

# Project Administration Manual

Project Number: 39229-033  
Loan Number: LXXXX-MON  
August 2015

Mongolia: Additional Financing of Agriculture and  
Rural Development Project

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### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the additional financing project on time, within budget, and in accordance with the Government of Mongolia (government) and the 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 Finance (MOF), the executing agency; the Ministry of Food and Agriculture (MOFA), and the Ministry of Industry (MOI) as the implementing agencies are wholly responsible for the implementation of the project, as agreed jointly between the borrower and ADB, and in accordance with the government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by MOF, MOFA, and MOI 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 agreements. Such agreements shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreements, the provisions of the loan agreements shall prevail.

After ADB Board approval of the additional financing's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to the 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
BOM	=	Bank of Mongolia
DMF	=	design and monitoring framework
EARF	=	Environmental Assessment and Review Framework
EIA	=	environment impact assessment
EMDP	=	ethnic minority development plan
EMPF	=	ethnic minority planning framework
FMA	=	financial management assessment
GAP	=	gender action plan
GOM	=	Government of Mongolia
GRM	=	grievance redress mechanism
IEE	=	initial environmental examination
MNF	=	Mongolia Noble Fibre
MOF	=	Ministry of Finance
MOFA	=	Ministry of Food and Agriculture
MOI	=	Ministry of Industry
MEGDT	=	Ministry of Environment, Green Development and Tourism
NCB	=	national competitive bidding
OCR	=	ordinary capital resources
PAM	=	project administration manual
PMU	=	project management unit
PPB	=	project participating bank
PPE	=	project participating enterprise
PPMS	=	project performance monitoring system
PSC	=	project steering committee
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
VCI	=	value chain investment

## I. PROJECT DESCRIPTION

### A. Rationale

1. The Asian Development Bank (ADB) approved on 29 September 2008 a grant of \$14.72 million from its Asian Development Fund (ADF) for the Agriculture and Rural Development Project (current project).<sup>1</sup> The revised closing date of the current project grant is 31 December 2015. The current project was supported by associated TA of \$2 million from the Japan Special Fund for agricultural marketing and brand development. The current project aims at a reliable supply of premium-value agricultural products to niche markets by selected enterprises. It comprises two outputs: (i) value chains able to deliver unique, premium-value products to niche markets; and (ii) fully defined process and institutional arrangements for collaborative brand development and management developed and demonstrated.

2. Agriculture sector is the backbone of the Mongolian economy and considered a key for diversifying the economy, which relies too heavily on the mining sector. In 2013, Mongolian agricultural primary products accounted for 20.1% and processed products for about 11.1% of Mongolia's gross domestic product. They are also the second largest export products after mineral products, accounting for 8.2% of total exports by value in 2013.<sup>2</sup> However, the agriculture sector is mostly concentrated on primary production and forgoing significant value addition in agriculture because of limited processing capacity. The bottleneck is lack of long-term financing, which has significantly hindered Mongolian agro-enterprises from making long-term investments to improve their productivity. As a result, Mongolia exports a significant portion of its agricultural products (e.g., wool, cashmere, and animal skins) after primary processing while it imports a substantial volume of processed or final products (e.g., dairy products). It is crucial for Mongolia to capitalize on the rich yet untapped resources of the agriculture sector, which employed 30% of the labor force in 2013. Development of the agro-processing industry will have a substantial impact on employment, in itself and through its backward linkages, in rural areas, where the poor comprised 33.3% of the population in 2012, and consequently contribute to sustainable and equitable development of the nation.

3. **Performance of the current project.** The current project is considered to be performing well<sup>3</sup> based on the five standards stipulated in the relevant section of the operations manual.<sup>4</sup>

- (i) **Output delivery.** The current project made progress toward the outcome and largely accomplished outputs 1 and 2. Against the outcome, the current project enabled 12 project participating enterprises (PPEs) to start selling some of their products to international and domestic premium-value buyers, but establishment of business partnerships will take longer. Against output 1, the current project financed 12 PPEs to develop their respective value chains to deliver higher-value products.<sup>5</sup> Those PPEs have realized noticeable improvements in product quality and productivity, and significant job creation directly at the enterprises and indirectly at the producers of raw materials.<sup>6</sup> The current project also provided (a) equipment and supplies to livestock testing centers and veterinary service centers of six selected provinces; and (b) machinery, equipment, and agricultural inputs, as well

<sup>1</sup> ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant and Technical Assistance Grant to Mongolia for the Agriculture and Rural Development Project*. Manila.

<sup>2</sup> National Statistical Office of Mongolia. 2014. *Mongolian Statistical Yearbook 2013*. Ulaanbaatar.

<sup>3</sup> Summary of Project Performance (accessible from the list of linked documents in Appendix 2).

<sup>4</sup> ADB. 2011. Additional Financing. *Operations Manual*. OM H5/OP. Manila (para. 3).

<sup>5</sup> Against the target of 15, fewer PPEs were assisted because the actual subloan amounts were larger than the subloan amounts estimated during project preparation.

<sup>6</sup> ADB required a VCI proposal as well as financial, environmental, and social due diligence reports for each subloan under the current project, and will continue to do so under the additional financing.

as training to selected agricultural cooperatives to improve the quality and production of raw materials.<sup>7</sup> Against output 2, the current project developed a framework for brand development, applied it to animal fiber and its products, and developed a Mongolian brand certification mark, Mongolian Noble Fiber. The certification mark has been registered at the intellectual property offices of Mongolia and 33 selected countries.

- (ii) **Implementation progress.** Implementation progress is satisfactory: 98.9% of disbursements and 98.9% of contract awards against 94.8% of elapsed time as of 14 August 2015.
- (iii) **Safeguard compliance.** Safeguard requirements have been met satisfactorily. Environmental and social safeguard screening procedures have been well established under the current project and applied to every subproject.
- (iv) **Management of risks.** The report and recommendation of the President for the current project identified (a) inadequate capacity of the enterprises to implement their investment plans, (b) delays in procurement processes, (c) delivery delays by contractors, and (d) misuse of funds by enterprises. Project implementation support provided by the project management unit (PMU) successfully managed most of the risks by assisting the PPEs in ensuring that value chain investment (VCI) subloan proposals are feasible and by closely monitoring the PPEs' implementation of the proposals.
- (v) **On-track rating.** The performance of the current project is rated *on track*.<sup>8</sup>

4. **Additional financing eligibility criteria met.** ADB's due diligence confirmed that the additional financing meets the eligibility criteria and standards.<sup>9</sup> The additional financing is in line with the Government of Mongolia's action program for 2012–2016, which places the highest priority on employment generation.<sup>10</sup> The additional financing will fully support ADB's interim country partnership strategy, 2014–2016 for Mongolia, which restores the core sector status of the agriculture, natural resources, and rural development sector; and highlights private sector development for employment generation and diversification of the mining-sector-driven economy.<sup>11</sup> The additional financing is listed as a firm project for 2015 in ADB's country operations business plan, 2014–2016 for Mongolia.<sup>12</sup> ADB is currently preparing two loan projects for Mongolia: Regional Upgrades of Sanitary and Phytosanitary Measures for Trade Facilitation, which will complement the project by assisting agricultural and food product trade; and Supporting the Credit Guarantee System for Economic Diversification and Employment Project, which will support the financing sector's lending to small and medium-sized enterprises (SMEs).

5. **Additional financing priority met.**<sup>13</sup> The additional financing has a high degree of readiness since implementation capacity is well advanced and safeguard requirements have been met. The PMU's capacity for due diligence, including that for safeguards, built during the current project, adds a distinctive feature. The subproject selection criteria, approval procedure, and monitoring mechanism, established under the current project, will continue to be applied.<sup>14</sup>

<sup>7</sup> Contract farming between the PPEs and herders for primary livestock-based products (e.g., cashmere, wool, and leather) was found difficult because the PPEs and domestic producers are not able to offer competitive prices to keep herders in contracts, as the middlemen usually offer higher prices in bulk purchases.

<sup>8</sup> The eligibility criteria are set out in para. 4 of OM section H5/BP.

<sup>9</sup> ADB. 2011. Additional Financing. *Operations Manual*. OM H5. Manila (para. 4 of BP; para. 3 of OP).

<sup>10</sup> Government of Mongolia. 2012. *Action Program of the Reform Government through the Years 2012–2016*. Ulaanbaatar.

<sup>11</sup> ADB. 2014. *Interim Country Partnership Strategy: Mongolia, 2014–2016*. Manila.

<sup>12</sup> ADB. 2014. *Country Operations Business Plan: Mongolia, 2014–2016*. Manila.

<sup>13</sup> ADB. 2011. Additional Financing. *Operations Manual*. OM H5/BP. Manila (para. 11).

<sup>14</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2).

6. **Changes in project scope.** The additional financing will assist the government in scaling up and modifying the scope of the current project that is performing well. In response to a request from the government, the project will (i) include additional subsectors,<sup>15</sup> (ii) adopt a regular onlending modality,<sup>16</sup> and (iii) expand the range of subloans by lowering the minimum amount.<sup>17</sup> The project will focus not only on export-oriented subsectors, but also on subsectors oriented for domestic markets, smaller-scale agro-enterprises, and cooperatives. Consequently, the focus of project impact and outcome was changed from the promotion of partnerships with premium-value buyers to economic diversification through higher value addition to agricultural resources.

7. Lessons from the current project were incorporated in the project design. First, it became clear that PPEs do not have sufficient technical and marketing capacity to establish business relationships with buyers of high-value products, particularly international ones. In response, two broad outputs under the current project were articulated into four outputs to factor in capacity improvement of agro-enterprises and primary producers in the project design. Second, the current project was implemented with three separate PMUs, according to project component, and experienced high costs of operation and difficult coordination between the components. To address such issues, the PMUs will be integrated into a single PMU with three subunits: a VCI subloan processing subunit for output 1 and two technical advisory subunits, one responsible for output 2 and the other for outputs 3 and 4.<sup>18</sup>

## **B. Impact and Outcome**

8. The impacts of the overall project will be (i) competitiveness of the agriculture processing industry enhanced, (ii) private sector-led employment generated, and (iii) SMEs developed. The outcome of the overall project will be value addition on Mongolian agricultural resources increased by PPEs. The project is expected to increase primarily the agro-processing capacity and secondarily primary agricultural production in Mongolia, and hence increase value addition to agricultural resources. The increased capacity will lead to employment generation, and indirectly benefit herders, farmers, and primary processors through the PPEs' increased demand for raw materials (footnote 7).

## **C. Outputs**

9. The overall project will have the following outputs: (i) VCIs financed, (ii) production capacity of herders and farmers improved, (iii) enterprises' marketing and technical capacity improved, and (iv) Mongolian product brand(s) developed. To ensure relevance and sustainability, capacity development will be conducted in cooperation with technical agencies, universities, and business associations in Mongolia.

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<sup>15</sup> The project will continue to support the wool and cashmere, leather, meat, and dairy subsectors; and add apparel, sea buckthorn, and bee farming subsectors. During project implementation, more subsectors and business types relating to agro-processing and agriculture may be added.

<sup>16</sup> Under the current project, the government provides a project participating bank (PPB) with an actual credit transfer equivalent to 50% of the subloan amount free of charge as a guarantee. This guarantee mechanism was designed to support the PPBs' lending to the agro-processing industry and served the purpose under the current project financed by a grant. With additional financing from loans, the government will relend loan proceeds to the PPBs for subsequent onlending to the PPEs.

<sup>17</sup> The additional financing will set the minimum amount at \$150,000, instead of \$600,000 under the current project.

<sup>18</sup> Under the current project, three PMUs had been set up in different offices for the (i) value chain development component, (ii) rural infrastructure and services development component, and (iii) associated TA.



10. **Output 1: Value chain investments financed.** Output 1 comprises (i) preparation of the VCI proposals; (ii) due diligence of the VCI subprojects; (iii) provision of subloans to the PPEs<sup>19</sup> to improve their value chains and/or enhance their production and productivity; and (iv) capacity development of the PPEs and project participating banks (PPBs) on financial management, value chain development, and social and environmental safeguards. The consolidated PMU will assist the PPEs in preparing the VCI proposals required for subloan application, particularly in identifying areas for business improvement such as marketing, product development, and quality control. The identified needs will be reflected in the VCI proposals and used to tailor activities under outputs 2 and 3. The VCI financing is described in para. 15.

11. **Output 2: Production capacity of herders and farmers improved.** Output 2 comprises (i) capacity development for herders, farmers, and primary processors of agricultural products; (ii) provision of veterinary medical supplies, equipment, machinery, material, and inputs for herders, farmers, and primary processors of agricultural products; and (iii) construction of a livestock primary processing facility. Under output 2, the project will help herders, farmers, and primary processors, including potential suppliers of quality raw materials and primary processing products to the PPEs, to improve their production capacity and quality control.

12. **Output 3: Enterprises' marketing and technical capacity improved.** Output 3 comprises (i) marketing and technical capacity development to enable the PPEs to produce and deliver high-value and/or quality products to domestic and international markets; and (ii) provision of equipment and capacity development to technical and research institutes dealing with food and agriculture products. This output is based on an observation from the current project—that a substantial gap exists between the capacity of the PPEs and the quality standards that international markets require. In tandem with financial support to the PPEs (output 1), strengthening enterprises' marketing and technical capacity is crucial to realizing higher value addition. The capacity development training will be given not only to the PPEs, but also to other agro-enterprises of interest for a wider impact. The training will help strengthen the quality-testing capacity of technical institutes, which will help improve and assure the quality of Mongolian products in the medium term.

13. **Output 4: Mongolian product brand(s) developed.** Output 4 comprises (i) brand development for export-oriented products (e.g., animal fiber and its processed products); and (ii) promotion and management of brand(s) developed and/or to be developed. Regarding brand management, the project will continue to help the government register the Mongolian Noble Fiber certification mark with national intellectual property offices of selected countries that are current and potential buyers of the Mongolian animal fiber products. Regarding brand promotion and management, the project will assist Mongolian agro-enterprises in getting their products tested and certified for the certification mark.

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<sup>19</sup> PPEs under the current project comprise public limited or limited liability companies. Under the additional financing, PPEs will also include cooperatives registered under the Law on Cooperatives.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

Indicative Activities	2015												2016						Responsible Agency(s)
	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6				
Advance contracting actions																ADB, MOF, MOFA, MOI, PMU			
Project management arrangements																MOF, MOFA, MOI			
Loan negotiations																ADB, MOF, MOFA, MOI			
ADB Board approval																ADB			
Loan signing																ADB, MOF			
Government legal opinion provision																MOF, MOJ			
Loan effectiveness																ADB			
Government budget inclusion																MOF, MOFA, MOI			

ADB = Asian Development Bank, GOM = Government of Mongolia, MOF = Ministry of Finance, MOFA = Ministry of Food and Agriculture, MOI = Ministry of Industry, MOJ = Ministry of Justice, PMU = project management unit.

## B. Overall Project Implementation Plan

Activities	2015				2016				2017				2018				2019				2020			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>A. DMF</b>																								
<b>Output 1: VCIs financed</b>																								
1.1																								
1.2																								
1.3																								
<b>Output 2: Production capacity of herders and farmers improved</b>																								
2.1																								
2.2																								
2.3																								
<b>Output 3: Enterprises' marketing and technical capacity improved</b>																								
3.1																								
3.2																								
3.3																								
3.4																								
3.5																								
<b>Output 4: Mongolian product brand developed</b>																								
4.1																								
4.2																								
4.3																								
4.4																								
<b>Project management activities</b>																								
PM1																								
PM2																								
PM3																								
PM4																								
PM5																								
PM6																								
PM7																								
PM8																								
PM9																								
PM10																								

PMU = project management unit, PPE = project participating enterprise, PPB = project participating bank, PSC = project steering committee (formerly project advisory board), Q = quarter, VCI = value chain investment.

### Notes:

Activities started during the current ARDP or Agricultural marketing and brand development TA, currently in active phase.

Activities that started before 2015 and are not currently implemented (i.e., 3.1, 4.3, 4.4, PM6) will resume during the additional financing phase.

### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations—Roles and Responsibilities

<b>Executing agency:</b> • Ministry of Finance (MOF)	➤ Assumes overall accountability and responsibility for project planning, management, and implementation ➤ Assumes direct accountability and responsibility for implementation of outputs 1 and 5 ➤ Submits annual audit reports to the Asian Development Bank (ADB) ➤ Enters into and executes an onlending agreement with each project participating bank (PPB) ➤ Chairs the project steering committee (PSC) ➤ Provides timely policy support
<b>Implementing agencies:</b> • Ministry of Food and Agriculture (MOFA)	➤ Assumes direct accountability and responsibility for implementation of output 2 ➤ Serves as member of the PSC ➤ Provides timely policy support
• Ministry of Industry (MOI)	➤ Assumes direct accountability and responsibility for implementation of outputs 3 and 4 ➤ Serves as member of the PSC ➤ Provides timely policy support
<b>Oversight body:</b> project steering committee	➤ Meets at least biannually ➤ Approves project annual plans in compliance with the relevant sector policy and related documents ➤ Endorses the annual project budget for ADB approval ➤ Reviews and assesses project implementation progress ➤ Provides advice on policy matters related to the project ➤ Makes final decision on value chain investment (VCI) subprojects approval ➤ Comprises three members from MOF, two members from MOFA and MOI, and one member each from the Ministry of Environment, Green Development and Tourism and the Bank of Mongolia
<b>Implementing unit:</b> project management unit (PMU)	➤ Comprises three implementation units: VCI unit under MOF responsible for outputs 1 and 5, technical advisory unit under MOFA responsible for output 2, and technical advisory unit under MOI for outputs 3 and 4 and proposed technical assistance ➤ Assists the executing and implementing agencies in project planning and implementation, including consultant recruitment, procurement, and financial management ➤ For output 1, (i) coordinate with the PPBs to facilitate identification of project participating enterprises (PPEs), and (ii) conduct pre-screening of PPEs' VCI proposals ➤ Conduct financial, environmental, and social due diligence for VCI proposals and other subprojects as necessary in consultation with relevant government agencies and ADB ➤ Assists the executing and implementing agencies in monitoring the project implementation, including periodic site inspections

	➤ Prepares quarterly project progress reports
<b>project participating banks</b>	➤ Enter into and execute onlending agreements with MOF ➤ Conduct assessment of potential PPEs and VCI proposals based on eligibility and selection criteria and through its own methodology ➤ Submit a list of recommended VCI proposals to the PMU ➤ Enter into and execute subloan agreements with PPEs for VCI proposals approved by the PSC and ADB
<b>project participating enterprises</b>	➤ Submit application for possible financing of VCI proposals ➤ Prepare VCI outline proposals and social and environmental safeguard checklists for submission to the PMU ➤ Prepare VCI (full) proposals for submission to the PMU and PPBs ➤ Enter into and execute subloan agreements with PPBs
<b>Asian Development Bank</b>	➤ Assumes responsibility for project administration ensuring timely execution of the loan agreements by the executing and implementing agencies ➤ Particularly, disburses loan proceeds; reviews and, as needed, approves procurement, consultant recruitment, safeguard compliance, and annual audit reports; and conducts project implementation monitoring through review missions

## B. Key Persons Involved in Implementation

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**Asian Development Bank**

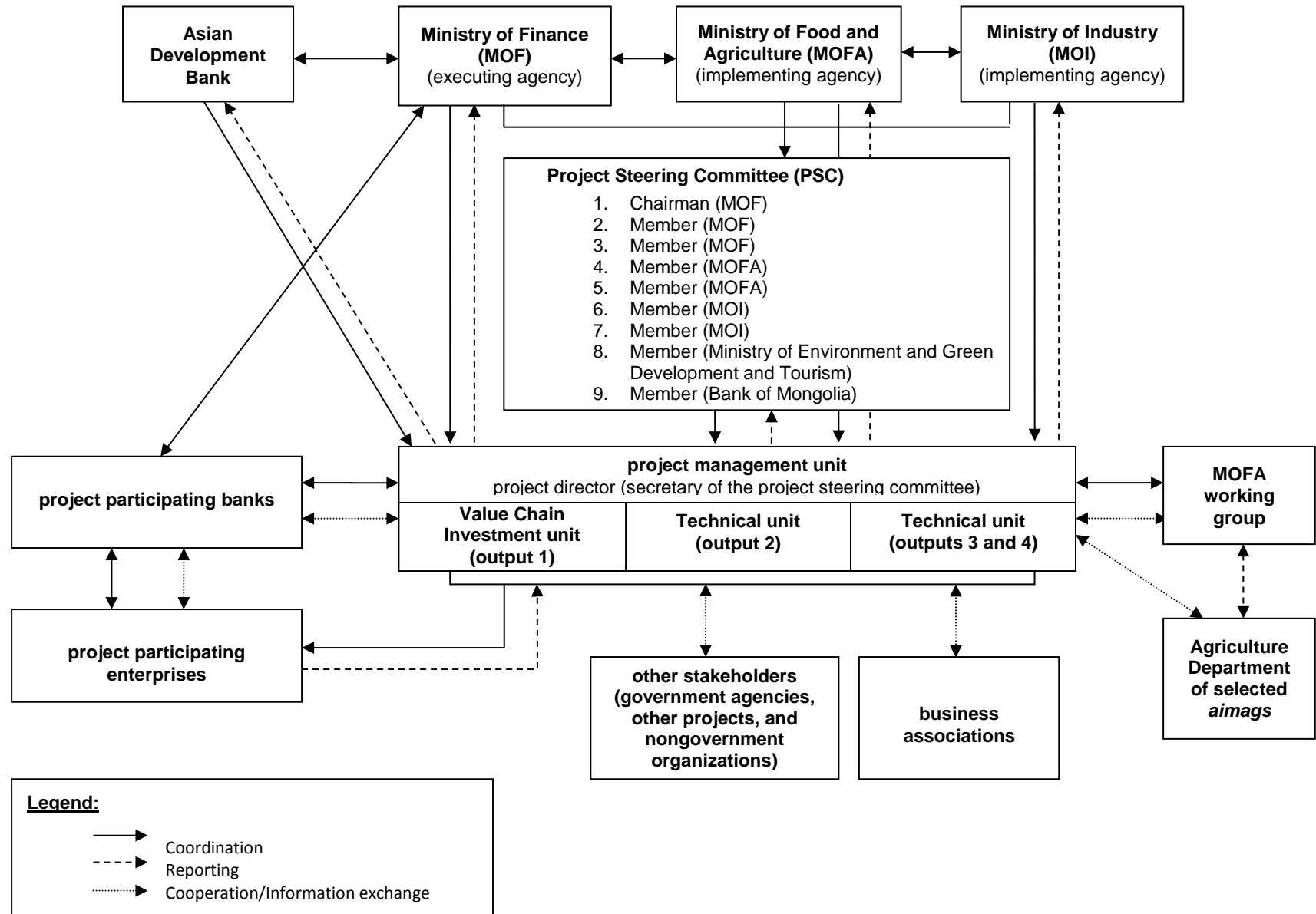
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### C. Project Organization Structure





#### IV. COSTS AND FINANCING

14. The government has requested a loan of \$35 million from ADB's ordinary capital resources (OCR) to help finance the project. The OCR loan will have a 25-year term, including a grace period of 5 years, following the straight-line method, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year (the interest and other charges during construction to be capitalized in the loan), and such other terms and conditions set forth in the draft loan agreement.<sup>20</sup> The average maturity is 15.25 years, and the maturity premium payable to ADB is 0.1% per annum. The government has also requested a loan in various currencies equivalent to SDR10.719 million from ADB's Special Funds resources (ADF) to help finance the project. The ADF loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft loan agreement.<sup>21</sup>

15. **Financing for value chain investment subloans.** For output 1 (item i), the government will relend an estimated \$41.25 million from the loan proceeds to the PPBs under onlending agreements to be entered into between the Ministry of Finance (MOF) and the PPBs on terms and conditions satisfactory to ADB. The government's relending to the PPBs will carry interest that reflects the cost of funds plus a minimum spread to cover transaction costs and risks such as the foreign exchange risks. The PPBs will then provide subloans to the PPEs under subloan agreements to be entered into between the PPBs and the PPEs on terms and conditions satisfactory to ADB and the government. The subloans to the PPEs (VCI subloans) will carry interest that reflects at least the cost of funds plus a minimum spread to cover transaction costs and risks, but not less than the interest rate under which ADB provides loans from its OCR.<sup>22</sup> Each VCI subloan will be in an amount between \$0.15 million and \$3.0 million. The VCI subloans will be selected based on the selection criteria and through the selection process in the PAM. No subloan will finance any activities in ADB's prohibited investment activities list as set forth in Appendix 5 of ADB's Safeguard Policy Statement (SPS, 2009). Loan guarantees will be provided from ADB loans or existing guarantee schemes outside the project mainly to help SMEs and cooperatives with limited financial capacity overcome lack of collaterals.<sup>23</sup> Loan proceeds for VCI subloans repaid by the initial batch of PPEs as well as the current grant proceeds repaid by 12 PPEs will be further revolved for wider impacts on agriculture value chain development.<sup>24</sup>

##### A. Cost Estimates Preparation and Revisions

16. **Preparation.** The PMU prepared the cost estimates in consultation with the executing and implementing agencies and under the guidance of ADB project officer. The file entitled "ARDP AF Cost Estimate" in MS Excel format was retained at the PMU office and by ADB project officer.

17. **Revisions.** The PMU will revise the cost estimates under the guidance of ADB project officer during implementation based on GOM's request for project cost reallocation and subsequent ADB's approval.

<sup>20</sup> Loan Agreement: Ordinary Capital Resources (accessible from the list of linked documents in Appendix 2).

<sup>21</sup> Loan Agreement: Asian Development Fund (accessible from the list of linked documents in Appendix 2).

<sup>22</sup> Relending terms for financial intermediaries and onlending terms for final borrowers will be decided in reference to those offered for similar financial intermediation loans of other development partners in Mongolia.

<sup>23</sup> The PPEs may also avail of guarantees from an ADB loan for Mongolia's Supporting the Credit Guarantee System for Economic Diversification and Employment Project, the processing of which will start shortly.

<sup>24</sup> The Japan International Cooperation Agency has demonstrated success in revolving financial intermediary loans through Mongolian commercial banks.

## B. Cost Categories

18. Cost categories are as follows.

Category	Description
Works	Construction of skin primary processing facility and maintenance of the Textile Institute's laboratory. <sup>a</sup>
Equipment and materials	Equipment and materials for (i) producer cooperatives and primary processors (e.g., fleshing machines, shearing machines, drip irrigation system, equipment for cow milking, animal medicines, and other materials); (ii) laboratory equipment for technical institutes: (a) Clothing Research Centre, and (b) Textile Institute and Leather Institute; and (iii) computers and peripherals for PMU.
Consulting services	Remuneration for consultants.
Value chain investments	Funds for value chain investment subloans for agro-processing and agriculture enterprises.
Training	Training for herders, cooperatives, project participating enterprises, technical institutes, project participating banks, PMU, and executing and implementing agencies.
Marketing and brand development	Market study, research, brand management activities, testing, match-making activities.
Project management	PMU support staff salary, audit, and miscellaneous administration costs, including costs for communication, transportation, and office supplies.

PMU = -project management unit.

<sup>a</sup> Further detail is provided in the procurement plan.

## C. Assumptions

19. The following key assumptions underpin the cost estimates and financing plan:

- (i) Exchange rate: MNT1,989.50 = \$1.00 (as of 14 August 2015).
- (ii) Price contingencies based on expected cumulative inflation over the implementation period are as follows:

	2016	2017	2018	2019	2020	Average
<b>Foreign rate of price inflation</b>	1.50%	1.40%	1.50%	1.50%	1.50%	1.48%
<b>Domestic rate of price inflation</b>	9.0%	8.5%	8.0%	8.0%	8.0%	8.3%

## D. Investment and Financing Plan

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

Item	Current Amount <sup>a</sup>	Additional Financing <sup>b</sup>	Total
<b>A. Base Cost<sup>c</sup></b>			
1. Value chain investments financed	39.55	52.02	91.57
2. Production capacity of herders and farmers improved <sup>d</sup>	2.22	2.22	4.44
3. Enterprises' marketing and technical capacity improved	0.00	1.22	1.22
4. Mongolian product brand(s) developed	0.00	0.56	0.56
Project management <sup>e</sup>	2.40	1.51	3.91
<b>Subtotal (A)</b>	<b>44.17</b>	<b>57.54</b>	<b>101.71</b>
<b>B. Contingencies<sup>f</sup></b>	<b>3.33</b>	<b>0.67</b>	<b>4.00</b>

Item	Current Amount <sup>a</sup>	Additional Financing <sup>b</sup>	Total
<b>C. Financing Charges During Implementation<sup>g</sup></b>	<b>0.00</b>	<b>2.79</b>	<b>2.79</b>
<b>Total (A+B+C)</b>	<b>47.50</b>	<b>61.00</b>	<b>108.50</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Refers to the original amount. Includes taxes and duties of \$0.67 million to be financed from government resources.

<sup>b</sup> Includes taxes and duties of \$0.54 million to be financed from the government and Asian Development Bank (ADB) resources. ADB financing of taxes and duties is deemed acceptable as the (i) amount is within the reasonable threshold identified during preparation of the country partnership strategy, (ii) amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) financing of taxes and duties is material and relevant to the success of the project.

