insurance and disability benefits (SIGO + GOSWS)	1	1	0	2
Old age benefits (SIGO and GOSWS)	1	1	0	2
Employment benefits (SIGO and GOSWS), employment policy, and social welfare	1	1	0	1
Cash versus services	0	1	1	0
Options for conditional welfare services in Mongolia	0	1	1	0
Other study	0	1	1	0
Proposal / inputs for rationalization	0	1	1	0
Poverty programs (food stamps, community-based programs) and targeting special groups	1	1	1	2
Integrating labor markets and social protection dimension for inclusive growth	1	1	1	2
Investment opportunities and financial due diligence issues of social protection funds in Mongolia	0	1	0	0
Gender equality in social protection	1	1	0	2
Social protection policy update and follow-ups	0	2	2	0
Total (numbers)	7	14	8	13
Estimated costs (\$)	35,000	42,000	160,000	10,500

GOSWS = Government Office for Social Welfare Services, SIGO = Social Insurance General Office.

Source: Asian Development Bank.

154. **Inputs and expertise.** A national firm specialized in conference organization will be hired to deliver the various services. The firm shall have long-term expertise in organizing conferences and workshops, especially related to social policy reforms. The consulting firm will be hired under ADB's output-based fixed budget selection method.

155. **Costs and contracting arrangements.** The total costs are estimated at \$480,000 (base cost), with estimated (i) \$70,000 for 7 local surveys; (ii) \$70,000 for 14 workshops; (iii) \$320,000 for 8 larger conferences (includes costs for resource speakers); and (iv) 21,000 for 13 focus group discussions.³⁴ These costs estimates will be adjusted during project implementation, depending on the needs of the project and in accordance with the government's priorities and agreed with ADB. The assignment will be implemented between mid-2014 and mid-2017. The bidding firms will include in their proposal further details on how to organize the participatory activities to gain maximum impact on policy buy-in and knowledge sharing. The proposal will further detail (and single out) the administrative costs for planning and organizing the various events; these are currently built into the above cost estimates.

³⁴ Costs and number of deliverables can change during project implementation and will be subject to further discussion with the government and ADB.

VII. SAFEGUARDS

A. Environmental Management Plan

156. An assessment of the environmental implications of the **original project** was conducted in 2008. The assessment (attached as RRP Supplementary Appendix I and summarized in the RRP of the original project, para. 115) concluded that (i) the project can be categorized as C for environment; (ii) the (most relevant) first category environmental impacts (greater domestic food production attributable to the grant) will be small and the dominant indirect impacts of the grant will be the positive impacts on the vulnerable group's physical and mental health; (iii) the positive impacts will comfortably outweigh any possible negative indirect environmental impacts; (iv) there is no need to conduct either an initial environmental examination or a strategic environmental assessment; (v) for the food stamp program, no mitigation measures are required; and (vi) for the capacity building and communication strategy, no mitigation measures are required. The review conducted in 2008 further concluded that the relative unimportance of environmental considerations in the context of food emergency assistance was recognized by the World Bank. A qualitative study on the food stamps with beneficiaries has been finalized which indicates that receiving the benefit has helped them to consume better quality food.

157. Potential environmental impacts or implications of the proposed **additional financing** were screened through a rapid environmental assessment. Technology solutions will be introduced under the information technology component, including a computer terminal, software packages for the Social Insurance General Office's core operation, and for business intelligence and data analytics, respectively, and operating system software. The additional financing will also provide appropriate capacity building to operate and maintain the systems. The additional financing will not involve any construction works, and no environmental impacts are anticipated. The environment categorization of the overall project and additional financing remain C. An initial environmental examination or strategic environmental impact assessment is not required.

B. Indigenous Peoples

158. The current project and additional financing will not have any negative impact on indigenous peoples and, therefore, the current project and additional financing are category C. No further actions are required.

C. Involuntary Resettlement

159. The additional financing project will not cause any resettlement impact, therefore, the overall project and additional financing remain category C for resettlement; a resettlement plan is not required.

VIII. GENDER AND SOCIAL DIMENSIONS

A. Poverty and Social Issues

160. The original program and project supported the government in providing a targeted safety net using food stamps while, at the same time, taking advantage of the opportunity to improve targeting mechanisms; strengthen systems, capacities, and strategies for effective social welfare service delivery; and establish early detection, mitigation, and rapid response mechanisms for food crises and similar emergencies.

161. Despite impressive growth since 2005 (except in 2009 during the financial crisis), Mongolia still has relatively high levels of poverty with the most recent data on national averages from the National Statistical Office at 27.4%. The poor and socially excluded will particularly benefit from the additional financing project through improved systems, better targeting, and increased analytical capabilities and capacity of the Ministry of Population Development and Social Protection to better design benefit coverage and plan for the future.

162. Consultation with civil society and special interest groups, including representatives of vulnerable segments of the population will take place under component 3, output 3.2 of the additional financing.

163. **Gender categorization and plan.** The additional financing project is designed to be effective gender mainstreaming. Mongolia has a wide range of social protection benefits including insurance (pension, health, unemployment, occupational disability) and 68 social welfare benefits. There are various social welfare entitlements designed specifically to address strengthening the role of women in society, such as cash transfers to mothers, specific funding for women suffering from violence, etc. Many entitlements are designed to care for children and also indirectly benefit women in their role as mothers. To date there has been no gender analysis of social protection policies or programs. Under the original project, the proxy means test database and capacity were built to allow for gender analysis and communication and outreach strategies were created to ensure social inclusiveness. The additional financing will build on these achievements by updating the social protection strategy to ensure that the gender implications of social protection policies will be identified and policy reforms will be built into the strategy. The gender action plan was reviewed and updated in light of additional financing.

GENDER ACTION PLAN

164. Mongolia has a wide range of social protection benefits including insurance (pension, health, unemployment, occupational disability) and 68 social welfare benefits. All benefits are targeted to specific groups. There are various social welfare entitlements designed specifically to address strengthening the role of women in society, such as various cash transfers to mothers, specific funding for women suffering from violence, etc. Many entitlements are designed to care for children and also indirectly benefit women in their role as mothers.

165. The current, social protection system will be further engendered through contributions from the new outputs on rationalizing the services and updating the social protection strategy. The latter will also closely coordinate on gender-related issues in the labor market and in child and youth protection. A gender-focused action plan under the new social protection strategy will also address some of the gender disparities for men and boys as these relate to important social vulnerabilities particular to Mongolia (such as high levels of boy dropouts from secondary school and disparities in health outcomes for men and women). As the economy shifts to a focus on mining industry it will have a profound effect on employment. Many of the jobs that have been created in the industry, such as construction, have been male dominated. But these jobs will soon come to an end as mine construction is finished. New jobs in this industry will also be limited for both women and men. Hence, an update of the social protection strategy will comprise background information, recommendations, and policy enabling mechanisms (e.g., public awareness campaigns, discussions with government and parliament) on gender implications of social protection policies relating to social insurance and social welfare. The additional financing will support such activities which without Asian Development Bank support would perhaps not have been undertaken.

166. The original project has been successful in implementing the GAP and ensuring that sex-disaggregated data is both generated and used by the project. The proxy means test design ensured that factors such as whether or not a household was female-headed were included in the formula. A gender sensitive and inclusive nationwide communication campaign was successfully implemented using various media and outreach. The grievance data has demonstrated that women are very aware of the program and are often taking the lead in contacting the office to see if their family can be included as beneficiaries. Paper food stamps and e-cards allow both husbands and wives to use them but purchases are restricted to a list of 10 essential food items and no alcohol or cigarettes are allowed. This has helped to ensure that the benefit goes to food purchases for the household. The qualitative studies have included gender analysis. Key findings have included women having greater control in the household budget and in ensuring food consumption for children. Lessons learned in implementation include: (i) clear understanding by the PIU on the rationale for the gender actions; and (ii) regular reporting to the MPDSP on project gender data and relating this back to decision making.

167. For the original project, preparatory work to identify and address gender issues was carried out via stakeholder interviews and in the rapid qualitative consultations for the poverty and social analysis with communities and local authorities in urban and rural areas. The additional financing will further the analysis during the implementation of the overall project. The table below summarizes the key intervention areas under the project that would strengthen gender equality and enhance the role of women and men in society and the economy.

Updated Gender Action Plan

Outputs	Activities	Indicators	Agency Responsible
Component 1: Design and implementation of a targeted food stamp program			
Design of targeting	Ensure that the PMT addresses gendered poor (i.e., FHH and breastfeeding mothers).	Gender dimensions of vulnerability included in the PMT Achievement: The PMT gathers information on FHH and it is possible to sex-disaggregate all data. The food stamp program monitors information on FHH for food stamp beneficiaries. The pilot food stamp program on elderly and disabled beneficiaries served 25,333 beneficiaries (14,349 female and 10,984 men). Based on this pilot survey results 99,038 beneficiaries (51,623 female and 47,415 male) nationwide have been identified and are receiving food stamps.	FSOU, PIU and MPDSP
	Explore possibilities in the pilot to include wholesale food market vendors in urban areas as a part of the food stamp program.	XX* food markets in suburban <i>ger</i> (traditional tent) areas or “pockets of poverty” tested as food item vendors of stamp food items Lessons learned document Achievement: This possibility was investigated in preparation for phase 1 distribution, but it was deemed impossible to initiate a redemption system for paper stamps for the hundreds of vendors that have stalls at these markets. Under phase 2 of PMT distribution, the electronic card system—jointly owned by husband and wife—was put in place in all districts in Ulaanbaatar. Joint ownership ensures gender-equal access to food distribution. The electronic card system is now working well with good distribution across all areas. FSOU is investigating the viability of setting up e-card readers in the wholesale markets but this has been made more difficult because of a change in the participating banks.	FSOU, PIU, MPDSP
Component 2. Capacity building and communication strategy			
Capacity building tools as well as IEC materials	Public information and IEC incorporate principles of social equity, inclusiveness, transparency, and nondiscrimination.	Gender-sensitive and transparent public information and IEC Achievement: An international consultant provided guidance on key messages in the communication plan, including ensuring inclusiveness. TV spots, radio, and print media show women and men using the e-cards and food stamps and participating in PMT.	PIU, MPDSP
	Identify and recruit grassroots women’s NGOs to participate in community food security pilots.	XX cooperative/partnerships established Achievement: The pilot was conducted by a women-run NGO. A total of 35 groups participated covering 106 HH (687 individuals: 313 men and 374 women) including 44 FHH.	PIU, MPDSP
	Grievance system will allow beneficiaries as well as their advocates (community groups, grassroots women’s organizations) to submit complaints.	Community groups and women’s NGOs informed and guidelines provided on grievance procedures Number of grievances submitted to FSOU (disaggregated by sex) Achievement: All beneficiaries, social workers, and general public informed about the grievance procedures beginning with approach 1 in 2009. 3rd Quarter 2012 grievances total were: 261. Of these, 186 were registered by women and 72 registered by men and 3 written grievances did not register gender. 152 grievances were regarding beneficiaries seeking to be included in the program.	FSOU, PIU, MPDSP, local social welfare authorities
Component 3: Strengthening social welfare strategies and systems			
Effective food crisis response	Data from the quantitative and qualitative studies will be sex-disaggregated, as appropriate.	Sex-disaggregated data and information of qualitative and quantitative studies Achievement: All PMT data was collected by sex. Qualitative studies on impacts have included sex	MPDSP, PIU, international and national consultants

Outputs	Activities	Indicators	Agency Responsible
		disaggregated analysis of interviews. Preliminary findings: the food stamp program allows households to maintain or improve quantity and quality of food during shocks. This is largely under the control of women in the household as they are primarily responsible for purchasing and cooking food. Women also commented on being able to use savings to spend on medicines.	
	Qualitative studies will include sample groups such as unregistered migrants, homeless, street children, and garbage dump residents and will look into barriers these women and men face in civil registration, income generation, and roles in distribution of food and money within households	Consultant terms of reference address these issues Specific recommendations and guidelines developed for assisting these groups Outcome: Consultant terms of reference have included gender analysis. Civil registration report has recommendations for addressing civil registration barriers. The FSOU contributed to the creation of the "hot soup" program guidelines in 2009–2010 which is specifically focused on homeless, street kids, and other extremely vulnerable groups.	MPDSP, PIU, international consultants
IT component (new output 3.2) [Additional Financing]	By 2017, the new database will have sex- and socioeconomic status-disaggregated data for all social insurance and social welfare benefits. In addition, in the newly established analysis unit (in the MPDSP) training on gender implications will be done.	Database developed and operational by 2017 Training for the data analysis staff, including gender analysis, will be provided by experts under the "IT solution and Social Protection Training" firm recruited under output 3.3	MPDSP, SIGO, GOSWS
Policy component (new output 3.3) [Additional Financing]	Under the piggy-backed technical assistance, a specific study on the gender impact of the insurance and welfare benefits will be done and the strategy will comprise specific gender-related recommendations. The updated social protection strategy includes a gender section with concrete measures to address gender disparities in Mongolia by 2016.	By 2015, report on gender impact of insurance and welfare with concrete measures to address gender disparities in Mongolia, and gender, child, and youth protection issues related to labor market (this will be an input to the updated social protection strategy). By 2017, gender section in the strategy	Consultant reports, MPDSP
Project management capacity enhanced	M&E mechanisms enable tracking of gender impacts.	M&E mechanism to track gender impacts Gender action plan implementation progress report will be included in the overall executing agency quarterly and annual reports Achievement: M&E systems in place that enable tracking of gender, age, and location. Gender analysis incorporated into all terms of reference	PIU, MPDSP

FHH = female-headed household, FSOU = food stamp operating unit; GOSWS = Government Office for Social Welfare Services; HH = household, IEC = information, education, and communication; IT = information technology, M&E = monitoring and evaluation; MPDSP = Ministry of Population Development and Social Protection; NGO = nongovernment organization; PIU = project implementation unit; PMT = proxy means test; SIGO = Social Insurance General Office

168. **Budget and implementation arrangements.** The action plan does not require a separate budget since it is integrated into the overall project cost. Expertise in the food stamp operating unit and the consultants (to be managed under the project implementation unit and by the piggy-backed technical assistance coordinated by the Asian Development Bank) will implement the action plan. Overall implementation responsibilities will lie with project implementation unit and the MPDSP. Specific responsibilities and activities of the action plan are included in the terms of reference for individual consultants. The action plan's implementation schedule will be from early 2009 through 2011 (for the original project) and from 2014–2017 for the additional financing.