<sup>c</sup> In mid-2015 prices as at 16 March 2015.

<sup>d</sup> This output corresponds with the rural infrastructure and services development component of the current project.

<sup>e</sup> Comprises (i) project management support, and (ii) capacity development of the project steering committee and project management unit to ensure effective project management and implementation.

<sup>f</sup> Physical contingencies computed at 5% for all expenditure categories except value chain investments and consulting services. Price contingencies computed for all expenditure categories except value chain investments at 1.5% for 2016, 1.4% for 2017, and 1.5% for the years 2018–2020 on foreign exchange costs; and 9.0% for 2016, 8.5% for 2017, and 8.0% for the years 2018–2020 on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>g</sup> Includes interest and commitment charges. Interests during construction have been computed for (i) ADB's Asian Development Fund loan at 2.0% per annum during the implementation period, and (ii) ADB's ordinary capital resources loan at the 5-year US dollar fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for an ordinary capital resources loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

20. The financing plan is in Table 2.

**Table 2: Financing Plan**

Source	Current <sup>a</sup>		Additional Financing		Total	
	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)	Amount (\$ million)	Share of Total (%)
ADB ADF Grant	14.72	31.0	0.00	0.0	14.72	13.6
ADB ADF Loan	0.00	0.0	15.00	24.6	15.00	13.8
ADB OCR Loan	0.00	0.0	35.00	57.4	35.00	32.3
Government	1.41	3.0	1.00	1.6	2.41	2.2
PPBs	11.00	23.2	0.00	0.0	11.00	10.1
PPEs	20.37	42.9	10.00	16.4	30.37	28.0
<b>Total</b>	<b>47.50</b>	<b>100.0</b>	<b>61.00</b>	<b>100.0</b>	<b>108.50</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources, PPB = project participating bank, PPE = project participating enterprise.

Note: Percentages may not total 100% because of rounding.

<sup>a</sup> Refers to the original amount.

Source: Asian Development Bank estimates.

## E. Detailed Cost Estimates by Expenditure Category

Item	(MNT Million)			(\$'000)			% of Total Base Cost
	Foreign	Local	Total	Foreign	Local	Total	
<b>A. Base Costs<sup>a</sup></b>							
1. Works	137	320	457	70	164	234	0.4
2. Equipment and Materials							
(i) Equipment	2,442	611	3,053	1,253	313	1,566	2.6
(ii) Materials	1,513	378	1,891	776	194	970	1.6
Subtotal Equipment and Materials	3,955	989	4,944	2,029	507	2,536	4.2
3. Consulting Services	0	1,643	1,643	0	843	843	1.4
4. Value Chain Investments							
(i) ADB (ADF)-financing	1,618	14,563	16,181	830	7,470	8,300	13.6
(ii) ADB (OCR)-financing	6,424	57,814	64,237	3,295	29,655	32,950	54.0
(iii) PPE-financing	0	19,495	19,495	0	10,000	10,000	16.4
Subtotal Value Chain Investment Loans	8,042	91,872	99,914	4,125	47,125	51,250	84.0
5. Training							0.0
(i) Training for VCI	0	283	283	0	145	145	0.2
(ii) Training for herders	0	637	637	0	327	327	0.5
(iii) Training for enterprises	589	147	737	302	76	378	0.6
(iv) Training on brand development	0	107	107	0	55	55	0.1
(v) Training for EAs and PMUs	131	196	327	67	101	168	0.3
Subtotal Training	589	1,175	1,764	369	703	1,072	1.8
6. Marketing and Brand Development	392	588	979	201	301	502	0.8
7. Project Management							
(i) ADB (ADF)-financing	0	1,497	1,497	0	768	768	1.3
(ii) Government-financing	0	643	643	0	330	330	0.5
Subtotal Project Management	0	2,140	2,140	0	1,098	1,098	1.8
<b>Total Base Costs (A)</b>	<b>13,115</b>	<b>98,727</b>	<b>111,842</b>	<b>6,794</b>	<b>50,742</b>	<b>57,536</b>	<b>94.3</b>
<b>B. Contingencies<sup>b</sup></b>							
1. Physical Contingencies	64	477	541	33	245	277	0.5
2. Price Contingencies	766	0	766	393	0	393	0.6
<b>Total Contingencies (B)</b>	<b>829</b>	<b>477</b>	<b>1,306</b>	<b>425</b>	<b>245</b>	<b>670</b>	<b>1.1</b>
<b>C. Financing Charges During Implementation<sup>c</sup></b>							
1. Interest for ADF Loan	1,450	0	1,450	744	0	744	1.2
2. Interest for OCR Loan	3,790	0	3,790	1,944	0	1,944	3.2
3. Commitment Charges for OCR Loan	207	0	207	106	0	106	0.2
<b>Total Financing Charges (C)</b>	<b>5,240</b>	<b>0</b>	<b>5,240</b>	<b>2,794</b>	<b>0</b>	<b>2,794</b>	<b>4.6</b>
<b>Total Project Cost (A+B+C)</b>	<b>19,185</b>	<b>99,204</b>	<b>118,388</b>	<b>10,014</b>	<b>50,986</b>	<b>61,000</b>	<b>100.0</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> In mid-2015 prices as at 16 March 2015.

<sup>b</sup> Physical contingencies computed at 5% for all expenditure categories except value chain investments and consulting services. Price contingencies computed for all expenditure categories except value chain investments at 1.5% for 2016, 1.4% for 2017, and 1.5% for the years 2018–2020 on foreign exchange costs; and 9.0% for 2016, 8.5% for 2017, and 8.0% for the years 2018–2020 on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>c</sup> Includes interest and commitment charges. Interests during construction have been computed for (i) ADB's Asian Development Fund loan at 2.0% per annum during the implementation period, and (ii) ADB's OCR loan at the 5-year US dollars (USD) fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for an OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

## F. Allocation and Withdrawal of Loan Proceeds

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b> <b>(Agriculture and Rural Development Project Additional Financing)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR)</b>	<b>Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	
1	Works	168,000	100% of total expenditure
2	Equipment and Materials	1,812,000	100% of total expenditure
3	Consulting Services	602,000	100% of total expenditure
4	Value Chain Investments <sup>a</sup>	5,931,000	100% of total expenditure
5	Training	766,000	100% of total expenditure
6	Marketing and Brand Development	359,000	100% of total expenditure
7	Project Management	549,000	100% of total expenditure
8	Interest	532,000	100% of amount due
	<b>Total</b>	<b>10,719,000</b>	

<sup>a</sup> Subject to the conditions for withdrawal described in paragraph 6 of Schedule 3 of the ADF loan agreement.

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b> <b>(Agriculture and Rural Development Project Additional Financing)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$)</b>	<b>Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	
1	Value Chain Investments <sup>a</sup>	32,950,000	100% of total expenditure
2	Interest and Commitment Charges	2,050,000	100% of amount due
	<b>Total</b>	<b>35,000,000</b>	

<sup>a</sup> Subject to the condition for withdrawal described in paragraph 6 of Schedule 2 of the OCR loan agreement.

## G. Detailed Cost Estimates by Financier

Item	ADB (ADF)		ADB (OCR)		Government		PPEs		TOTAL	
	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Total cost
<b>A. Base Costs<sup>a</sup></b>										
1. Works	234	100.0	0	-	0	-	0	-	234	0.4
2. Equipment and Materials										
(i) Equipment	1,566	100.0	0	-	0	-	0	-	1,566	2.6
(ii) Materials	970	100.0	0	-	0	-	0	-	970	1.6
Subtotal Equipment and Materials	2,536		0		0		0		2,536	
3. Consulting Services	843	100.0	0	-	0	-	0	-	843	1.4
4. Value Chain Investments										
(i) ADB (ADF)-financing	8,300	100.0	0	-	0	-	0	-	8,300	13.6
(ii) ADB (OCR)-financing	0	-	32,950	100.0	0	-	0	-	32,950	54.0
(iii) PPE-financing	0	-	0	-	0	-	10,000	100.0	10,000	16.4
Subtotal Value Chain Investment Loans	8,300		32,950		0		10,000		51,250	
5. Training										
(i) Training for VCI	145	100.0	0	-	0	-	0	-	145	0.2
(ii) Training for herders	327	100.0	0	-	0	-	0	-	327	0.5
(iii) Training for enterprises	378	100.0	0	-	0	-	0	-	378	0.6
(iv) Training on brand development	55	100.0	0	-	0	-	0	-	55	0.1
(v) Training for EAs and PMUs	168	100.0	0	-	0	-	0	-	168	0.3
Subtotal Training	1,072		0		0		0		1,072	
6. Marketing and Brand Development	502	100.0	0	-	0	-	0	-	502	0.8
7. Project Management										
(i) ADB (ADF)-financing	768	100.0	0	-	0	-	0	-	768	1.3
(ii) Government-financing	0	-	0	-	330	100.0	0	-	330	0.5
Subtotal Project Management	768		0		330		0		1,098	
<b>Total Base Costs (A)</b>	<b>14,256</b>	<b>24.8</b>	<b>32,950</b>	<b>57.3</b>	<b>330</b>	<b>0.6</b>	<b>10,000</b>	<b>17.4</b>	<b>57,536</b>	<b>94.3</b>
<b>B. Contingencies<sup>b</sup></b>										
1. Physical Contingency	0	-	0	-	277	100.0	0	-	277	0.5
2. Price Contingency	0	-	0	-	393	100.0	0	-	393	0.6
<b>Total Contingencies (B)</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>670</b>	<b>100.0</b>	<b>0</b>	<b>-</b>	<b>670</b>	<b>1.1</b>
<b>C. Financing Charges during Implementation<sup>c</sup></b>										
1. Interest for ADF Loan	744	100.0	0	-	0	-	0	-	744	1.2
2. Interest for OCR Loan	0	-	1,944	100.0	0	-	0	-	1,944	3.2
3. Commitment Charges for OCR Loan	0	-	106	100.0	0	-	0	-	106	0.2
<b>Total Financing Charges (C)</b>	<b>744</b>	<b>26.6</b>	<b>2,050</b>	<b>73.4</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>2,794</b>	<b>4.6</b>
<b>Total Project Cost (A+B+C)</b>	<b>15,000</b>	<b>24.6</b>	<b>35,000</b>	<b>57.4</b>	<b>1,000</b>	<b>1.6</b>	<b>10,000</b>	<b>16.4</b>	<b>61,000</b>	<b>100.0</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> In mid-2015 prices as at 16 March 2015.

<sup>b</sup> Physical contingencies computed at 5% for all expenditure categories except value chain investments and consulting services. Price contingencies computed for all expenditure categories except value chain investments at 1.5% for 2016, 1.4% for 2017, and 1.5% for the years 2018–2020 on foreign exchange costs; and 9.0% for 2016, 8.5% for 2017, and 8.0% for the years 2018–2020 on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>c</sup> Includes interest and commitment charges. Interests during construction have been computed for (i) ADB's Asian Development Fund loan at 2.0% per annum during the implementation period, and (ii) ADB's OCR loan at the 5-year US dollars (USD) fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for an OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

## H. Detailed Cost Estimates by Outputs

Items	1. Value chain investments financed		2. Production capacity of herders and farmers improved		3. Enterprises' marketing and technical capacity improved		4. Mongolian product brand developed		Project management		Total Amount (\$ '000)
	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Base Cost	Amount (\$ '000)	% of Base Cost	
<b>A. Base Costs<sup>a</sup></b>											
1. Works	0	0.0	223	95.2	11	4.8	0	0.0	0	0.0	234
2. Equipment and Materials											
(i) Equipment	0	0.0	705	45.0	827	52.8	0	0.0	35	2.2	1,566
(ii) Materials	0	0.0	970	100.0	0	0.0	0	0.0	0	0.0	970
Subtotal Equipment and Materials	0		1,675		827		0		35		2,536
3. Consulting Services	628	74.5	0	0.0	0	0.0	0	0.0	215	25.5	843
4. Value Chain Investments											
(i) ADB (ADF)-financing	8,300	100.0	0	0.0	0	0.0	0	0.0	0	0.0	8,300
(ii) ADB (OCR)-financing	32,950	100.0	0	0.0	0	0.0	0	0.0	0	0.0	32,950
(iii) PPE-financing	10,000	100.0	0	0.0	0	0.0	0	0.0	0	0.0	10,000
Subtotal Value Chain Investment Loans	51,250		0		0		0		0		51,250
5. Training											
(i) Training for VCI	145	100.0	0	0.0	0	0.0	0	0.0	0	0.0	145
(ii) Training for herders	0	0.0	327	100.0	0	0.0	0	0.0	0	0.0	327
(iii) Training for enterprises	0	0.0	0	0.0	378	100.0	0	0.0	0	0.0	378
(iv) Training on brand development	0	0.0	0	0.0	0	0.0	55	100.0	0	0.0	55
(v) Training for EAs and PMUs	0	0.0	0	0.0	0	0.0	0	0.0	168	100.0	168
Subtotal Training	145		327		378		55		168		1,072
6. Marketing and Brand Development	0	0.0	0	0.0	0	0.0	502	100.0	0	0.0	502
7. Project Management											
(i) ADB (ADF)-financing	0	0.0	0	0.0	0	0.0	0	0.0	768	100.0	768
(ii) Government-financing	0	0.0	0	0.0	0	0.0	0	0.0	330	100.0	330
Subtotal Project Management	0		0		0		0		1,098		1,098
<b>Total Base Costs (A)</b>	<b>52,023</b>	<b>90.4</b>	<b>2,225</b>	<b>3.9</b>	<b>1,216</b>	<b>2.1</b>	<b>557</b>	<b>1.0</b>	<b>1,515</b>	<b>2.6</b>	<b>57,536</b>
<b>B. Contingencies<sup>b</sup></b>											
1. Physical Contingency	7	2.4	107	38.7	60	21.7	28	10.0	76	27.3	277
2. Price Contingency	26	6.6	107	27.4	74	18.8	45	11.5	140	35.7	393
<b>Total Contingencies (B)</b>	<b>33</b>	<b>4.9</b>	<b>215</b>	<b>32.1</b>	<b>134</b>	<b>20.0</b>	<b>73</b>	<b>10.8</b>	<b>216</b>	<b>32.2</b>	<b>670</b>
<b>C. Financing Charges During Implementation<sup>c</sup></b>											
1. Interest for ADF Loan	744	100.0	0	0.0	0	0.0	0	0.0	0	0.0	744
2. Interest for OCR Loan	1,944	100.0	0	0.0	0	0.0	0	0.0	0	0.0	1,944
3. Commitment Charges for OCR Loan	106	100.0	0	0.0	0	0.0	0	0.0	0	0.0	106
<b>Total Financing Charges (C)</b>	<b>2,794</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>2,794</b>
<b>Total Project Cost (A+B+C)</b>	<b>54,850</b>	<b>89.9</b>	<b>2,440</b>	<b>4.0</b>	<b>1,350</b>	<b>2.2</b>	<b>630</b>	<b>1.0</b>	<b>1,731</b>	<b>2.8</b>	<b>61,000</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> In mid-2015 prices as at 16 March 2015.

<sup>b</sup> Physical contingencies computed at 5% for all expenditure categories except value chain investments and consulting services. Price contingencies computed for all expenditure categories except value chain investments at 1.5% for 2016, 1.4% for 2017, and 1.5% for the years 2018–2020 on foreign exchange costs; and 9.0% for 2016, 8.5% for 2017, and 8.0% for the years 2018–2020 on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>c</sup> Includes interest and commitment charges. Interests during construction have been computed for (i) ADB's Asian Development Fund loan at 2.0% per annum during the implementation period, and (ii) ADB's OCR loan at the 5-year US dollars (USD) fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for an OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

## I. Detailed Cost Estimates by Year

Item	2016	2017	2018	2019	2020	Total Cost
<b>A. Base Costs<sup>a</sup></b>						
1. Works	0	234	0	0	0	234
2. Equipment and Materials						
(i) Equipment	35	1,294	237	0	0	1,566
(ii) Materials	0	912	58	0	0	970
Subtotal Equipment and Materials	35	2,207	295	0	0	2,536
3. Consulting Services	168	172	172	172	159	843
4. Value Chain Investments						
(i) ADB (ADF)-financing	84	504	1,250	3,814	2,648	8,300
(ii) ADB (OCR)-financing	1,648	9,885	11,533	9,885	0	32,950
(iii) PPE-financing	420	2,518	3,099	3,321	642	10,000
Subtotal Value Chain Investment Loans	2,151	12,907	15,881	17,020	3,290	51,250
5. Training						
(i) Training for VCI	33	73	40	0	0	145
(ii) Training for herders	11	117	127	73	0	327
(iii) Training for enterprises	0	210	108	61	0	378
(iv) Training on brand development	0	11	22	22	0	55
(v) Training for EAs and PMUs	0	56	56	56	0	168
Subtotal Training	44	466	352	211	0	1,072
6. Marketing and Brand Development	0	164	205	134	0	502
7. Project Management						
(i) ADB (ADF)-financing	140	157	157	157	157	768
(ii) Government-financing	66	66	66	66	66	330
Subtotal Project Management	206	223	223	223	223	1,098
<b>Total Base Costs (A)</b>	<b>2,603</b>	<b>16,373</b>	<b>17,127</b>	<b>17,760</b>	<b>3,673</b>	<b>57,536</b>
<b>B. Contingencies<sup>b</sup></b>						
1. Physical Contingency	16	166	53	30	13	277
2. Price Contingency	42	172	85	58	35	393
<b>Total Contingencies (B)</b>	<b>58</b>	<b>338</b>	<b>138</b>	<b>88</b>	<b>48</b>	<b>670</b>
<b>C. Financing Charges During Implementation<sup>c</sup></b>						
1. Interest for ADF Loan	9	87	136	226	285	744
2. Interest for OCR Loan	32	226	451	590	645	1,944
3. Commitment Charges for OCR Loan	50	35	18	3	-	106
<b>Total Financing Charges (C)</b>	<b>92</b>	<b>348</b>	<b>605</b>	<b>819</b>	<b>930</b>	<b>2,794</b>
<b>Total Project Cost (A+B+C)</b>	<b>2,753</b>	<b>17,059</b>	<b>17,871</b>	<b>18,667</b>	<b>4,650</b>	<b>61,000</b>
<b>% Total Project Cost</b>	<b>4.5%</b>	<b>28.0%</b>	<b>29.3%</b>	<b>30.6%</b>	<b>7.6%</b>	<b>100.0%</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> In mid-2015 prices as at 16 March 2015.

<sup>b</sup> Physical contingencies computed at 5% for all expenditure categories except value chain investments and consulting services. Price contingencies computed for all expenditure categories except value chain investments at 1.5% for 2016, 1.4% for 2017, and 1.5% for the years 2018–2020 on foreign exchange costs; and 9.0% for 2016, 8.5% for 2017, and 8.0% for the years 2018–2020 on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>c</sup> Includes interest and commitment charges. Interests during construction have been computed for (i) ADB's Asian Development Fund loan at 2.0% per annum during the implementation period, and (ii) ADB's OCR loan at the 5-year US dollars (USD) fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for an OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.



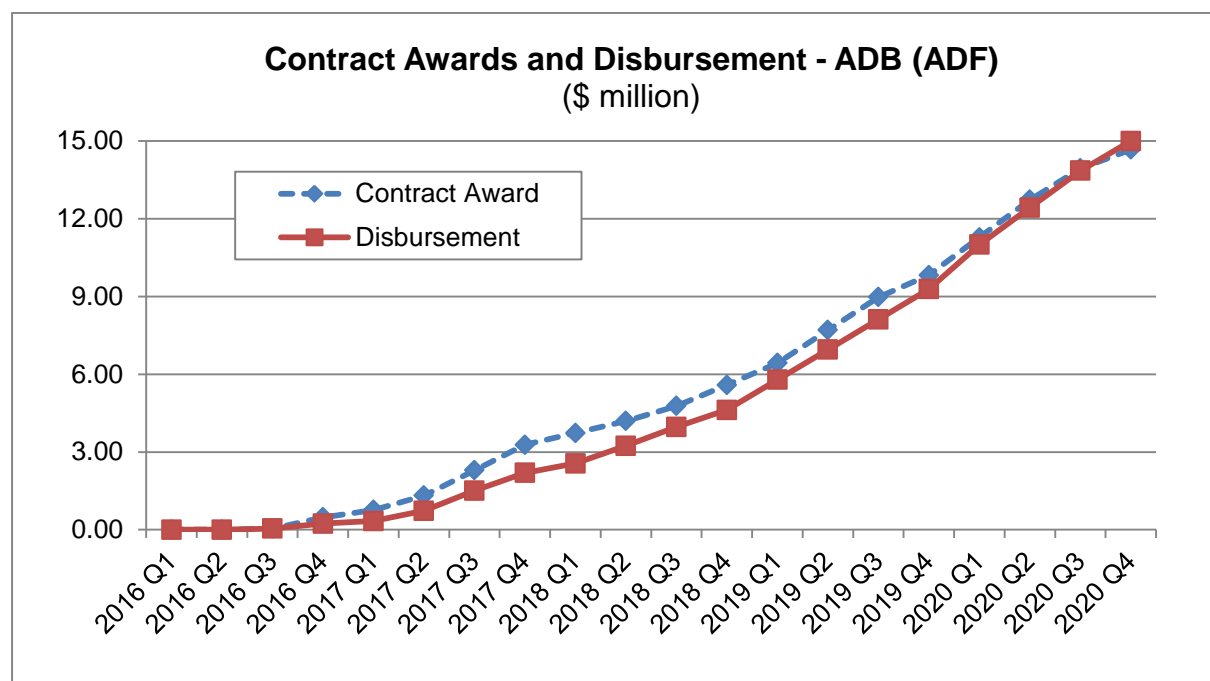
## J. Contract and Disbursement S-curve

21. The projected contract awards and disbursements under the ADF loan and the OCR loan for the project and the corresponding S-curves are presented below.

### Schedule of Disbursement and Contract Awards (ADF)

Years	Contract Awards (\$ million)					Disbursement (\$ million)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2016	0.00	0.00	0.05	0.43	0.48	0.00	0.00	0.05	0.19	0.24
2017	0.28	0.56	0.98	0.98	2.79	0.10	0.39	0.78	0.68	1.96
2018	0.46	0.46	0.58	0.81	2.31	0.36	0.68	0.73	0.65	2.43
2019	0.85	1.27	1.27	0.85	4.24	1.17	1.17	1.17	1.17	4.67
2020	1.45	1.45	1.21	0.73	4.84	1.71	1.43	1.43	1.14	5.71
<b>Total</b>					<b>14.67</b>					<b>15.00</b>

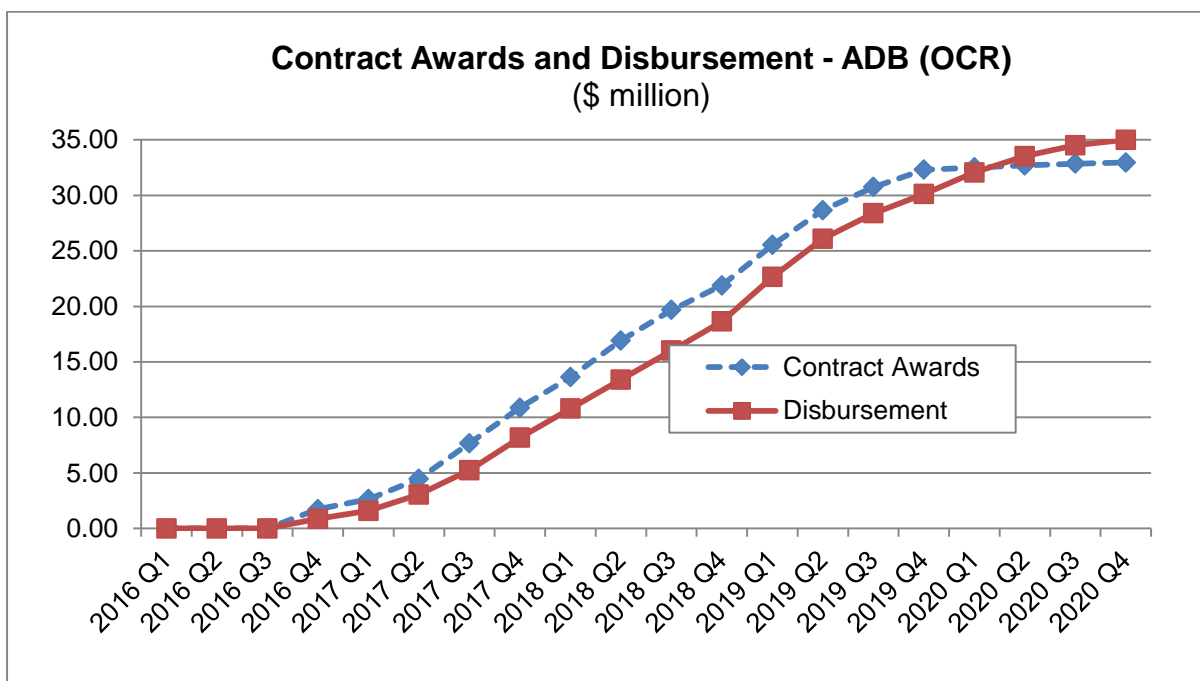
### S-curve



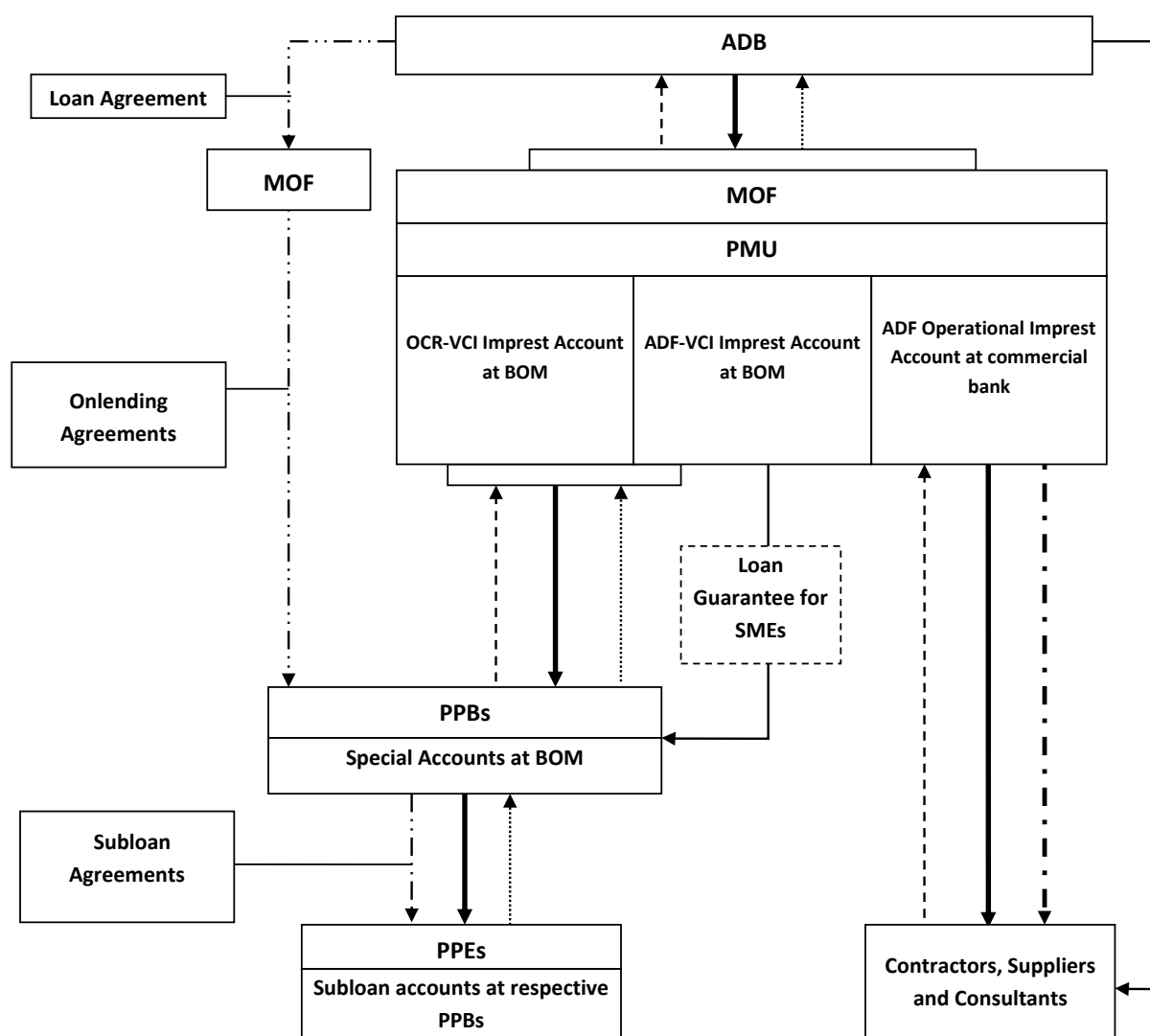
### Schedule of Disbursement and Contract Awards (OCR)

Years	Contract awards (\$ million)					Disbursement (\$ million)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2016	0.00	0.00	0.00	1.73	1.73	0.00	0.00	0.00	0.86	0.86
2017	0.91	1.83	3.20	3.20	9.15	0.73	1.46	2.19	2.93	7.32
2018	2.75	3.30	2.75	2.20	11.00	2.61	2.61	2.61	2.61	10.45
2019	3.65	3.13	2.09	1.56	10.43	4.01	3.44	2.29	1.72	11.47
2020	0.19	0.19	0.16	0.10	0.64	1.96	1.47	0.98	0.49	4.90
<b>Total</b>					<b>32.95</b>					<b>35.00</b>

### S-curve



## K. Fund Flow Diagram



## V. FINANCIAL MANAGEMENT

### A. Financial Management Assessment

22. Financial management assessment (FMA) was conducted in March 2015 in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects and the Financial Due Diligence: a Methodology Note. The FMA considered the capacity of the executing and implementing agencies, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements. Based on the assessment the key financial management

risks identified are limited staffing in the executing and implementing agencies. It is concluded that the overall pre-mitigation financial management risk of the executing and implementing agencies is low.<sup>25</sup>

## B. Disbursement

### 1. Disbursement Arrangements for ADB

23. The ADF and OCR loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time),<sup>26</sup> and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available at: [http://wpqr4.adb.org/disbursement\\_elearning](http://wpqr4.adb.org/disbursement_elearning). Concerned government officials of the executing and implementing agencies and PMU staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

24. **Imprest fund procedure.** MOF will establish immediately after effectiveness three project imprest accounts: one for ADF loan proceeds designated for all expenditure categories except VCI (ADF operational imprest account), another for ADF loan proceeds designated for VCI (ADF-VCI imprest account), and the other for OCR loan proceeds designated for VCI (OCR-VCI imprest accounts). The ADF operational imprest account will be established at a commercial bank. The ADF-VCI imprest account and OCR-VCI imprest account will be established at the Bank of Mongolia (BOM). The currency of all the imprest accounts is in the US dollar. The imprest accounts are to be used exclusively for ADB's share of eligible expenditures. MOF may request initial and additional advances from ADB based on its estimate of ADB's share of eligible project expenditures for the forthcoming 6 months which are to be paid through the imprest account.<sup>27</sup> MOF who established the imprest accounts in its name is accountable and responsible for proper use of advances to the imprest accounts. The PMU will manage advances to the imprest accounts on behalf of MOF.