169. **Monitoring and evaluation.** Monitoring and evaluation of the action plan will be incorporated into the overall monitoring and evaluation plan developed for the project and key indicators included in PPMS. The MPDSP will provide GAP reporting quarterly and this will also be assessed in ADB review mission discussions and documentation. The project implementation unit will be responsible for establishing and coordinating monitoring and evaluation activities. The midterm review will be accompanied by ADB staff with expertise in gender issues.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Revised Project Design and Monitoring Framework

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
Impact Current project Vulnerability to food insecurity reduced through increased supply of and improved access to food by vulnerable and poor households Overall project Improved social equity, less poverty, better social risks mitigation and prevention, and improved food security	Current project Daily calorie intake of lowest quintiles of income distribution increased from 1,728 in 2004 to at least 2,000 calories by 2015; data to be disaggregated by sex Percentage of underweight newborn equal to or lower than 2004 levels (3.7%); data to be disaggregated by sex Overall project National poverty rate decreases from 27% in 2012 to 20% in 2020. Social pensions for informal sector workers (herders, self-employed, and nonwage earners) increase by 20% in coverage by 2020 from 55,000 in 2012, and by 30% in benefits from about \$22 a month in 2012. Out-of-pocket expenditures for health services for the low-income group are reduced from 41% in 2010 to less than 30% by 2020.	National nutrition surveys – NSO National nutrition surveys – NSO NSO (National socioeconomic survey) National budget and MPDSP statistical data World Health Organization Statistics/Socio-economic Household Survey/NSO	Assumptions International food prices will stabilize and food can continue to be imported Government remains committed to rationalize and better target social protection transfers and services. Risks Ineffective labor market policies Non-inclusive growth process Unaffordable social protection system
Outcome Current project Improved access to food by vulnerable and poor households through a targeted food stamp program and strengthened social welfare systems Overall project More efficient and transparent delivery of social welfare and insurance services (including support to food consumption), through strengthened policy, systems, and IT	Current project At least 100,000 household beneficiaries of the food stamp program by 2011 Monthly per capita expenditure on food for lowest quintile in 2012 is equal to or greater than expenditure in 2006–2007 (\$14) at constant prices Overall project Satisfaction of population with social protection system increases (baseline and target will be created by end of 2014 and again measured toward the end of the overall project) Processing time for hospital claim and application for disability benefit reduced by 20%	Food stamp program data NSO Socio-Economic Household Survey Report on pre- and post-satisfaction surveys directed at beneficiaries and staff Periodic report (IT system)	Assumptions International food prices stabilize. Political and administrative stability Risks Food safety nets used as a political tool Resistance to change in existing social welfare systems Lack of coordination between social protection and effective labor market policies

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
	on average by 2018 (from 7 days in 2013) Average processing time for financial reporting of SIGO reduced by 30% in 2018 (from 15 days in 2013)	Periodic report (IT system)	
Outputs			
Component 1: Design and implementation of a targeted food stamp program			
Current project 1.1 Innovative targeting approaches for food stamps pilot tested by December 2009 Overall project Unchanged.	Current project Outreach targeting methodology adopted by government for pilot testing by 2009 At least 70% of beneficiaries identified by outreach methods after 2 years of operation; data to be disaggregated by sex Overall project Unchanged.	Project documentation and/or ministerial order Food stamp operating unit/food stamp program data	Risks Decision to expand or prolong the food stamp program will be based on recommendations from pilot approach Lack of coordination among ministries and levels of government and results from pilot testing will not be turned into policy reforms
Current project 1.2. A mechanism for delivering food stamps is established by June 2009 Overall project Unchanged.	Current project Subprogram to Food II, including a food stamp program, approved by the government by 2009 At least 70% of food stamps distributed to lowest two quintiles of income distribution; data to be disaggregated by sex At least 80% of beneficiaries receiving food stamps on time (on the dates specified) by 2011 Overall project Unchanged.	Prime Minister's Decree Food stamp module attached to NSO survey Food stamp operating unit/food stamp program data	
Component 2: Capacity development and communication strategy for the food stamp program			
Current project 2.1. Capacity development tools for national and local stakeholders and institutional strengthening designed and implemented by January 2010 Overall project Unchanged.	Current project Capacity development tools designed, approved, and implemented by 2010 At least 50% of <i>soums</i> (administrative subdivision of the <i>aimag</i> [province]) and <i>khoroos</i> (administrative subunit of urban districts) reached by 2010 Overall project Unchanged.	PIU documents Food stamp operating unit/food stamp program data	
Current project 2.2. A communication strategy to ensure	Current project Communication strategy adopted by steering committee and	Steering committee and PIU, minutes of steering	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
transparent implementation of the food stamp program developed and implemented by December 2009 Overall project Unchanged.	reflected on television and radio channels, printed material, and community outreach activities by December 2009 Overall project Unchanged.	committee meetings, and project documents	
Component 3: Strengthening social welfare strategies and systems			
Current project 3.1. Effective food crisis response by 2010 Overall project Unchanged.	Current project Methodology to measure impact of food price increases developed by 2010 Community grant program established by 2010 Overall project Unchanged.	PIU documentation PIU documentation	
Current project 3.2. A package of reform of social welfare strategies is developed by October 2011 Overall project 3.2. IT processes and systems are upgraded to deliver more efficient and transparent social welfare and social insurance services.	Current project Policy notes produced for each group of reforms by October 2011 Knowledge product on social welfare institutional reforms developed by October 2011 Recommendations for social welfare reforms forwarded to cabinet by October 2011 Overall project Social welfare benefits are integrated in a single database by 2017. The social insurance and welfare database is disaggregated by sex, rural–urban, and socioeconomic status by 2017. SIGO and GOSWS reporting are fully automated by 2017 SIGO and GOSWS software are web-based by 2017. Data monitoring and analysis for SIGO and GOSWS are centralized under MPDSP by 2017. Local SIGO and GOSWS offices are equipped for appropriate data processing by 2017.	PIU document Project reports, PIU documentation PIU documentation IT-related project reports and demonstration in SIGO and GOSWS MPDSP policy documentation IT-related project reports and demonstration in SIGO and GOSWS MPDSP policy documentation IT-related project reports	Risk Human resources policies of SIGO and GOSWS block coordination and final restructuring of the IT support and analytical staff under the MPDSP.

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms (Overall Project)	Assumptions and Risks (Overall Project)
3.3. Social welfare reformed and social protection strengthened by 2017	<p>Staff are properly trained and backup support and maintenance is institutionalized and funded by 2017.</p> <p>At least 30% of 68 social welfare benefits (in 2013) are consolidated and 30% focus on the poor and vulnerable by 2017.</p> <p>The updated social protection strategy includes (i) a gender section with concrete measures to address gender disparities in Mongolia, (ii) recommendations on the impact of social protection services and cash delivery, and (iii) close links to labor market policies (including gender-related issues in the labor market and child and youth protection) by 2017.</p> <p>About 10% of the households identified through proxy means testing are reassessed yearly for eligibility from 2015.</p> <p>The share in the budget allocation for social welfare services versus cash transfers changes from 10 versus 90% in 2012 to 30 versus 70% in 2017.</p>	<p>Human resources departments of SIGO, GOSWS, and MPDSP</p> <p>MPDSP policy documents</p> <p>MPDSP policy documents</p> <p>MPDSP policy documents</p> <p>Project/MPDSP documentation</p>	<p>Assumption Additional government revenues are available for social protection.</p> <p>Risk Resistance to rationalize and improving the targeting of the social protection system</p>
<p>Current project 3.4 An early warning and response system to respond to social shocks by October 2011</p> <p>Overall project Unchanged.</p>	<p>Current project Early warning and response system developed and approved by Steering Committee by 2011</p> <p>Overall project Unchanged.</p>	<p>Current project PIU documentation</p>	

Activities with Milestones (Overall Project)		Inputs
1.1.1	Install the food stamp operating unit (2009). Completed.	<p>ADB Grant \$3.00 million (current) \$0.00 million (additional) \$3.00 million (overall)</p> <p>Loan \$0.00 million (current) \$20.00 million (additional) \$20.00 million (overall)</p>
1.1.2	Pilot test two targeting approaches and produce lessons (2009–2010). Completed.	
1.1.3	Evaluate the pilot-test targeting mechanisms to refine the household assessment survey instruments (December 2009). Completed.	
1.1.4	Expand coverage of beneficiaries using improved targeting tools and methodologies (from approaches 2 and 3, 2010–2011). Completed.	
1.2.1	Implement all the operational activities involved in establishing the food stamp delivery mechanisms. Completed.	
1.2.2	Evaluate full food stamp delivery mechanisms and incorporate lessons into final food stamp program design (December 2009). Completed.	
1.2.3	Expand capacity of final mechanisms to carry out an expansion of the coverage of the food stamp program. Completed.	

Activities with Milestones (Overall Project)		Inputs
1.2.4	Undertake supporting activities to improve effectiveness of program expansion. Completed.	Technical Assistance Special Fund (TASF V) \$0.50 million (additional) Government \$0.33 million (current) \$3.00 million (additional) \$3.33 million (overall)
1.2.5	Implement internal and external monitoring system (continuous). Completed.	
2.1.1	Undertake capacity development for the pilot testing of the food stamp program (continuous). Completed.	
2.1.2	Undertake capacity development for delivering the expanded food stamps program and other social welfare services (continuous). Completed.	
2.2.1	Finalize and implement the communication strategy (2009–2012). Completed.	
3.1.1	Provide technical analysis of capacity development needs to promote effective food crisis response (June 2009–December 2011). Completed.	
3.2.1	Assess and recommend improved IT systems and processes for SIGO and GOSWS (June 2014–May 2016). Added.	
3.2.2	Procure equipment to support SIGO and GOSWS IT systems at central, <i>aimag</i> , district, and <i>soum</i> levels (June 2014–May 2016). Added.	
3.2.3	Design and implement IT systems for SIGO and GOSWS (January 2015–March 2017). Added.	
3.2.4	Train staff and roll out enhanced IT system for SIGO and GOSWS (January 2016–May 2017). Added.	
3.2.5	Establish unit for data analysis and business intelligence under the MPDSP (June 2014–September 2016). Added.	
3.3.1	Provide technical analysis of social welfare strategies and deliver a knowledge product on social welfare institutional reforms and capacity development (October 2011). Unchanged.	
3.3.2	Provide participatory analysis and background studies on the impact of social welfare and insurance expenditures provided by government, on poverty reduction and vulnerability (October 2014–December 2016). Added.	
3.3.3	Assess and prepare recommendations on benefits of cash transfers versus services, and better targeting (October 2014–December 2015). Added.	
3.3.4	Study and make recommendations on the gender implications of social insurance and welfare benefits. Added.	
3.3.5	Prepare a proposal on the rationalization of social welfare (January–December 2016). Added.	
3.3.6	Assess and prepare recommendations on interrelation between labor market and social protection policies, and on investment options of the insurance funds (January 2015 and December 2016). Added.	
3.3.7	Ensure proper updates of the proxy means test database over the duration of the project (grievance system and on-demand survey, January 2014–May 2017). Added.	
3.3.8	Update the long-term social security strategic policy and plan in a participatory manner (January 2016–May 2017). Added.	
3.3.9	Carry out a training needs assessment, and develop and implement a sustainable training program for social welfare and insurance staff at all levels (September 2014–May 2017). Added.	
3.3.10	Train MPDSP, SIGO, and GOSWS managers to increase analytical and data management capacity, management skills, and poverty analysis capacity, including proxy means test training (September 2014–May 2017). Added.	
3.3.11	Prepare and implement yearly a public communication program to support social welfare reforms and public promotion of social insurance (January 2015–May 2017). Added.	
3.3.12	Run participatory surveys, focus group discussions, workshops, and conferences to create knowledge and ownership on policy reforms (January 2015–May 2017). Added.	
3.4.1	Provide technical analysis and support for establishing early detection, mitigation, and response to social shocks (2009–2011). Unchanged.	

ADB = Asian Development Bank, GOSWS = General Office for Social Welfare Services, IT = information technology, MPDSP = Ministry of Population Development and Social Protection, NSO = National Statistical Office, PIU = project implementation unit, SIGO = Social Insurance General Office.

Source: Asian Development Bank.

B. Monitoring

170. **Project performance monitoring.** The Ministry of Population Development and Social Protection (MPDSP) will update the comprehensive project performance monitoring system acceptable to the Asian Development Bank (ADB). The system will assess performance by (i) evaluating delivery of planned activities; (ii) measuring project impacts; (iii) measuring health, social, and economic benefits with a focus on the poor, women, and disadvantaged groups; and (iv) monitoring government targets. Indicators will serve as a basis to prepare reports on project implementation and the reform process, improved use of resources, improved access to services (particularly for the poor), improved service quality, client satisfaction, and progress in achieving Millennium Development Goals. Performance indicators are set out in the design and monitoring framework (above). Some indicators will be monitored through surveys financed under the project, collected from other institutions, while others will be monitored through routine administrative data. Where feasible, indicators will be disaggregated by sex, job tier, and urban–rural.

171. Disaggregated baseline data for output and outcome indicators gathered during project processing will be updated and reported quarterly by the project implementation unit's (PIU) quarterly progress reports (on behalf of the executing agency) and during each ADB review mission. These quarterly reports will provide information necessary to update ADB's project performance management system.

172. **Compliance monitoring.** The compliance status of grant covenants will be reported and assessed through the quarterly progress reports and verified by ADB review missions.

173. **Safeguards monitoring.** As a Category C project relative to involuntary resettlement, indigenous peoples, and environment, specific monitoring will not be needed.

174. **Gender action plan.** The PIU assisted by the national social, poverty, and gender specialist will monitor and report annually on the indicators included in the gender action plan to the MPDSP and ADB, and will be monitored during ADB review missions. Gender indicators will be included in the project performance management system.

C. Evaluation

175. ADB and the government will jointly undertake reviews of the project at least once a year. The reviews will assess progress in each component, identify issues and constraints, and determine necessary remedial actions and adjustments. A midterm review will be conducted during the third year of implementation. The midterm review will (i) review the scope, design, and implementation arrangements and identify adjustments required; (ii) assess the progress of project implementation against performance indicators; and (iii) recommend changes in the design or implementation arrangements, if necessary. Within 6 months of physical completion of the project, the MPDSP will submit a project completion report to ADB.