25. After eligible expenditures are incurred and paid from the imprest accounts, the borrower requests liquidation and replenishment of the imprest accounts by submitting a withdrawal application<sup>28</sup> and summary sheet<sup>29</sup> if full documentation is required, or statement of expenditures (SOE)<sup>30</sup> if SOE procedure is approved. The corresponding bank statement and the imprest account reconciliation statement<sup>31</sup> are also required to be submitted with the withdrawal application. The withdrawal application must be prepared in the currency of the imprest accounts.

26. The total outstanding advance to each imprest account should not exceed the estimate of ADB's share of expenditures to be paid through the imprest account for the

<sup>25</sup> A financial management action plan was not prepared based on the financial management assessment, which affirmed the adequate capacity and implementation arrangements for financial management. The implementation arrangements of the current project will continue for the additional financing.

<sup>26</sup> ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) : <http://www.adb.org/documents/loan-disbursement-handbook>.

<sup>27</sup> The relevant form is available in Appendix 10B of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

<sup>28</sup> The relevant form is available in Appendix 10A of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

<sup>29</sup> The relevant form is available in Appendix 7B of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

<sup>30</sup> The relevant forms are available in Appendix 9B and 9C of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

<sup>31</sup> The relevant form is available in Appendix 10C of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

forthcoming 6 months. The executing agency may request for initial and additional advances to each imprest account based on an estimate of expenditure sheet<sup>32</sup> setting out the estimated expenditures to be financed through the imprest account for the forthcoming six months. Supporting documents should be submitted to ADB or retained by the executing and implementing agencies in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) when liquidating or replenishing respective imprest accounts.

27. **Statement of expenditure (SOE) procedure.** The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the imprest accounts. The ceiling of the SOE procedure is the equivalent of \$500,000 per individual payment. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit. Reimbursement and liquidation of individual payments in excess of the SOE ceiling should be supported by full documentation when submitting the withdrawal application to ADB.

28. The minimum value per withdrawal application is \$100,000 equivalent. Individual payments below this amount should be paid by the executing agency and subsequently claimed from ADB (i) through reimbursement; or (ii) from the imprest account, unless otherwise accepted by ADB.

29. Before the submission of the first withdrawal application for each loan, MOF should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications, together with the authenticated specimen signatures of each authorized person.

30. **VCI subloan disbursement.** MOF will decide on use of loan proceeds for VCI from either ADF or OCR when MOF requests ADB for disbursement based on LIBOR interest rate of the time. Each PPB will establish a special account at BOM exclusively to receive VCI funds from ADF-VCI and OCR-VCI imprest accounts. Prior to disbursement of loan proceeds for VCI from ADB's loan accounts to OCR- and ADF-VCI imprest accounts, (i) MOF and a PPB will enter into an onlending agreement, which will include terms and conditions of the government's onlending to the PPB and should be in line with the loan agreements and satisfactory to ADB; and (ii) ADB will have received a satisfactory legal opinion stating that the onlending agreement has been duly authorized by or ratified by, and executed and delivered on behalf of the government and the PPB, and is legally binding on the government and the PPB in accordance with its terms (conditions for withdrawal). Foreign exchange risk will be shouldered by the government or PPBs, which will be specified in the onlending agreements.

## 2. Disbursement Arrangements for Counterpart Fund

31. GOM will only finance office rent and contingencies. GOM will directly pay the office rent to the lessor and contractors for contingencies. The GOM includes the counterpart fund for the additional financing into their annual budget.

### C. Accounting

32. The PMU, on behalf of the executing agency, will (i) maintain, or cause to be maintained, separate accounts and records by funding source for all expenditures incurred on the project following accounting principles acceptable to ADB; and (ii) prepare

<sup>32</sup> The relevant form is available in Appendix 10B of ADB's *Loan Disbursement Handbook* (2015, as amended from time to time).

consolidated financial statements of project accounts annually in accordance with GOM's accounting laws and regulations which are consistent with international accounting principles and practices.

33. The executing agency will cause each PPB to (i) maintain the special account and other separate accounts and records for all loan proceeds for VCI subloans following accounting principles acceptable to ADB, and (ii) will prepare and submit to the executing agency a statement of utilization of funds for VCI subloans semi-annually in accordance with GOM's accounting laws and regulations which are consistent with international accounting principles and practices. Each PPE, VCI subloan recipient, will be required to maintain subloan account(s) according to the national standards for accounting acceptable to MOF.

#### **D. Auditing and Public Disclosure**

34. The PMU, on behalf of the executing agency, will cause the detailed consolidated financial statements, including the statement of utilization of funds for VCI subloans prepared by each PPB, to be audited in accordance with International Standards on Auditing or equivalent national standards, by an independent auditor acceptable to ADB. The audited project financial statements together with the auditor's opinion will be submitted in English language to ADB within six months of the end of the fiscal year by the executing agency.

35. The audit report for the project financial statements will include a management letter and auditor's 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 standards; (ii) whether the proceeds of the loans were used only for the purpose(s) of the project; (iii) the level of compliance for each financial covenant contained in the loan agreements for the project, (iv) use of the imprest fund procedure, and (v) the use of the SOE procedures, and proper use of the SOE and imprest procedures in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) and the project documents.

36. Each PPB will cause the statement of utilization of funds for VCI subloans to be audited in accordance with International Standards on Auditing or equivalent national standards, by an independent auditor acceptable to ADB. The audited statement of utilization of funds for VCI subloans will be submitted in English language to ADB through MOF within 6 months of the end of the fiscal year by each PPB.

37. The annual audit report for the statement of utilization of funds will include a management letter and auditor's opinions which cover (i) whether the statement of utilization of funds present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting standards; (ii) whether the concerned proceeds of the loans were used only for VCI subloans under the project; and (iii) the level of compliance for each financial covenant contained in the loan agreements and onlending agreement for the project.

38. Each PPB will submit audited entity-level financial statements in English language annually to ADB through MOF within 6 months of the end of the fiscal year after signing of onlending agreement for the project.

39. Each PPB will cause each of the concerned PPE(s) to submit through PPB to MOF annual financial statements, certified by independent auditors whose qualifications, experience, and terms of reference acceptable to MOF in accordance with national standards for auditing within 18 months of the first disbursement to each PPE.

40. 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.

41. The government and executing and implementing agencies have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>33</sup> 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 policies and procedures.

42. Public disclosure of the audited project financial statements, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy (2011).<sup>34</sup> After review, ADB will disclose the audited financial statements for the project and the opinion of the auditors on the financial statements no later than 14 days of ADB's confirmation of their acceptability by posting them on the ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>35</sup>

## **VI. PROCUREMENT AND CONSULTING SERVICES**

### **A. Procurement of Goods, Works, and Consulting Services**

43. All procurement financed from ADB loan will be carried out in accordance with ADB's Procurement Guidelines (2015, as amended from time to time).<sup>36</sup> Contracts for civil works valued at \$100,000 or less than \$5,000,000; and contracts for goods and related services valued at \$100,000 or less than \$2,000,000 will be procured through national competitive bidding procedures (NCB). The NCB will be undertaken in accordance with standard government procedures subject to modifications agreed with ADB. Contract packages for civil works and goods valued less than \$100,000 will be awarded through shopping procedure. Relevant sections of ADB's Anticorruption Policy (1998, as amended to date) will be included in all procurement documents and contracts). Any tendered equipment packages will include the necessary technical support to ensure proper installation, testing, commissioning, and training of operational staff as part of the related contracts. The selection and engagement of contractors for works, goods, and/or consulting services to be financed by ADB loan will be subject to ADB approval.

44. A procurement plan indicating the thresholds and review procedures; contract packages for goods, works, and consulting services; and NCB procedures are provided in

<sup>33</sup> 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 6 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.

(a) 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 6 months.

(b) When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

<sup>34</sup> Available at: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

<sup>35</sup> This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. paras. 97(iv) and/or 97(v).

<sup>36</sup> <http://www.adb.org/documents/procurement-guidelines>

section B below. Any necessary modifications or clarifications to the recipient procurement procedures will be documented in the procurement plan. The relevant sections of ADB's Anticorruption Policy (1998, as amended to date) will be included in all documents and contracts relating to procurement. Before the start of any procurement, ADB and the executing and implementing agencies will review GOM's public procurement laws to ensure consistency with ADB's Procurement Guidelines.

45. For procurement of goods and works by the PPEs, where applicable, will be encouraged to follow ADB's Procurement Guidelines (2015, as amended from time to time); and undertake procurement in accordance with established commercial practices acceptable to the government and ADB. To be acceptable, the PPEs will (i) demonstrate that procedures are appropriate in the circumstances; (ii) ensure that goods and services financed using project funds are purchased with consideration to economy and efficiency at a reasonable price, given time of delivery, quality, and efficiency; and (iii) ensure that goods and services to be financed by project funds are procured from ADB member countries. The PPEs will be encouraged to procure goods through international and/or national competitive bidding and shopping, where applicable in the interest of economy and efficiency.

46. The PMU will oversee procurement by the PPEs. In case of noncompliance, the government will have the right to recall the VCI subloan from the violating PPE. The PMU staff gained adequate experience in carrying out procurement activities undertaken under the current project.

47. The project is expected to require 382 person-months of seven national consultant inputs for project implementation. The executing agency will continue to engage six consultants selected through individual consultant selection method under the current project and recruit another consultant all to be financed by ADB following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The extension of those six consultants should be justified as their tasks represent a natural continuation of previous work carried out under the current project, and the built capacity of those consultants is needed for continuation of the smooth project implementation without lapse. The consultants' terms of reference are in Appendix 3.

## B. PROCUREMENT PLAN

### Basic Data

<b>Project Name:</b> Additional Financing of Agriculture and Rural Development Project	
<b>Project Number:</b> 39229-033	<b>Approval Number:</b>
<b>Country:</b> Mongolia	<b>Executing Agency:</b> Ministry of Finance
<b>Project Procurement Classification:</b> B	<b>Implementing Agency:</b> Ministry of Food and Agriculture, Ministry of Industry
<b>Procurement Risk:</b>	
<b>Project Financing Amount:</b> US\$ 61,000,000 <b>ADB Financing:</b> US\$ 50,000,000 <b>Cofinancing (ADB Administered):</b> <b>Non-ADB Financing:</b> US\$ 11,000,000	<b>Project Closing Date:</b> 31 December 2020
<b>Date of First Procurement Plan:</b> 8 July 2015	<b>Date of this Procurement Plan:</b> 8 July 2015

## A. Methods, Thresholds, Review and 18-Month Procurement Plan

### 1. Procurement and Consulting Methods and Thresholds

48. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.



Procurement of Goods and Works		
Method	Threshold	Comments
National Competitive Bidding for Goods	Between US\$100,000 and US\$1,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Goods	Up to US\$99,999	
National Competitive Bidding for Works	Between US\$100,000 and US\$4,999,999	The first NCB is subject to prior review, thereafter post review.
Shopping for Works	Up to US\$99,999	

Consulting Services	
Method	Comments
Individual Consultants Selection for Individual Consultant	

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

49. The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Procurement Method	Review (Prior/Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
None							

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

50. The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.<sup>37</sup>

Consulting Services								
Package Number	General Description	Estimated Value	Number of Contracts	Recruitment Method	Review (Prior/Post)	Advertisement Date (quarter/year)	Type of Proposal	Comments
C0001	PMU consultants (national consultants)	843,000.00	7	ICS	Prior	Q1 2016		Assignment: National Expertise: Various Comments: PMU national consultants for 382 pm inputs will consist of project director, VCI coordinator, business advisor, financial analyst, environment specialist, social/gender specialist, and legal specialist. Existing contracts for all consultants except business advisor will be extended while a business advisor will be recruited.

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

51. The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

<sup>37</sup> There is only one contract package more than \$1 million under the project. However, it will not take place within the next 18 months as it will require time for selection of target sites and beneficiaries with involvement of consultants, who will be recruited at the inception of the additional financing.

Goods and Works								
Package Number	General Description	Estimated Value	Number of Contracts	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Advertisement Date (quarter/year)	Comments
G0006	Computers and peripherals for executing agency/project management unit	36,383.00	1	SHOPPING	Post		Q2 2016	Comments: Server computer, five units of desktop computers, two units of notebook computers, printer, and a camera.

## B. Indicative List of Packages Required Under the Project

52. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/ Post)	Bidding Procedure	Comments
G0001	Agricultural equipment for herders and cooperatives	735,050.00	4	NCB	Prior	1S1E	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods
	Lot fleshing machine	216,900.00					
	Lot shearing machine	180,750.00					
	Lot drip irrigation system	216,900.00					
	Lot equipment for milking cows	120,500.00					
G0002	Equipment for Clothing Research Center	303,188.00	1	NCB	Post	1S1E	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods
G0003	Air conditioning system (ISO139/ASTM/D1777) for Textile Institute	60,638.00	1	SHOPPING	Post		
G0004	Equipment for Textile Institute	147,834.00	1	NCB	Post	1S1E	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods
G0005	Equipment for Leather Institute	356,306.00	4	NCB	Post	1S1E	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Goods
	Lot laboratory tables	29,106.00					
	Lot chromatography (for liquids)	255,041.00					
	Lot microscope, freezer, microtome freezer, total dissolved solids meter, and biochemical oxygen demand meter	40,142.00					
	Lot experimental drum (D2150)	32,017.00					
G0007	Agricultural tools and materials for herders and cooperatives	1,012,200.00	7	NCB	Post	1S1E	Prequalification of Bidders: N

Goods and Works							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Procurement Method	Review (Prior/Post)	Bidding Procedure	Comments
							Domestic Preference Applicable: N Bidding Document: Goods
	Lot veterinary pharmaceuticals for protecting animal skins	180,750.00					
	Lot antiseptics and other materials for cleaning of waste of skin's primary processing	90,375.00					
	Lot set of instruments for skin primary processors	60,250.00					
	Lot set of instruments for combing goats	192,800.00					
	Lot color mark for sheeps and goats	192,800.00					
	Lot tools and instruments for milking cows	90,375.00					
	Lot bee-farming tools and instruments	204,850.00					
W0001	Building for Skin's primary processing	243,300.00	1	NCB	Prior	1S1E	Prequalification of Bidders: N Domestic Preference Applicable: N Bidding Document: Small Works Comments: Expectedly first procurement of Works, hence prior review is required
W0002	Maintenance of the Textile Institute's laboratory	12,282.00	1	SHOPPING	Post		

Consulting Services							
Package Number	General Description	Estimated Value (cumulative)	Estimated Number of Contracts	Recruitment Method	Review (Prior/Post)	Type of Proposal	Comments
None							

### C. National Competitive Bidding

53. 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, 16 July 2009 and 1 December 2011 (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: (i) are legally and financially autonomous; (ii) operate under the principles of commercial law; and (iii) 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: (i) a bank guarantee; or (ii) 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](http://www.e-procurement.mn)) identifying the bid and lot numbers and providing information on the: (i) name of each bidder that submitted a bid; (ii) bid prices as read out at bid opening; (iii) names of bidders whose bids were rejected and the reasons for their rejection; and (iv) 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.

## VII. SAFEGUARDS

54. **Environment. (General assessment procedures).** The project is categorized as B for environmental safeguards. An environmental assessment review framework (EARF) was prepared to describe the process and steps that will be followed for the subprojects that have not yet been identified. The EARF (i) describes the project and its components; (ii) explains the general anticipated environmental impacts of the subprojects to be financed under the proposed project; (iii) specifies the requirements that will be followed related to screening and categorization of subprojects, assessment, and planning, including meaningful consultation with affected people and other stakeholders and information disclosure requirements; and (iv) specifies the environmental safeguard criteria that are to be used in selecting and/or rejecting subprojects, etc. The preparation of environmental assessment documents shall follow the procedures outlined in the EARF. The environmental assessment reports to be prepared for subprojects shall be officially endorsed by the executing and implementing agencies and submitted to ADB for final clearance.

55. **Consultation and public disclosure.** In accordance with ADB's SPS (2009), the PPE will conduct consultations with affected people and other concerned stakeholders, including civil society, and facilitate their informed participation. The consultation process shall also be used to introduce and discuss the project grievance redress mechanism (GRM). Following ADB's guidelines, at least one public consultation is required for category B projects during initial environmental examination (IEE) preparation. The IEE shall document details of the public consultation by providing details of the environmental issues and concerns raised by stakeholders and by indicating how these will be addressed in the project design and mitigation measures. Proofs of consultations such as attendance sheets, minutes of meetings and pictures shall be included in the documentation. A template of the consultation record is provided in the EARF.

56. The PMU and the PPEs are responsible for ensuring that all environmental assessment documents and environmental monitoring reports are properly and systematically kept as part of the project record. The PPE shall make these documents available in a form, language, and at a location in which they can be easily accessed by all stakeholders including affected people. In addition, according to ADB requirements (for category B projects), the IEE reports to be prepared and submitted by the PMU and environmental progress reports submitted by the PMU on annual basis shall be posted on ADB's website.

57. **Grievance redress mechanism.** The PMU and the PPEs shall establish and maintain a mechanism to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the project's performance, with emphasis on environmental impacts and social dimensions. The GRM will address affected people's concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected people at no costs and without retribution. The GRM will not impede access to Mongolia's judicial or administrative remedies. The GRM will be introduced during consultation with community and made publicly available and accessible to the affected people prior and during to project implementation.

58. **Institutional arrangements and responsibilities.** A PMU, on behalf of the executing and implementing agencies, will be established to oversee all the work, and have the final responsibility for the compliance with the project safeguard documents. The PMU will be staffed with a national environment safeguard specialist. A national environment specialist and/or consultant's contract will be extended for the additional financing to carry out initial environmental assessment, oversee compliance with Government of Mongolia, and ADB environment requirements. The term of reference of this consultant is included in the

EARF. The responsibilities of the PMU in carrying out the EARF provisions for subprojects are as follows: (i) classify subproject by completing rapid environmental assessment using approved REA checklists and submitting them to ADB for approval of the environment category; (ii) conduct environmental assessment and prepare IEE report in compliance with the requirements of National legislation and ADB's SPS (2009); (iii) ensure that PPE holds meaningful consultation with affected people and other stakeholders in accordance with ADB's SPS (2009); (iv) organize training programs; (v) ensure that PPEs develop EMP and submit their implementation reports to applicable agencies in timely manner; (vi) ensuring that PPE implemented environmental monitoring in accordance with the approved EMP; and (vii) conduct monitoring of subprojects environmental performance and report to ADB on an annual basis that describe progress with implementation of the EMP and compliance issues and corrective actions, if any.

59. The PPEs will be responsible for development, implementation, monitoring, and reporting of the subproject. The PPE shall establish a project implementing team which includes a person in charge of environmental, safety, and health issues of the enterprise. During the implementation of the current project, it showed that the PPEs lacked expertise and capacities to ensure adequate environmental management of the projects. There is a need for institutional strengthening, environmental management, and capacity development of PPEs. The PMU will organize capacity development trainings for the PPEs with assistance from professional agencies to ensure effective project implementation of subprojects. A training program will be defined for PPEs to meet the capacity development needs.

60. The Ministry of Environment, Green Development and Tourism (MEGDT) or local government body will be responsible to conduct General Environment Impact Assessment (EIA) in accordance with the Law on Environmental Impact Assessment (1998, revised in 2012); and review and approve detailed EIAs, if relevant. *Aimag* (province) and *soum* (sub-province) governors are responsible for all environmental management at local level. They issue local permits and licenses and deal with natural resource management. Enforcement of regulations is the responsibility of environmental inspectors at the *aimag* level and rangers at the *soum* and *bagh* level. Ulaanbaatar City has environment and green development department and all *aimags* have their own environmental department with six to seven staff. It has the responsibility to conduct the general environmental assessment for local projects and approve them. The environmental department's function is also to supervise the *soum* and *bagh* level rangers and report back to the MEGDT. Local governors have the legal right and responsibility for all environmental actions in their given administrative territory. Therefore, the *aimag* environmental department has a key role to play in conducting (and approving or otherwise) general environmental assessment for local projects.

61. The General Agency for Specialized Inspection is responsible for environmental inspection services nationwide. The Department of the Environment, Tourism, Geology and Mining Inspection is the main supervising focal point for project activity. This department has 16 inspectors at the central level, four to six inspectors at the *aimag* level, and one to two inspectors at the *soum* level. Environmental inspectors of this agency are responsible for environmental monitoring, operational inspections, and information collection.

62. **Resettlement.** The project is categorized as C for involuntary resettlement. Under the ongoing project, about 12 subprojects were screened for land acquisition and all found to qualify for category C. A checklist for screening for involuntary resettlement is available in Appendix 6. The new subprojects are not known at this stage and will be screened by the PMU and checked by EARD prior to subproject implementation. Construction activities under the project will take place on company-owned land. Additional land, if needed by companies, will be acquired commercially under willing buyer—willing seller agreements. Procedures are put in place with the project management office to screen proposals for social and economic

impacts, and take measures to avoid displacement, if needed. Land acquisition that would trigger involuntary economic and/or physical displacement, and trigger ADB's safeguards, will not be permitted under the project.<sup>38</sup>

63. **Indigenous peoples.** The project is categorized as C for indigenous peoples. Under the ongoing project, about 12 subprojects were screened for positive or negative impact on ethnic minorities, and all accepted for funding confirmed as category C. The new subprojects are not known at this stage will be screened by the PMU and checked by EARD prior to project implementation. The subprojects will work with herder households as suppliers, and provide job opportunities in processing plants. Given uncertainty, an ethnic minority planning framework (EMPF) has been prepared.

64. The initial screening for impact on ethnic minorities will be conducted by the PPBs with assistance of the project social and gender specialist as part of the subproject preparation for the approval. A checklist for the initial screening is available in Appendix 7. The PMU will screen proposals and establish measures if ethnic minority groups be identified as project beneficiaries or impacted. On the basis of this screening, each subproject will be categorized. If the subproject is categorized as A or B, an ethnic minority development plan (EMDP) will be prepared. If the subproject is category C, it will not require any action in terms of indigenous peoples for this subproject. An EMDP will be prepared as follows:

- (i) Screening of the potential impacts of subproject activities on the ethnic minority;
- (ii) Conduct a field-based social impact assessment (SIA) following guidelines for EMDP outline [See the Annex to the Appendix 3, ADB's SPS, Safeguard Requirement 3 (2009)];
- (iii) Undertake meaningful consultation with the affected ethnic minorities and provide the opportunity to the ethnic minorities to participate in the selection of technically and economically feasible alternatives;
- (iv) Prepare beneficial, mitigation, and capacity development measures based on the SIA results, particularly targeting vulnerable ethnic minorities;
- (v) Establish grievance and redress mechanism for the ethnic minorities;
- (vi) Prepare an appropriate budget and a mechanism for monitoring, reporting, and evaluation of the EMDP; and
- (vii) Prepare and disclose the EMDP, including documentation of the consultation process in accordance to the EMPF and ADB's SPS, Safeguard Requirement 3 (2009).

65. Should the screening of new subprojects result in indigenous peoples category A or B, a satisfactory EMDP will be prepared and submitted to ADB for review and clearance; it will then be posted on ADB website prior the appraisal of the respective project financing requests. The EMDP must comply with ADB's SPS Safeguard Requirement 3 on Indigenous Peoples (June 2009) and approved EMPF.

66. **Prohibited investment activities.** Pursuant to ADB's SPS (2009),<sup>39</sup> ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of ADB's SPS (2009). All financial institutions will ensure that their

<sup>38</sup> A proposed project is classified with respect to involuntary resettlement as (i) category A if it is likely to have significant involuntary resettlement impacts; (ii) category B if it includes involuntary resettlement impacts that are not deemed significant; and (iii) category C for involuntary resettlement if it has no involuntary resettlement impacts. A resettlement plan, including assessment of social impacts, is required for categories A and B whereas no further action is required for category C.

<sup>39</sup> Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>



investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

### **VIII. GENDER AND SOCIAL DIMENSIONS**

67. The overall project will generate 1,800 new jobs, of which 40% will be female workers, at the PPEs and their own supply chains under output 1. The project will also have impact on employment generation among primary product producers and processors in the rural area indirectly through the increased demand due to the increased processing capacity. Poor and socially marginalized households will potentially benefit from these job opportunities, particularly in the PPEs. The overall project will also assist 120 agricultural cooperatives under output 2. Outputs 2 and 3 will include programs to build primary producers' capacity and provide training to PPEs' employees to ensure production efficiency, product quality, and safety. The project is classified effective gender mainstreaming under ADB's project gender classification system. A gender action plan was prepared to ensure that women benefit from the project through training, particularly on skills development; and directly and indirectly generated jobs. The project will continue using its participatory approach to work with nongovernment organizations, herder and farmer groups, representatives of other beneficiaries, and the private sector.

68. Job opportunities are expected to increase and will be made available to women, especially for rural women during project implementation. The current project loaned mainly to PPEs in female-dominated sectors (e.g., cashmere and/or wool and dairy) which expedited the increase in female employment. Although the PMU anticipates an increase in lending to male-dominated sectors (i.e., leather and meat processing) with additional financing, proactive steps will be taken to continue to promote women's employment.

## GENDER ACTION PLAN

Action	Objectives and Monitoring Indicators	Time Frame	Budget and Sources	Responsible Organization	Key Stakeholders
<b>Output 1: Value chain investments (VCI) financed</b>					
1.1. Review VCI proposals and prepare gender analysis for all VCI proposals from the project participating enterprises (PPEs)	Gender analysis included to all approved VCI proposals as part of due diligence.	2016–2020	Included in the project budget	PPEs, project management unit (PMU),	PPEs, PPBs, PMU, herders, farmers, and primary processors
1.2. All criteria for assessing and/or approving VCI proposals include a positive weighting for inclusion of measures to promote gender equality within PPEs and amongst local suppliers/communities	Criteria for assessing and/or approving VCI proposals included (i) enhancement of employment opportunities for women; and (ii) other gender and social benefits such as improved working conditions, occupational safety, increased skills and knowledge improved physical infrastructure at workplaces, etc.	2016–2020			
1.3. Facilitate cross-learning between PPEs to profile good practices on gender performance, through lateral learning visits, development and sharing of case studies.	Good practices on gender performance introduced between PPEs.	2017–2020			PPEs
1.4. Ensure that gender responsive core labor law/standards applied, skills and knowledge to women increased and gender equality in workplaces promoted	Corporate code of social responsibility, internal policy on promoting gender equality and sexual harassment policy are established in all PPEs.	2016–2020	Shall be part of PPEs' VCI proposal	PPEs, PMU supervision and/or general agency for specialized inspection, Research Center for Occupational Health	PMU, PPEs, primary processors
	All internal policies and practices of PPEs are consistent with National legislations and Law on promotion of Gender Equality of Mongolia.				
	Concrete action plan for increased female recruitment and retention into managerial and technical positions developed for all PPEs with less than 40% women in these positions.				
	At least 40% of all trainees of skills upgrade trainings provided by PPEs are women (to employees and local suppliers).				
	Working environment and conditions of all PPEs improved, meeting or exceeding labor and safety standards.				
	Gender-responsive physical facilities, including separate toilet and changing facilities for female and male employees, separate accommodation; and childcare facilities, if applicable.				