D. Reporting

176. The MPDSP will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance management system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, (d) updated implementation plan for the next 12 months and contracts award and disbursement projections

and (e) gender action plan implementation progress matrix; and (iii) a project completion report within 6 months of physical completion of the project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency annual financial statements, together with the associated auditor's report, should be adequately reviewed.

E. Stakeholder Communication Strategy

177. The preparation activities of the additional financing were guided by participatory processes undertaken in the form of consultation meetings, stakeholder and focus group discussions with (i) beneficiaries of the social welfare and social insurance system and (ii) staff of the Social Insurance General Office (SIGO) and the General Office for Social Welfare Services (GOSWS). Focus group and stakeholder discussions with beneficiaries of social welfare and insurance indicated a range of issues such as complaints about perceived mistargeting, lack of portability of benefits, lack of continuity in the services provided by social workers, lack of information on how to submit a complaint to SIGO and GOSWS, and cumbersome registration and enrollment procedures. Focus group and stakeholder discussions with the staff of SIGO and GOSWS resulted in expressing dissatisfaction with the lack of automation in preparing reports, the fragmented databases which increase the work load substantially, the limited webbased applications, the lack of link to other databases such as the one for civil registration, the lack of connectivity at soum level, insufficient budget to replacement obsolete material and procure original software, and the limited data security.

178. Involvement and consultation of civil society and representatives of vulnerable groups will be ensured during project implementation through representation in the project steering committee of the project, participation in the stakeholder discussions to update the social protection strategy, and as key informants during project participatory activities (workshops, surveys, focus group discussions) and knowledge sharing activities. Activities will be conducted in a gender and culturally sensitive manner to ensure social inclusiveness and effective communication.

X. ANTICORRUPTION POLICY

179. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project. All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.

180. To support these efforts, relevant provisions are included in the loan agreement/regulations and the bidding documents for the project.

XI. ACCOUNTABILITY MECHANISM

181. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make a good faith effort to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.³⁵

³⁵ For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

XII. RECORD OF PAM CHANGES

Financial and Procurement Management Capacity Assessment Report
Government of Mongolia
Ministry of Population Development and Social Protection

Additional Financing of Food and Nutrition Social Welfare Project
August 2013

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Annex 1: Procurement Capacity Assessment and Questionnaire

Annex 2: Financial Management Assessment Questionnaire

EXECUTIVE SUMMARY

1. Financial and management assessments (FMA) have been conducted for the Ministry of Population Development and Social Protection (MPDSP), Social Insurance General Office (SIGO) and General Office for Social Welfare Services (GOSWS) in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects. The MPDSP has advised that the procurement will be conducted by the Government Procurement Agency (GPA). Such arrangements and the respective role of the GPA and the MPDSP will be confirmed during project implementation subject to ADB's assessment of the GPA capacity and resources. The MPDSP is responsible for all procurement under the current ongoing original project. Procurement will follow the ADB procurement procedures and a procurement management assessment (PMA) for the MPDSP was conducted. The FMA and the PMA considered the MPDSP in its role as the executing agency. The SIGO and GOSWS were assessed as implementing agencies for project activities under their jurisdiction.

2. The overall benefits and impacts are expected to outweigh the costs and risks involved. Major risks and mitigating measures are summarized in the following table and are described in detail in the risk assessment and risk management plan.¹

Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
High inflation and appreciating local currency caused by the booming economy result in escalating project costs.	Plan for sufficient contingency funding. A loan covenant makes provision for the government to pay in any shortfall.
Government (counterpart) funds to finance recurrent costs, financing charges generated by project investments and activities are not available on time.	<p>A loan covenant makes provision for adequate counterpart funding. The PIU is responsible that government counterpart funds are included in MPDSP budget appropriations.</p> <p>Separate accounting records are maintained for the project in parallel with the government accounting system</p>
Turnover of staff at MPDSP is high and procurement capacity and experience is insufficient	<p>The MPDSP and the procurement specialist of the PIU will carry out all procurement and the PIU will coordinate, providing assistance in contract, bid documentation, bidding and evaluation procedures, and appointment contractors.</p> <p>PIU will include a procurement specialist hired for the full duration of the project. The recruitment of the procurement specialist needs to be strictly merit based. Need for capacity building has been identified to ensure that all nominated personnel involved in procurement are familiar with the procurement law and ADB through the resident mission will provide regular training on</p>

¹ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigating Measures
	procurement processes, supervision, and monitoring for staff involved in procurement (1-2 per year)

ADB = Asian Development Bank, MPDSP = Ministry of Population Development and Social Protection, PIU = project implementation unit.

Source: Asian Development Bank.

1. Country-level Issues

3. Country issues that potentially impact project financial management include overall weaknesses in budget credibility and execution and in both external and internal audit. Country Public Finance Management (PFM) arrangements were assessed in a Public Expenditure and Financial Management Review (PEFMR) published in 2009 and the Report on Observance of Standards and Codes, Mongolia 2008. There it is reviewed that although the government financial management is based on a robust legislative framework there are a number of areas affecting budget credibility which require strengthening at sectoral level to guide medium term sectoral resource allocations, enhancement of local authority participation in budget setting and improved coordination and integration of Official Development Assistance. Country-level audit issues are centered on the lack of internal audit functions. This was addressed through the introduction of the internal audit unit at the MPDSP in 2011, according to the Government rule No.311 (2011) and No.98 (2012). Although the internal audit unit is not fully staffed, the framework for internal audit has been established. The National Audit Office, responsible for the external audit of government agencies, has limited capacity because of the Government Financial Management Information System does not fully comply with international standards.

2. Risk Analysis

4. The risk assessment approach is based largely on International Standard on Auditing 400 Risk Assessment and Internal Control. Inherent risk was assessed as moderate largely due to the project financial management arrangements utilizing the existing Project Implementation Unit set up for the ADB supported Food and Nutrition Social Welfare Project.² Control risk was also rated as moderate partly due to the existing experience of the Ministry of Population Development in implementing social protection projects with financial support from the ADB.³ The major weakness in internal control is the lack of internal audit in Mongolian sector ministries.

3. Risk Mitigation

5. The project design is based on previous experience gained by the ADB through working with the Ministry of Social Protection. The fund flow and disbursement arrangements for the project will be the same as those used for the Food and Nutrition Social Welfare Project and the PIU from that project will be expanded to incorporate implementation of this additional financing. The additional financing of the Food and Nutrition Social Welfare Project will maintain separate books of account for the project managed by the PIU until a decision will be made to the use the

² Inherent risk is the susceptibility of the financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environment (assuming absence of any counter checks, or internal controls).

³ Control risk is the risk that the accounting and internal control framework is inadequate to ensure funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported.

Government Financial Management Information System. The ADB loan includes provision for contracting external auditors from the private sector for the duration of project implementation.

Risk Assessment and Mitigation Measures

Risk	Risk Assessment	Risk Mitigation Measures
a. Funds flow	Medium	Funds from ADB and MOF will be managed by PIU through dedicated imprest accounts.
b. Staffing	Medium	Expand current PIU and Initiate training in ADB financial management procedures, especially procurement and disbursement procedures, for newly appointed PIU personnel at start include an IT technical officer and procurement specialist.
c. Accounting policies and procedures	Medium	Accounting policy and procedures manual for the PIU will be based on the manual of the Food and Nutrition Social Welfare Project, taking into account the national accounting standards and the requirements of ADB.
d. Internal audit	Medium	There is no internal auditing for the project and an external auditor will be appointed by MOF for the project.
e. External audit	Negligible	An external auditor acceptable to ADB will audit the project accounts annually in accordance with the international standards of auditing. Audited project accounts are required to be submitted to ADB within 6 months after the end of the fiscal year during project implementation. ADB will provide training in ADB financial management procedures to key staff of MPDSP, the executing agency and the PIU.
f. Reporting and monitoring	Negligible	The PIU and the implementation consultants will regularly report in accordance with ADB requirements on inherent adequate control mechanisms.
g. Information systems	Negligible	The computerized information systems established for the Food and Nutrition Social Welfare Project will be used by the PIU.
h. Procurement	Medium	The MPDSP and the procurement specialist of the PIU will carry out all procurement and the PIU will coordinate, providing assistance in contract, bid documentation, bidding and evaluation procedures, and appointment contractors.
PIU will include a procurement specialist hired for the full duration of the project. Need for capacity building has been identified to ensure that all nominated personnel involved in procurement are familiar with the procurement law and ADB through the resident mission will provide regular training on procurement processes, supervision, and monitoring for staff involved in procurement (1-2 per year)		

ADB = Asian Development Bank, IT = information technology, MOF = Ministry of Finance, MPDSP = Ministry of Population Development and Social Protection, PIU = project implementation unit.

I. REPORT

A. Project Description

6. Mongolia's promising economic outlook and the prospect of increased labor participation in the formal sector justify the increased focus on social insurance. However in Mongolia, high economic growth coexists with large numbers of vulnerable and poor populations requiring a continuous focus on social welfare.⁴ In July 2012, the newly elected government published the Government Action Plan (2012–2016), which aimed at introducing new and transparent financial services and advanced information technology tools in the social welfare and insurance sector. The intention of the government is to address the dissatisfaction of the users with insurance and social welfare services, and the lack of transparency in the way social insurance and welfare services are provided to beneficiaries.

7. The Ministry of Population Development and Social Protection (MPDSP) includes two attached agencies, the Social Insurance General Office (SIGO) in charge of managing five social insurance funds, and the General Office for Social Welfare Services (GOSWS) in charge of social welfare benefit management. SIGO and GOSWS are fairly decentralized with their 30 branch offices in all 21 *aimags* (province) and 9 districts of Ulaanbaatar, and services offered in all 352 *soums* (administrative subdivision of the *aimag*) of the country. The MPDSP also includes the National Children Authority and the Public Service Office of People with Disabilities.

8. Social welfare has undergone major reforms over the last 10 years with ADB support, but key issues such as fiscal sustainability and impact of welfare benefits still need to be addressed through the consolidation of social welfare benefits.⁵ Social welfare includes an excessive number of benefits (more than 60), which lack proper targeting and are overlapping. The absence of an effective centrally operated management information system in GOSWS leads to duplication of benefits, limited analysis, and other inefficiencies. Progress made in reforming social welfare since 2009 include the introduction of proxy means testing (PMT) to target the poor, cancellation of several universal benefits,⁶ the introduction of the food stamp program as the first poverty-targeted benefit in Mongolia, and passage of an amended Social Welfare Law in January 2012 that legalized the reforms. Further progress requires better availability of data and information for more efficient and effective delivery of social welfare services.

⁴ The National Statistical Office released its latest poverty statistics: 2012 national poverty rate stands a 27.4% down from 33.7% in 2011.

⁵ ADB has been at the forefront of social welfare reforms with the following: ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistance Grant to Mongolia for the Social Security Sector Development Program*. Manila; ADB. 2008. *Report and Recommendation of the President to the Board of Directors on Proposed Asian Development Fund Grants to Mongolia for the Food and Nutrition Social Welfare Program and Project*. Manila; and ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Grant and Technical Assistance Grant to Mongolia for the Social Sectors Support Program*. Manila.

⁶ In 2009, the Law on Children, Mothers, and Families was abolished, cancelling the child money program and benefits for newborn children and newlyweds. A universal child benefit was reintroduced in October 2012 after the new government started implementing the Government Action Plan (2012–2016).

9. SIGO manages five social insurance funds.⁷ Population coverage of each fund varies. All funds are subsidized by the government, and the pension and health insurance funds are contributory funds.⁸ The MPDSP has initiated pension reform, which covered about 301,940 people at the end of 2011, to shift from a single layer contributory system to a multilayer pension system encouraging private sector involvement. The health insurance system, covering up to 98% of the population, albeit with low financial protection, is undergoing reforms including better governance, more managerial autonomy, and increased health services purchasing capacity.⁹ With recent changes in the economy and the changing living environment of Mongolians, there is a need to assess and update the social security sector strategy to develop a consensus on the way forward to 2020.¹⁰

10. The IT systems of SIGO and GOSWS suffer from a lack of automated procedures for reporting, poor connectivity to automate social services at the *soum* and *aimag* levels, and a multitude of databases which complicates data management, analysis, and reporting. Data security, disaster prevention measures, and use of licensed software are lacking. SIGO is using an outdated software system, which cannot support current international accounting standards requirements for the public sector. The lack of information flow and availability constrains efficient functioning of the social welfare and insurance system. The current approach to strictly separate IT systems for GOSWS and SIGO is inefficient. Reporting and data analytics (business intelligence) lack automated processes in SIGO, GOSWS, and at the MPDSP level resulting in considerable difficulty in analyzing performance data of social welfare and insurance and preparing projections for policy analysis and development. The World Bank supports effort to upgrade selected aspects of the social welfare IT system. IT processes for both GOSWS and SIGO need to become transparent, with web-based interfaces, and stakeholder-centric.¹¹

11. Both SIGO and GOSWS seem adequately staffed but given the planned IT improvements, the human resources capacity will need to be strengthened. There is a need to acquire additional IT hardware (computer, server, digital storage) at central level, *aimags*, districts, and *soum* level but this needs to be supported by proper IT budget allocation to implement effective maintenance, depreciation, and replacement policies.¹² Currently about 50% of the *soums* are connected through an internet network. Government, together with private parties, is working on extending network connectivity to remote *soums*. Bandwidth, which seems sufficient for SIGO at present, will need to be reassessed in light of the planned requirements of the IT system in the future.

12. The current project was assessed on the following indicators and is considered to be performing well:

⁷ The five funds are (i) pension fund; (ii) unemployment fund; (iii) health insurance fund; (iv) benefits fund (sickness, maternal, and funeral grants); and (v) IAOD insurance fund (industrial accidents, occupational diseases).

⁸ Shared contributions of employers and employees (2% for health insurance and 7% for pension contributions from each employer and employee).

⁹ ADB is preparing a capacity development technical assistance (effectiveness expected in November 2013) to support the implementation of the revised citizens' health insurance law to be passed by the Parliament within 2013.

¹⁰ The social security sector strategy was last updated in 2003; social security is to be understood as synonymous to social protection and includes social welfare and social insurance.

¹¹ Beneficiaries and other stakeholders request access to information to inquire about the status of benefits processing, capacity to retrieve information, clear grievance and complaints mechanisms, and simplified procedures.

¹² SIGO does have a policy to replace hardware every 5 years but most GOSWS hardware is 5–6 years old without a clear replacement policy.