Action	Objectives and Monitoring Indicators	Time Frame	Budget and Sources	Responsible Organization	Key Stakeholders
1.5. Ensure the involvement of female trainees in training programs	At least 40% of training participants are women.	2016–2020	Included in the project budget	PMU and PPEs	PPEs, PPBs
1.6 Ensure the provision of new jobs for women under the Output 1 activities within PPEs	At least 40 % of total new jobs created in PPEs provided to women employees.	2016–2020	Included in the project budget	PPEs	PPEs
Output 2: Production capacity of herders and farmers improved					
2.1. Ensure that female herders, farmers and local officials will benefit the project support, including training activities	(i) At least 40% of herders, farmers, and local government officials receiving project support are women; and (ii) At least 40% of training participants are women.	2016–2020	Included in the project budget	implementing agencies, PMU, local governments, local task forces and beneficiaries	Herders, farmers and cooperatives/ primary processors, local government officials
2.2. Ensure the provision of new jobs for women under Output 2 activities	Women access at least 35% of new created jobs.	2016–2020			
Output 3: Enterprises' marketing and technical capacity improved					
3.1. PPE staff receiving marketing and technical trainings	At least 40% of participants are Women.	2016–2020	Included in the project budget	implementing agencies, PPEs, and PMU	PPEs
Project management					
5.1. Establishment of PMU	(i) At least 30% of PMU staff are female; and (ii) Social and gender specialist implements GAP at the institutional level and assists PPEs to improve gender equality and awareness at company level.	2016–2020	Included in the project budget	ADB, executing and implementing agencies, and PMU	PPEs
5.2 Ensure effective GAP implementation by: - Conducting GAP orientation and implementation training for PMU staff, executing and implementing agencies, PPBs, and PPEs at project onset and a periodic basis; - Maintaining a project specific, sex disaggregated database and conduct periodic reviews and consultations on the implementation of the GAP; and - Identifying, collecting, analyzing, and reporting sex-disaggregated data and gender performance indicators for all project activities, where applicable and report annually	(i) Sex-disaggregated data collected and analyzed and reported semi-annually; and (ii) Effective GAP for the project are implemented.	2016–2020	Included in the project budget	PMU and PPEs	ADB, executing and implementing agencies, and PMU

<sup>a</sup> This female: male minimum ratio will be maintained if the total number of task force members change.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Revised Design and Monitoring Framework

<p><b>Impacts the Project is aligned with:</b></p> <p><b>Current project</b> Premium value differentiation for Mongolian products sustained.</p> <p><b>Overall project</b> Competitiveness of agriculture processing industry enhanced Private-sector led employment generated Small- and medium-size enterprises developed (MDG-based Comprehensive National Development Strategy of Mongolia, 2008)<sup>a</sup></p>
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Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<p><b>Outcome</b></p> <p><b>Current project</b> Fifteen Mongolian enterprises have improved quality, premium-value Mongolian agricultural products available in select niche markets, and replicable process developed for brand development and management</p> <p><b>Overall project</b> Value addition on Mongolian agricultural resources increased by PPEs</p>	<p><b>Current project</b> Deliveries of the 15 funded enterprises in partnership with premium-value buyers</p> <p><b>Overall project</b> By Q4 2020, compared with the level before VCI implementation: a. PPEs increase their shares of processed products in total sales by at least 10% (added) b. Export-oriented PPEs increase their export share in total sales by 20% on average (added) c. PPEs generate 1,800 new jobs, of which at least 40% are to be filled by women (added; 2015 baseline: 1,150)</p>	<p>PPEs' VCI implementation and monitoring reports, contracts with raw material producers, and audited and unaudited financial statements through quarterly project progress reports from PMU</p>	<p>Fluctuations in international market prices and the foreign exchange rate adversely affect the sales and exports of PPEs.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<b>Outputs</b>  <b>Output 1</b> <b>Current project</b> Value chains able to deliver unique premium-value products to niche markets  <b>Overall project</b> VCIs financed.	<b>Current project</b> Supply chains of 15 enterprises supported by the project are capable of meeting quality and reliability standards that allow them to deliver products to identified premium-value niche markets by December 2012  <b>Overall project</b> 1a. About 80 VCIs are financed by Q4 2020 (changed; 2015 baseline: 12) 1b. Due diligence of about 80 VCI subprojects is completed by Q3 2020 (added; 2015 baseline: 16) 1c. 800 person-times of PPE staff and 120 person-times of PPB staff are trained on finance, safeguards, gender, and monitoring by Q2 2020, of which at least 40% are women (added; 2015 baseline: 300 and 32)	1a. Signed subloan agreements from PMU  1b. Due diligence documents of the VCI subprojects from PMU  1c. Quarterly project progress reports from PMU	1a.–1b. Economic slump will suppress the PPEs' borrowing capacity and interest in the VCI opportunities.
<b>Output 2</b> <b>Overall project</b> Production capacity of herders and farmers improved (new; defined as a separate output from output 1 of the current project)	<b>Overall project</b> 2a. 120 herder and farmer cooperatives supported by the project increase their outputs by at least 20% by Q4 2020 (added; 2015 baseline: 104) 2b. 5,500 person-times of herders, farmers, primary processors, and relevant technical staff of local governments, of which 40% are women, trained by Q4 2019 (added; 2015 baseline: 4,320)	2a. Cooperative survey  2b. Quarterly project progress reports from PMU	2a. Severe weather hampers production of the cooperatives.
<b>Output 3</b> <b>Overall project</b> Enterprises' marketing and technical capacity improved (new; defined as a separate output from output 2 of the current project)	<b>Overall project</b> 3a. 800 person-times of PPE staff, of which at least 40% are female, are trained on marketing and technical skills by Q4 2020 (added; 2015 baseline: 350) 3b. Technical guidelines for enterprises of animal fiber and leather subsectors are developed by Q4 2019 (added) 3c. Target market analysis for leather subsector is completed by Q4 2019 (added)	3a. Quarterly project progress reports  3b. Quarterly project progress reports 3c. Target market analysis report for leather subsector	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
<b>Output 4</b> <b>Current project</b> Fully defined process and institutional arrangements for collaborative brand development and management developed and demonstrated (output 2 of the current project)  <b>Overall project</b> Mongolian product brand(s) developed (redefined output 2 of the current project)	4a. <b>Current project</b> Framework for brand development is ready by June 2012  <b>Overall project</b> Framework for brand development is ready by Q3 2013 (completed)  4b. <b>Overall project</b> Mongolian animal fiber certification mark is registered with the Mongolian Intellectual Property Office by Q2 2013 (completed)  4c. <b>Overall project</b> Procedures and standards for the Mongolian animal fiber certification mark are developed by Q4 2015 (added)  4d. <b>Overall project</b> Mongolian animal fiber certification mark is registered with intellectual property offices of selected 31 countries by Q4 2015 (completed)  4e. <b>Current project</b> Brand partnership agreements between at least three Mongolian enterprises and international brands by June 2012  <b>Overall project</b> Brand partnership agreements between at least three Mongolian enterprises and international brands by Q4 2020 (changed; 2015 baseline: 0)	4a.–4e. Quarterly project progress reports from PMU	

#### Key Activities with Milestones

##### 1. VCIs financed

- 1.1 Establish the PMU for the VCI component (Q3 2009) (completed).
- 1.2 Finalize the VCI proposals for all enterprises (Q3 2012) (completed).

- 1.3 Complete assessments by the PPBs, finalize lending terms, and set up individual credit lines (Q4 2012) (completed).
- 1.4 Finalize the contractual and procurement arrangements (Q4 2014) (completed).
- 1.5 Complete all VCIs (Q4 2010–Q4 2014) (completed).
- 1.6 Provide the PPEs and the PPBs with advisory services and training on proposal preparation, finance, safeguards, gender, and monitoring (Q1 2016–Q2 2020) (added).
- 1.7 Assist about additional 80 PPEs in preparing the VCI proposals and conduct due diligence for the VCIs (Q2 2016–Q3 2020) (added).
- 1.8 Facilitate conclusion of the VCI subloan agreements between the additional PPEs and PPBs (Q3 2016–Q4 2020) (added).

## **2. Production capacity of herders and farmers improved**

- 2.1 Establish the PMU for the rural infrastructure and service development component (Q3 2009) (completed).
- 2.2 Recruit consultants (Q1 2010) (completed).
- 2.3 Complete all consultative decision processes (Q2 2010) (completed).
- 2.4 Finalize the contractual and procurement arrangements (Q1 2012) (completed).
- 2.5 Complete all rural infrastructure and service development investments (Q3 2012) (completed).
- 2.6 Complete the needs analysis and assessments (Q3 2016–Q1 2017) (added).
- 2.7 Select the cooperatives for capacity development and other assistance (Q4 2016–Q2 2017) (added).
- 2.8 Implement capacity development and other assistance (Q4 2016–Q4 2019) (added).

## **3. Enterprises' marketing and technical capacity improved**

- 3.1 Develop the technical guidelines for enterprises, particularly of animal fiber and leather subsectors (Q3 2012–Q4 2019) (added).
- 3.2 Update technology and techniques for wool and cashmere, leather, and garment technical institutes (Q4 2013–Q4 2019) (added).
- 3.3 Undertake a needs assessment on PPEs' marketing and technical capacity for each project subsector and identify trainee agro-enterprises and cooperatives with value addition opportunities (Q3 2016–Q2 2017) (added).
- 3.4 Develop and implement a marketing and technical training program for selected agro-enterprises and cooperatives of each project subsector (Q1 2017–Q4 2020) (added).
- 3.5 Conduct a target market analysis for the leather subsector (Q1 2018–Q4 2019) (added).

## **4. Mongolian product brand(s) developed**

- 4.1 Establish the PMU for the Technical Assistance for Agricultural Marketing and Brand Development (Q3 2011) (completed).
- 4.2 Develop the Mongolian animal fiber certification mark (hypothetical brand case), (Q1 2012–Q1 2013) (completed).
- 4.3 Register the Mongolian animal fiber certification mark with the Mongolian Intellectual Property Office (Q4 2012–Q3 2013) (completed).
- 4.4 Develop a business plan for brand management agency (Q4 2012–Q1 2013) (completed).
- 4.5 Complete the internal and external surveys (Q3 2013) (completed).
- 4.6 Register the Mongolian animal fiber certification mark with intellectual property offices of selected countries (Q4 2012–Q4 2015) (added).
- 4.7 Develop procedures and standards for the Mongolian animal fiber certification mark (Q1 2013–Q4 2015) (added).
- 4.8 Facilitate the matchmaking between the PPEs and international brands (Q1 2012–Q4 2020) (added).
- 4.9 Support at least three enterprises for partnership using the Mongolian animal fiber certification mark (Q1 2013–Q4 2020) (changed).

## **Project Management Activities**

- Prepare quarterly project progress reports (Q3 2009–Q4 2020) (added).
- Monitor the implementation of output 1 (Q3 2009–Q4 2020) (added).
- Recruit key consultants for outputs 2, 3, and 4 (Q4 2015–Q2 2016) (changed).
- Establish an integrated PMU (Q2 2016) (added).

Make procurement arrangements for outputs 2 and 3 (Q3 2009–Q4 2019) (changed).  
 Conduct capacity development of the project steering committee and the PMU on project management (Q1 2012–Q2 2020) (added).  
 Submit audited annual financial statements (Q1 2011–Q4 2020) (added).  
 Submit annual gender action plan and environment monitoring reports (Q1 2012–Q4 2020) (added).

### Inputs

Asian Development Bank	
Loan	Grant
\$0 (current)	\$14.72 million (ADF, current)
\$35.00 million (OCR, additional)	\$0 (additional)
\$15.00 million (ADF, additional)	
\$50.00 million (overall)	\$14.72 million (overall)

Cofinancier
Technical Assistance Grant
\$2.00 million (JSF, current)
\$2.00 million (JFPR, additional)
\$4.00 million (overall)

Government
\$1.41 million (current)
\$1.00 million (additional)
\$2.41 million (overall)

### Assumptions for Partner Financing

Not applicable.

ADF = Asian Development Fund, JFPR = Japan Fund for Poverty Reduction, JSF = Japan Special Fund, MDG = Millennium Development Goal, OCR = ordinary capital resources, PMU = project management unit, PPB = project participating bank, PPE = project participating enterprise, Q = quarter, VCI = value chain investment.

<sup>a</sup> Government of Mongolia. 2008. *MDGs-Based Comprehensive National Development Strategy of Mongolia*. Ulaanbaatar.

Source: Asian Development Bank.

## B. Monitoring

69. **Project performance monitoring.** Project performance monitoring system (PPMS) has been established and implemented under the current project.<sup>40</sup> The design and monitoring framework (DMF) of the current project is updated based on the revised design and implementation arrangements for the project. Throughout the project implementation, the PPMS, through the project performance report, will continue to assess the likelihood that key milestone dates for activities, outputs, outcome, and impact will be achieved—the impact indirectly by monitoring assumptions and risks. The DMF will be reviewed during the project implementation and, when needed, adjusted to reflect changing circumstances and project environments so that the intended project outcome can be achieved. Following project completion, the project is subject to an assessment of their outcome along with

<sup>40</sup> ADB's PPMS is a coherent and results-based approach to project planning, performance monitoring, and evaluation of results. The PPMS comprises five components: (i) DMF; (ii) project performance report (PPR); (iii) borrower's monitoring and evaluation (at the central, and executing and implementing agencies levels); (iv) project completion report (PCR); and (v) project performance evaluation report (PPER), and where appropriate, impact evaluation studies. The DMF provides the basis upon which the PPMS operates. It does this by establishing quantified, time-bound targets and measurable indicators, and by identifying key risks and assumptions that are used to monitor and evaluate performance in the PPR, PCR, and PPER.



recommendations for enhancing and sustaining the outcome. A project completion report will also include a preliminary assessment of the impact.

70. The PMU will monitor project implementation through reports from project beneficiaries (e.g., PPEs' VCI implementation and monitoring reports, and raw material producer cooperatives' reports), regular communications with the beneficiaries, and periodic site visits. The PMU will gauge progress in subprojects implementation against their respective proposals and, as needed, assist the beneficiaries in taking necessary measures to address any problems arising during the implementation. ADB will continue to monitor project performance in five aspects, e.g., technical, procurement, disbursement, financial management, and safeguards, through the executing agency's quarterly project progress reports, day-to-day communication with the PMU, and ADB review missions.

71. **Compliance monitoring.** The PMU on behalf of the executing agency will continue to monitor compliance with covenants stipulated in the loan agreements. ADB will monitor the compliance status through the executing agency's quarterly project progress reports, day-to-day communication with the PMU, and ADB review missions; and take necessary remedial measures for any noncompliance.

72. For VCI subprojects, the PMU will continue to monitor (i) PPBs' disbursement of VCI subloans and PPEs' repayments of those subloans, and (ii) PPEs' VCI subloan utilization against the respective VCI proposals. Any material deviations in PPEs' subloan fund utilization will, if possible, be reported to PAB and ADB by the PMU. The PMU will continue monitoring PPBs' financial positions through (i) PPEs through annual audited financial statements within 2 years of the first disbursement of VCI subloan to each PPE, and (ii) PPBs through annual audited financial statements, quarterly unaudited financial statements from PPBs, and PPBs quarterly prudential ratio report from BOM. Any major deviations from VCI subloan agreements should be reported to PSC and ADB.

73. **Environmental safeguards monitoring.** During implementation, PPEs will monitor and regularly report on the implementation of environmental requirements and outcomes as part of the overall reporting to the PMU. The PPEs will be required to report any environmental incidents, accidents, complaints, litigation, regulatory notices, or fines in their operation to PMU, PPBs, and MEGDT as soon as possible. Corrective actions will be developed and agreed upon between the PPE and State Specialized Inspection Agency or other applicable agency. This will be referred to the PMU environment specialist and PPB for review and concurrence. The PPBs will report any environmental incidents that it becomes aware of to PMU and a similar procedure initiated. The environment specialist within PMU will be responsible for overseeing and reviewing this monitoring to ensure that it is satisfactorily carried out.

74. **Social safeguards monitoring.** Potential impacts on indigenous peoples and involuntary resettlement (physical and economic displacement) will continue to be screened by the PMU for each subproject. Screening results will be reported to ADB for review and clearance. Projects with involuntary resettlement will not proceed; thus, involuntary resettlement does not need to be monitored. If a subproject requires an EMDP, it will be prepared under the conditions set out in the EMPF and will contain a section on monitoring requirements. These monitoring requirements will be followed up by the PMU separately with assistance from the social development and gender specialist. A set of monitoring indicators will be determined and appropriate monitoring formats will be prepared for internal and external monitoring and reporting requirements. External monitoring will be conducted by the PMU and internal monitoring will be conducted by the PPEs.

75. **Gender and social dimensions monitoring.**<sup>41</sup> The PMU (with assistance from the social and gender specialist) will continue on updating the sex-disaggregated data and information and carrying out annual review and consultations on the social, gender, and participatory aspects of the project. Monitoring and evaluation of the gender action plan (GAP) will be incorporated into reporting of the overall project. The social development and gender specialist will prepare an annual report on GAP and social action plan implementation and progress, and will work closely with PPEs and their supply chain members.

### C. Evaluation

76. Project performance will be regularly monitored and rated through ADB's e-Operations project implementation module. ADB's overall grant implementation rating will be made based on five performance indicators: technical, procurement, disbursement, financial management, and safeguards (see in details in Appendix 3 of PAM). Such rating will be updated every quarter based on executing agency's quarterly project progress reports and/or ADB review missions throughout the project period.

77. ADB will conduct an inception review mission once the additional financing is approved. ADB and the government will jointly undertake reviews of the project at least once a year. The reviews will (i) review overall implementation of the project and update, in consultation with the executing agency, the project implementation schedule; (ii) examine existing and potential implementation problems, and find out measures with the executing agency to resolve them; (iii) review progress in procurement and disbursement; (iv) review the borrower's compliance with particular loan covenants and, where there is any noncompliance or delay, discuss proposed remedial measures with the borrower; and (v) assess the likelihood of attaining the project's outcome.

78. ADB and the government will undertake a midterm review at the middle of the additional financing project period to assess implementation status and take appropriate measures—including modification of scope and implementation arrangements, and reallocation of loan proceeds, as appropriate—to achieve the project's outcomes and impact.

79. A final review mission will take place within the 6 months after physical completion of the project. ADB mission will (i) assess project performance against targets and benchmarks including any revision(s) as agreed during the midterm review; (ii) identify any incomplete activities, or unused project funds; and (iii) determine the project satisfactory rating. Project completion report will be prepared in cooperation with the government (see the report format in Appendix 4). In case the project is selected as a sample of projects for project performance evaluation report, the project will be subject to more detailed performance evaluation and impact assessment about 3 or more years after completion.

### D. Reporting

80. The PMU, on behalf of the executing agency, will continue to provide ADB with (i) quarterly project progress reports in a format consistent with ADB's project performance

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<sup>41</sup> ADB's *Handbook on Social Analysis: A Working Document*, is available at: <http://www.adb.org/Documents/Handbooks/social-analysis/default.asp>, *Staff Guide to Consultation and Participation*: <http://www.adb.org/participation/toolkit-staff-guide.asp>, and, *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>

reporting system, (ii) updated procurement plan, (iii) updated implementation plan for the next 12 months, and (iv) a project completion report<sup>42</sup> within 6 months of physical completion of the project. The completion report will present the government's assessment of the project's effectiveness and will take account of findings of the ADB's final review. To ensure that the project continues to be both viable and sustainable, project accounts and the executing agency audited financial statements, together with the associated auditor's report, should be adequately reviewed.

**81. PPE's environment monitoring reports.** Each PPE shall monitor environmental performance of its subproject during the implementation internally on regular basis and prepare annual environment monitoring report. The report shall present (i) project implementation status; (ii) environmental mitigation measures implemented; (iii) monitoring activities; (iv) analysis of monitoring data against relevant standards; (v) violations of environmental regulations (results of inspection held, etc.); (vi) any additional mitigation measures and corrective actions required; (vii) occupational health and safety reporting (e.g., accidents during construction, etc.); (viii) major events or issues that happened during the reporting period and follow-up actions needed; and (ix) complaints received from the public and how these were resolved through the GRM. These reports will be submitted to the PMU.

**82.** The PMU shall prepare environment monitoring reports on an annual basis. It shall describe progress with implementation of the EMP and compliance issues and corrective actions, if any. The environmental monitoring report should follow the sample outline for a periodic project environmental monitoring report provided in Attachment 6 of the EARF. These environmental monitoring reports will be provided by the PMU to ADB. If monitoring identifies weakness or deficiencies in the implementation of the EMP, the PMU shall require PPE to implement corrective actions.

**83. Gender and social safeguards and dimensions monitoring reporting.**<sup>43</sup> Each PPE shall monitor their performance on gender and social safeguards and dimensions during the implementation internally on regular basis. The PMU (with assistance from the social and gender specialist) will prepare and submit to ADB an annual report on GAP implementation and progress, and will work closely with PPEs and their supply chain members. The PMU will prepare semi-annual monitoring reports on the progress of EMDP implementation, if any.

## **E. Stakeholder Communication Strategy**

**84.** The project will rely on existing donor coordination mechanism in Mongolia to coordinate project development efforts as well as align and harmonize the contributions of the donors. Public disclosure of project documents as well as project activities will be made available through the project website.

**85.** The PMU will work with the executing and implementing agencies to communicate with stakeholders including business associations regarding matters related to the project. Regular dialogues and communication with the PPBs will provide a channel for updating these banks on the overall progress of the project as well as to provide a feedback mechanism for resolving

<sup>42</sup> Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

<sup>43</sup> ADB's *Handbook on Social Analysis: A Working Document*, is available at: <http://www.adb.org/Documents/Handbooks/social-analysis/default.asp>, *Staff Guide to Consultation and Participation*: <http://www.adb.org/participation/toolkit-staff-guide.asp>, and, *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>

issues regarding PPEs' implementation of VCIs. The PPEs, with PMU's assistance, will prepare VCI proposals that include participatory measures and consultations with local communities, labor force, suppliers, herder groups, local government, and other stakeholders.

## **X. ANTICORRUPTION POLICY**

86. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>44</sup> 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 and/or 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.<sup>45</sup>

87. To support these efforts, relevant provisions are included in the loan agreements, and will be included in the bidding documents for the project, particularly for procurements financed by the loan proceeds. These key risks and mitigating measures were discussed and agreed between ADB and the borrower during loan processing as per the Second Governance and Anticorruption Action Plan.

## **XI. ACCOUNTABILITY MECHANISM**

88. 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.<sup>46</sup>

## **XII. RECORD OF PAM CHANGES**

89. All revisions and/or updates during course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

<sup>44</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>45</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

<sup>46</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

## **VALUE CHAIN INVESTMENT SUBPROJECT SELECTION CRITERIA**

1. Priority will be given to value chain investment (VCI) subprojects proposed by agro-enterprises and cooperatives with potential for and commitment to (i) higher value addition by enhancing level of processing towards final products; (ii) export promotion and import substitution; (iii) supply chain development through forward and backward linkages within Mongolia; (iv) employment generation; (vi) environment-friendly production; and (vii) social and gender fairness.

2. There will be two types of criteria for VCI subproject selection: general criteria and subsector-specific criteria for some subsectors. The selection criteria will be applied by project participating banks, which also apply their own methods of assessment, and verified by the project management unit.

### **3. General criteria**

- (i) Public company, limited liability company, or cooperative registered under relevant Mongolian law(s);
- (ii) Business in wool and cashmere, leather, apparel, meat, milk and dairy, sea-buckthorn, or bee-farming subsector;<sup>1</sup>
- (iii) Registered in Mongolia with more than 50% shares held by Mongolians;
- (iv) At least 2 years in operation (except start-up but proven business models and supported by Project participating banks);
- (v) Net profit margin greater than 2.5% based on financial statements of last 3 years, if available, audited ones;
- (vi) Sufficient collateral for proposed VCI subloan amount;<sup>2</sup>
- (vii) Own financing at least 15% of the total VCI subproject cost either in cash or in kind;
- (viii) Estimated financial internal rate of return for the VCI higher than the weighted average cost of capital;
- (ix) Estimated economic internal rate of return for the VCI higher than 12%;
- (x) Confirmed established and reliable source(s) for raw materials;
- (xi) VCI subproject site, if required, acquired or leased through contract between willing buyer and willing seller, substantiated by official land lease contract;
- (xii) Compliance with the domestic environment regulations; and
- (xiii) Compliance with the domestic hygienic and food safety standards substantiated with certification by the Professional Inspection Agency.

### **4. Sector-specific criteria**

#### **a) Cashmere and wool product manufacturer**

- (i) For any business in yarn production and knitting segments;
- (ii) For business in weaving segments if proposed VCI is oriented for export;
- (iii) For business in carding and scouring segments if (a) it has a track record of export in the past 3 years for collaboration with recognized international

<sup>1</sup> Other subsectors in agriculture or agro-processing sectors may be added based on the project steering committee's approval and subsequent ADB's endorsement.

<sup>2</sup> Loan guarantee will be available for small and medium enterprises applying for VCI subloan amount not exceeding \$600,000.

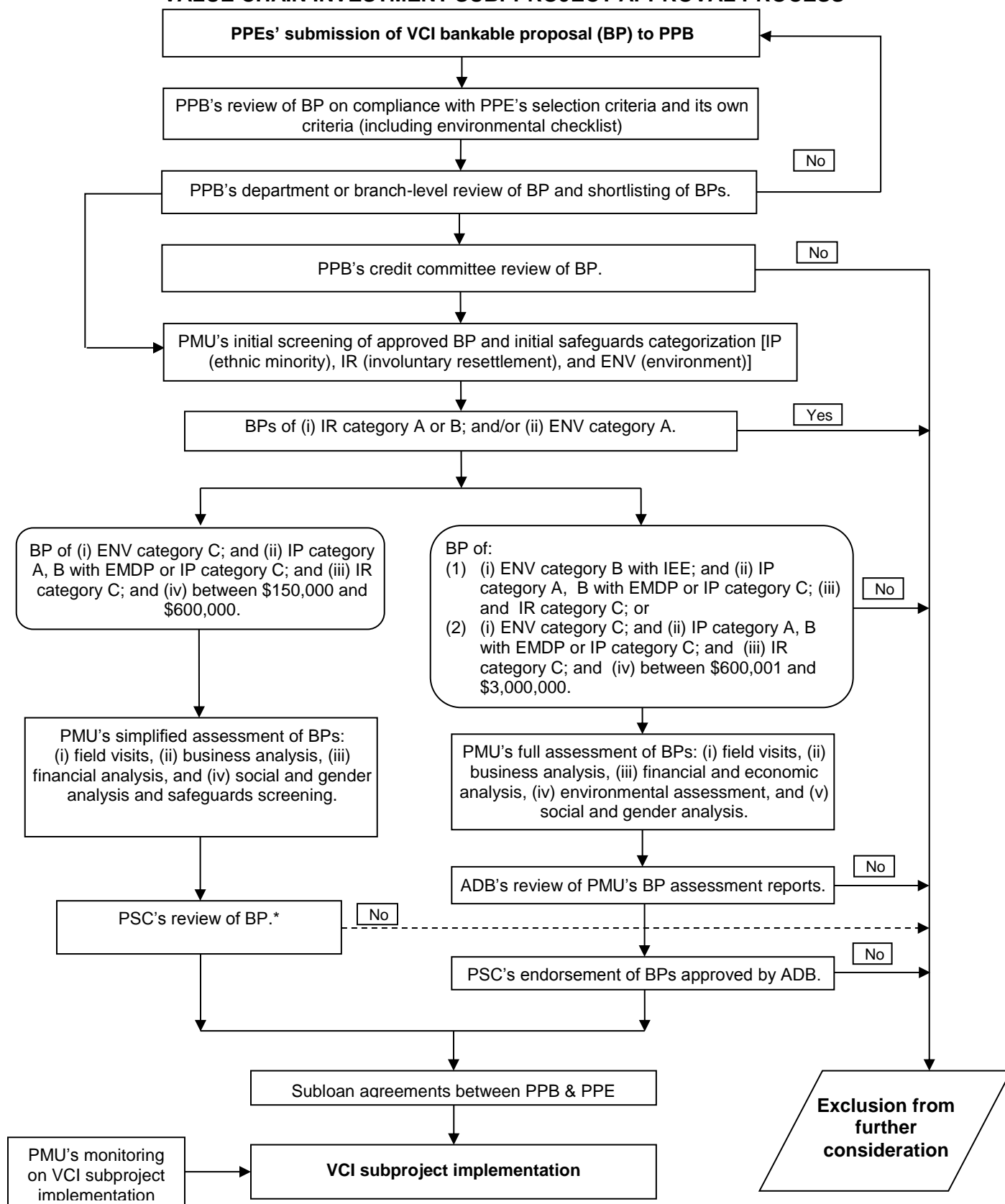
brand(s), and (b) proposed VCI is expected to increase export sales by 20% within 3 years after the receipt of VCI subloan;

- (iv) Quality control unit or personnel in place for the entire production process (for all the business segments); and
- (v) Existing cooperation with other Mongolian processors and manufacturers within the sector or across sectors (for all the business segments).