- (i) **Implementation results against expected project outputs.** All outputs under Component 1: Design and implementation of a targeted food stamp program have been achieved. (1.1) Nationwide coverage of the PMT implementation was achieved in July 2012. (1.2) The food stamp program has reached 125,250 beneficiaries (and thus surpassed the project target of 100,000 beneficiaries). Outputs under Component 2: Capacity development and communication strategy for the food stamp program were achieved as well. (2.1) Capacity development tools for national and local stakeholders were implemented. (2.2) A communication strategy was adopted and implemented nationwide. Outputs under Component 3 are nearly achieved. (3.1) A methodology to measure the impact of food price increases was developed and disseminated. (3.2) Policy notes, a knowledge product, and recommendations to the government have been prepared. (3.3) Recommendations on the early warning and response system to respond to social shocks were prepared and are awaiting government's decision to set up the system.
- (ii) **Implementation progress.** Implementation progress is satisfactory. The current project had achieved 98% of cumulative physical progress against 90% elapsed time by 30 June 2013. Cumulative contract awards and disbursement are consistent with projections.
- (iii) **Safeguard compliance.** Safeguard classifications for environment, resettlement, and indigenous peoples were C. All requirements have been met. The gender action plan has been implemented satisfactorily. Progress on the gender action plan was reviewed and minimal changes made to two indicators to better reflect actual implementation and monitoring. The PMT database, food stamp distribution, grievances, and monitoring are fully sex-disaggregated as per the gender action plan actions.
- (iv) **Management of risks.** Risks were managed successfully. The report and recommendation of the President for the original project identified (a) food safety nets used as a political tool, (b) resistance to change in existing social welfare system, (c) decision to expand or prolong the food stamp program based on recommendations from pilot approach, (d) lack of coordination among ministries and levels of government, and (e) recommendations on the results from pilot-testing will not be turned into policy reforms. Mitigation measures were implemented and no further risk has surfaced.
- (v) **Project performance rating.** The current project is rated *on track* in the project performance rating.

13. The additional financing is considered to meet the four eligibility criteria for additional financing.¹³ First, ADB reviewed the original project in October 2012 and confirmed the satisfactory performance of the original project and no changes in approaches and methodologies were envisioned.¹⁴ Accordingly the original project remains technically feasible, economically viable, and financially sound. Second; the government accords high priority to the original project as proposed to be expanded through the additional financing. Additional financing will be crucial in meeting a key reform included in the Government Action Plan (2012–2016) to deliver social protection services to citizens efficiently and without any red tape, as acknowledged by the government's request for additional financing. Third, the revised project

¹³ ADB. 2011. Bank Policies. *Operations Manual*. OM H5. Manila (para. 4).

¹⁴ Aide Memoire of the review mission for the Food and Nutrition Social Welfare Project (Grant 0138-MON), fielded on 17–26 September 2012.

outcome will continue improving social welfare services started under the original project and extend to social insurance services while the output related to preparing a package of reform of social welfare will be expanded to cover social insurance; these changes are consistent with the revised project's development objectives. Fourth, the expanded project and its outcome are consistent with the inclusive social development pillar of the current country partnership strategy, 2012–2016.¹⁵

14. The original program (\$9 million Asian Development Fund [ADF] grant) included the design and implementation of a food stamp program as part of the social welfare system. The original project (\$3 million ADF grant) improved targeting, provided capacity building, and prepared strategies to reform social welfare. The additional financing will scale up the original project by pursuing the reforms initiated to date in social welfare.¹⁶ Social welfare benefits will be further consolidated to reduce the complexity of the system and increase its effectiveness. The use of PMT to identify poor households will be expanded to apply to other social welfare benefits. The additional financing will also support an expansion in the scope of the original project by improving social insurance services.¹⁷ The additional financing meets the three criteria for priority consideration¹⁸: (i) the project is performing well (see para. 7); (ii) there is a high degree of project readiness to implement the additional financing; and (iii) developing social welfare and insurance services that are effective, efficient, transparent, and user-centered is highly innovative in the context of Mongolia and could have a demonstration effect for other sectors.

15. **Location.** The original project through its food stamp program reached beneficiaries nationwide. Interventions under the additional financing project, which will lead to more efficient and transparent delivery of social welfare and insurance services will reach beneficiaries countrywide as well. SIGO and GOSWS are fairly decentralized with their 30 branch offices in all 21 *aimags* and 9 districts of Ulaanbaatar, and services offered in all 352 *soums* of the country.

16. **Beneficiaries.** The project benefits all beneficiaries of social welfare and insurance services as well as staff of SIGO and GOSWS. In 2011, 604,762 Mongolians contributed to the social insurance funds through compulsory contribution and about 81,642 through voluntary contributions. The contributory pension system covered 301,940 people at the end of 2011. In addition, there were about 58,000 recipients of social welfare pension. The State health insurance system covers over 90 % of the population, thanks to a large proportion of the population subsidized by the State, and about 3.2 million individuals benefited in 2011. unemployment benefits covered about 11,500 beneficiaries. The same year, there were over 3.5 million beneficiaries of the social welfare system. The number of staff involved in IT processing, services to beneficiaries and policy that will benefit from the additional financing project, is estimated at 410 in SIGO, 370 in GOSWS and 30 in MPDSP, including staff in branch offices in aimags and district, and at soums level.

¹⁵ ADB. 2012. *Country Partnership Strategy: Mongolia, 2012–2016*. Manila.

¹⁶ ADB. 2011. Bank Policies. *Operations Manual*. OM H5/BP. Manila (para. 7).

¹⁷ ADB. 2011. Bank Policies. *Operations Manual*. OM H5/BP. Manila (para. 8).

¹⁸ ADB. 2011. Bank Policies. *Operations Manual*. OM H5/BP. Manila (para. 11).

B. Country Issues

17. The country level issues are sourced from two reports.¹⁹ Both reports identify overall weaknesses in financial governance and transparency for the private sector and financial sector and weaknesses in the current Audit Law. Of relevance to the proposed project, the main areas of financial management weakness and potential risk in the government sector are identified below. In December 2011 the Public Sector Management and Finance Law replaced the Public Sector Management and Financial Act, which also covers the internal audit law.

18. **Budget credibility:** The Public Expenditure and Financial Management Review (footnote 19) found that although the government financial management is based on a robust legislative framework, the Public Sector Management and Finance Law (PSMFL 2003), there are a number of areas affecting budget credibility which require further strengthening at sectorial level. The financial management of Mongolia was revised and is covered in three laws (1) the Financial Stability Law issued in the year 2010 (reflecting on income and distribution of income from mining), (2) the Mongolian Integrated Budget Law (December 2011) and the (3) Public Sector Management and Finance Law (December 2011). The new laws are addressing fiscal planning, a performance orientation to resource allocation and budget management and a modified accrual based accounting system. Nevertheless, implementation and strengthening need to cover the following:

- (i) There is a need for the social protection sector to prepare medium term action plans to allow the Medium Term Budget to naturally incorporate sectorial strategies into the medium term resource allocations. Sectorial medium term expenditure frameworks are not currently prepared.
- (ii) Enhancement of local authority participation in budget setting. Local authorities have responsibility for service delivery through performance contracts with sector ministries however have little input into the budget preparation process.

19. Improvements in budget execution processes have been evidenced since the introduction of the Public Sector Management and Finance Law in 2003, however, the continued execution of ODA through extra-budgetary accounts has received criticism in the Public Expenditure and Financial Management Review. This practice leads to fragmented budget execution and dilutes the accountability for and reporting on the resources provided by development partners.

20. **Procurement risks** relating to the country system have been identified in the procurement capacity assessment (Annex 1). However; there are weaknesses in the procurement process that could have an impact on the project financial management. These are identified as:

- (i) Practice of preparing procurement plans after the approval of the budget as a means of spending the budget rather than as part of budget preparation and calculation.
- (ii) Procurement completion reports are available but are not integrated into the financial management system highlighting a need for improved reporting mechanisms.

¹⁹ World Bank Government of Mongolia. 2009. *Mongolia: Consolidating the Gains, Managing the Booms and Busts, and Moving to Better Service Delivery* Public Expenditure and Financial Management. Washington DC and the Government of Mongolia. March 2008. *Report on Observance of Standards and Codes*, Ulaanbaatar.

- (iii) Need for capacity building has been identified to ensure that all nominated personnel involved in procurement are familiar with the procurement law.
- (iv) Evidence provide by the private sector suggests that public procurement entities are perceived as weak in terms of planning, budgeting capability and technical expertise.

21. **Internal and external audit functions** in the government sector of Mongolia exhibit system weaknesses. For internal audit the inspectors' focus is primarily regulatory compliance (imposing penalties and giving instructions for reimbursement of money that has been wrongly applied) with no emphasis on the efficient or effective use of public funds. Country-level audit issues in the past are centered on the lack of internal audit functions. This was addressed through the introduction of the internal audit unit at the Ministry of Population Development and Social Protection in 2011, according to the Government rule No.311 (2011) and No.98 (2012). There is an internal audit unit and the framework for internal audit has been established. The National Audit Office, responsible for the external audit of government agencies, has limited capacity because the Government Financial Management Information System does not fully comply with international standards.

22. In the case of external audit, the National Audit Office is deemed to require capacity building in order to be able to effectively audit the government financial management information system prior to gaining donor confidence in migrating to the use of government financial management systems.

C. Risk Analysis

23. The risk-assessment approach is based largely on International Standard on Auditing 400 Risk Assessment and Internal Control. The following risk assessments are based on existing circumstances, staffing and procedures, and include recommendations for risk mitigation measures.

24. Inherent risk is the susceptibility of the project financial management system to factors arising from the environment in which it operates, such as country rules and regulations and entity working environment.

Overall Inherent Risk

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
1. Country-Specific Risks	M	Budget credibility at sector level is weakened by the lack of medium-term action plans to guide medium-term resource allocation. Local authorities are not widely consulted in setting sectorial budgets although are responsible for service delivery. There is a risk that the counterpart funds for the recurrent budget needs as a result of the investment are not available at the time needed.	PIU responsible for assuring the government counterpart funds are included in MPDSP budget appropriations. Separate accounting records are maintained for the project in parallel to the government accounting system.

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
2. Entity-Specific Risks	M	<p>Political commitment for social protection reform is weak</p> <p>Potential for political interference in appointment of unqualified personnel to procurement committees</p>	<p>Project will advocate for social protection reform at policy level. Project Steering Committee to have membership from all implementing agencies.</p> <p>ADB reviews carefully recruitment processes. Regular supervisory and review missions including financial management and procurement assessments.</p> <p>PIU coordinate the procurement process on behalf of the MPDSP.</p>
3. Project Specific Risks	M	The project requires a high level of coordination and understanding of IT services	The current PIU will retain the expertise of the financial manager, and an IT technical officer and a procurement specialist will be added
Overall Inherent Risk	M		

ADB = Asian Development Bank, MPDSP = Ministry of Population Development and Social Protection, PIU = project implementation unit.

25. Control risk is the risk that the project's accounting and internal control framework are inadequate to ensure project funds are used economically and efficiently and for the purpose intended, and that the use of funds is properly reported.

Overall Control Risk

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
Control Risk			
1. Implementing Entity	M	<p>Minor deficiencies and misinterpretation of ADB guidelines in disbursement and withdrawal of project funds by EA.</p> <p>Financial management and reporting duties of agencies need to be clearly defined.</p>	<p>EA/IA to liaise regularly with ADB to ensure that ADB guidelines are followed. Interagency coordination at all levels to discuss the grant performance.</p> <p>A clearly defined financial management and reporting duties to be defined for the agencies and a clear authority and reporting</p>

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
			structure to be agreed
2. Funds Flow	M	The MPDSP has experience in managing ADB funds, but there are irregularities in the fund flow management.	The fund flow processes used for FNSWPP will be followed. Funds from ADB and MOF will be managed by PIU through dedicated imprest accounts
3. Staffing	M	<p>There is a risk that agency accounting staff will lack understanding of the project activities and procurement procedures are not fully understood.</p> <p>.</p> <p>Financial management staff at the implementing agencies are appropriately qualified and experienced in the implementation of foreign development funded projects. Their role in the financial management for the project is limited to incorporation of the project in agency budget preparation and performance reporting.</p>	<p>Expand the duration of the personnel from the FNSWP to manage the implementation of the additional financing of the FNSWP as PIU staff is already familiar and competent in the application of ADB procedures</p> <p>Initiate training in ADB financial management procedures, especially procurement and disbursement procedures, for newly appointed PIU personnel at the start of the program and include an IT technical officer and procurement specialist</p> <p>Project staff to be informed of their information and performance responsibilities.</p>
4. Accounting Policies and Procedures	M	<p>Project budgeting is carried out in some detail but the existing accounting system is not used to match physical and financial performance. This is produced outside of the system using excel spreadsheets for reporting.</p> <p>.</p>	<p>The project will use the Government of Mongolia accounting system which adequately allows for the proper recording of project financial transactions. The Chart of Accounts is adequate to properly account for project activities and disbursement categories</p> <p>.</p> <p>The PIU will prepare its own budget and present to</p>

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
		The financial procedure manual available for FNSWP might not cover all needs of FNSWP additional financing	MPDSP management for approval. Government funded recurrent budgets will need to be included in the respective agency budgets and this will require coordination between MPDSP, SIGO and GOSWS to ensure completeness Verification by future PIU staff at the beginning of the project about applicability of current financial procedures manual available for FNSWP
5. Internal Audit	M	There is no internal audit for the project. The identification of weaknesses and irregularities is the responsibility of the external auditor appointed to the project by the MOF	External auditor to be contracted for the project.
6. External Audit	N	Quality of external audits are questionable at times	Follow up on quality of external audits and agree with external auditors on appropriate measures to improve quality
7. Reporting and Monitoring	N	Financial information is not clearly linked to physical progress from the government accounting system for projects and supplementary reports are prepared outside of the system.	PIU to prepare and submit to ADB quarterly and annual progress reports on project implementation and operation.
8. Information Systems	M	The Government Financial Management Information System was introduced across GOM in 2005. Project financial reports can be prepared from the GFMIS. But staff lack of skill in using the system appropriately.	The computerized information systems established for the Food and Nutrition Social Welfare Project will be used by the PIU. ADB financial procedures and books of accounts to continue to be maintained separately by the PIU in parallel to the GFMIS.
9. Procurement	M	The implementing agencies have limited procurement capacity and experience	Implementing agencies are not responsible for procurement.