**b) Leather and leather product manufacturer**

- (i) For business in primary processing (wet blue) segment outside of Ulaanbaatar, or located in Ulaanbaatar if proposed VCI will help relocate its operation outside Ulaanbaatar;
- (ii) For any business in secondary (crust) or higher processing segment;
- (iii) For business in leather goods manufacturing segment if proposed VCI subproject will help increase the use of domestically manufactured leather; and
- (iv) Quality control unit or personnel in place for the entire production process (for all the business segments).

### VALUE CHAIN INVESTMENT SUBPROJECT APPROVAL PROCESS



\* First three VCI bankable proposals will require ADB's prior review.

## CONSULTANT'S TERMS OF REFERENCE

1. The project is expected to require 382 person-months of national consultant inputs for project implementation.<sup>1</sup> All the consultants will be fully financed by the ADF loan. Other consultants mainly working on outputs 2, 3, and 4 will be financed by the piggy-backed technical assistance to be approved by the concerned donor and government.<sup>2</sup> A summary of the consultant services inputs is presented in below table.

Consulting Services Inputs		
No.	Position	Person-Months
<b>National Consultants</b>		
1	Project director	60
2	Project coordinator (VCI)	60
3	Business advisor	60
4	Financial analyst	60
5	Environment specialist	57
6	Social and gender specialist	57
7	Legal specialist	28
	<b>Total Inputs</b>	<b>382</b>

VCI = value chain investment.

Source: Asian Development Bank.

2. **Project director** (national, 60 person-months). The consultant will have a postgraduate degree related to general administration (e.g., economics, business administration, public administration,) or technical aspect of the project (e.g., finance, agriculture) with at least 10 years of relevant professional experience, with experience working for project(s) financed by ADB or other international organizations in a managerial capacity. The consultant will require proven capacity of working effectively with both public and private sectors, an excellent command of English and Mongolian, and good computer skills. The consultant will lead the project management unit (PMU) and be responsible for overall management and coordination of the project implementation in accordance with the loan agreements, project administration manual (PAM) and in full conformity with policies and guidelines of ADB, the executing agency, and the project steering committee (PSC). The consultant will ensure close coordination among the components of the project in close cooperation with the project coordinators. Specifically, the consultant will:

- (i) Assist the executing and implementing agencies in loan agreement execution and monitoring the project implementation, communication with ADB;
- (ii) Guide and supervise all the consultants and ensure close cooperation and coordination among them for smooth project implementation and achievement of project outcome the project coordinators support;
- (iii) Develop and regularly update the detailed project implementation plan and budget in close consultation with ADB, the executing agency and PSC;
- (iv) Manage the project budget and revise it, as needed, ensuring accountable financial management of the project;
- (v) Oversee and coordinate procurement arrangements;

<sup>1</sup> Existing contracts for all consultants except business advisor will be extended while a business advisor will be recruited.

<sup>2</sup> All the consultants will be hired through a consultancy firm. The consulting services under the piggy-backed TA will comprise 55 person-month inputs of 5 international consultants and 359 person-months of 10 national consultants.



- (vi) Refine and maintain a project performance monitoring system (PPMS) for regular monitoring of project implementation in close cooperation with the project coordinators;
- (vii) Open and manage project imprest accounts and ensure proper utilization and appropriate accounting of project funds in accordance to the PAM agreed between ADB and the Government;
- (viii) Administer project operations ensuring timely execution of the implementation plan and achieving targets in DMF;
- (ix) Liaise with other stakeholders [e.g., donors, non-government organizations, civil society] during project implementation to ensure cooperation and visibility of project impacts;
- (x) Assist the executing agency and PSC before and during ADB review missions;
- (xi) Provide full cooperation and inputs during the annual audits of project accounts;
- (xii) Report to PSC and ensure timely implementation of PSC's decisions; and
- (xiii) Prepare quarterly project progress reports and a project completion report, as well as other reports and publications, as required.

3. **Project coordinator [value chain investment (VCI)]** (national, 60 person-months). The consultant will have a postgraduate degree related to general administration (e.g., business administration, public administration) or technical aspect of the project (e.g., finance, agriculture and value chain development) with at least 7 years of relevant professional experience, with experience working for project(s) financed by ADB or other international organizations in a managerial capacity. The consultant will require proven capacity of working effectively with both public and private sectors an excellent command of English and Mongolian, and good computer skills. Under the direct supervision of the project director, the consultant will be technically and administratively responsible for the implementation of output 1: VCI financed. The consultant will specifically:

- (i) Assist the project director in ensuring close coordination within the PMU;
- (ii) Develop and regularly update the detailed project component implementation plan for the component in consultation with the project director;
- (iii) Assist the project director in revising the project budget for the component as needed;
- (iv) Communication and coordination with the project participating banks (PPBs) and project participating enterprises (PPEs) to ensure proper planning and effective implementation of the component in close coordination with other components of the project;
- (v) Assist the project director in supervising project staff assigned to the component in improving the efficiency in their work with PPEs and PPBs;
- (vi) Establish and utilize a PPMS for regular monitoring of implementation of the component and facilitate community-based monitoring of project implementation in consultation with the project director;
- (vii) Assist the project director in preparing for, and supporting the executing agency and PSC before and during ADB review missions;
- (viii) Provide full cooperation and inputs required during the annual audits of project accounts for the component;
- (ix) Assist the project director to ensure that the loan proceeds made available to PPBs are deposited into the deposit accounts in accordance with the respective onlending agreements;

- (x) Maintain a system and supervise to ensure that the VCI subloans be used by the PPEs in accordance with the respective VCI investment proposals by ensuring that a financial management system is in place;
- (xi) Submit PPEs forward funding requirements forecast and assist the project director arrange for the efficient flow of funds;
- (xii) Report on developing and implementing corrective actions to ADB, the executing agency, implementing agencies and PSC through project director, if necessary;
- (xiii) Manage PPEs performance monitoring and their compliance with the relevant covenants in the loan agreements, as well as environmental and social performance measures for the investments ;
- (xiv) Provide required support to consultants to ensure that they provide relevant assistance to PPEs in the planning, development, and implementation of investment plans and in maintaining the systems to support the implementation plan and facilitate team work with consultants and experts for outputs 2, 3 and 4;
- (xv) Record inputs of business advisory service and evaluations, as well as analysis and recommendations, for PPEs and their value chain members through progress report briefing and assessment reports and use them to plan training and capacity development;
- (xvi) Facilitate stakeholders mobilization through workshops, awareness training, project promotion, information sharing, awareness raising, and potentially collaborative work to achieve synergies, where applicable;
- (xvii) Lead/moderate consultations within PMU staff and with consultants and experts for outputs 2, 3 and 4, including agribusiness specialist, marketing and branding specialist, and sectoral specialists in improvement of VCI proposal and bankable proposals to make sure that ADB requirements are met;
- (xviii) Provide support to management planning processes, review of reports, and analysis conducted by experts and specialists to ensure consistency and good writing standard; and
- (xix) Carry out monthly review of project progress.

4. **Business advisor** (national, 60 person-months). The consultant will have a postgraduate degree related to business management (e.g., business administration, management, business study) or technical aspect of the project (e.g., financial management, agriculture development) with at least 6 years of experience donor funded or nation-wide projects specifically in business analysis, business/investment plan development and preparation of technical documents, result oriented, with strong leadership skills, sound understanding of value chain methodologies, knowledge of agriculture commodities are preferable/desirable. The consultant will require proven capacity of coaching and guiding leading to a quality investment proposal development, accurate assessment, an excellent command of English and Mongolian, and good computer skills. Under the direct supervision and guidance of the project director and the project coordinator, the consultant will work closely with the financial analyst and other staff of the PMU and PPEs. The consultant will specifically:

- (i) Update existing formats for VCI bankable proposals to be prepared by PPEs, as well as business analysis format for evaluation of VCI bankable proposals to address sector specific requirements to help PPB in PPEs' diagnosis and selection process, if required;
- (ii) Assist PPEs in improvement of VCI proposals and detailed VCI subproject implementation plan, in a manner acceptable to ADB, executing and implementing agencies with consideration of local regulations (i.e., code of conduct, unfair competition and market practices, dumping, and price

- manipulations) and the Loan Agreement between ADB and the Government with consultation and collaboration with relevant experts and specialists within PMU to ensure articulation of critical value opportunities into a feasible and viable plan, if necessary;
- (iii) Produce a quality BP assessment report to ADB and PSC, establish the project baseline related to areas of assessment;
  - (iv) Visit PPEs and their supply chain members, and review their business processes against developed VCI bankable proposals and detailed VCI implementation plan to confirm the commitment, realistic planning and implementation, provide recommendations on follow up;
  - (v) Assist PMU in implementing corrective actions for PPEs, as necessary, in case of major changes in the plans due to unforeseen circumstances in consultation with concerned PPBs and executing and implementing agencies;
  - (vi) With assistance of other experts and consultants advise PPEs on procurement to ensure compliance with the ADB and domestic procurement guidelines and relevance of procurement, where appropriate;
  - (vii) Identify the PPEs' needs for expert/specialist input to enhance their performance and increase the value-added process and propose to PMU for development of training and capacity building plan;
  - (viii) Assist in organizing relevant business development training and workshops, as required by PPEs;
  - (ix) Contribute to the knowledge development within PMU and refining the PPMS by sharing findings of assessment and evaluations, providing advice on subproject or subsector specific opportunities for value chain (business) development;
  - (x) Assist in developing the capacity and skills of PPEs by providing insights and ideas in close collaboration with consultants for outputs 3 and 4 and related organizations;
  - (xi) Prepare progress, quarterly, and annual reports containing in-depth analysis of the performance of PPEs and their value chain members, as well as recommendations for their improvement, for submission to the PPEs and the PMU; and
  - (xii) Provide the reports and other documents required by the PMU, executing and implementing agencies, and PSC.

5. **Financial analyst** (national, 60 person-months). The consultant will have a postgraduate degree related to finance, economics, business administration, or a relevant discipline with at least 6 years of relevant professional experience in banking and finance sector, with experience working for project(s) financed by ADB or other international organizations or a private sector. The consultant will require proven capacity of working effectively with both banks and private sectors, a good command of English and Mongolian, and good computer skills. Under the direct supervision and guidance of the project director and the project coordinator, the consultant will work in close coordination with PPEs and PPBs. The consultant will specifically:

- (i) Update financial analysis format for the evaluation of VCI bankable proposals based on lessons learned from the current project and use of other available sources for reliable and realistic projections and estimation to assist PPBs in PPEs' diagnosis and selection process, if there is difference in project and PPB's criterion;

- (ii) Review financials of PPEs VCI proposals and assist improvement where possible taking into consideration the aspects consulted with all the concerned PMU specialists to ensure bankable proposals that meet ADB requirements;
- (iii) Produce a quality financial assessment report to ADB and PSC, establish the project baseline;
- (iv) Support VCI coordinator in monitoring of VCI subloan fund usage by PPEs against the project financing schedule and the PPBs disbursement, alert the project management about any deviations in timely manner;
- (v) Identify needs and provide advisory services to PPEs to ensure VCI subprojects practice international accounting standard or national standard acceptable to ADB and the executing agency, advise PMU on training needs of PPE and PPB in financial management and accounting practice area, assist implementation of the project training and capacity building development program;
- (vi) Support PSC meetings and PMU discussions with meaningful studies and analyses of VCI proposals, as required;
- (vii) Conduct analysis related to expertise area as required by ADB and PMU;
- (viii) Guide and coach PPEs to ensure compliance with the Loan Agreement between ADB and the Government, assist VCI coordinator to submit audited financial reports of PPEs as required by the loan Agreement.
- (ix) Prepare progress, quarterly, and annual reports containing in-depth analysis of VCI subprojects; and
- (x) Provide reports and other documents required by the PMU, executing agency, and PSC.

6. **Environment specialist** (national, 57 person-months). The consultant will have a postgraduate degree or equivalent related to environment science, environment economics/management or a relevant discipline with at least 5 years of relevant professional experience working for project(s) financed by ADB or other international organizations. The consultant will require proven capacity of working effectively with both private sector enterprises and the relevant government agency, sound knowledge of ADB environment safeguard policy and compliance requirements and policy and regulatory frameworks for environment assessment and management of the government, a good command of English and Mongolian, and good computer skills. Under the overall guidance of the project director and the direct supervision of the project coordinator, the consultant will provide inputs and policy advice to ensure compliance of all subprojects with environmental requirements of ADB and the government. This includes but is not limited to ensuring that all the requirements of ADB's Safeguard Policy Statement (SPS, 2009) are met, the safeguards in the project documents are implemented, and that all approvals, permits, licenses and other Government of Mongolia's requirements are met. The consultant will be responsible for monitoring the implementation of the mitigation measures and environmental management plans for the project. The consultant will specifically:

- (i) Conduct capacity development of PPEs and PPBs in environment safeguard and compliance by engaging relevant institutions and provide trainings and advice to them to assist them to articulate clean production requirements, Government and ADB policies into their processes and plans. Training should cover but not limited to covering (a) environmental laws, regulation and policies; (b) planning and implementing mitigation measures; (c) environmental management and reporting; (d) community and occupational health and safety; (e) environmental monitoring; and (f) documentation and reporting;

- (ii) Assist the PPBs in carrying out initial environment and climate risk screening of the selected VCI proposals according to the Government and ADB environmental requirements as needed;
- (iii) Assist PPEs to hold meaningful consultation with affected people and other stakeholders in accordance with ADB's Safeguard Policy Statement (2009);
- (iv) Work closely with PPEs to ensure site selection for VCI subprojects in compliance with ADB's and government's requirements;
- (v) Assist PPEs to develop adequate environment monitoring plan;
- (vi) Support the business advisor in improvement of PPE's VCI proposals and detailed VCI subproject implementation plan to ensure that ADB requirements are met;
- (vii) Conduct rapid environmental assessment, categorize selected VCI proposals according to ADB environmental requirements;
- (viii) Conduct environmental assessment and prepare IEE report in compliance with the requirements of national legislation and SPS and categorization in accordance to ADB Environment assessment Guidelines (2003) and update existing EARF;
- (ix) Once VCI proposals are selected and approved by PPBs, ADB and PCS, help PPEs to improve both environmental management and environment monitoring plan if needed based on the field visit to PPEs and review of BPs from environment perspective and establish the project baseline for monitoring;
- (x) Liaise with the Ministry of Environment, Green Development and Tourism (MEGDT) and General Agency for Specialized Inspection to coordinate activities for the assessments where there is difference in ADB and Government requirements or during detailed assessment and project approval;
- (xi) Participate in reviews of subprojects related to output 2 to ensure that they meet ADB and the government's requirements in terms of type, scale, and environmental sensitivity of their locations;
- (xii) Monitor subprojects during implementation to ensure implementation in accordance with the requirements of the environmental assessment and environment management plan and monitor against the baseline;
- (xiii) Support the Government to establish and maintain the Grievance Redress Mechanism;
- (xiv) Participate in project reviews by ADB and other Government agencies, review project reports from PPEs, and carry out spot checks on subprojects to verify reports; and
- (xv) Prepare and/or provide relevant inputs for reports and documents required by the PMU, GOM, and/or ADB, which include annual environment monitoring reports, project progress report, and quarterly and annual reports containing in-depth analysis of the performance of PPEs and their value chain members, as well as recommendations for their improved performance, for submission to the PPEs and the PMU.

7. **Social and gender specialist** (national, 57 person-months). The consultant will have a postgraduate degree related to Social studies and Gender, Social work or a relevant discipline with at least 5 years of relevant professional experience working for project(s) financed by ADB or other international organizations. The consultant will require proven capacity of working effectively with both private sector enterprises and the relevant institutions, sound knowledge of gender mainstreaming, ADB Accountability Mechanism and reporting, a good command of English and Mongolian, and good computer skills. Under the overall guidance of the project director and under the direct supervision of the project coordinator, the consultant will provide

substantive policy advice and technical support to advance social and gender mainstreaming of the PPEs and their value chain members, as well as ensure compliance with social and gender related requirements of ADB and the government which may include ethnic minority development plans. The consultant will specifically:

- (i) Conduct capacity development of PPEs and PPBs in social safeguard compliance by engaging relevant institutions and provide trainings and advice to them to assist them to articulate ADB and the government requirements in terms of social and gender responsiveness, ADB social safeguard policy into their processes and plans;
- (ii) Undertake awareness and training to develop capacity of PPEs in addressing social and gender issues in order to that they may be able to effectively respond to these issues and develop measures to address these issues for incorporation in their management and market development policies, strategies, and programs;
- (iii) Assist PPEs in carrying out community consultations in selected *soums* in the project area on the project impact and outcome and on modalities adopted to ensure local communities' involvement in VCI subproject design, implementation, and M&E;
- (iv) Review PPE's business policies and help PPEs to prepare and improve subproject social action plans if needed, define gender-relevant indicators to be included in the monitoring criteria for subproject investment plans, establish the project baseline;
- (v) Support the business advisor in improvement of PPE's VCI proposals and detailed VCI subproject implementation plan to ensure that ADB requirements are met;
- (vi) Assist the PPBs in with initial screening of VCI proposals to make sure compliance with ADB and the government social safeguard requirements as well as social and gender responsiveness; if any subprojects trigger ADB's indigenous peoples policy, assist the PPE to prepare and EMDP;
- (vii) Refine the project gender action plan (GAP) based on the gender action plan developed during project processing;
- (viii) Carry out lateral learning and training for representatives of PPEs' value chain members, specifically raw material suppliers of PPEs, women's businesses, NGOs, and relevant *aimag* stakeholders;
- (ix) Carry out annual consultations with the executing and implementing agencies and the PMU on the implementation of the project's GAP and community-based consultations in selected *soums* in the project area to identify priority investments for community-based, supply chain-related infrastructure and support services;
- (x) Monitor subprojects during implementation to ensure implementation in accordance with the safeguard screening requirements, GAP, SPRSS, and EMDPs, if any, carry out bi-annual and annual assessments of social and gender performance of PPEs, based on a set of indicators agreed upon at project onset; report on practices affecting local communities (i.e., code of conduct, unfair competition and market practices, dumping and price manipulations); and suggest corrective measures;
- (xi) Support the Government to establish and maintain the Grievance Redress Mechanism;
- (xii) Maintain a project-specific, sex-disaggregated database and conduct periodic reviews and consultations on the social, gender, and participatory aspects and impacts of the project;

- (xiii) Provide recommendations for improving the design of future ADB loans in agriculture with focus on gender and development issues;
- (xiv) Prepare and/or provide relevant inputs for reports and documents required by the PMU, GOM, and/or ADB, which include annual GAP and social action plan monitoring reports, project progress report, and quarterly and annual reports containing in-depth analysis of the performance of PPEs and their value chain members, as well as recommendations for their improved performance, for submission to the PPEs and the PMU.

8. **Legal specialist** (national, 28 person-months). The consultant will have a postgraduate degree related to Legal Studies or relevant discipline with at least 7 years of relevant professional experience working for project(s) financed by ADB or other international organizations. The consultant will require proven capacity of working effectively with both private sector enterprises and the relevant bodies, including international certification institutions to meet all legal requirements relating to expected outputs of the project, develop and provide detail to the legal architecture of the protection of newly developed brands, a good command of English and Mongolian, and good computer skills. Under the direct supervision and guidance of the project director and the project coordinator, the consultant will work closely with all experts, specialists, and staff of the PMU. The consultant will specifically:

- (i) Identify and address legal issues of the project, in general, and those of outputs 1, 2, 3, and 4 in particular;
- (ii) Assist the PMU and TA experts by providing information on the Mongolian legal and regulatory environment;
- (iii) Undertake all necessary steps for national and international registration of certification marks and trademarks (to be) developed under the project;
- (iv) Undertake all legal steps (including lawsuits) to defend the ownership of the certification marks and trademarks and protect the newly-developed brands in both the domestic and international markets;
- (v) Advise the project director and the project coordinators on legal issues concerning the contracts and other legal documents to be it legally binding and compliant as required by ADB and the Government;
- (vi) Provide legal opinion to the executing agency, implementing agencies on legal implications for all contracts and agreements if needed ;
- (vii) Ensure that the project's legal activities continue on schedule, as agreed with the international experts during periods when they are not in Mongolia;
- (viii) Provide a legal chapter in regular reports and in *ad hoc* reports on demand;
- (ix) Act as liaison for relevant legal institutions, such as the Intellectual property office;
- (x) Use the experience gained while working with the project to further develop own professional and personal skills with the objective of being able to continue providing relevant legal support to BMA, business associations, PPEs, and other stakeholders on branding-related and legal activities on completion of the project;
- (xi) Develop training materials and provide training on legal issues related to brand management, license agreements, sales contracts etc. to PPEs, associations, and government bodies;
- (xii) Draft certification mark license agreements with national and international companies;
- (xiii) Support the PPEs and subprojects for output 1, 2, 3, 4 in all negotiations with licensees, national and international business organizations and other stakeholders;

- (xiv) Advise implementing agencies and PSC on how to manage the intellectual property certification marks and other legal matters;
- (xv) Together with concerned PMU specialists and international experts analyze identified cases of fake or abuse of certification marks and propose actions to defend intellectual property rights;
- (xvi) Ensure that brands are developed in line with Mongolian, international and concerned foreign laws and regulations;
- (xvii) Refine the legal framework that defines how ownership of intellectual property will be managed based on the practice and experience of the project;
- (xviii) Provide inputs on the BMA database on legal cases; and
- (xix) Provide inputs for the inception, quarterly progress, annual, and final reports, as well as other technical reports, as required.



## DETERMINATION OF OVERALL PROJECT IMPLEMENTATION RATING

### A. Introduction

1. This section describes how the performance of ADB financed and administered sovereign projects will be monitored and rated using the eOperations project implementation module. A project is defined by its unique design and monitoring framework (DMF), regardless of the number of its financing instruments or sources. The eOperations is an integrated information technology solution that records country and project level information from concept to ex-post evaluation. The eOperations produces uniform project-related documentation and customized reports based on data that automatically moves through the system along a project cycle.

2. The DMF summarizes how, assuming risks do not eventuate and assumptions hold true, approved inputs will resource activities to achieve measurable outputs, outcome, and contribute to a sector level impact.

### B. Portfolio Performance Indicators and Rating

3. The purpose of portfolio performance rating is to establish the implementation status of each project. This will enable executing agency project managers and project team leaders to identify implementation problems and design effective remedial measures to get the project back on-track.

4. Projects are rated using the following five performance indicators. These indicators have equal weight.

- (i) **Technical.** Are problems, if any (e.g., quality standards, key project conditions, implementation arrangements, cost overruns that require additional financing, etc.) identified in external supervision consultants and/or review mission reports being addressed? (Yes/No) Where more than one problem is being addressed, each problem is rated as either being addressed (Yes) or not (No). To calculate the overall technical indicator rating, a yes rating is given a value of 1 and a no rating a value of 0. The sum of these ratings is divided by the total number of problems and the threshold levels in below Table 1 are applied to define the indicator status.
- (ii) **Procurement.** The difference between the cumulative actual and the current projected contract award values starting at loan effectiveness over the life of the project. The current projected contract award 'S-curve' is derived from the project administration manual (PAM) (Section IV.F). The actual contract award values are derived quarterly from the financial system.
- (iii) **Disbursement.** The difference between the cumulative actual and the current projected disbursements starting at grant effectiveness over the life of the project. The current projected disbursement 'S-curve' derived from the PAM (Section IV.F). The actual contract award values are derived quarterly from the financial system. Disbursement data will be automatically sourced from the loan and grant financial information systems to trigger the application of formula related to disbursement.

- (iv) **Financial management.** Compliance with audit and/or accounts covenants: Has an acceptable annual audit report been received on time? (Yes/No). The default is Yes until the due date as defined in the loan agreements. If the audited project accounts and agency financial statements have not been uploaded, and the indicator status has not been updated on or before the due date, then compliance will be rated No. An audit report is unacceptable if either partial or incomplete audited project accounts or agency financial statements are submitted, or only unaudited project accounts and financial statements are submitted. An audit report qualification need not imply unacceptability. The acceptability of an audit report with audit qualifications will be assessed by an ADB financial management specialist based on the nature of the qualification. (PAI 5.07 defines the parameters of an assessment of acceptability.) Their assessment will be recorded in the project performance report. Where there is more than one set of audited project accounts and agency financial statements the rating method for covenants described in below para. 5 will apply.
- (v) **Safeguards.** Compliance with safeguard covenants: (i) environment (yes/no) (ii) resettlement (yes/no) (iii) indigenous people (yes/no). The default for each covenant is yes. Use the rating method for covenants described in para. 5.

5. **Covenants.** The status of compliance of each loan covenant is assessed as either yes—the covenant is being or has been implemented, or no—the covenant is not being implemented. The compliance field under the performance and/or covenants tab automatically reports the status as “not yet due” based on the recorded due date for a covenant. For rating purposes, from the time of project approval, whether due or not, the system will compute a default position that a covenant is being complied with (yes). Covenants are categorized in the project performance information system under the following categories—audited accounts, safeguards, social, sector, financial, economic, and others. Covenant compliance is rated by category by applying the following criteria: (i) satisfactory (green)—all covenants in the category are being complied with (yes), with a maximum of one exception (no) allowed; (ii) partly satisfactory (amber)—a maximum of two covenants in the category are not being complied with (no); and (iii) unsatisfactory (red)—three or more covenants in the category are not being complied with (no).

6. **Rating.** It will use a three-level traffic light applied to each indicator, and to the aggregation of the individual indicators into a single project rating.

**Table 1: Rating Criteria**

Status	Rating	Threshold
On track	Green	(i) S-curve for either actual disbursement or contract award is within >90% of current projection; (ii) Technical—overall rating $\geq 0.9$ ; (iii) Financial management are rated yes; and (iv) Safeguard compliance is rated satisfactory (i.e., all yes or with a maximum of one no)
Potential problem	Amber	(i) S-curve for either actual disbursement or contract award is 75%–90% of current projection; (ii) Technical—overall rating 0.7–0.89; and (iii) Safeguard compliance is rated partially satisfactory (i.e.,

		has a maximum of two no's)
Actual problem	Red	(i) S-curve for either actual disbursement or contract award is less than 75% of current projection; (ii) Technical—overall rating $\leq 0.69$ ; (iii) Financial management ratings are no; and (iv) Safeguard compliance is rated unsatisfactory (i.e., has three no's)

7. **Project rating.** The five indicator ratings are aggregated into a single project rating by generating an average rating score for the project. The following values will be assigned to each rating green=1 point, amber=0.5 point, and red=0 point. The assigned values for each of the five indicators are summed and divided by 5 to produce an overall project rating score between 0 and 1. Applying the percentage thresholds only, a project with a total rating score greater than or equal to 0.9 is on-track (green); a project with a total rating score of 0.70–0.89 is a potential problem (amber); and a project with a total rating score of less than 0.69 is an actual problem (red), and is at-risk (see Table 1).

# Environmental Assessment and Review Framework

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Project Number: 39229  
August 2015

MON: Additional Financing of Agriculture and Rural Development Project

Prepared by the Government of Mongolia for the Asian Development Bank.

**CURRENCY EQUIVALENTS**

(as of 6 August 2015)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.000504
\$1.00	=	MNT1,983.50

**ABBREVIATIONS**

ADB	–	Asian Development Bank
DEIA	–	detailed environment impact assessment
EIA	–	environmental impact assessment
EMP	–	environmental management plan
GEA	–	general environmental assessment
GOM	–	Government of Mongolia
GRM	–	grievance redress mechanism
IEE	–	initial environmental examination
MEGDT	–	Ministry of Environment, Green Development and Tourism
MOF	–	Ministry of Finance
MOI	–	Ministry of Industry
PMU	–	project management unit
PPB	–	project participating bank
PPE	–	project participating enterprise
PSC	–	project steering committee
SPS	–	safeguard policy statement
VCI	–	value chain investment

**GLOSSARY**

<i>aimag</i>	–	province
<i>bagh</i>	–	subdistrict
<i>soum</i>	–	district

**NOTES**

- (i) The fiscal year (FY) of the Government of Mongolia and its agencies ends on 31 December.
- (ii) In this report, “\$” refers to US dollars.

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## ATTACHMENTS

Attachment 1	Environmental Impact Assessment Flowchart
Attachment 2	Rapid Environmental Assessment (REA) Checklist
Attachment 3	Example of an Environmental Mitigation Plan
Attachment 4	Example of an Environmental Monitoring Program
Attachment 5	Sample Consultation Record
Attachment 6	Terms of Reference for National Environmental Consultant
Attachment 7	Template Environmental Monitoring and Progress Report

## I. INTRODUCTION

1. The additional financing will continue to support value chain development of the Mongolian agro-processing sector with value chain investment (VCI) subloans and capacity development.<sup>51</sup> The additional financing will also help herders and primary-processors for the agro-processing sector to improve their production capacity and income generation through capacity development and provision of works, goods, and services.

2. The proposed project will be implemented tentatively from 2016 to 2020 for 5 years. The VCI subprojects will be implemented with support from a project management unit (PMU). The PMU will also be responsible for the financial management and administration of project funds, and ensuring compliance with project safeguard documents and requirements. Capacity development for PMU and support staff in accordance with ADB's project management guidelines will be carried out to strengthen PMU and support staff, together with the national consultants, on project management as well as on identifying and addressing social and environmental safeguards issues that may affect project implementation.

3. The overall project has been classified as category B under ADB environmental assessment requirements. The environmental assessment for the additional financing was compiled on the basis of mainly three sample initial environmental examinations (IEEs) that represent VCI subprojects of the current project. Environmental, health, and safety general guidelines; and industry specific guidelines for agricultural sector of World Bank group were used as reference documents for the environmental assessment of the proposed project. The assessment has found that there are no major environmental impacts with the mitigation and management measures proposed.

4. This environmental assessment and review framework (EARF) has been developed in compliance with the provisions of ADB's Safeguard Policy Statement (SPS, 2009) and the Mongolian Law on Environmental Impact Assessment (1998, revised in 2012). The EARF (i) describes the project and its outputs; (ii) explains the general anticipated environmental impacts of the subprojects to be financed under the proposed project; (iii) specifies the requirements that will be followed related to screening and categorization of subprojects, assessment, and planning, including meaningful consultation with affected people and other stakeholders and information disclosure requirements; and (iv) specifies the environmental safeguard criteria that are to be used in selecting and/or rejecting subprojects, etc. The EARF provisions shall guide the PMU in the selection, screening, categorization, and environmental assessment of subprojects. The preparation of environmental assessment documents for the subprojects shall follow the procedures outlined in this EARF. The environmental assessment reports to be prepared for subprojects shall be officially endorsed by the Ministry of Finance (MOF) and submitted to ADB for final clearance.

5. The PMU will ensure to meet environment covenants and safeguard requirements for the proposed project and all subprojects through assistance, training, and monitoring to any stakeholders by the environment specialist.

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<sup>51</sup> Sector Assessment (Summary): Agro-Processing (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

## II. ASSESSMENT OF LEGAL FRAMEWORK AND INSTITUTIONAL CAPACITY

### A. Legal Framework of Mongolia

6. Mongolia has enacted a comprehensive policy and legal framework for environmental assessment and management. It has policies, legislation, and strategies in place to manage the protected estate, to satisfy its international obligations, and to protect the quality of the environment for the health and well-being of its citizens. The hierarchy of policies and legislative provisions for environmental management in Mongolia comprises several layers ranging from the constitution to international treaties, and to environment and resources protection laws.

7. The basic principle of the Mongolian state environmental policy is that economic development must be in harmony with the extraction and utilization of natural resources and air, water, and soil pollution will be controlled. In April 1996, Mongolia's National Council for Sustainable Development was established to manage and organize activities related to sustainable development in the country. The country's strategy is designed for environmentally friendly, economically stable and socially wealthy development, which emphasizes people as the determining factor for long-term sustainable development.

8. In recognition of its global responsibilities, Mongolia has acceded to a number of international environmental conventions and the key ones are tabulated below (Table 1). Each of these conventions places obligations on signatory governments ranging from the provision of a legislative basis for implementation, adherence to the requirements and conditions of each convention, monitoring implementation performance on a regular basis, and reporting on a regular basis to the conference of parties.

**Table 1: International Environmental Conventions Signed by Mongolia**

Convention	Year of Accession
Stockholm Convention on Persistent Organic Pollutants.	2004
Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	2000
Kyoto Protocol	1999
Convention on the Protection of Wetlands of International Importance (Ramsar)	1998
Convention on the Transboundary Movement of Hazardous Waste (Basel)	1997
UN Convention on Combating Desertification	1996
Vienna Convention for the Protection of the Ozone Layer	1996
Montreal Protocol on substances that deplete the ozone layer	1996
Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	1996
UN Framework Convention on Climate Change	1994
Convention on Biological Diversity	1993
World Heritage Convention	1990

UN = United Nations.

9. The Government of Mongolia undertook a major environmental law reform in 1990 including the law of land, protected areas, water, forest, wildlife, and native flora resources. Most of major laws were renewed or amended in May 2012. Acting Laws Relating to the Environment are presented in Table 2 below.

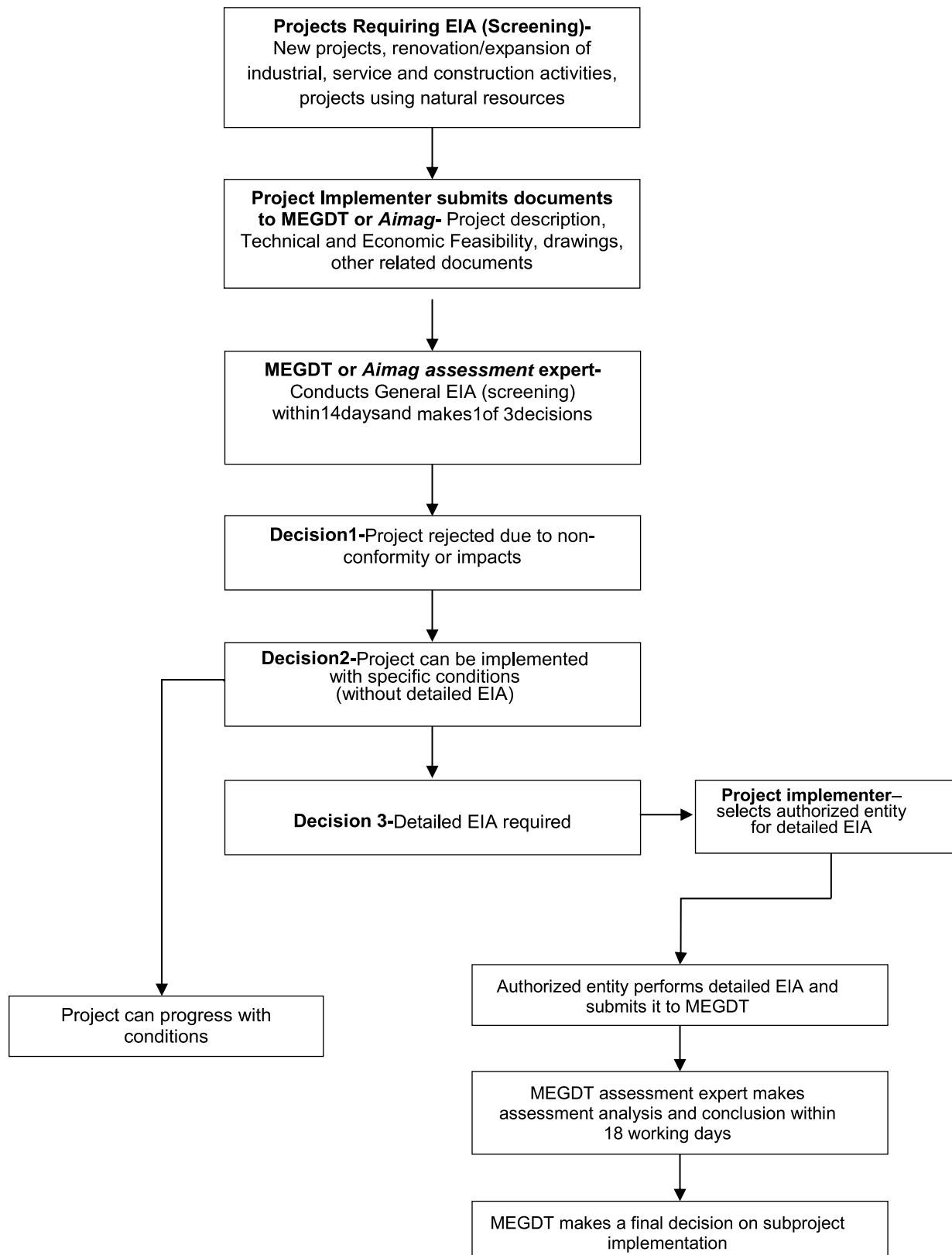


**Table 2: Acting Laws Relating to the Environment**

<b>Resource Type</b>	<b>Law and Year of Passage</b>
Land Resources	Mongolian Law on Land, 1994, last amended in 2012 Mongolian Law on Land Use Fees, 1997, renewed in 2002-2012 Mongolian Law on Land Ownership for Mongolian Citizens, 2002, last amended in 2012 Mongolian Law on Soil protection and combat desertification, 1 2012
Forest resources	Mongolian Law on Forests, 1995, revised in 2012
Water resources	Mongolian Law on Water, 1995, renewed in 2012 Mongolian Law on Water Pollution Fees, 2012 Mongolian Law on Mineral Water, 2003
Plant Resources	Mongolian Law on Plant Protection, 1996, amended in 2011 Mongolian Law on Natural Plants, 1995, amended in 2012
Wildlife Resources	Mongolian Law on Fauna, 2000, revised in 2012
National Park Resources	Mongolian Law on Special Protected Areas, 1996, amended in 2004 Mongolian Law on Buffer Zones, 1997
Conservation	Mongolian Law on Environmental Protection 1995, amended in 2012 Mongolian Law on Environmental Impact Assessment, 1998, renewed in 2012 Mongolian Law on Air, 1995, renewed in 2012 Mongolian law on Hazardous and Toxic Chemicals, 2006 Mongolian law on Hazardous and Chemical Toxic Waste, 2006 Mongolian Law on Hydrology, Meteorology and Environmental Monitoring, 1997 Mongolian Law on <a href="#">Cultural Heritage Protection</a> , 2001, revised in 2005. Mongolian Law on Natural Resource Use Fees, revised in 2012
Other laws	Mongolian Law on Waste Disposal, 2012 Mongolian Law on Sanitation, 1998 Mongolian Law on Food, revised 2012 Mongolian Law on Food Safety, 2012 Mongolian Law on Labour Safety and Hygiene, 2008, last amended in 2012 Mongolian Law on Fire Safety, 1999, last amended in 2012 Mongolian Law on State Inspection, 2003, last amended in 2010

10. **Environmental assessment requirements of Mongolia.** The environmental impact assessment (EIA) requirements of Mongolia are regulated by the Law on Environmental Impact Assessment (1998, last revised in 2012).<sup>52</sup> The terms of the law apply to all new projects, as well as rehabilitation and expansion of existing industrial, service, or construction activities and projects that use natural resources. The purpose of the law is environmental protection, the prevention of ecological imbalance, the regulation of natural resource use, and the assessment of environmental impacts of projects and procedures for decision-making regarding the implementation of projects. The EIA process in Mongolia is summarized in Figure 1.

<sup>52</sup> Law of Mongolia on Environmental Impact Assessments (1998, revised in 2012).

**Figure 1: Environmental Impact Assessment Process in Mongolia**

11. The type and size of the planned activity define responsibility as either the Ministry of Environment, Green Development and Tourism (MEGDT)<sup>53</sup> or *aimag* (provincial) government. There are two types of EIAs defined in the Law:

- (i) General EIA (screening)—to initiate a general environment assessment (GEA), the project implementer submits to the MEGDT or *aimag*/capital city governor's office a brief description of the project including feasibility study, technical details, drawings, baseline description of the proposed project environment, a written opinion of the relevant soum and district governor and other related documents. The GEA may lead to one of three conclusions: (i) the project rejection due to non-comformity and impacts; (ii) can be completed pursuant to specific conditions, and (iii) a detailed EIA (DEIA) is necessary. Issue of GEA is free and usually takes up to 14 working days.
- (ii) Detailed EIA—the scope is defined in the GEA. The DEIA report must be produced by a Mongolian entity which is authorized by the MEGDT. The developer of the DEIA should submit it to the MEGDT and *aimag* government. An expert of the authority organization who was involved in conducting GEA is expected to make a review of the DEIA within 18 working days and present it to the MEGDT. Based on the detailed environmental impact assessment report, conclusion of the expert and the Technical Board that have appraised the quality of the report the MEGDT takes a decision about approval or disapproval of the project.
- (iii) The DEIA must contain the following chapters: (i) environmental baseline data; (ii) analysis of extent and distribution of adverse impacts and their consequences; (iii) recommendations of measures for minimizing, mitigation, and elimination of impacts; (iv) recommendations for alternative methods and technology; (v) risk assessment; (vi) environmental management plan (EMP); and (vii) notes of consultations made with local authority and community likely to be affected by the proposed project.

## B. ADB Environmental Safeguard Requirements

12. **Safeguard Policy Statement (2009).** Environmental safeguards requirements, including EIA requirements, are defined in ADB's SPS (2009). All projects funded by ADB must comply with ADB's SPS (2009) to ensure that projects undertaken as part of programs funded under ADB loans are (i) environmentally sound; (ii) are designed to operate in compliance with applicable regulatory requirements; and (iii) are not likely to cause significant environmental, health, or safety hazards. With respect to the environment, the ADB's SPS (2009) is underpinned by ADB operations manual, bank policy (OM section F1/OP, 2010). The policy promotes international good practice as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines.<sup>54</sup>

<sup>53</sup> Formerly named Ministry of Environment and Green Development.

<sup>54</sup> New Version of the "World Bank Group Environmental, Health, and Safety Guidelines", April 30, 2007, Washington, USA. <http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines>

### III. DESCRIPTION OF THE PROJECT

#### A. Project Impact, Outcome, and Outputs

13. The impacts of the overall project will be (i) competitiveness of the agriculture processing industry enhanced, (ii) private sector-led employment generated, and (iii) SMEs developed. The outcome of the overall project will be value addition on Mongolian agricultural resources increased by PPEs. The project is expected to increase primarily the agro-processing capacity and secondarily primary agricultural production in Mongolia, and hence increase value addition to agricultural resources. The increased capacity will lead to employment generation, and indirectly benefit herders, farmers, and primary processors through the PPEs' increased demand for raw materials.

14. **Output 1: Value chain investments financed.** Output 1 comprises (i) preparation of the VCI proposals; (ii) due diligence of the VCI subprojects; (iii) provision of subloans to the PPEs<sup>55</sup> to improve their value chains and/or enhance their production and productivity; and (iv) capacity development of the PPEs and project participating banks (PPBs) on financial management, value chain development, and social and environmental safeguards. The consolidated PMU will assist the PPEs in preparing the VCI proposals required for subloan application, particularly in identifying areas for business improvement such as marketing, product development, and quality control. The identified needs will be reflected in the VCI proposals and used to tailor activities under outputs 2 and 3.

15. **Output 2: Production capacity of herders and farmers improved.** Output 2 comprises (i) capacity development for herders, farmers, and primary processors of agricultural products; (ii) provision of veterinary medical supplies, equipment, machinery, material, and inputs for herders, farmers, and primary processors of agricultural products; and (iii) construction of a livestock primary processing facility. Under output 2, the project will help herders, farmers, and primary processors, including potential suppliers of quality raw materials and primary processing products to the PPEs, to improve their production capacity and quality control.

16. **Output 3: Enterprises' marketing and technical capacity improved.** Output 3 comprises (i) marketing and technical capacity development to enable the PPEs to produce and deliver high-value and/or quality products to domestic and international markets; and (ii) provision of equipment and capacity development to technical and research institutes dealing with food and agriculture products. This output is based on an observation from the current project—that a substantial gap exists between the capacity of the PPEs and the quality standards that international markets require. In tandem with financial support to the PPEs (output 1), strengthening enterprises' marketing and technical capacity is crucial to realizing higher value addition. The capacity development training will be given not only to the PPEs, but also to other agro-enterprises of interest for a wider impact. The training will help strengthen the quality-testing capacity of technical institutes, which will help improve and assure the quality of Mongolian products in the medium term.

17. **Output 4: Mongolian product brand(s) developed.** Output 4 comprises (i) brand development for export-oriented products (e.g., animal fiber and its processed products); and (ii) promotion and management of brand(s) developed and/or to be developed. Regarding brand management, the project will continue to help the government register the Mongolian Noble

<sup>55</sup> PPEs under the current project comprise public limited or limited liability companies. Under the additional financing, PPEs will also include cooperatives registered under the Law on Cooperatives.

Fiber certification mark with national intellectual property offices of selected countries that are current and potential buyers of the Mongolian animal fiber products. Regarding brand promotion and management, the project will assist Mongolian agro-enterprises in getting their products tested and certified for the certification mark.

## B. Project Costs

18. The additional financing is estimated to cost \$61.0 million (Table 1). Detailed cost estimates by expenditure category and by financier are in the project administration manual.

**Table 3: Summary Cost Estimates**  
(\$ million)

Item	Current Amount <sup>a</sup>	Additional Financing <sup>b</sup>	Total
<b>A. Base Cost<sup>c</sup></b>			
1. Value chain investments financed	39.55	52.02	91.57
2. Production capacity of herders and farmers improved <sup>d</sup>	2.22	2.22	4.44
3. Enterprises' marketing and technical capacity improved	0.00	1.22	1.22
4. Mongolian product brand(s) developed	0.00	0.56	0.56
5. Effective project management and implementation <sup>e</sup>	2.40	1.51	3.91
<b>Subtotal (A)</b>	<b>44.17</b>	<b>57.54</b>	<b>101.71</b>
<b>B. Contingencies<sup>f</sup></b>	<b>3.33</b>	<b>0.67</b>	<b>4.00</b>
<b>C. Financing Charges During Implementation<sup>g</sup></b>	<b>0.00</b>	<b>2.79</b>	<b>2.79</b>
<b>Total (A+B+C)</b>	<b>47.50</b>	<b>61.00</b>	<b>108.50</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> Refers to the original amount. Includes taxes and duties of \$0.67 million to be financed from government resources.

<sup>b</sup> Includes taxes and duties of \$0.54 million to be financed from government and ADB resources. ADB financing of taxes and duties is deemed acceptable as the (i) amount is within the reasonable threshold identified during preparation of the country partnership strategy, (ii) amount does not represent an excessive share of the project investment plan, (iii) taxes and duties apply only to ADB-financed expenditures, and (iv) financing of taxes and duties is material and relevant to the success of the project.

<sup>c</sup> In mid-2015 prices as at 16 March 2015.

<sup>d</sup> This output corresponds with "Rural infrastructure and services development" component under the current project.

<sup>e</sup> This output corresponds with "Project management" component under the current project.

<sup>f</sup> Physical contingencies computed at 5% for all expenditure categories except value chain investments and consulting services. Price contingencies computed for all expenditure categories except value chain investments at 1.5% for 2016, 1.4% for 2017, and 1.5% for the years 2018–2020 on foreign exchange costs; and 9.0% for 2016, 8.5% for 2017, and 8.0% for the years 2018–2020 on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

<sup>g</sup> Includes interest and commitment charges. Interests during construction have been computed for (i) ADB's Asian Development Fund loan at 2.0% per annum during the implementation period, and (ii) ADB's OCR loan at the 5-year US dollars (USD) fixed swap rate plus an effective contractual spread of 0.5% and maturity premium of 0.1%. Commitment charges for an OCR loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: ADB estimates.

## IV. ANTICIPATED ENVIRONMENTAL IMPACTS

### A. Experiences from the Current project

19. The overall approach taken for the environmental assessment is to assess the likely overall impact of the project by studying representative subprojects financed by the current project and reviewing the overall range of subproject proposals to identify any outstanding issues.

20. **Output 1: VCIs financed.** The additional financing will further strengthen the value chains in different agricultural subsectors such as leather, wool and cashmere, meat, dairy products, etc. During the implementation of the current project the VCI proposals were approved for 13 subprojects. Environmental assessments were completed for these 13 subprojects funded under the current project provide solid basis for the key considerations and issues to be addressed in the assessment and EMP. They include detailed tables identifying potential environmental impacts for each subproject activity, and required mitigation and enhancement measures.

21. The subprojects financed and implemented under the current project that were assessed in detail and IEEs were prepared are presented in Table 4 (Monos Pharma was not included in this table as it received fund from other source). Three proposals that were identified as representative subprojects are Mongol Shevro (tannery), Zavkhan Khuns (meat), and Erdenet Carpet (wool). A summary of the specific potential environmental impacts based on these three IEEs is summarized below.

**Table 4: Location of the Enterprise and Supply Chain Areas**

No.	Enterprise	Location of the enterprise	Supply chain location and investment in supply chain
1	Mongol Shevro tannery, and leather garment	Ulaanbaatar	Cooperative developments in 20 <i>soums</i> of Dund-Gobi <i>aimag</i>
2	Darkhan Nekhii tannery and sheep skin products	Darkhan Uul <i>aimag</i>	Warehouses in Uvs, Khuvsgul, Uvurkhangai, Arkhangai, Khovd <i>aimags</i>
3	Erdenet Khivs, Carpet (wool and cashmere processing plant felt, cashmere and carpet products)	Orkhon <i>aimag</i>	Primary wool handling centers and wool warehouses in Zavkhan (Yaruu <i>soum</i> ), Gobi Altai (Bugat, Tonkhil <i>soums</i> ) and Bayankhongor <i>aimags</i> (Bayankhongor <i>soum</i> )
4	Sor Cashmere (wool and cashmere end products)	Ulaanbaatar	Support herders in Bayankhongor, Zavkhan, Uvurkhangai, Arkhangai <i>aimags</i> .
5	Mogol Noos, Wool processing plant	Tuv <i>aimag</i>	Wool scouring plant in Bayantsogt <i>soum</i> of Tuv <i>aimag</i> and Yarn spinning plant in Zuun mod <i>soum</i> of Tuv <i>aimag</i> . Cooperatives in four <i>soums</i> of Zavkhan <i>aimag</i> (Yaruu, Telmen, Tudevtei, and TsagaanKhairkhan <i>soums</i> ).
6	Zavkhan Khuns, Meat processing plant	Zavkhan <i>aimag</i>	The slaughterhouse in Uliastai <i>soum</i> of Zavkhan <i>aimag</i> . The company plans to procure livestock from herders of Khuvsgul, Uvs, Khovd, Bayankhongor and Arkhangai <i>aimags</i> .
7	Mon Meat Trade, Meat processing plant	Ulaanbaatar, Khentii <i>aimag</i>	New slaughtering and processing plant in Kherlen <i>soum</i> of Khentii <i>aimag</i> . Collaborate with herders of selected 10 <i>soums</i> of Khentii <i>aimag</i> such as Kherlen, Batnorov, Bayankhutag, Galshar, Darkhan, Murun, Bayan Ovoo
8	Mon Fresh Milk, Milk and beverage plant	Ulaanbaatar	12 milk collection, reception and cooling centers in peri-urban areas of Ulaanbaatar city and in several <i>soums</i> of Tuv <i>aimag</i> .
9	Vitafit, Milk and beverage plant	Ulaanbaatar, Khentii <i>aimag</i>	The Atarchandgana farm is located in Kherlen <i>soum</i> of Khentii <i>aimag</i> , cool chain, milk pump system, transport
10	Bornuur Foods, Dairy plant	Tuv <i>aimag</i>	The dairy farm and plant is located in Bornuur <i>soum</i> of Tuv <i>aimag</i> . Fodder solution, dairy farm renovation and modernization and expansion of milk processing equipment
11	Altai Cashmere, cashmere factory	Ulaanbaatar	Support herders' cooperatives of Shine Jinst (white goat) and Bayanlig <i>soums</i> of Bayankhongor <i>aimag</i> (camel) and IkhTamir <i>soum</i> of Arkhangai <i>aimag</i> (yak).
12	Dakhan Minj, tannery and sheep skin products,	Dakhan Uul <i>aimag</i>	Participation in herders' training jointly with Leather association in order to improve raw material quality.

22. **Leather subsector (example: Mongol Shevro).** The Mongol Shevro leather factory has existing pollution issues relating to wastewater containing chromium and other contaminants. The plant is connected to the Khargia Industrial Wastewater Treatment Plant for pretreatment of waste from tanneries in Ulaanbaatar industrial area. Effluent from Khargia treatment plant flows to the Central Wastewater Treatment Plant which treats wastewater from Ulaanbaatar municipal area. However these treatment plants have not operated well with resultant unacceptable levels of pollution into Tuul River. The replacement of equipment in the factory is seen as a positive as this modernization will result in more efficient, safer operation with lower resource use and less waste. The factory is currently operating at approximately 20% of capacity and the machinery replacement does not represent an increase in factory capacity.

23. The project required the PPE to implement mitigation measures to reduce pollution by at least the same amount as the additional pollution caused by the increased production. Possible solutions were upgrading of equipment and operations or reduction of chemical consumption to reduce pollution at its source in the production process through a 'cleaner production' approach. Treatment of effluent from the plant, that was clearly more expensive and in the medium term but would be achieved by the expected rehabilitation of the Khargia Industrial Wastewater Treatment Plant. Proposed equipment upgrade included investment proposal would result in reduced water and chemical consumption. During the final review in spring 2014 PMU has found that water and chemicals use at the Mongol Shevro was reduced by 20% due to upgraded technology and machine in 2013, and waste water reduced by 15%.

24. Another potential significant negative impact is that the herders may perceive an incentive to increase their herd size thus adding to the existing unsustainable pasture use and land degradation. The supply chain activities may encourage herders to increase their herd size, thus, adding to the existing unsustainable pasture use and land degradation. As mitigation measure for supply chain capacity improvement the company planned to carry out the training and awareness-raising for herders shall include awareness to promote a smaller, healthier herd and improving returns by focusing on quality not quantity. Further, the project planned to assist in establishment of herder cooperatives, supply of veterinary services, training to herders, establishment of facilities in regional areas.

25. **Meat subsector (example: Zavkhan Khuns).** The main significant negative impacts identified are in the increased meat processing and the associated waste issues. The increased production will mainly be due to targeted investment in processing equipment which will remove current bottlenecks in the process. However, the process is relatively benign, producing little solid waste, and wastewater which is disposed of to the local landfills after physical pretreatment to reduce solid content. There will be an increase in land degradation due to human, animal and vehicle traffic, failure of road maintenance, improper waste disposal and poor waste removal handling and PPE was required to develop an EMP, where necessary actions for the mitigation and prevention were included. The subproject shows as a result of upgrading equipment and technology of the plant food safety and hygiene is improved significantly.

26. Similar to the previous example above, the supply chain activities may encourage herders to increase their herd size thus adding to the existing unsustainable pasture use and land degradation. As a mitigation measure for this, the training and awareness-raising that the company proposes to undertake with herders shall include awareness of the benefits of maintaining a smaller, healthier herd and improving returns by focusing on quality not quantity.

27. **Wool and cashmere subsector (example: Erdenet Carpet).** The Erdenet Carpet subproject is upgrading in-house treatment system in further in order to improve sewage treatment. It implements mitigation measures to reduce solid waste and introduce new waste recycling technology for wool waste generated from the carpet manufacturing operation. The proposed factory upgrade is expected to have no significant adverse environmental impact. Since an existing factory was built and has been operated in compliance with the environment requirements of Mongolia, the subproject has no significant impact on surrounding area and a relatively small amount of waste is produced. Waste water generated from the wool washing factory and wool dyeing unit of the Yarn spinning factory are treated at the factory through in-house mechanical treatment prior it's discharged into Centralized Sewage System of the Erdenet City. The replacement of the older equipment in the factory is seen as a positive as this modernization will result in more efficient, safer operation with lower resource use and less waste. The factory operates at approximately 60% of capacity and the machinery replacement does not represent an increase in factory capacity. Upgrading and modernizing equipment and technology of the factory within the project implementation environmental situation at the factory will be improved significantly. Namely, amount of the dyes for factory operations expected to decrease by 13% and water consumption by 15%. Improved initial processing practices, volume of solid waste will be reduced by 10% and sludge by 5%–6%. Working place conditions at all factory units are expected to improve noticeably, for example, noise in carpet weaving factory will be reduced by three times and dust by 50%. During final review in 2014 PMU found that water use reduced by 15%, noise reduced by 40% and sludge by 5% due to upgraded technology and machines.

28. The project plans to assist in establishment herder cooperatives, supply of veterinary services, organize training to herders on wool cutting and handling to introduce New Zealand expertise and breed improvement, and raise awareness on use of alternative means for sheep identification and/or marking instead of dyeing, establishment of primary wool handling centers (for wool collecting, sorting, grading, pressing, packing) and wool warehouses in regional areas. The enterprise has introduced a new recycling technology to produce insulation material for construction using waste wool and yarn generated from the carpet factory since 2011. Due to this technology an amount of waste discharged from the carpet manufacturing operation is reduced by 15%.

29. **Output 2: Production capacity of herders and farmers improved.** The environmental assessment of output 2 subprojects is also based on a review of those carried out under the current project. The scale and nature of activities in the output are such that no significant environmental impact is expected; this output is categorized as C under the ADB environmental assessment criteria. Based on previously implemented output 2 subprojects, a summary of impacts and proposed mitigation measures is given below.

30. Due largely to their small scale and spread over the project areas, none of the subprojects to support herder marketing cooperatives are expected to have any significant negative environmental impact. A positive benefit will be improved ability of herders to add value and improve the quality of their produce, improve their linkage to the market, and improve the efficiency of production. By increasing the return to herders per animal, these activities will reduce the need for herders to simply maximize their herd size, thus, contributing to improved sustainability. It will provide support to herders located in more remote parts of the country reducing the incentive for a larger number of animals to be located near the main centers, and reducing this current source of land degradation in these areas. Waste from veterinary supplies is required to be handled appropriately, if possible it will be incinerated in coordination with the veterinary centers or returned to the *aimag* veterinary center.



31. The program to develop livestock testing and veterinary extension centers will have a generally positive benefit in improving the health of livestock and quality of animal products. Improved animal health will result in improved resource use efficiency in terms of the amount of land, feed, and other inputs required per unit of product with corresponding reduction in land degradation. Improving the quality of skins and fibers will result in reduced wastage due to damaged materials. Some potential for minor impacts is associated with disposal of waste. As a safeguard measure, training will be provided on safe handling of supplies and waste disposal. Veterinary laboratories will be required to have a special incinerator meeting international standards for veterinary medical waste.