Risk Type	Risk Assessment	Risk Description	Risk Mitigation Measures
			PIU will include a procurement specialist hired for the full duration of the project. Need for capacity building has been identified to ensure that all nominated personnel involved in procurement are familiar with the procurement law and ADB through the resident mission will provide regular training on procurement processes, supervision, and monitoring for staff involved in procurement (1-2 per year)
Overall Control Risk	M		

* H = High, S = Substantial, M = Moderate, N = Negligible or Low.

ADB = Asian Development Bank, FNSWP = Food and Nutrition Social Welfare Project, GFMIS = Government Financial Management Information System, GOSWS = General Office for Social Welfare Services, MOF = Ministry of Finance, MPDSP = Ministry of Population Development and Social Protection, PIU = project implementation unit, SIGO = Social Insurance General Office.

D. Project Financial Management System: Strengths and Weaknesses

1. Strengths

26. The Government of Mongolia financial management system is based on a robust legislative framework, the Public Sector Management and Finance Law, latest update from December 2011. The MPDSP has significant experience in the implementation of ADB-financed projects and personnel are familiar with ADB financial management procedures. Current fund flow and disbursement mechanisms employed by the FNSWP will be used for the upcoming project and the expansion of the PIU into the additional financing of the FNSWP will avoid losing experience and knowhow of the disbursement mechanism.

2. Weaknesses

27. The implementation arrangements for the project involves three government agencies (but the two implementing agencies will not be involved in project financial management) and the PIU. It requires a clear establishment of roles for each of the parties with regard to their reporting duties.

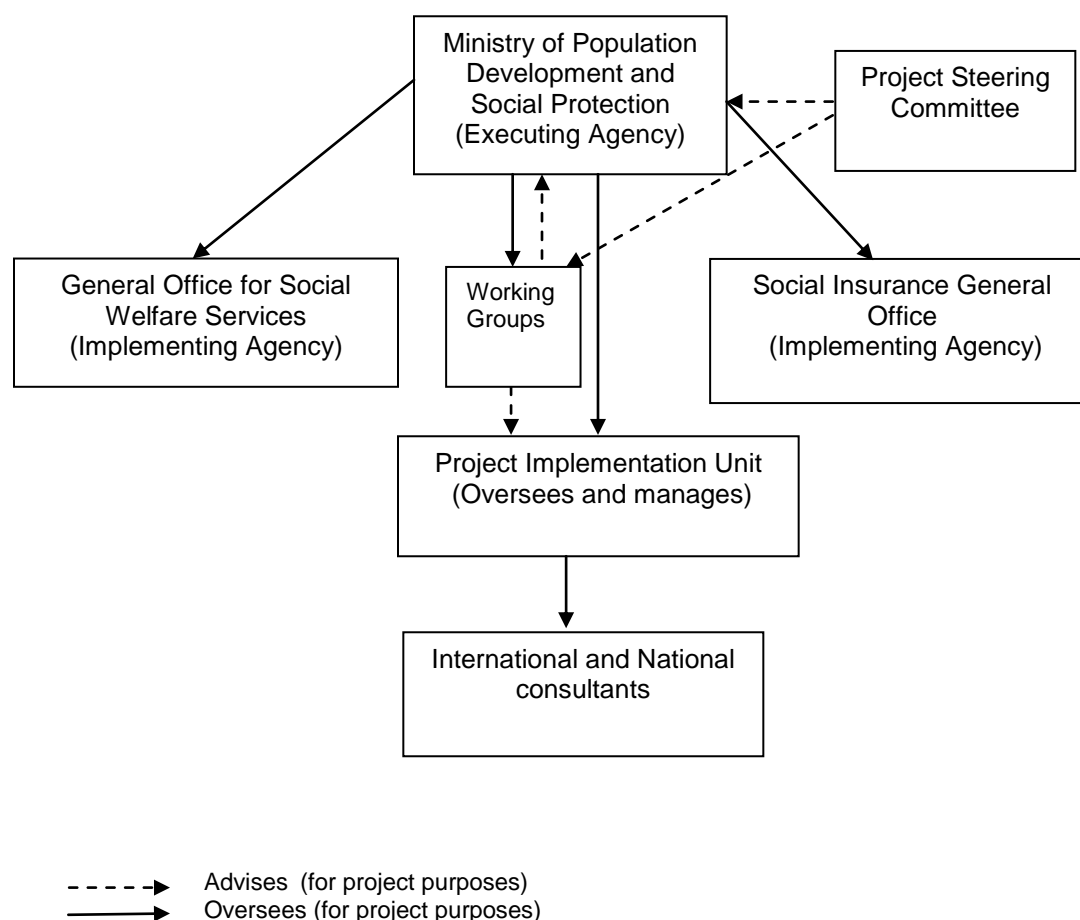
28. There is no internal auditing for the project.

29. The implementing agencies have limited procurement capacity and experience (but are not involved in project procurement beyond providing specifications).

3. Significant Weakness Resolution

30. An appropriate reporting system to be agreed.
31. An auditor appointed to the project by the MOF will provide external project audit to ADB.
32. The MPDSP and the procurement specialist of the PIU will carry out all procurement and the PIU will coordinate, providing assistance in contract, bid documentation, bidding and evaluation procedures, and appointment contractors. The PIU will include a procurement specialist hired for the full duration of the project. Need for capacity building has been identified to ensure that all nominated personnel involved in procurement are familiar with the procurement law, and ADB, through the resident mission, will provide regular training on procurement processes, supervision, and monitoring for staff involved in procurement (1–2 trainings per year).

E. Implementing Entity



33. The project steering committee of the overall project will oversee the implementation of the project and give strategic directions. It will be chaired by the State Secretary of the MPDSP and include representatives of the Ministry of Economic Development, MOF, SIGO, GOSWS, National Statistical Office, MONEF, MTUF, Association of Elderly, social workers, and of a

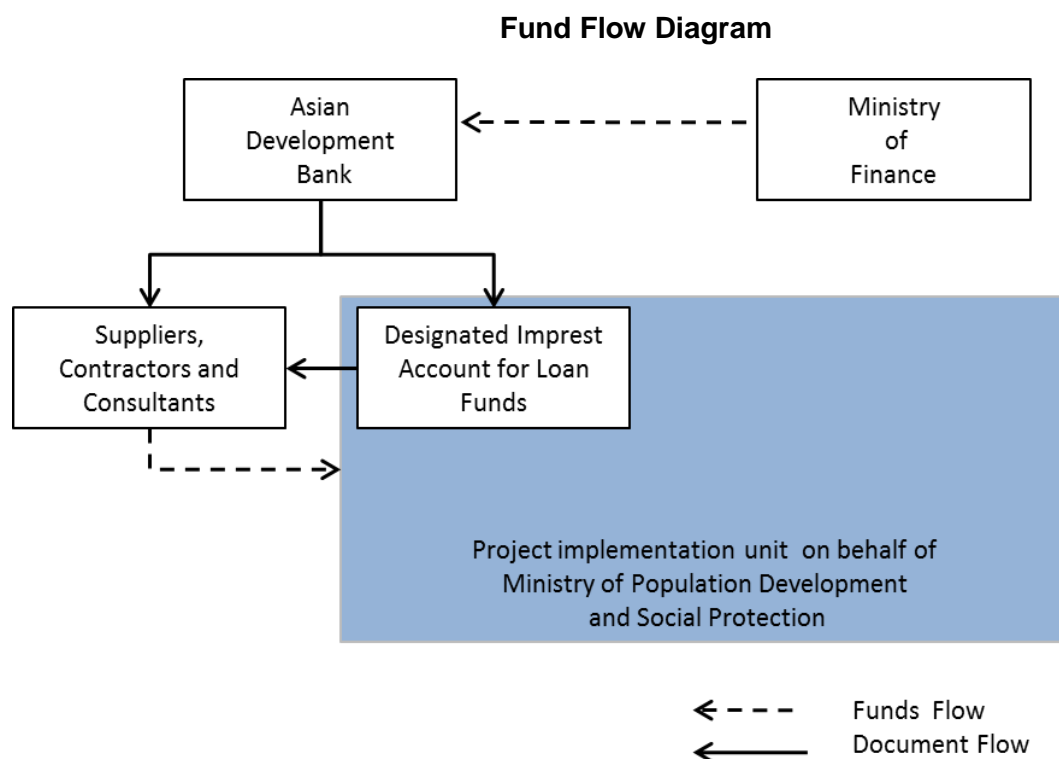
nongovernment organization working for vulnerable and the poor. ADB and United Nations agencies will be observers. The project steering committee will meet quarterly and be responsible for providing strategic orientation, approving the annual budget and activity plan, and reviewing and advising on implementation progress.

34. The MPDSP will be the executing agency of the project. It will provide strategic, policy, and overall oversight of the project and provide coordination support for preparation and implementation of the project. The MPDSP will designate focal point persons for each of the two outputs under the AFP (output 3.2 and 3.3.) who will chair working groups to ensure achievements of the project's objectives.

35. The responsibility of the project implementation unit (PIU) of the FNSWP will be adapted according to the need of the implementation of the AFP. The unit will be responsible for project coordination and day-to-day implementation of project activities including financial matters, procurement, recruitment of consultants, review and monitoring and progress reporting, under the supervision of the MPDSP. The PIU will consult closely with relevant agencies, and international partners. The staff of the project implementation unit, all nationals, will include an overall project manager, an IT technical officer, a procurement specialist, a financial management specialist, a secretary, and a driver.

36. SIGO will be the implementing agency for activities to upgrade IT processes and systems in SIGO. GOSWS will be the implementing agency for activities to upgrade IT processes and systems in GOSWS and for social welfare reform.

F. Fund Flow Mechanisms



37. The project will be co-financed by the ADB and the Government of Mongolia. The Ministry of Population Development and Social Protection will be the executing agency for the additional financing project. The co-financiers will jointly monitor the project and review its progress to ensure that the funds are spent as agreed upon. When the loan becomes effective a designated imprest account will be opened in ADB's books in the name of the Ministry of Population Development and Social Protection. Disbursement procedures and the management of the imprest account are described in Section N. of this report.

38. Direct payments will be made to suppliers, contractors and consultants.

39. Government counterpart funds will flow from the Ministry of Finance to a separate imprest account held by the Ministry of Population Development and Social Protection and managed by the PIU. The amount of counterpart funds is to be reflected in the government budget for the Ministry of Population Development and Social Protection and approved using normal government budget approval processes.

G. Personnel

40. The MPDSP has agreed that financial management for the project will be managed by the PIU with dedicated procurement and financial management personnel. The responsibility of the PIU of the FNSWP will be expanded to include the implementation of the additional financing of the FNSWP. The unit will be responsible for project coordination and day-to-day implementation of project activities including financial matters, procurement, recruitment of consultants, review and monitoring and progress reporting, under the supervision of the MPDSP. The PIU will consult closely with ADB, relevant agencies, and international partners.

41. Ideally personnel recruited will be experienced in ADB procedures however if this is not possible then it is essential that arrangements are made by the ADB and the MPDSP to ensure that training in agreed financial management procedures is provided as soon as the project loan becomes effective. This should be provided by the ADB country office and/or the MPDSP personnel experienced in the implementation of ADB projects such as the financial management personnel appointed for the FNSWP. Under these circumstances it is recommended that a financial management review be a priority area of review for the ADB review missions.

42. The permanent financial management personnel of the government entities involved in the implementation of the project have experience in the implementation of foreign-funded investment projects.

H. Accounting Policies and Procedures

43. The government, through the project implementation unit, will set up and maintain separate project accounts and records by funding source for all expenditures incurred on the project, following accounting principles and practices prescribed by the Government of Mongolia Accounting Law. The law requires financial statements to be prepared following internationally recognized accounting standards.

I. Internal Audit

44. The Ministry of Finance introduced an internal audit according to the Government rule No.311 (2011) and No.98 (2012) in all ministries including the MPDSP. With regard to the

implementing agencies, the General Office for Social Welfare Services does have an internal audit function staffed with certified auditors which reports to the General Director of GOSWS.

J. External Audit

45. Government entities are audited annually by the National Audit Office. The National Audit Office prepares timely annual audit reports and there have been no substantial audit comments for the MPDSP as executing agency or the project implementing agencies.

46. In addition to the usual government auditing process, there will be an annual external audit of the project financial reports and records (funded from the ADB component of the project financing) by an independent audit firm nominated by the Ministry of Finance and acceptable by the ADB. The audited accounts will be submitted in the English language to ADB within 6 months of the end of the fiscal year by the MPDSP. The annual audit report should include a separate auditor's opinion on the use of the imprest account and statement of expenditures. The government and the MPDSP have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

K. Financial Reporting and Monitoring

47. All government agencies currently prepare entity financial reports in accordance with the Public Sector Financial Management Law. The integrated Chart of Accounts is consistent with International Accounting Standards. It is not possible through the government system to link the financial information with the project's physical progress and this will need to be prepared outside of the government system using supplementary application such as MS Office.

48. Financial reporting will include whole-of-program accounts and donor-specific reports, showing as a minimum requirement:

- (i) expenditure analyzed by project cost categories and outputs;
- (ii) a register of all assets acquired under the project; and
- (iii) a register of all contracts showing the status of expenditure against each.

49. In addition to the financial reports, the MPDSP will establish a comprehensive project performance monitoring system acceptable to ADB. The system will assess performance by (i) evaluating delivery of planned activities; (ii) measuring project impacts; (iii) measuring social, and economic benefits with a focus on the poor, women, and disadvantaged groups; and other Government targets. Indicators will serve as a basis to prepare reports on project implementation and the reform process, improved use of resources, improved access to services (particularly for the poor), improved service quality, client satisfaction, and progress in achieving Millennium Development Goals. Performance indicators are set out in the design and monitoring framework. Some indicators will be monitored through surveys financed under the Project, while others will be monitored through routine administrative and financial data. Where feasible, indicators will be disaggregated by socioeconomic level and gender.

50. The compliance status of project loan and project covenants will be reported and assessed through the quarterly progress reports and verified by ADB review missions.

L. Information Systems

51. As with the FNSWP, the additional financing of the FNSWP will also use the Government Financial Management Information System. This system was introduced across the Government of Mongolia in 2005. The system is already being used by the MPDSP to generate the necessary project reports for the ADB for the FNSWP.