32. Given the scale and nature of the activities to develop fodder supply and storage facilities to foster fodder market development, no significant negative environmental impact is expected. Fodder production will reduce pressure on grazing land by providing secure feed for winter and spring when feed is most scarce. There will be minor building works from which no significant environmental impacts are expected. Cultivation, if any, should be on a small scale but still may result in soil erosion. As a safeguard for this, cultivation will be planned on land with soil of low erosion potential, and employ soil conservation techniques including minimum tillage cultivation techniques. Sites selected for cultivation will be flat with established wind breaks against prevailing winds; they will not be located adjacent to waterways. These aspects will be included in a training program together with safe use of fertilizers; herbicides; and pesticides, if these are used.

#### **a. Environmental Benefits**

33. In summary, the proposed project is expected to provide mainly environmental benefits. Improvements to processing technology will in general result in greater efficiency in use of raw materials, water and energy and reduced waste and pollution per unit of production, compared with the current situation where equipment is often out of date and in poor state of repair. Improved quality of raw materials will result in less wastage. The focus on quality and health of livestock will encourage herders to reduce their animal numbers with consequent benefits in reduced land degradation. Encouragement of participation in pasture management plans and improved fodder production will reduce the incentive for overgrazing and associated land degradation.

#### **b. Analysis of Alternatives**

34. The approach for the additional financing is based on the ongoing project, which is being implemented successfully. No alternatives have been considered in the proposed activities of the project. The only changes that have been introduced are (i) stricter environmental screening of the proposed subprojects, as already gradually introduced during the ongoing project; and (ii) compliance with new features of SPS (e.g., introduction of increased GOM's ownership of safeguard documents, climate change considerations, and grievance redress mechanism).

### **V. ENVIRONMENTAL ASSESSMENT FOR SUBPROJECTS**

#### **A. General Review Procedures**

35. The selection by the PMU of individual subprojects under the proposed project has not yet been started. The individual VCI subprojects to be financed will be nominated by PPBs and

conducted assessment by PMU, and (i) approved by PSC<sup>56</sup> for category C subprojects, not exceeding \$600,000, or (ii) approved by ADB for category C subprojects, exceeding \$600,000 or category B subprojects, and endorsed by a steering committee.

36. The EARF has been prepared to conduct the environmental assessment of the subprojects to be selected. A flowchart on the environmental assessment that is used for this project (Attachment 1) was developed based on requirements of ADB's SPS (2009) and the GOM Environmental Assessment Guidelines (2014). A summary of the general project procedures is given below.

37. **Output 1: VCIs financed.** The following environmental assessment and review procedure for environmental assessment and approval of subprojects under the output is based on MEGDT procedures and ADB guidelines:

- (i) PPEs submit VCI bankable proposals (BP) to PPBs.
- (ii) PPEs prior to submission of BPs to PPBs refer their proposals to MEGDT (or Ulaanbaatar City and/or *aimag* governments) for initial assessment. The assessment process is as follows: (a) an MEGDT (or Ulaanbaatar City and/or *aimag* governments) expert carries out initial assessment and makes a recommendation to the MEGDT (or Ulaanbaatar City and/or *aimag* governments) committee to be completed within 14 days; (b) the MEGDT determines whether (1) no further assessment is needed but may impose conditions, or (2) detailed environmental assessment is needed; (c) if detailed environmental assessment is needed, then the company arranges for this to be carried out by a consultant licensed for this; (d) MEGDT reviews the detailed environmental assessment and may request further information; and (e) MEGDT approves with or without conditions, or rejects.
- (iii) PPBs review and select BPs based on selection criteria agreed, including environmental requirements.
- (iv) The PMU makes initial screening of BPs based on banks conclusion ensuring compliance with government and ADB requirements
- (v) PMU environment specialist categorizes the selected BPs according to ADB Environmental Assessment Guidelines (2003) and provides recommendations to ADB for decision: (a) category A activities will not be funded, (b) category B activities will require environmental assessment in accordance with ADB (IEE) and government requirements, and (c) category C activities will require no further environmental assessment under ADB requirements (but may still require assessment under government requirements).
- (vi) Conduct environmental assessment and prepare IEER (Initial environmental examination report) for B category subprojects in compliance with the requirements of National legislation and SPS;
- (vii) PMU environment specialist refers the subproject to ADB for review and approval at the following points together with recommendations: (a) categorization and IEER according to ADB environmental requirements, (b) MEGDT (or Ulaanbaatar city and *aimag* government) general environmental assessment, or (c) detailed environmental assessment, and (d) MEGDT approval.
- (viii) PMU submits BPs along with environmental assessment documents (a) to Project Steering Committee (PSC) for approval, if subproject categorized as category C and VCI requested amount not exceeding \$600,000 (first three VCI

<sup>56</sup> First three VCI BPs will require ADB's prior review

BPs will require ADB's prior review); or (b) to ADB for approval and to PSC for endorsement, if subproject categorized as category C and VCI requested amount exceeds \$600,000 or subproject categorized as category B.

- (ix) The PPB and PPE signing loan and collateral agreements, and issuing of loan.

38. **Output 2: Production capacity of herders and farmers improved.** These subprojects<sup>57</sup> are confirmed as category C; therefore no formal procedure of approval is needed. However, the environment specialist within PMU will be responsible for overseeing and reviewing the subprojects to ensure that it is satisfactorily carried out with no significant deviations from the original scope and nature of subprojects, and that the exclusion list is respected.

39. During project implementation, PMU environment specialist will review the selected subprojects to ensure that they do not differ significantly from those anticipated during the current project in terms of type, scale, and environmental sensitivity of location. In addition, PMU will be guided by an exclusion list that states that project activities not be located in environmentally sensitive locations including protected areas or their buffer zones; or cultural heritage sites, wetlands, sensitive habitats, or areas with significant biodiversity. The project will not fund (i) major civil works including major earthworks, dams, irrigation or drainage works; (ii) major land clearance; (iii) activities producing significant liquid, gaseous, or solid wastes; (iv) activities involving displacement or relocation of people or effects on livelihoods, influx of workers, intensification of land use with significant environmental degradation, roads, or significant heavy vehicle traffic, forestry or extractive industry (quarries); or (v) any activities that would warrant classification as category A or B under ADB environmental requirements.

## **B. Environmental Selection Criteria and Categorization of Subprojects**

40. **Selection criteria.** The environmental criteria for selecting subprojects include the following: (i) proposed subprojects must comply with Mongolian environmental legislation and ADB's SPS; (ii) proposed subprojects must not include prohibited activities as defined in Annex 5 of ADB's SPS; (iii) proposed subprojects must have potential environmental benefits; (iv) proposed subprojects must improve community and occupational health and safety conditions, and reduce pollution and waste; and (v) proposed subprojects must avoid negative impacts on sensitive areas and habitats such as water-gathering grounds, nature conservation areas, protected ecological habitats, and physical cultural resources.

41. **ADB environmental categorization.** Environmental categorization shall be determined by the PMU and approved by ADB and shall follow the procedure prescribed in this EARF. ADB's rapid environmental assessment (REA) checklist of subprojects (Attachment 2) shall be developed based on ADB's categorization and project site visits, screening of PPBs checklist, discussions with local environmental protection authorities, and other relevant stakeholders. The REA checklist shall be completed by the PMU and submitted to ADB for review and approval. Based on ADB's classification system and the submitted REA, ADB will endorse assigning the subproject to one of the following categories:

- (i) Category A: a proposed subproject is not eligible for funding under the proposed project.

<sup>57</sup> So far only one subproject under output 2 may require environmental assessment is construction of building for animal skin processing. Otherwise, all activities under output 2 are capacity building and provision of goods.

- (ii) Category B: a proposed subproject is classified as category B and an IEE (initial environmental examination) is required if its potential adverse environmental impacts are less adverse than those of category A subprojects. These impacts are site specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A subprojects.
- (iii) Category C: a proposed subproject is classified as category C if it is likely to have minimal or no adverse environmental impacts. No environmental assessment is required although environmental implications need to be reviewed.

42. Subprojects involving training, capacity development or purchase of equipment usually do not involve any significant impacts and are classified as category C. Such subprojects still require a short report justifying their classification and why no impacts are predicted.

43. It should be noted that if financing is to be provided to existing facilities, this should be assessed and indicated during the categorization process. If so, as part of the IEE preparation, the borrower will need to undertake an environment and /or social compliance audit, including onsite inspection to identify past or present concerns related to safeguard impacts and determine whether any corrective action plans are needed. This may apply for example to equipment that is to be procured for the wool and cashmere, leather, and garment industry (output 3).

44. **Ministry of Environment, Green Development and Tourism environmental categorization.** The Mongolian environmental assessment process requires project screening, known as the general environmental assessment (GEA). This is undertaken by MEGDT, Ulaanbaatar City or *aimag* governments, depending on its scale. It takes 14 working days according to the Mongolian law on assessment. The screening is done on the basis of an official request submitted by the PPE to MEGDT, Ulaanbaatar City or *aimag* governments. The following documents should be submitted to MEGDT, Ulaanbaatar city or *aimag* governments to undertake a GEA for a subproject: (i) official letter from the company; (ii) project description; location map, and feasibility study; (iii) baseline environmental description of the project area; (iv) a written opinion of the relevant *soum* and district governor regarding project relevance with local development programs; and (v) copy of relevant certificates of the PPE and land possession and use.

45. A GEA for subprojects are prepared by MEGDT (or Ulaanbaatar City or *aimag* governments). MEGDT (or Ulaanbaatar City or *aimag* governments) issues relevant decision based on the assessment of a subproject. In most cases of the current project's subprojects, MEGDT required to update existing DEIA as these subprojects were planning to upgrade their equipment and technology. Only few of them were approved with general assessment with specific condition as no adverse impacts were expected from implementation of these subprojects.

### C. Procedure for Environmental Assessment of Subprojects

46. **General principles.** Subprojects shall meet requirements of ADB's SPS, and Mongolian legislation and standards. ADB's Environmental Safeguards policy principles are defined in Safeguard Requirements<sup>1</sup> of the SPS:

- (i) Use a screening process for each proposed project, as early as possible, to determine the appropriate extent and type of environmental assessment so that

appropriate studies are undertaken commensurate with the significance of potential impacts and risks.

- (ii) Conduct an environmental assessment for each proposed project to identify potential direct, indirect, cumulative, and induced impacts and risks to physical, biological, socioeconomic (including impacts on livelihood through environmental media, health and safety, vulnerable groups, and gender issues), and physical cultural resources in the context of the project's area of influence. Assess potential transboundary and global impacts, including climate change. Use strategic environmental assessment where appropriate.
- (iii) Examine alternatives to the project's location, design, technology, and components and their potential environmental and social impacts and document the rationale for selecting the particular alternative proposed. Also consider the no project alternative.
- (iv) Avoid, and where avoidance is not possible, minimize, mitigate, and/or offset adverse impacts and enhance positive impacts by means of environmental planning and management. Prepare an EMP that includes the proposed mitigation measures, environmental monitoring and reporting requirements, related institutional or organizational arrangements, capacity development and training measures, implementation schedule, cost estimates, and performance indicators. Key considerations for EMP preparation include mitigation of potential adverse impacts to the level of no significant harm to third parties, and the polluter pays principle.
- (v) Carry out meaningful consultation with affected people and facilitate their informed participation. Ensure women's participation in consultation. Involve stakeholders, including affected people and concerned nongovernment organizations, early in the project preparation process and ensure that their views and concerns are made known to and understood by decision makers and taken into account. Continue consultations with stakeholders throughout project implementation as necessary to address issues related to environmental assessment. Establish a grievance redress mechanism to receive and facilitate resolution of the affected people's concerns and grievances regarding the project's environmental performance.
- (vi) Disclose a draft environmental assessment (including the EMP) in a timely manner, before project appraisal, in an accessible place and in a form and language(s) understandable to affected people and other stakeholders. Disclose the final environmental assessment, and its updates if any, to affected people and other stakeholders.
- (vii) Implement the EMP and monitor its effectiveness. Document monitoring results, including the development and implementation of corrective actions, and disclose monitoring reports.
- (viii) Avoid implementing project activities in areas of critical habitats, unless (a) there are no measurable adverse impacts on the critical habitat that could impair its ability to function, (b) there is no reduction in the population of any recognized endangered or critically endangered species, and (c) any lesser impacts are mitigated. If a project is located within a legally protected area, implement additional programs to promote and enhance the conservation aims of the protected area. In an area of natural habitats, there must be no significant conversion or degradation, unless (a) alternatives are not available, (b) the overall benefits from the project substantially outweigh the environmental costs, and (c) any conversion or degradation is appropriately mitigated. Use a precautionary approach to the use, development, and management of renewable natural resources.

- (ix) Apply pollution prevention and control technologies and practices consistent with international good practices as reflected in internationally recognized standards such as the World Bank Group's Environmental, Health and Safety Guidelines. Adopt cleaner production processes and good energy efficiency practices. Avoid pollution, or, when avoidance is not possible, minimize or control the intensity or load of pollutant emissions and discharges, including direct and indirect greenhouse gases emissions, waste generation, and release of hazardous materials from their production, transportation, handling, and storage. Avoid the use of hazardous materials subject to international bans or phase-outs. Purchase, use, and manage pesticides based on integrated pest management approaches and reduce reliance on synthetic chemical pesticides.
- (x) Provide workers with safe and healthy working conditions and prevent accidents, injuries, and disease. Establish preventive and emergency preparedness and response measures to avoid, and where avoidance is not possible, to minimize, adverse impacts and risks to the health and safety of local communities.
- (xi) Conserve physical cultural resources and avoid destroying or damaging them by using field-based on surveys that employ qualified and experienced experts during environmental assessment. Provide for the use of chance find procedures that include a pre-approved management and conservation approach for materials that may be discovered during project implementation.

47. **Preparation of initial environmental examination report.** Environmental assessment will be prepared by the environmental specialist in PMU as the proposed project will support subprojects of B and C categories which do not require full environmental impact assessment. IEE shall be consistent with ADB's Safeguard Requirements and with the Law on Environmental Impact Assessment of Mongolia. The IEE of the subprojects will be submitted to ADB for approval, prior to ADB's approval the detailed environmental impact assessment (DEIA in Mongolian) must be approved by MEGDT.

48. The environment assessment shall start with a field visit and study of the environmental conditions at the subproject site, including existing facilities, to see the environmental performance and commitment of the PPE. The PMU environment specialist will assess compliance with mitigation measures and monitoring plans defined in the EMP, identify additional mitigation actions to implement for the sub-project. The environmental performance of PPE shall be documented in the IEE.

49. The baseline conditions for the project will be obtained from the existing assessment reports, site visits, and any available secondary sources and relevant databases, such as topography, soils, geology, protected areas, sensitive areas, land use, and all ambient air, noise and water quality conditions in the project's area of influence.

50. Predicting potential environmental impacts involves predicting environmental risks and anticipated impacts as a result of project activities and plant operation, impacts on air and surface water quality, noise, risks to occupational and community health and safety, protected and sensitive ecological, socio-economic and cultural resources.

51. An environmental management plan (EMP) of the subproject consists from an environmental protection plan and environmental monitoring program. Environmental protection plan should include a table listing the implementation of the mitigation measures. A template is provided in Attachment 3. All mitigation measures mentioned in the EIA report should be listed in this table. Mitigation measures should be defined for all phases of the project, including (i)

detailed design, (ii) construction, and (iii) operation. The table must clearly define responsibilities for implementation and supervision of the mitigation measures. Actions related to public consultation and GRM can be included in the EMP or developed as in separate plan.

52. An environmental monitoring plan as part of EMP of the subproject must be compiled by PPE. A template is provided in Attachment 4. The plan should be very specific about the parameters to be monitored, the total number of monitoring locations, the exact locations (location and name of each sensitive target) where monitoring is to be carried out, and the frequency and duration of monitoring.

53. Environmental management and capacity development training plan for the PPE will be developed by the PMU and conducted with cooperation of relevant agencies. These trainings should be incorporated into trainings designed for PPEs along with business proposal writing, financial management, etc.

54. Payment of the costs for the preparation of the required environmental documents will be the responsibility of the PPEs. The PMU will provide support to the PPEs through the environmental consultant in finalizing the required document and submission to MEGDT and ADB for approval. Based on the experiences of the ongoing project, the average annual mitigation cost is about \$13,500 per subproject. The average annual monitoring cost per subproject is \$1,000.

## **VI. CONSULTATION, INFORMATION DISCLOSURE, AND GRIEVANCE REDRESS MECHANISM**

### **A. Consultation and Participation**

55. Major documents related to the current project have been accessible through ADB website in both English and Mongolian during its first stage implementation. Numerous consultations were held with industry, government officials, nongovernment organizations, herders, traders, suppliers, and others. For the IEE, meetings were held with Ministry of Food and Agriculture<sup>58</sup> Ministry of Industry (MOI), MEGDT, General Agency for Specialized Inspection, project participating banks (PPBs), World Bank Sustainable Livelihoods Project, Mongolian Cleaner Production and Energy Efficiency Center, University of Mongolia tannery research project, and representative enterprises in each major subsector to be supported by the project. Local (*soum*) officials and community groups were consulted in group meetings in the field. All parties consulted are in favor of the project.

56. In terms of environmental impacts, the main concerns raised during the current project are on the need for sustainable pasture management and a sustainable harvesting system, and for upgrading equipment and processes used in the leather and wool and/or cashmere industry.

57. Public consultations will be conducted during the preparation of the IEEs for the individual subprojects. The PPE will carry out meaningful consultation with affected people and other concerned stakeholders, including civil society, and facilitate their informed participation. The consultation process shall also be used to introduce and discuss the project GRM. Meaningful consultation is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure of

<sup>58</sup> Former Ministry of Industry and Agriculture splitted into the Ministry of Food and Agriculture and the Ministry of Industry.

relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues. Consultation will be carried out in a manner commensurate with the impacts on affected communities. The consultation process and its results are to be documented and reflected in the environmental assessment report.

58. The IEE shall document details of the public consultation by providing details of the environmental issues and concerns raised by stakeholders and by indicating how these will be addressed in the project design and mitigation measures. Proof of consultations such as attendance sheets, minutes of meetings and pictures shall be included in the documentation. A template of the consultation record is provided in Attachment 5.

59. The consultation should focus on public concerns about community annoyances from project implementation, such as noise and dust, as well as public concerns about the environment and resettlement. Immediate adjustments must be undertaken to address any public complaints and concerns.

## **B. Information Disclosure**

60. The PMU and PPEs are responsible for ensuring that all environmental assessment documents and environmental monitoring reports are properly and systematically kept as part of the project record. The PPE shall make these documents available in a form, language and at a location in which they can be easily accessed by all stakeholders including affected people.

61. In addition, according to the ADB requirements (for category B projects), the environmental progress reports submitted by the PMU on an annual basis will be posted on ADB website.

## **C. Grievance Redress Mechanism (GRM)**

62. The PMU and PPEs shall establish and maintain a mechanism to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the project's environmental performance. The GRM will address affected people's concerns and complaints promptly, using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected people at no costs and without retribution. The mechanism will not impede access to Mongolia's judicial or administrative remedies. The GRM will be introduced during consultation with community and made publicly available and accessible to the affected people prior and during to project implementation.

63. As a result of this public participation and safeguard assessment during the initial stages of the project, major grievances are not expected. However, unforeseen issues may occur. In order to settle such issues effectively, a practical and transparent channel for lodging complaints and grievances has been established, in parallel with the mechanism developed under the resettlement planning process. In the event of a grievance issue, the basic stages established for redress are:



- (i) Stage 1: If a concern arises during construction, the affected person addresses the issue of concern directly to the contractor and the PPE project officer. If the issue is successfully resolved, no further follow-up is required.
- (ii) Stage 2: If not successful, the affected person can submit an oral or written petition and/or complaint to the PPE. For an oral complaint, the PPE must make proper written records and provide a clear reply within 2 weeks to the affected person. The environmental consultant can assist the PPE in replying to the affected person.
- (iii) Stage 3: If the affected person is still not satisfied with the reply of the PPE, he and/or she can appeal to the PMU after receiving the reply in Stage 2. The PMU must report to ADB as soon as the complaint is recorded by submitting relevant documents, and prepare a clear reply in consultation with ADB and MEGDT. The PMU must give the reply to the affected person within 30 days.

## VII. INSTITUTIONAL ARRANGEMENTS AND RESPONSIBILITIES

64. **Ministry of Finance.** MOF is the executing agency of the project. The executing agency's function is financial disbursement and due diligence oversight. For the project, a PMU has been established to oversee all work and ensure compliance with all safeguard documents of the project (see below). Contract with the national environment specialist and/or consultant of PMU will be extended for the additional financing period of the project to carry out initial environmental assessment, oversee compliance with Government of Mongolia, and ADB environment requirements. The term of reference of this consultant is included in the EARF.

65. **Project participating banks.** Each PPB will be responsible for ensuring that each subloan agreements include provisions to comply with ADB and all national environmental regulations and requirements that are described in the project documents and the IEE and EMP for the subproject. The PPB will also ensure, with the support from the PMU, that the PPEs comply with the provisions in the subloan agreements, and that adequate compliance monitoring is carried out. This responsibility is to ensure that its lenders comply with relevant environmental regulations and procedures of Mongolia. The PPBs' compliance/environmental officer will work in close cooperation with PMU on conducting environmental assessments. All procedures to be applied are described in the EARF.

66. **Project participating enterprises.** The PPE will be responsible for development, implementation, monitoring, and reporting of the subproject. The PPE shall establish a project implementing team which includes a person in charge of environmental, safety and health issues of the enterprise. During the implementation of the current project, it showed that the PPEs lacked expertise and capacities to ensure adequate environmental management of the projects. There is a need for institutional strengthening, environmental management, and capacity development of PPEs. PMU will organize capacity development trainings for PPEs with assistance of professional agencies to ensure effective project implementation of subprojects. A training program will be defined for PPEs to meet the capacity development needs.

67. **Project steering committee (PSC).** It will comprise three representatives from MOF, two members from MOI, two members from Ministry of Food and Agriculture, and one member

each from MEGDT and the Bank of Mongolia. The PSC will mainly be responsible for approving<sup>59</sup> the subprojects proposed by the PMU and endorsing subprojects approved by ADB.

**68. Project management unit.** VCI unit of the PMU will oversee and ensure that environmental assessments of the subprojects are carried out in accordance with SPS. The PMU will finalize IEEs and monitors the project implementation. The PMU will ensure that all subprojects are implemented in compliance with ADB and Mongolian environmental requirements. The VCI unit of the PMU will include a unit coordinator, financial analyst, business advisor, environmental specialist and social and gender specialist. An environmental specialist will have responsibility to supervise EARF and EMP implementation, monitoring of subprojects, and provision of reports to the PMU and ADB. The consultants' terms of reference are in Attachment 6.

**69.** The responsibilities of the PMU in carrying out the EARF provisions for subprojects are as follows:

- (i) Classify subproject by completing rapid environmental assessment using approved REA checklists (Attachment 2) and submitting them to ADB for approval of the environment category;
- (ii) Conduct environmental assessment and prepare IEE report in compliance with the requirements of National legislation and SPS;
- (iii) Ensure that PPEs hold meaningful consultation with affected people and other stakeholders in accordance with SPS;
- (iv) Organize training programs, with support of professional agencies covering (a) environmental laws, regulation and policies; (b) planning and implementing mitigation measures; (c) environmental management and reporting; (d) community and occupational health and safety; (e) environmental monitoring; and (f) documentation and reporting;
- (v) Ensure that PPEs develop adequate EMP and submits their implementation reports to applicable agencies in timely manner;
- (vi) Ensuring that PPE implemented environmental monitoring in accordance with the approved EMP; and
- (vii) Conduct monitoring of sub-projects environmental performance and report to ADB on an annual basis that describe progress with implementation of the EMP and compliance issues and corrective actions, if any.

**70. Ministry of Environment, Green Development and Tourism (MEGDT).** The MEGDT will be responsible to conduct GEIA in accordance with the Law on Environmental Impact Assessment (1998, revised in 2012), and review and approve detailed EIAs, if relevant. The MEGDT is the agency primarily responsible for the implementation of environmental policy in Mongolia. The Department of Environment and Natural Resources under MEGDT is responsible for the planning and implementation of actions to reduce environmental degradation and adverse environmental impacts, and ensuring the appropriate use of natural resources. Its functions include conducting of GEIAs and the appraisal and approval of detailed EIAs. The Department has extensive experience in conducting GEIAs (i.e., screening and categorization of projects) which comply with the Mongolian Law on Environmental Impact Assessment (1998, revised in 2012), and has either internally or readily accessible expertise to assess DEIAs submitted for approval.

<sup>59</sup> Depending of the size of subproject and sectors covered final approval of smaller subprojects and subprojects categorized as category C will be done by PCS. The detailed criteria will be developed on a later stage.

71. **Local governments.** Ulaanbaatar City, *aimag* and *soum* governors are responsible for all environmental management at local level. They issue local permits and licenses and deal with natural resource management. Enforcement of regulations is the responsibility of environmental inspectors at the *aimag* level and rangers at the *soum* and *bagh* level. Ulaanbaatar City has environment and green development department, all *aimags* have their own environmental department with 6 to 7 staff. It has the responsibility to conduct the general environmental assessment for local projects and approve it. Assessment and approval for bigger projects (national level) is done by MEGDT. The environmental department's function is also to supervise the *soum* and *bagh* level rangers and report back to MEGDT. Local governors have the legal right and responsibility for all environmental actions in their given administrative territory. Therefore, the *aimag* environmental department has a key role to play in conducting (and approving or otherwise) general environmental assessment for local projects.

72. **The General Agency for Specialized Inspection (GASI)** is responsible for environmental inspection services nationwide. The Department of the Environment, Geology and Mining Inspection is the main supervising focal point for project activity. This department has 16 inspectors at the central level, 4–6 inspectors at *aimag* level, and 1–2 at *soum* level. Environmental inspectors of this agency are responsible for environmental monitoring, operational inspections, and information collection.

73. **Asian Development Bank.** ADB will be responsible for: (i) reviewing REA checklists prepared by the PMU and approving the environment category subprojects; (ii) advising the PMU on the type and extent of environmental assessment report to be prepared, based on the approved categorization and SPS requirements; (iii) reviewing and approving the final IEE, disclosing on ADB's project website in accordance with ADB's disclosure policies; (iv) reviewing environmental monitoring reports submitted by PMU, and conducting review missions during implementation to determine compliance with EMP and SPS; and (v) disclosing environmental monitoring reports on ADB's project website in accordance with ADB's disclosure policies.

## VIII. MONITORING AND REPORTING

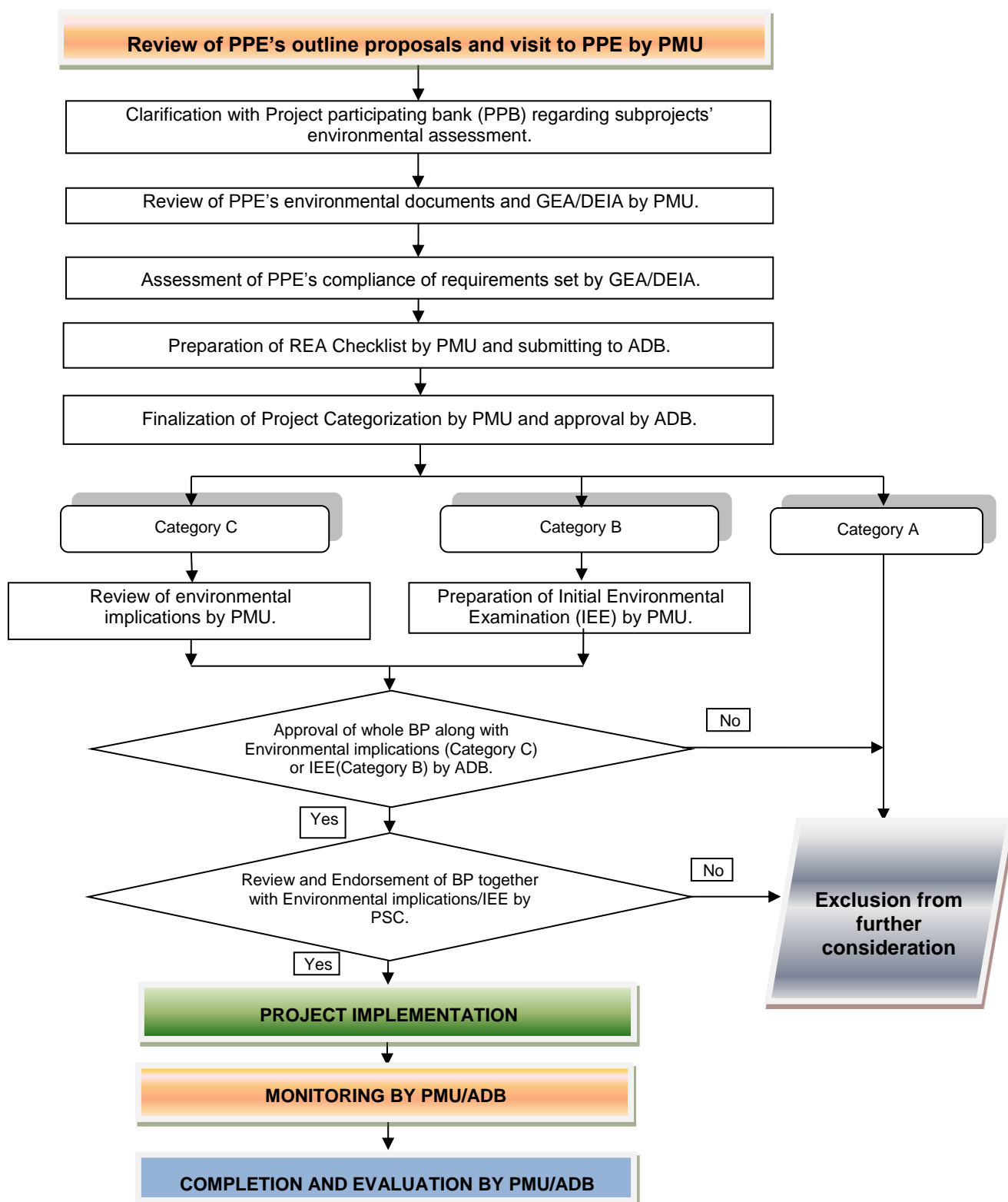
74. During implementation, PPEs will monitor and submit semi-annually report to the PMU on the implementation of environmental requirements and outcomes as part of the overall reporting to a PPBs and ADB. The PPEs will be required to report any environmental incidents, accidents, complaints, litigation, regulatory notices, or fines in their operation to PMU, PPB and MEGDT as soon as possible. Corrective actions will be developed and agreed upon between the PPE and GASI or other applicable agency. This will be referred to PMU environment specialist and PPB for review and concurrence. The PPB will report any environmental incidents that it becomes aware of to PMU and a similar procedure initiated. The environment specialist within PMU will be responsible for overseeing and reviewing this monitoring to ensure that it is satisfactorily carried out.

75. **Internal monitoring reports.** PPE shall monitor environmental performance of a subproject during the project implementation internally on regular basis and prepare semi-annual monitoring reports to the PMU. It shall present (i) project implementation status; (ii) environmental mitigation measures implemented; (iii) monitoring activities; (iv) analysis of monitoring data against relevant standards; (v) violations of environmental regulations (results of inspection held, etc.); (vi) any additional mitigation measures and corrective actions required; (vii) occupational health and safety reporting (e.g., accidents during construction, etc.); (viii) major events or issues that happened during the reporting period and follow-up actions needed;

and (ix) complaints received from the public and how these were resolved through the GRM. These reports will be submitted to the PMU.

76. **Environmental monitoring reports.** The PMU shall prepare monitoring reports on an annual basis. It shall describe progress with implementation of the EMP and compliance issues and corrective actions, if any. The environmental monitoring report should follow the sample outline for a periodic project environmental monitoring report provided in Attachment 7. These environmental monitoring reports will be provided by the PMU to ADB. If monitoring identifies weakness or deficiencies in the implementation of the EMP, the PMU shall require PPE to implement corrective actions.

## ENVIRONMENTAL IMPACT ASSESSMENT FLOWCHART



ADB = Asian Development Bank, DEIA = detailed environmental impact assessment, GEIA = general environmental impact assessment, GOM = Government of Mongolia, IEER = initial environmental examination report, MEGDT = Ministry of Environment, Green Development and Tourism, PSC= project steering committee, PMU= project management unit, PPE = project participating enterprise, REA = rapid environmental assessment, PPB=Project participating bank.

## RAPID ENVIRONMENTAL ASSESSMENT (REA) CHECKLIST

☐ *Note: Answer the questions assuming the “without mitigation” case. The purpose is to identify potential impacts. Use the “remarks” section to discuss any anticipated mitigation measures.*

Country/Project Title: Mongolia/ Additional Financing of Agriculture and Rural Development

Subproject name:

Sector division:

SCREENING QUESTIONS	Yes	No	REMARKS
<b>A. Project Location</b>			
Is the project area adjacent to or within any of the following environmentally sensitive areas?			
• Cultural heritage site			
• Protected Area			
• Wetland			
• Estuarine			
• Buffer zone of protected area			
• Special area for protecting biodiversity			
<b>B. Potential Environmental Impacts</b>			
Will the project cause...			
• ecological disturbances arising from the establishment of a plant or facility complex in or near sensitive habitats?			
• eventual degradation of water bodies due to water usage, discharge of wastewater, solid waste, or other effluents from plant or facility complex?			
• serious contamination of soil and groundwater?			
• aggravation of solid waste problems in the area?			
• public health risks from discharge of wastes and poor air quality; noise and foul odor from plant emissions?			
• short-term construction impacts (e.g. soil erosion, deterioration of water and air quality, noise and vibration from construction equipment?			
• dislocation or involuntary resettlement of people			
• social conflicts arising from the influx of construction laborers from other areas?			
• water pollution from discharge of liquid effluents?			
• air pollution from all plant operations?			
• gaseous and odor emissions to the atmosphere from processing operations?			

SCREENING QUESTIONS	Yes	No	REMARKS
<ul style="list-style-type: none"> <li>accidental release of potentially hazardous solvents, acidic and alkaline materials?</li> </ul>			
<ul style="list-style-type: none"> <li>uncontrolled in-migration with opening of roads to forest area and overloading of social infrastructure?</li> </ul>			
<ul style="list-style-type: none"> <li>occupational health hazards due to fugitive dust, materials handling, noise, or other process operations?</li> </ul>			
<ul style="list-style-type: none"> <li>disruption of trans it patterns, creation of noise and congestion, and pedestrian hazards aggravated by heavy trucks?</li> </ul>			
<ul style="list-style-type: none"> <li>disease transmission from inadequate waste disposal?</li> </ul>			
<b>C. Other potential impacts</b>			
Will the project cause...			
<ul style="list-style-type: none"> <li>Contamination of soil and groundwater from solid wastes from water treatment sludge, cafeteria wastes etc.?</li> </ul>			
<ul style="list-style-type: none"> <li>Deterioration of water quality due to inadequate sludge disposal or direct discharge of untreated sewage water?</li> </ul>			
<ul style="list-style-type: none"> <li>Contamination of surface and ground waters due to improper waste disposal?</li> </ul>			
<ul style="list-style-type: none"> <li>Contamination of surface and ground waters due to sludge on land?</li> </ul>			
<ul style="list-style-type: none"> <li>Environmental pollution due to inadequate sludge disposal or industrial waste discharges illegally disposed in sewers?</li> </ul>			
<ul style="list-style-type: none"> <li>Impacts associated with transport of wastes to the disposal site or treatment facility?</li> </ul>			
<ul style="list-style-type: none"> <li>Land and/or pasture use conflicts?</li> </ul>			
<b>D. Formal requirements</b>			
Is there any permission of the company on land possession for the company from city and/or <i>aimag</i> government?			
Is there any permission of the company for its operation from city and/or <i>aimag</i> government?			
Is there any environmental assessment conducted for the enterprise?			
Is financing to be provided to existing facilities? E.g. in case of equipment purchases for the wool and cashmere, leather, and garment industries.			
Is there any need in environmental assessment for the value chain investment subproject?			
<b>E. Proposed categorization</b>			

SCREENING QUESTIONS	Yes	No	REMARKS
Category A: Subprojects with potential for significant adverse environmental impacts. The subproject is not eligible for funding under Agriculture and Rural Development Project.			
Category B: Subprojects judged to have some adverse environmental impacts, but of lesser degree and/or significance than those for category A projects. An initial environmental examination (IEE) is required. The IEE is regarded as the final environmental assessment report.			
Category C: Subprojects unlikely to have adverse environmental impacts. No EIA or IEE is required, although environmental implications are still reviewed.			

**Attachments:**

1. Conclusion of GEA/DEIA.
2. Subproject (Investment Proposal)

Prepared by:

Designation: Environment Specialist, Agriculture and Rural  
Development Project

Signature:

Date:



### Checklist for Preliminary Climate Risk Screening

Screening Questions		Score	Remarks
<b>Location and Design of project</b>	Is siting and/or routing of the project (or its components) likely to be affected by climate conditions including extreme weather related events such as floods, droughts, storms, landslides?		
	Would the project design (e.g. the clearance for bridges) need to consider any hydro-meteorological parameters (e.g., sea-level, peak river flow, reliable water level, peak wind speed etc)?		
<b>Materials and Maintenance</b>	Would weather, current and likely future climate conditions (e.g. prevailing humidity level, temperature contrast between hot summer days and cold winter days, exposure to wind and humidity hydro-meteorological parameters likely affect the selection of project inputs over the life of project outputs (e.g. construction material)?		
	Would weather, current and likely future climate conditions, and related extreme events likely affect the maintenance (scheduling and cost) of project output(s) ?		
<b>Performance of project outputs</b>	Would weather/climate conditions, and related extreme events likely affect the performance (e.g. annual power production) of project output(s) (e.g. hydro-power generation facilities) throughout their design life time?		

Options for answers and corresponding score are provided below:

Response	Score
Not Likely	0
Likely	1
Very Likely	2

Responses when added that provide a score of 0 will be considered low risk project. If adding all responses will result to a score of 1-4 and that no score of 2 was given to any single response, the project will be assigned a medium risk category. A total score of 5 or more (which include providing a score of 1 in all responses) or a 2 in any single response, will be categorized as high risk project.

**Result of Initial Screening (Low, Medium, High):**

#### Attachments:

1. Conclusion of GEA/DEIA.

## 2. Subproject (Investment Proposal)

**SIGNING OFF:**

Prepared by:

Designation:

Environment Specialist, Agriculture and Rural  
Development Project

Signature:

Date:

Approved by:

**EXAMPLE OF AN ENVIRONMENTAL MITIGATION PLAN**

No.	Environmental impacts and mitigation measures	Parameters	Frequency	Responsibility	Cost, Th.MNT
<b>A Water pollution:</b>					
1	Maintain, renovate and replace water supply pipes, and clean sewage pipes	Sewage management	3rd quarter	Plumbing engineer	
2	Carry out sewage water tests in house and maintain records of test results	Concentration of pollutants in effluent (SAA etc.)	Monthly	Plumbing engineer	
3	Renovate waste water treatment facilities and aeration equipment	Sewage management	By schedule	Plumbing engineer	
4	Purchase new lab equipment for sewage analysis	Sewage management	4th quarter	Procurement manager	
5	Manage sludge removal and transportation	Sewage management	2 times a week	Auto mechanic	
<b>B Waste disposal</b>					
8	Regular clean-up within factory site with involvement of all production units	Waste management	Monthly	OSH officer	
9	Manage solid waste removal and transportation	Waste management	Regularly	Auto mechanic	
10	Procure truck for waste transportation	Waste management	4th quarter	Procurement manager	
11	Introduce new recycling technology of loose wool and waste yarn to produce insulation material	Waste management	4th quarter	Production department	
<b>C Air pollution:</b>					
13	Inspect all air ventilation systems of the factory	Air pollution management	3rd and 4th quarter	Head of mechanical division	
14	Replace and install air ventilation system in wool washing factory and felt making units	Air pollution management	3rd and 4th quarter	Head of engineering department	
15	Make research on exhaust filter for wool particles and dust	Air pollution management	4th quarter	Head of engineering department	
16	Make research on modern air ventilation and conditioning system in order to improve air quality in production units	Air pollution management	4th quarter	Equipment maintenance and research engineer	
<b>D Chemicals use:</b>					
17	Monitor storage and handling of toxic and hazardous chemicals,	Chemicals management	Regularly	Procurement manager	
18	Update references for hazardous and toxic chemicals and put in accessible places	Chemicals management	4th quarter	OSH officer & procurement manager	
19	Develop procedure on storing, handling and expenditure of chemicals	Chemicals management	Q4	OSH engineer	

No.	Environmental impacts and mitigation measures	Parameters	Frequency	Responsibility	Cost, Th.MNT
20	Make inventory of chemicals and terminate unnecessary and out dated chemicals with cooperation with related authorities	Chemicals management	March	Procurement manager and chemical engineer	
<b>E</b>	<b>Soil pollution:</b>				
21	Improve surrounding area of the factory and protect soil and vegetable coverage from erosion and degradation by renovating roads, passages	Soil management	Q2 and Q3	Head of engineering department	
22	Maintain green zone of the factory and plant grass, trees & bushes near factory buildings	Soil management	spring and fall	Head of HR department	
23	Maintain and clean up the surrounding areas of the factory regularly	Waste management	monthly	OSH officer	
<b>F</b>	<b>Occupational safety, hygiene and sanitation:</b>				
24	Conduct training of employees on fire prevention with cooperation with specialized agency	Safety and health management	Q4	OSH officer	
25	Place complete set of fire extinguishing equipment at the factory and monitor its preparedness	Emergency management	second half of the year	OSH officer and procurement manager	
26	Provide employees with occupational apparel and protective equipment	Safety and health management	2 times a year	OSH officer and procurement manager	
27	Involve all employees' in medical check-ups and take follow up action	Safety and health management	2 times a year	Head of HR department and doctor	
<b>G</b>	<b>Organizational measures:</b>				
28	Ensure compliance with government regulations and procedures in terms of environmental protection activities	Environmental management	Regularly	Factory management	
29	Environmental protection awareness raising activities for employees			Factory management	
30	Develop EMP in accordance with DEIA and PMU recommendation, and implement them in timely manner	Environmental management	December/ during the year	Factory management	
31	Prepare report on implementation of EMP and report to relevance authorities and PMU in timely manner	Environmental management	December	Factory management	
<b>TOTAL</b>					

**EXAMPLE OF AN ENVIRONMENTAL MONITORING PROGRAM**

No.	Impact	Monitoring	Parameters	Reporting Frequency	Responsibility	Report to
1	Water pollution	Monitoring of surface and underground water quality by analyzing sewage, surface and underground water	pH, Chloride (Cl), Sulfate (SO <sub>4</sub> <sup>2-</sup> ), Ammonia (NH <sub>4</sub> <sup>+</sup> ), total), BOD, COD	Two times a year	Factory (through certified lab)	DSI of the <i>aimag</i> , PMU
2	Soil pollution	Monitoring of soil pollution by analyzing soil	Chemical, biological and physical characteristics of soil (to be determined)	Once a year	Factory (through a certified Lab)	DSI of the <i>aimag</i> , PMU
3	Solid waste	Monitoring of waste disposal	Waste management	Yearly	Factory	DSI of the <i>aimag</i> , PMU
4	Air pollution	Monitoring of air quality by sampling	SO <sub>2</sub> , NO <sub>2</sub> dust etc.	Two times in a year	Factory (through a certified Lab)	PID of the <i>aimag</i> , PMU
5	Occupational safety and hygiene	Monitoring of working condition,	Safety and hygienic parameters (To, dust, humidity, noise etc.)	Once a year	Factory (through <i>aimag</i> DSI)	PID of the <i>aimag</i> , PMU
6	Workers Safety and Health	Monitoring of safe operation, handling of chemicals and health	Employees health inspection, Safety and Health records, Inspection reports	Once in a year	Factory (internal monitoring reports)	DSI of the <i>aimag</i> , PMU
7	Compliance with National regulations	Compliance with GEA requirements and monitoring plans	Monitoring reports of EMP	End of the year	Factory, PMU	ADB, through PMU

ADB = Asian Development Bank, EMP = environment monitoring plan, GEA = general environmental assessment, PMU = project management unit, DSI = Department of Specialized Inspection.

**SAMPLE CONSULTATION RECORD**

Consultation Participants (meeting, focus group, discussion) \_\_\_\_\_

Consultation Location:			
Consultation Date:			
Purpose of Consultation:			
Name and Position of Facilitator:			
Name of Participant	Organization / Occupation	Address / Location of Residence	Gender
{name}	{Teacher & Resident}	{13th Khoroo}	
{name}	{Unemployed, Resident}	{13th Khoroo}	

Consultation Record (meeting, focus group, discussion)

Key Issues Discussed	
Issue	Proponent
{Concerns over access to community water resources during project implementation}	{supported by 5 residents and two NGOs from 14th Khoroo}
Actions Identified	
Action & Deadline	Responsible Organization
Additional Comments	

## TERMS OF REFERENCE FOR NATIONAL ENVIRONMENTAL CONSULTANT

1. **Environment specialist** (national, 57 person-months). The consultant will have a postgraduate degree or equivalent related to environment science, environment economics/management or a relevant discipline with at least 5 years of relevant professional experience working for project(s) financed by ADB or other international organizations. The consultant will require proven capacity of working effectively with both private sector enterprises and the relevant government agency, sound knowledge of ADB environment safeguard policy and compliance requirements and policy and regulatory frameworks for environment assessment and management of the government, a good command of English and Mongolian, and good computer skills. Under the overall guidance of the project director and the direct supervision of the project coordinator, the consultant will provide inputs and policy advice to ensure compliance of all subprojects with environmental requirements of ADB and the government. This includes but is not limited to ensuring that all the requirements of ADB's Safeguard Policy Statement (SPS, 2009) are met, the safeguards in the project documents are implemented, and that all approvals, permits, licenses and other Government of Mongolia's requirements are met. The consultant will be responsible for monitoring the implementation of the mitigation measures and environmental management plans for the project. The consultant will specifically:

- (i) Conduct capacity development of PPEs and PPBs in environment safeguard and compliance by engaging relevant institutions and provide trainings and advice to them to assist them to articulate clean production requirements, Government and ADB policies into their processes and plans. Training should cover but not limited to covering (a) environmental laws, regulation and policies; (b) planning and implementing mitigation measures; (c) environmental management and reporting; (d) community and occupational health and safety; (e) environmental monitoring; and (f) documentation and reporting;
- (ii) Assist the PPBs in carrying out initial environment and climate risk screening of the selected VCI proposals according to the Government and ADB environmental requirements as needed;
- (iii) Assist PPEs to hold meaningful consultation with affected people and other stakeholders in accordance with ADB's Safeguard Policy Statement (2009);
- (iv) Work closely with PPEs to ensure site selection for VCI subprojects in compliance with ADB's and government's requirements;
- (v) Assist PPEs to develop adequate environment monitoring plan;
- (vi) Support the business advisor in improvement of PPE's VCI proposals and detailed VCI subproject implementation plan to ensure that ADB requirements are met;
- (vii) Conduct rapid environmental assessment, categorize selected VCI proposals according to ADB environmental requirements;
- (viii) Conduct environmental assessment and prepare IEE report in compliance with the requirements of national legislation and SPS and categorization in accordance to ADB Environment assessment Guidelines (2003) and update existing EARF;
- (ix) Once VCI proposals are selected and approved by PPBs, ADB and PCS, help PPEs to improve both environmental management and environment monitoring plan if needed based on the field visit to PPEs and review of BPs from environment perspective and establish the project baseline for monitoring;
- (x) Liaise with the Ministry of Environment, Green Development and Tourism (MEGDT) and General Agency for Specialized Inspection to coordinate activities

- for the assessments where there is difference in ADB and Government requirements or during detailed assessment and project approval;
- (xi) Participate in reviews of subprojects related to output 2 to ensure that they meet ADB and the government's requirements in terms of type, scale, and environmental sensitivity of their locations;
  - (xii) Monitor subprojects during implementation to ensure implementation in accordance with the requirements of the environmental assessment and environment management plan and monitor against the baseline;
  - (xiii) Support the Government to establish and maintain the Grievance Redress Mechanism;
  - (xiv) Participate in project reviews by ADB and other Government agencies, review project reports from PPEs, and carry out spot checks on subprojects to verify reports; and
  - (xv) Prepare and/or provide relevant inputs for reports and documents required by the PMU, GOM, and/or ADB, which include annual environment monitoring reports, project progress report, and quarterly and annual reports containing in-depth analysis of the performance of PPEs and their value chain members, as well as recommendations for their improved performance, for submission to the PPEs and the PMU.



## TEMPLATE ENVIRONMENTAL MONITORING AND PROGRESS REPORT

1. Guidelines: Following requirements of the ADB Safeguard Policy Statement (2009) and the Operations Manual section on safeguard policy (OM F1), borrowers/clients are required to establish and maintain procedures to monitor the status of implementation of safeguard plans and ensure progress is made toward the desired outcomes.

2. The level of detail and comprehensiveness of a monitoring report is commensurate with the complexity and significance of social and environmental impacts. The following report structure is suggested:

1. Introduction
  - 1.1. *Report Purpose*
  - 1.2. *Project Implementation Progress*
2. Incorporation of Environmental Requirements into Project Contractual Arrangements (*Manner by which EMP requirements are incorporated into contractual arrangements, such as with contractors or other parties*).
3. Summary of Environmental Mitigations and Compensation Measures Implemented
 

*Based on EMP; may include measures related to air quality, water quality, noise quality, pollution prevention, biodiversity and natural resources, health and safety, capacity building, and others.*
4. Summary of Environmental Monitoring
  - 4.1. *Compliance Inspections (if relevant)*
    - 4.1.1. *Summary of Inspection Activities*
    - 4.1.2. *Mitigation Compliance*
    - 4.1.3. *Mitigation Effectiveness*
  - 4.2. *Emission Discharge (Source) Monitoring Program (if relevant)*
    - 4.2.1. *Summary of Monitoring*
    - 4.2.2. *Results*
    - 4.2.3. *Assessment*
  - 4.3. *Ambient Monitoring Program (if relevant)*
    - 4.3.1. *Summary of Monitoring*
    - 4.3.2. *Results*
    - 4.3.3. *Assessment*
5. Key Environmental Issues
  - 5.1. *Key Issues Identified*
  - 5.2. *Action Taken*
  - 5.3. *Additional Action Required*
6. Conclusion
 

*Overall Progress of Implementation of Environmental Management Measures*  
*Problems Identified and Actions Recommended*

### Appendixes

1. Site Inspection and/or Monitoring Reports
2. Ambient Monitoring Results
3. Photographs
4. Others

### INVOLUNTARY RESETTLEMENT IMPACT CATEGORIZATION CHECKLIST

Probable Involuntary Resettlement Effects	Yes	No	Not Known	Remarks
<b><i>Involuntary Acquisition of Land</i></b>				
1. Will there be land acquisition?				
2. Is the site for land acquisition known?				
3. Is the ownership status and current usage of land to be acquired known?				
4. Will easement be utilized within an existing Right of Way (ROW)?				
5. Will there be loss of shelter and residential land due to land acquisition?				
6. Will there be loss of agricultural and other productive assets due to land acquisition?				
7. Will there be losses of crops, trees, and fixed assets due to land acquisition?				
8. Will there be loss of businesses or enterprises due to land acquisition?				
9. Will there be loss of income sources and means of livelihoods due to land acquisition?				
<b><i>Involuntary restrictions on land use or on access to legally designated parks and protected areas</i></b>				
10. Will people lose access to natural resources, communal facilities and services?				
11. If land use is changed, will it have an adverse impact on social and economic activities?				
12. Will access to land and resources owned communally or by the state be restricted?				
<b><i>Information on Displaced Persons:</i></b>				
Any estimate of the likely number of persons that will be displaced by the Project? <input type="checkbox"/> No <input type="checkbox"/> Yes				
If yes, approximately how many? _____				
Are any of them poor, female-heads of households, or vulnerable to poverty risks? <input type="checkbox"/> No <input type="checkbox"/> Yes				
Are any displaced persons from ethnic minority groups? <span style="float: right;"><input type="checkbox"/> No <input type="checkbox"/> Yes</span>				

### INDIGENOUS PEOPLES IMPACT SCREENING CHECKLIST

KEY CONCERNS (Please provide elaborations on the Remarks column)	YES	NO	NOT KNOWN	REMARKS
<b>A. Ethnic Minorities Identification</b>				
1. Are there socio-cultural groups present in or use the project area who may be considered as "tribes" (hill tribes, scheduled tribes, tribal peoples), "minorities" (ethnic or national minorities), or "ethnic communities" in the project area?				
2. Are there national or local laws or policies as well as anthropological researches/studies that consider these groups present in or using the project area as belonging to "ethnic minorities", scheduled tribes, tribal peoples, national minorities, or cultural communities?				
3. Do such groups self-identify as being part of a distinct social and cultural group?				
4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?				
5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?				
6. Do such groups speak a distinct language or dialect?				
7. Has such groups been historically, socially and economically marginalized, disempowered, excluded, and/or discriminated against?				
8. Are such groups represented as "Indigenous Peoples" or as "ethnic minorities" or "scheduled tribes" or "tribal populations" in any formal decision-making bodies at the national or local levels?				
<b>B. Identification of Potential Impacts</b>				
9. Will the project directly or indirectly benefit or target ethnic minorities?				
10. Will the project directly or indirectly affect ethnic minorities' traditional socio-cultural and belief practices? (e.g. child-rearing, health, education, arts, and governance)				
11. Will the project affect the livelihood systems of ethnic minorities? (e.g., food production system, natural resource management, crafts and trade, employment status)				
12. Will the project be in an area (land or territory) occupied, owned, or used by ethnic minorities, and/or claimed as ancestral domain?				
<b>C. Identification of Special Requirements</b> <i>Will the project activities include:</i>				
13. Commercial development of the cultural resources and knowledge of ethnic minorities?				
14. Physical displacement from traditional or customary lands?				

<b>KEY CONCERNS</b> (Please provide elaborations on the Remarks column)	<b>YES</b>	<b>NO</b>	<b>NOT KNOWN</b>	<b>REMARKS</b>
15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of ethnic minorities?				
16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by ethnic minorities?				
17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by ethnic minorities?				

#### **D. Anticipated project impacts on Ethnic Minorities**

<b>Project component/ activity/ output</b>	<b>Anticipated positive effect</b>	<b>Anticipated negative effect</b>
1.		
2.		
3.		
4.		
5.		

Note: The project team may attach additional information on the project, as necessary.

## CHECKLIST ON CORE LABOR STANDARDS

Company name: \_\_\_\_\_ Operation/activity direction: \_\_\_\_\_

Number of staff: \_\_\_\_\_, of which  
 Managerial \_\_\_\_\_  
 Unionized workers (contracted full-time) \_\_\_\_\_  
 Non-unionized workers (contracted full-time) \_\_\_\_\_  
 Part-time workers (contracted) \_\_\_\_\_  
 Part-time workers (not contracted) \_\_\_\_\_  
 Number of workers aged 14-16 \_\_\_\_\_  
 Number of workers aged < 14 \_\_\_\_\_

Compliance required and company's practice	Yes	No	Not known	Remarks
<b><i>I. Compliance with Labor Law and applicable regulations</i></b>				
1. Are there any approved internal labor procedures covering issues regulating labor relations aspects within the company?				
2. Has the Company updated its internal labor procedures within the past three years to comply with legislative changes, if any?				
3. Are the employees trained in the internal labor procedures and provided full, well prepared information?				
<b><i>II. Employment contracts</i></b>				
4. Does your company sign employment contracts with every employee?				
5. Are the clauses of contracts regarding duties, working conditions, holiday time, benefits, sick leave etc in compliance with Labor law and applicable regulations and agreed with an employee?				
<b><i>III. Core labor regulations</i></b>				
6. Are there any policies and procedures relating to employment and labor regulation at the workplace approved by the company's management? If yes:				
6.1 Are there any statements ensuring equal employment opportunities in these policies?				
6.2 Are there any statements on equal wages for all workers of the same level in these policies?				
6.3 Are there any statements on prevention of labor discrimination in these policies?				
6.4 Are there any adopted and implemented Occupational Health and Safety procedures? If yes:				
- Did the company approve activities and budget on occupational health and safety for this year?				

Compliance required and company's practice	Yes	No	Not known	Remarks
- Are there any occupational health and safety officer/manager is responsible for its implementation?				
7. Has the company had external auditing/inspection on labor compliance, including occupational health and safety auditing? If yes:				
7.1 When was it done last time?				
7.2 Was there any non-compliance with Labor Law, Law on occupational health and safety and applicable regulations found by an external auditor?				
7.3 If yes, does your company report corrective actions and their outcomes?				
8. Does your company have workers under the age of 16? If yes:				
8.1 Does your company establish employment contracts with minors?				
8.2 Does this agreement include detailed clauses on working hours, working conditions, wages and vacation?				
9. Does the company use forced labor? If yes:				
9.1 Does the company pay them for their work as equal as its own employees?				
10. Any complaints on discrimination, (sexual) harassment or other concerns on working conditions registered within the last year?				
11. Does your company have a mechanism to resolve complaints?				
<b>IV. Freedom of association and collective bargaining?</b>				
12. Are workers in your company members of a trade union? If yes:				
12.1 Do the female workers join the trade union?				
13. Are there any mechanisms for voluntary collective bargaining?				
13.1 Are there any awareness and educational programs on collective bargaining?				
13.2 Do collective agreements or bargaining cover aspects of core labor standards?				
13.3 Do women participate in collective bargaining processes?				
13.4 Are the employees able to receive information on the results of collective bargaining or agreements?				

Compliance required and company's practice	Yes	No	Not known	Remarks
<b>V. Conclusion:</b>				
<b>Does the company comply with*:</b>	<b>Yes</b>			<b>No</b>
I. Labor law regulations?				
II. Employment contract regulations"				
III. Core labor regulations?				

*\*- Decision of compliance will be based on majority of compliance of each sub-sector. In case of non-compliance with some requirements the company shall take actions to resolve this issue.*

**Prepared by:**

**Approved by:**

**Date:**