M. Procurement Arrangements

52. All procurement of goods will be undertaken in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). International competitive bidding (ICB) will be applied to supply of goods contracts estimated to cost \$500,000 or more. The procurement of goods with values less than \$500,000 will follow national competitive bidding (NCB), and those less than \$100,000 will be procured using ADB's shopping procedure. NCB procurement will be carried out on the basis of NCB procedures, in accordance with the Mongolian Procurement Law, subject to modifications agreed with ADB. Before the start of any procurement ADB and the government will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Guidelines. The internationally tendered equipment will include the necessary technical support for ensuring proper, testing, commissioning, and training of operational staff as part of the related contracts. In accordance with ADB requirements, foreign contractors may participate in bidding for NCB contracts. All consultants will be recruited according to ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Procurement methodologies will be incorporated into the project administration manual.

53. The MPDSP and the procurement specialist of the PIU will carry out all procurement and the PIU will coordinate, providing assistance in contract, bid documentation, bidding and evaluation procedures, and appointment contractors. The PIU will include a procurement specialist hired for the full duration of the project.

N. Disbursement Arrangements

54. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time), and detailed arrangements agreed upon between the government and ADB.

55. Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

56. To facilitate project implementation through timely release of loan proceeds, the Government of Mongolia will establish an imprest account at a commercial bank acceptable to ADB. The project implementation unit will administer the imprest account. The maximum amount to be deposited in the imprest account will not exceed the estimated expenditures for the succeeding 6 months to be funded from the imprest account, or 10% of the loan amount, whichever is lower. The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment

request of the imprest account, the government will furnish to the ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the executing agency's records.

57. To expedite flow of funds and simplify the documentation process, the ADB statement-of-expenditure procedure will be used for liquidation and replenishment of the imprest account, and for reimbursement of eligible expenditures not exceeding \$50,000 per individual transaction. The payments in excess of the statement-of-expenditure ceiling will be reimbursed, liquidated, or replenished based on full supporting documentation. Statement-of-expenditure records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

58. The equipment procured through ICB and consultant contracts will be paid by ADB directly from the loan funds using direct payment procedures.

59. Before the submission of the first withdrawal application, the government should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000, unless otherwise approved by ADB. The government is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

O. Action Plan

60. Agree on the management and reporting structure of the projects and activities within the MPDSP, SIGO, and GOSWS.

61. Information systems – set up PIU office and procure IT equipment and networking for access to Government Financial Management Information System.

62. Verification of applicability of current FNSWP manual for the FNSWP additional financing

63. Develop a training plan and provide regular training on ADB financial procedures for PIU and implementing agencies particularly in disbursement and procurement procedures.

64. Develop a training plan and provide regular training to ensure that all nominated personnel involved in procurement are familiar with the procurement law. ADB through the resident mission will provide regular training on procurement processes, supervision, and monitoring for staff involved in procurement (1-2 training sessions per year).

P. Financial Covenants

65. The government, through the MPDSP, will in line with cost estimate prepared by the project, allocate funding from the year 2014 till 2017 budget of the MPDSP to cover the recurrent cost and financial charges.

Q. Supervision Plan

66. ADB and the government will jointly undertake reviews of the project at least twice a year. These reviews will include a review of the financial management and procurement arrangements. The reviews are to assess progress in each component, identify issues and constraints, and determine necessary remedial actions and adjustments. A midterm review will be conducted during the third year of implementation. The midterm review will (i) review the scope, design and implementation arrangements and identify adjustments required; (ii) assess progress of the project implementation against performance indicators; and (iii) recommend changes in the design or implementation arrangements, if necessary.

Procurement Capacity Assessment and Questionnaire

Proposed Project Name: MON: Additional Financing of Food and Nutrition Social Welfare Project	Proposed Amount: \$20 million
Executing Agency: Ministry of Population Development and Social Protection	Source of Funding: Asian Development Fund
Assessor:	Date:

Expected Procurement

The project will contract procurement for equipment provision which encompasses IT hardware and software for SIGO and GOSWS. It is expected that \$7.72million worth of goods will be procured through International Competitive Bidding (4 contracts), \$2.42 million through national competitive bidding (9 contracts) and \$0.34 million through shopping (8 contracts). All consultants will be recruited according to ADB's Guidelines on the Use of Consultants. An IT consulting firm (\$0.15 million) will be recruited following QCBS procedure (quality-cost ratio 80:20), 17 IT firms will be recruited following CQS procedure (\$1.52 million) and three firms will be recruited following FBS procedure (\$5.98million). 14 contracts will follow ICS procedure for recruitment of individual consultant and PIU staff (\$1.03 million).

Assessment of the National Level

Public Procurement is governed by the Public Procurement Law of Mongolia, which covers planning, tendering, contracting, and reporting. It also governs the settlement of disputes before the court, and responsibilities of both purchasers and bidders. There are manuals for different aspects of procurement.

Following a review of the Public Procurement Law of Mongolia and the 2007 procurement benchmarking review⁵⁵ the legal and regulatory framework for procurement appears to be adequate. The procurement benchmarking review noted the most significant risks in procurement are found in the institutional environment and implementation of the procurement law. Institutional weaknesses include the preparation process for the annual procurement plans, following budget approval rather than budget calculation according to procurement plan. Another weakness is the lack of a comprehensive system to link the procurement and financial management functions, and particularly inadequate safeguards in the financial management system which should ensure that procurement actions are not initiated without a budget. Other institutional weaknesses relate to the absence of quality control and performance evaluation processes against the procurement guidelines. The government has taken measures to increase the transparency and accountability of procurement activities through the introduction of e-procurement principles and the Government Procurement Agency. The Procurement Policy and Coordination Department maintains a procurement website, where procurement notices and results will be published.

General Agency Resource Assessment

The MPDSP as executing agency has been implementing Asian Development Bank (ADB)-funded projects for over a decade. ADB is a lead donor in Mongolia's social protection sector and the project implementation unit established in the MPDSP to implement the Food and Nutrition Social Welfare Project will be expanded to include a procurement specialist as part of

⁵⁵ PPCD, Ministry of Finance, Results of the Benchmarking and Assessment of the Mongolian Public Procurement System, 2007.

the PIU under the additional financing of the Food and Nutrition Social Welfare Project providing continuity of experience in Government of Mongolia and ADB procurement rules. An IT technical officer will likewise be added to the PIU staff to support procurement, especially for specification of IT equipment and software. The PIU will be responsible for project coordination and day-to-day implementation of project administrative activities including financial matters, procurement, recruitment of consultants, review and monitoring and progress reporting, under the supervision of the MPDSP.

Agency Procurement Processes: Goods and Works

The MPDSP has advised that the procurement will be conducted by the Government Procurement Agency (GPA). Such arrangements and the respective role of the GPA and the MPDSP will be confirmed during project implementation subject to ADB's assessment of the GPA capacity and resources. The MPDSP is responsible for all procurement under the current ongoing original project. Procurement will follow ADB procurement procedures. In case of national competitive bidding method MPDSP should use the sample bidding documents of the Government, with clarification and modification by ADB. The Public Procurement Law of Mongolia will be considered for general composition of bid evaluation committees, bid evaluation processes, and mechanisms. An appointed secretary of an evaluation committee, in this case the PIU, drafts bidding documents and specifications in consultation with the other members of the committee. There are standard bidding documents in use and also manuals for preparing bidding documents. The Public Procurement Law of Mongolia specifies a minimum period for preparation of bids as follows: 30 days for open bidding, 15 days for limited bidding, and 5 days for price comparison. The bid opening is done in public and late bids are not accepted. The minutes of the bid opening are taken and distributed to the evaluation committee members. An ad hoc evaluation committee undertakes evaluation of bids. International Competitive Bidding for IT equipment should have a minimum bidding period of 6 weeks to allow international companies to submit comprehensive bids. According to the Public Procurement Law of Mongolia, procurement officials appointed to the evaluation committee should be certified in procurement as well as be specialized in a related sector for which goods, works or services are being procured. In the case of the MPDSP at least 50% of the committee should have procurement training certification from the Ministry of Finance.

Investment includes consultancy services to strengthen social welfare and insurance, and IT processes and systems. Equipment provision encompasses equipment for IT hardware and IT software for SIGO and GOSWS. Design and implementation of IT solutions include (i) the analysis, design, development, and implementation of IT solutions for SIGO and GOSWS; and (ii) IT solutions and social protection training (for MPDSP, SIGO, and GOSWS, including *aimag* level personnel and social workers). Training includes training for SIGO and GOSWS staff for the new IT solutions and applications. Public communication support covers cost to support the MPDSP to implement knowledge and behavioral change through TV and radio broadcasting, newspaper articles, and publications. Participatory activities will support strengthening social welfare and social insurance policy through financing workshops, focus group discussions, conferences, and surveys. Database construction and maintenance will cover the cost of consolidating and updating the poverty database, training of 700 social workers on the PMT database, and a public information campaign. Project management costs include the remuneration of project implementation unit staff, and operations and auditing costs.

The IT equipment has been earmarked for international competitive bidding. For national competitive bidding and international competitive bidding the first procurements for both works and goods will be subject to prior review by ADB.

Agency Procurement Processes: Consulting Services

The MPDSP has advised that the procurement will be conducted by the GPA. Such arrangements and the respective role of the GPA and the MPDSP will be confirmed during project implementation subject to ADB's assessment of the GPA capacity and resources. The MPDSP is responsible for all procurement under the current ongoing original project. Procurement will follow ADB procurement procedures. An evaluation committee is appointed which is tasked with drafting the terms of reference and the bidding document for the request of proposal. The terms of reference follow the standard format covering the background, tasks, inputs, objectives, and outputs. Assignments are advertised and expressions of interest are called for in local newspapers. The evaluation committee members develop the evaluation criteria. Typically those criteria are used that can describe consultants' experience and qualifications in a given field. The MPDSP uses an evaluation method similar to quality- and cost-based selection – establishing ranking for quality and price. The financial and technical proposals must be submitted in separate envelopes. The technical proposals are evaluated first, followed by a public opening at a notified and fixed time, of the financial proposals for those bidders whose technical proposals have attained at least the minimum score. Minutes of the financial proposal opening are distributed to the evaluation committee members. Face-to-face contract negotiations are undertaken with the winning bidders (usually within 1-5 days after the evaluation of financial proposals). The usual basis for negotiation is cost and time of implementation. The minutes of negotiation are taken and signed and contracts are awarded within 1 week of the negotiations.

All consultants will be recruited according to ADB's Guidelines on the Use of Consultants. An IT consulting firm (\$0.15 million) will be recruited following QCBS procedure (quality-cost ratio 80:20), 17 IT firms will be recruited following CQS procedure (\$1.52 million) and three firms will be recruited following FBS procedure (\$6.51 million). 16 contracts will follow ICS procedure for recruitment of Individual consultant and PIU staff (\$1.11 million).

Process Control and Oversight

There is a standard statement of ethics for the civil service. Those involved in procurement are required to formally commit to it. While those involved in procurement are required to declare any potential conflict of interest, the procurement law merely states that it is preferred that officials appointed to the evaluation committee should not have relations or recent labor contracts with bidders. In the case of other procurement contracts, approval from the State Secretary of the MPDSP must be received. There is no systematic procurement process audit. The State Inspection Agency is responsible for internal controls and is adequately staffed. Those responsible for procurement receive their training in procurement from the Procurement Policy and Coordination Department, MOF; however, these are not procurement experts. The General Agency for Specialized Inspection (GASI) carries out audits in all spending areas over a two year period with an average per audit time of 20 days. In terms of procurement, checks are carried out to ensure that expenditure has been made within the financial limits, and general compliance inspections are also carried out to ensure consistency in procedures with the Public Procurement Law of Mongolia. External audits are carried out by the National Audit Office which is answerable to Parliament. The recent procurement benchmarking review noted that there is a tendency for both the National Audit Office and the State Inspection Agency to confuse various types of audits with the result that none appears to be carried out properly. In the case of performance audits, procedures exist but are not defined sufficiently to allow appropriate performance audits.

The major areas of procurement in the project are for IT equipment, design and implementation of IT solutions and database construction and maintenance. In order to provide additional

safeguards to the procurement processes for these areas an IT technical officer will be recruited for the PIU. Adequate technical assistance inputs have been included in the project design.

Record Keeping and Audit

The MPDSP has been informed that as a minimum, ADB requires that the signed original contract and the evaluation report must be retained for at least 2 years after project completion. The Public Procurement Law of Mongolia together with the Order of the Minister of Finance, January 2007, requires that relevant documents and information related to transactions and contract management are archived for a period of at least 5 years and made available to appropriate authorities on request.

Summary Assessment and Recommendations

Based on the assessments of the individual elements above, the overall procurement capacity of the executing agency is deemed adequate. Particular strengths include: the use of the existing PIU's experience in implementing ADB-funded projects including the ongoing FNSWP; the PIU manager's knowledge of ADB procurement guidelines who will be supported by an IT technical officer and procurement specialist, and a comprehensive procurement law. The MPDSP has advised that the procurement will be conducted by the GPA. Such arrangements and the respective role of the GPA and the MPDSP will be confirmed during project implementation subject to ADB's assessment of the GPA capacity and resources

In the absence of a recent Sector Risk Assessment, the weaknesses identified here are general and cross-sectoral in nature. Identified weaknesses include the possibility of Tender and Evaluation Committee members being politically appointed and not having received the procurement training provided by the Procurement Policy and Coordination Department of the Ministry of Finance. The current standard within the MPDSP is to ensure that at least fifty per cent of the committee has received the appropriate training. Requiring all persons involved in procurement activities to receive ADB procurement training could mitigate this.

Overall weaknesses in the procurement process include lack of quality control and performance evaluation.

Specific Recommendations, Project Implementation

Capacity Constraint	Recommended Action	Responsibility and Comment
Evaluation committees lack members with technical or procedural expertise	Evaluation committees will be supported by consultant specialists, The IT technical officer and procurement specialist will support the preparation and evaluation of technical specifications and tender evaluations for all ADB financed procurement under the project.	ADB Sector Risk Assessment could provide more detailed recommendations.

General Recommendations, Executing Agency Capacity

Capacity Constraint	Recommended Action	Responsibility and Comment
The legislative and regulatory frameworks for procurement are not always followed in practice, particularly in the	National quality control and procurement audit practices are in the process of being strengthened. Stronger	This was addressed with the establishment of the Government Procurement Agency.

selection of evaluation committee members, quality control of delivered goods and services, and procurement monitoring and evaluation	procurement evaluation methods in procurement need to be introduced through establishment of a new regulation on procurement audit. It is recommended that enforcement of the procurement law be strengthened by imposing sanctions against malfeasance, collusion, fraud, and corruption in procurement.	
General Recommendations, Procurement Environment		
Capacity Constraint	Recommended Action	Responsibility and Comment
The absence of a cadre of national professional procurement specialists is a capacity constraint.	A nationwide professionalization program would be vital for enhancing procurement capacity in Mongolia.	This was addressed with the establishment of the National Procurement Agency.

Executing and Implementing Agency Procurement Capacity Assessment Questionnaire

		MPDSP- EA	SIGO - IA	GOSWS- IA
	Part A. General Agency Resource Assessment			
A.1	Is there a procurement department?	Yes, we have	Yes we have	Yes, we have
A.2	What procurement does it undertake?	Procurement, civil work, equipment, construction, design	Procurement, civil work, equipment, construction, design	Procurement, civil work, equipment, construction, design
A.3.	Are staff provided with written job descriptions?	Yes. We have	Yes, we have	Yes, we have
A.4.	How many years experience does the head of the procurement unit have in a direct procurement role?	2-8	2-8	2-8
A.5.	How many staff in the procurement unit are: i. Full time? ii. Part time? iii Seconded?	2-7 3 full time 4 part time	2-7	2-7
A.6.	At what level does the department report (to the head of agency, deputy?)	General authority of budget	General authority of budget	General authority of budget
A.7.	Do the staff that will be involved in the procurement have English language skills sufficient to take on international procurement?	knowledgeable	knowledgeable	knowledgeable
A.8.	Is the number and qualifications of the staff sufficient to undertake the additional procurement that will be required under the proposed project?	Yes. We have	Yes. We have	Yes. We have
A.9.	Does the unit have adequate facilities such as PCs, internet connections, photocopy facilities, printers etc. to undertake the expected procurement?	Not sufficient Additional equipment will be sourced for additional staff	Not sufficient	Not sufficient
A.10.	Is there a procurement training program?	Centrally organised by PPCD of the Ministry of Finance	Sometimes	sometimes
	Part B. Agency Procurement Processes, Goods and Works			
B.1.	Has the agency undertaken foreign assisted procurement of goods or works recently (last 12 months, or last 36 months)? (Funded by whom and name of project?)	Yes FNSWP funded by ADB		
B.2.	If the above is yes, what were the major challenges?	No		
B.3.	Is there a procurement process manual for goods and works?	Yes		
B.4.	If there is a manual is it up to date and does it cover foreign	Manual only covers public procurement (government)		

		MPDSP- EA	SIGO - IA	GOSWS- IA
	assisted procurement?			
B.5.	Is there a systematic process to identify procurement requirements (1 year or more)?	Mid term review		
B.6.	Who drafts the specifications?	Specialist Procurement officer and approved by Evaluation Committee		
B.7.	Who approves the specification?	Division director		
B.8.	Are there standard bidding documents in use and have they been approved for use on ADB projects?	Yes		
B.9.	Who drafts the bidding documents?	Evaluation committee		
B.10.	Who manages the sale of the document?	Evaluation committee		
B.11.	Are all queries from bidders replied to in writing?	Evaluation committee delivers		
B.12.	Is there a minimum period for preparation of bids and if yes how long?	30 days		
B.13.	Does the bidding document state the date and time of opening and how close is it to the deadline for submission?	45 days		
B.14.	Is the opening public?	Yes		
B.15.	Can late bids be accepted?	No		
B.16.	Can bids be rejected at bid opening?	Yes		
B.17.	Are minutes taken?	Yes		
B.18.	Who may have a copy of the minutes?	All attendees can have		
B.19.	Are the minutes free of charge?	Yes		
B.20.	Who undertakes the evaluation (individual(s), permanent committee, ad-hoc committee)?	Member of evaluation committee		
B.21.	What are the qualifications of the evaluators in respect to procurement and the goods and works under evaluation?	Depending on TOR the evaluators will selected with the necessary knowledge		
B.22.	Is the decision of the evaluators final or is the evaluation subject to additional approvals?	It is final		
B.23.	Using at least three real examples how long between the issue of the invitation for bids and contact effectiveness?	45-50 days		
B.24.	Are there any processes in place for the collection and clearance of cargo through ports of entry?	The contract awardees for goods and works as the cost is included in the bid price		
B.25.	Are there established goods receiving processes?	N/A		
B.26.	Are all goods received recorded as assets or inventory in a register or similar?	Yes, all goods registered and recorded as assets		
B.27.	Is the agency/procurement department familiar with letters of credit?	No		
B.28.	Does the procurement department register and track warranty and latent defects liability periods?	Yes, registered with the agency and procurer and tracked with the supplier		
Part C. Agency Procurement Processes, Consulting Services				

		MPDSP- EA	SIGO - IA	GOSWS- IA
C.1.	Has the agency undertaken foreign assisted procurement of consulting services recently (last 12 months, or last 36 months)?	Yes		
C.2.	If the above is yes what were the major challenges?	No major challenge		
C.3.	Is there a procurement process manual for consulting services procurement?	Yes ADB manual		
C.4.	Is the manual up to date and does it cover foreign assisted projects?	Yes		
C.5.	Who identifies the need for consulting services requirements?	Evaluation committee in liaison with ADB		
C.6.	Who drafts the ToR?	MPDSP in liaison with ADB		
C.7.	Do the ToR follow a standard format such as background, tasks, inputs, objectives and outputs?	In accordance with existing standard		
C.8.	Who prepares the request for proposals?	Tender committee /PIU		
C.9.	Are assignments advertised and expressions for interest called for?	Yes		
C.10.	Is a consultants' selection committee formed with appropriate individuals in terms of procurement and technical expertise?	Yes		
C.11.	What criteria is used to evaluate EOIs?	ADB Consulting Services Handbook		
C.12.	Historically what is the most common method used (QCBS, QBS etc.)	NCB and ICS Comparative method		
C.13.	Do firms have to pay for the proposal document?	Yes		
C.14.	Does the evaluation committee follow a pre-determined structure and is it detailed in the RFP?	Yes		
C.15.	Are pre-proposal visits and meetings arranged?	Yes		
C.16.	Are minutes prepared and circulated after pre-proposal meetings?	Yes		
C.17.	To who are minutes distributed?	To participants		
C.18.	Are all queries from consultants answered to in writing?	Yes		
C.19.	Are the financial and technical proposals in separate envelopes?	Yes		
C.20.	Are proposal securities required?	Yes		
C.21.	Are technical proposals opened in public?	Yes		
C.22.	Do the financial proposals remain sealed until technical evaluation is completed?	Yes		
C.23.	Are minutes of the technical opening distributed?	Yes		
C.24.	Who determines the final technical ranking and how?	Evaluation criteria listed as part of RFP		
C.25.	Are the technical scores published and sent to all firms?	Yes		
C.26.	Is the financial proposal opening public?	Yes		

		MPDSP- EA	SIGO - IA	GOSWS- IA
C.27.	Are there minutes taken and distributed of financial proposal opening?	Yes		
C.28.	How is the financial evaluation completed?	Procedure in PPLM and ADB guidelines		
C.29.	Are face to face contract negotiations held?	Yes		
C.30.	How long after financial evaluation is the selected firm to negotiate?	5 days later		
C.31.	What is the usual basis for negotiation?	Inputs in terms of quantity of service		
C.32.	Are minutes of negotiation taken and signed?	Yes		
C.33.	How long after negotiations until the contract is signed?	2 days		
C.34.	Are advance payments made?	If necessary yes		
C.35.	Is there an evaluation system for measuring the output of the consultants?	Project Steering Committee review consultant outputs and provide reports to project manager		
Part D. Process Oversight and Control				
D.1.	Is there a standard statement of ethics and are those involved in procurement required to formally commit to it?	Code of ethics in Civil Servant Law of Mongolia		
D.2.	Are those involved with procurement required to declare any potential conflict of interest and remove themselves from the procurement process?	Yes – should declare but PPLM does not demand removal from process		
D.3.	Is the commencement of procurement dependent on external approvals (formal or de-facto) outside of the budgeting process?	Yes		
D.4.	Who approves procurement transactions and do they have procurement experience and qualifications?	General authority of budget		
D.5.	Which of the following actions require approval outside of the procurement unit or a permanent evaluation committee and who grants the approval?			
	a) Bidding document, invitation to pre-qualify or request for proposal	Evaluation Committee		
	b) Advertisement of an invitation for bids, pre-qualification or call for expression of interest	Evaluation Committee		
	c) Evaluation reports	Procurement Officer		
	d) Notice of award	State secretary population development and social protection		
	e) Invitation to consultants to negotiate	State secretary population development and social protection		
	f) Contracts	State secretary population development and social protection		
D.6.	Is contractual performance systematically monitored and reported on?	No		
D.7.	Does the agency monitor and track its contractual payment obligations?	Yes		

		MPDSP- EA	SIGO - IA	GOSWS- IA
D.8.	On average how long is it between receiving a firm's invoice and making payment?	10-20 days		
D.9.	What is the standard period for payment included in contracts?	14 days		
D.10.	When payment is made late are the beneficiaries paid interest?	Yes		
D.11.	Are payments authorised by the same individuals empowered to approve invitation documents, evaluations and contracts?	Yes		
D.12.	Is there a written auditable trail of procurement decisions attributable to individuals and committees?	Yes		
D.13.	Are procurement decisions and disputes supported by written narratives such as minutes of evaluation, minutes of negotiation, notices of default/withheld payment?	Yes		
D.14.	Is there a formal non-judicial mechanism described in national procurement documents?	Yes		
D.15.	Is there a complaints mechanism described in national procurement documents?	Yes		
Part E. Records Keeping				
E.1.	Is there a referencing system for procurement files?	Do not have proper system		
E.2.	Are original contracts secured in a fire and theft proof location?	Store in archive		
E.3.	Are copies of bids and proposals retained with the evaluation?	Yes		
E.4.	Are copies of the original advertisements retained with the pre-contract papers?	Yes		
E.5.	Is there a single contract file with a copy of the contract and all subsequent contractual correspondence?	Yes		
E.6.	Are copies of invoices included with contract papers?	Invoices are kept with the accounting office and not necessarily kept with the contract file.		
E.7.	For what period are records kept?	At least 5 years		

**Financial Management Assessment
(August 2013)**

Financial Management Assessment Questionnaire

	MPDSP (EA)	SIGO (IA)	GOSWS (IA)
1. Implementing Agency			
1.1 What is the entity's legal status / registration?	Government structure was ratified by Parliament Resolution No.14 of August 17, 2012 and the Ministry status is approved by Government Resolution No. 14 of August 29, 2012	Public organization	Public organization
1.2 Has the entity implemented an externally-financed project in the past (if so, please provide details)?	ADB 0137/8 MON(SF) Food and Nutrition Project (grant), PIU have been established to implement the project	Yes. Social Protection Development with Nordic Fund and ADB	Yes. The Food and Nutrition Social Welfare Project funded by ADB was implemented. TA Projects funded by World Bank in various sectors are being implemented.
1.3 What are the statutory reporting requirements for the entity?	Law on Budget, Mongolian Law on Accounting and related Resolution and relevant decisions, guidelines	Accounting, social insurance law, policy document ⁸ and law of the state budget	Law of State Budget, Social Insurance Law, Social Protection Measures for elderly people, Social Welfare law for people with disabilities, Law on allowance for Honorary Elders, Law on aid to honorary mothers, Law of Auditing
1.4 Is the governing body for the project independent?	Oversight by a multi-agency project steering committee MPDSP		
1.5 Is the organizational structure appropriate for the needs of the project?	Yes, MPDSP responsible for sector policy and management.	The project organization structure is appropriate. SIGO is in charge for implementing the project.	The project organization structure is appropriate. GOSWS is in charge for implementing the project. GOSWS has 5 Departments, 3 Divisions, in total, 56 staff. 30 offices are in 21 aimags and in 9 districts. 1538 Staff

			are working in this sector totally.
2. Funds Flow Arrangements			
2.1 Describe (proposed) project funds flow arrangements, including a chart and explanation of the flow of funds from ADB, government and other financiers.	Yes. Fund flow will be according to ADB regulation. ADB funds are transferred to an imprest account held in a bank nominated by the MOF Government counterpart and funds are transferred to a separate bank account both accounts managed by MPDSP and PIU.		
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	MPDSP satisfied with the previous arrangements for earlier FNSWP project	N/A	N/A
2.3 What have been the major problems in the past in receipt of funds by the entity?	None	None	None
2.4 In which bank will the Imprest Account be opened?	The MOF is responsible for nominating the bank where the Imprest Account will be held currently is the state bank	N/A	N/A
2.5 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	YES		
2.7 Does the entity have/need a capacity to manage foreign exchange risks?	Responsibility of Ministry of Finance.		
2.8 How are the counterpart funds accessed?	Counterpart funds for the project will come from the appropriations of MPDSP and the State Budget. These must be identified as part of budget preparation process.	N/A	N/A
2.9 How are payments made from the counterpart funds?	Counterpart funds will be paid from budget appropriations. Funds are transferred to an MOF nominated bank account and managed by the PIU.	N/A	N/A

2.10 If part of the project is implemented by communities or NGOs, does the PIU have the necessary reporting and monitoring features built into its systems to track the use of project proceeds by such agencies?	N/A	N/A	N/A
2.11 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	N/A	N/A	N/A
3. Staffing			
3.1 What is the organizational structure of the accounting department? Attach an organization chart.	Head of division, Chief accountant, officer in charge of budgeting and planning, officer in charge of investment, sector project specialist. Organizational chart has been provided.	Organizational chart has been provided.	<ul style="list-style-type: none"> ➤ Financial Accounting Department ✓ Budget Planning office ✓ Finance and Accounting Office • Operational Allocation fund • Human Development Fund
3.2 Identify the (proposed) accounts staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Yes, Experienced specialists with above bachelor's degree, Specialized Accountants of Mongolia, working experience above 5 years Mr Munkhzul Kharzhul	Job description, and CV of the head of the financial registration department, Ch.Chuluunchimeg are available.	Oyun Gombojav has 12 year experience in operational Accounting, among those years, she worked for 7 years as accountant in public sector
3.3 Is the project finance and accounting function staffed adequately?	Yes	N/A	N/A
3.4 Is the finance and accounts staff adequately qualified and	YeS	N/A	N/A

experienced?			
3.5 Is the project accounts and finance staff trained in ADB procedures?	Staff need to be trained	N/A	N/A
3.6 What is the duration of the contract with the finance and accounts staff?	Civil servants and staff members, Will be continued throughout the project implementation period	SIGO staff is contracted without specific period for the project staff will be contracted for the duration of the project	GOSWS staff is contracted without specific period for the project staff will be contracted for the duration of the project
3.7 Indicate key positions not contracted yet, and the estimated date of appointment.	Project manager, IT technical officer, procurement specialist by Q3-2014	N/A	N/A
3.8 Does the project have written position descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?	Implementation arrangements will be the same as FNSWP, staff cater for the additional financing of the FNSWP will continue after FNSWP is concluded		
3.9 At what frequency are personnel transferred?	It depends on organizational structure of that Government	Aim to keep personnel in long term	Aim to keep personnel in long term
3.10 What is training policy for the finance and accounting staff?	Participated in trainings by ADB "Project implementation and management" and Procurement		
4. Accounting Policies and Procedures			
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds? Will the project use the entity accounting system?	MPDSP use accounting software that meets international standard and approved by the Ministry of Finance. The project will use the GOM accounting system which adequately allows for the proper recording of project financial transactions.		
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Based on ADB NOL - First signature on payment slip is approved and signed by the State Secretary or Director General of relevant Department of Ministry of Finance . - PIU is in charge of Operational costs based on	Yes. For ex: Health insurance payment request is accepted by health insurance expert for examination. List of payment is reviewed by the department head. Then, payment order is transferred to the bank transaction for health insurance payment.	YES, Based on the review of the primary documentation, the payment order is transferred to the bank with approval.

	approved budget quarterly approved by the Ministry of Finance and Executing Agency		
4.3 Is the chart of accounts adequate to properly account for and report on project activities and disbursement categories?	Chart of Accounts is adequate		
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes, expenditures are within plan/budget	It is conducted in accordance with the police guide line.	The cost allocations to the various funding sources made accurately and in accordance with established agreements.
4.5 Are the General Ledger and subsidiary ledgers reconciled and in balance?	YES. It is conducted in accordance with the guidelines of International Accounting Standard. The General ledger and subsidiary ledgers reconciled and in balance.		
4.6 Are all accounting and supporting documents retained on a permanent basis in a defined system that allows authorized users easy access?	Retained for 1-2 years for audit and then archived for at least 10 years (Financial statement kept on permanent base)	Every quarterly report is filed and retained for 1-2 years for audit and archived for 10 years Users have their own code or password to use that information.	Every quarterly report is filed and retained for 1-2 years for audit and archived for 10 years.
<i>Segregation of duties</i>			
4.7 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes	Yes. Subsequent software are used for social insurance, pension, and health insurance costs. IT center is responsible for storing and retaining after the approval of closing quarterly reports.	Yes. The bank transaction authorized by a head of entity with his authorized signature to execute a transaction. The recording of transaction will be handled by an accountant. The relevant Staff is responsible for the custody of assets involved in the transaction.
4.8 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes		
4.9 Are bank reconciliations prepared by someone other than those who make or approve payments?	Yes	N/A	N/A
Budgeting System			
4.10 Do budgets include physical	Yes		

and financial targets?			
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes		
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes. The actual expenditure and allocated budget is compared regularly and is usually in line. Additional explanation is needed if the actual expenditure is higher than planned.		
4.13 Are approvals for variations from the budget required in advance or after the fact?	Prior-approval is required	It is managed by reallocation of budget.	The budget is approved in advance.
4.14 Who is responsible for preparation and approval of budgets?	Budget is prepared by PIU, Executing agency and ADB will approve the budget	PIU Prepares own budget and presents to the MPDSP for approval prior to final approval by MOF and parliament	The budget preparation is handled firstly by budget specialist. The head of department approves before delivering the budget proposal to relevant offices.
4.15 Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes, Based on approved plan, budget is prepared according expenditures allocation as stated in Financing agreement. If necessary, re-allocation can be done based on sufficient calculation and approval during the implementation.	Yes there are procedure in place	The project implementation plan is based on the research works and documentation conducted at primary units.
4.16 Are the project plans and budgets of project activities realistic, based on valid assumptions, and developed by knowledgeable individuals?	Yes, knowledgeable specialists' comments and input is reflected in budget planning.	Plans and budgets are based on previous performance, and evaluations.	Yes, it is realistic.
Payments			
4.17 Do invoice-processing procedures provide for: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison	Yes, included.	For example: 1. Insurer has to submit his request for compensation for temporary job performance disability to the organization he	Purchase order, the quality and the quantity of goods, the cost will be reviewed, further comparison of invoice quantities, prices and terms,

of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations?		works. 2. Organization will calculate the amount of payment in accordance with the law and submit the invoice. 3. It will be reviewed by the officer and will be calculated by the software. Social insurance fund accountant will check the primary invoice against the bank registration and will issue an invoice for payment. Senior accountant will review whether the financial entry was properly introduced in the financial statement.	with those indicated on the purchase order and with records of goods actually received and checking the accuracy of calculation.
4.18 Are all invoices stamped PAID, dated, reviewed and approved, and clearly marked for account code assignment?	PAID stamp is not stamped, however, PIU coordinator review and approves with date	Yes	Yes
4.19 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes. Decisions are made to approve change to payroll.	Yes and if changes are needed are authorized by the chairman's order.	The control exists for preparation of the payroll. The changes to the payroll of the staff will be made with the authorization.
Policies And Procedures			
4.20 What is the basis of accounting (e.g., cash, accrual)?	Reporting for ADB is based on cash base. Reports to implement and executing agencies are based on cash and accrual.	For project N/A Procedure of agency: Social insurance fund registration is based on accrual; organizational operational cost is based on cash accounting.	For project N/A Procedure of agency: Accounting is based on accrual.
4.21 What accounting standards are followed?	International standards for accounting	Social insurance fund statement is conducted in accordance with international standard and organizational financial statement follows domestic standards.	It is conducted in accordance with international accounting standard.
4.22 Does the project have an adequate policies and procedures	A financial policy and procedure manual for FNSWP is available and will be adapted for use in the additional financing of the FNSWP		

manual to guide activities and ensure staff accountability?			
4.23 Is the accounting policy and procedure manual updated for the project activities?	The accounting policy and procedure manual for FNSWP can be easily updated for FNSWP additional financing. Loan Disbursement Handbook Project Administration Memorandum Relevant decisions by Ministry of Finance	N/A	N/A
4.24 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Government accounting principles, policy and procedure only altered by MOF.		
4.25 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes		Yes
4.26 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and provide safeguards to protect the organization from them?	No explicit in existing policies	Yes	. Yes
4.27 Are manuals distributed to appropriate personnel?	Yes	It is required to deliver it to all personals	It is delivered it to all personals of every stage.
Cash and Bank			
4.28 Indicate names and positions of authorized signatories in the bank accounts.	State secretary of Ministry, Chief Accountant, sector head, senior accountants	All transactions are reviewed and signed by accountants of the branches and by the head of the general department. Ts. Urtnasan, accountant Ch. Chuluunchimeg represents the SIGO.	Project Coordinator and Accountant. Please indicate name 1st signature Mr. Bayarsaikhan Chairman , 2 nd Mr. Erdenebulgan Head Financial Department
4.29 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes	Yes. Cash and account transactions are registered at the time of transaction.	Yes. All receipts are reviewed in details and Income and expenditure are registered one by one.
4.30 Do controls exist for the collection, timely deposit and	Yes	Yes	Yes

recording of receipts at each collection location?			
4.31 Are bank and cash reconciled on a monthly basis?	Yes	Yes	Yes
4.32 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	Yes.	Yes
4.33 Are all receipts deposited on a timely basis?	Yes	Yes	Yes
Safeguard over Assets			
4.34 Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	Annual transaction audits	There is a system to prevent frauds	There is a system to prevent frauds
4.35 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes	Conduction of half year and yearly registration of assets and their depreciation is calculated and registered.	The records of fixed assets are registered on timely manner in accordance with accounting standard.
4.36 Are there periodic physical inventories of fixed assets and stocks?	Yes	Physical and fixed assets, stocks, inventories, cash registration.	There are physical inventories for fixed assets and stock of goods.
4.37 Are assets sufficiently covered by insurance policies?	Automobile insurance is made	Not enough.	The fixed assets and assets that required insurance are covered by insurance.
Other Offices and Implementing Entities			
4.38 Are there any other regional offices or executing entities participating in implementation?	Yes, SIGO and GOSWS	21 aimags, 9 districts and the capital city have their own social insurance offices.	Under GOSWS, the offices in the capital, <i>aimags</i> , and districts and social service staff in <i>soums</i> and <i>khoroos</i> .
4.39 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Yes	N/A	N/A
4.40 Does information among the different offices/implementing agencies flow in an accurate and timely fashion?	Yes	Lack speedy information change with related parties and unreliable information.	The information among the relevant offices is circulated on time and correctly.
4.41 Are periodic reconciliations	No	No	No

performed among the different offices/implementing agencies?			
Other			
4.42 Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Under the Law on Government Audit of Mongolia, any employee who suspects fraud, misuse of assets or waste can approach the National Audit Office	Yes. Case suspected fraud or misuse will be reported to the authorities or requested by the organization for enquire for the suspected transactions.	The legal environment to request external control, auditing and to address to the legal organizations is provided
5. Internal Audit			
5.1 Is there an internal audit department in the entity?	Yes since 2011	No. But state monitoring inspectors conduct the auditing. There is no internal auditing to conduct proper monitoring.	There is internal auditing to conduct proper monitoring.
5.2 What are the qualifications and experience of audit department staff?	Holds license of Professional Accountant of Mongolia, working experience above 10 years	N/A	Audit department staff with finance and legal background should have more than 3 years experience in the sector
5.3 To whom does the internal auditor report?	To Minister	N/A	To General Director of GOSWS
5.4 Will the internal audit department include the project in its work program?	Yes	N/A	Yes, it will.
5.5 Are actions taken on the internal audit findings?	Yes	N/A.	The measures will be taken with the decision by General Management Council.
6. External Audit			
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, National Audit Agency, "Suld Audit" LLC	Annual financial statement and performance audit by the National Audit Department.	Annual financial statement and performance audit by the National Audit Department.
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	No there is no delay. Within first 6 months of next year	No delay on audit report,; on time in accordance with the law	At the end of the year, the audit report of the entity will be ready; within 5 March of next year, it is delivered to the General Office Management.
6.3 Is the audit of the entity conducted according to the International Standards on Auditing?	Yes	Yes	Yes
6.4 Were there any major	No	Fund. Sum of the amount was	Any major accountability

accountability issues brought out in the audit report of the past three years?		displayed wrongly; wrong amount on the reconciliation, pension; pension for retired military personnel; government compensation for people on health insurance; Improve budget expenditure by precisely detailed budget plan. Soft wares do not match with the international accounting standards. Improvement has been implemented	issues brought out in the audit report of the past 3 years by National General Audit Office. The advices are provided.
6.5 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	Eligible audit company can do the audits	Auditor appointed by the National auditing department.	Either by public or private audit companies.
6.6 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	No	Yes. Format of the statements printed from the soft wares are differ from each other. Accumulated depreciation of assets are not detailed or not classified by types of assets.	The responses are delivered on timely manner after the advices by auditors' are taking into the consideration
6.7 Is the project subject to any kind of audit from an independent governmental entity (e.g., the supreme audit institution) in addition to the external audit?	National audit agency or any eligible audit company selected by bid can do the audits	National auditing department conducts audit on the financial statement in accordance with the budget law.	If necessary, National Audit Office will do.
6.8 Has the project prepared acceptable terms of reference for an annual project audit?	Audit company will prepare the TOR in accordance with the requirement		
7. Reporting and Monitoring			
7.1 Are financial statements prepared for the entity? In accordance with which accounting standards?	In accordance with the Public Sector Financial Management Law and Law on Accounting. Integrated Chart of Accounts is consistent with International Accounting Standards		
7.2 Are financial statements prepared for the implementing unit?	Yes	Yes. Every unit prepares their own financial statement	Yes. The financial statements are prepared.
7.3 What is the frequency of	Quarter, half year, yearly	Financial statements are	Quarterly and yearly basis.

preparation of financial statements? Are the reports prepared in a timely fashion so as to useful to management for decision making?		submitted on quarterly basis or four times in a year. Timing is ruled by the law so management does not have flexibility to make proper decisions. Monthly budget execution reports prepared in timely fashion	
7.4 Does the reporting system need to be adapted to report on the project components?	No	Yes.	Yes To report on project component.
7.5 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	No risk of overlapping	No	No
7.6 Does the project have established financial management reporting responsibilities that specify what reports are to be prepared, what they are to contain, and how they are to be used?	Yes – each Division prepares financial reports		
7.7 Are financial management reports used by management?	Yes	Yes	Yes
7.8 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Expenditure is reported by real disbursement and its plan.	Plan is based on monthly and quarterly basis. Difference between performance and plan are illustrated in percentages.	The actual expenditures will be compared with budgeted allocation; the report will be based on this.
7.9 Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Yes all financial reports are generated by the automated accounting system.	Accounting is performed by the soft wares. Stored files are used to make final statement.	Financial statement is performed by the software in accordance with the accounting standard.
8 Information System			
8.1 Is the financial management system computerized?	No	Yes, There is a software to make financial statement.	Yes, There is a software to make financial statement.
8.2 Can the system produce the	Yes	Yes.	Yes. Possible.

necessary project financial reports?			
8.3 Is the staff adequately trained to maintain the system?	Yes trained	Yes. We have experienced team.	Maintain the system fully.
8.4 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes	All soft wares are protected by passwords. Authorized personals can get all information they need. But it takes additional processing to get some information.	Fully provided.

GOSWS = General Office for Social Welfare Services, MOF = Ministry of Finance, MPDSP = Ministry of Population Development and Social Protection, PEFMR = Public Expenditures and Financial Management Review, PIU = project implementation unit, SIGO= Social Insurance General Office, UB = Ulaanbaatar.

Supporting Documents

Suggestions:

- _____ Financial regulations, standards or pronouncement used by the project/entity
- _____ Information concerning the legal and organizational structure of the entity
- _____ Extracts or copies of important legal documents, agreements, or minutes
- _____ Information concerning the sector, economic and legislative environment within which the entity operates
- _____ Evidence of consideration of the work of the Internal Auditor (if applicable) and conclusions reached
- _____ Analyses of significant ratios and trends (revenue generating projects)
- _____ Draft format of the financial statements produced by the project/entity
- _____ Copies of communications
- _____ Chart of Accounts
- _____ Project or entity Financial Management Manual
- _____ Audit terms of reference
- _____ Terms of reference and curriculum vitae for key financial and accounting personnel
- _____ Operational manual
- _____ Copy of most recent audit report (if applicable)