



1. Project Data:		Date Posted : 08/16/2001	
PROJ ID: P036417		Appraisal	Actual
Project Name: Poverty Alleviation For Vulnerable Groups	Project Costs (US\$M)	10.5	9.3
Country: Mongolia	Loan/Credit (US\$M)	10	8.85
Sector(s): Board: SP - Primary education (33%), Other social services (33%), Health (33%), Central government administration (1%)	Cofinancing (US\$M)		
L/C Number: C2760			
	Board Approval (FY)		96
Partners involved :	Closing Date	06/30/1999	12/31/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives
The overall objective of the project was to mitigate the adverse effects of Mongolia's economic transition on vulnerable groups, particularly those falling below the poverty line. Specifically, the project aimed to: (i) create gainful employment and income for poor and absolute poor in particular; (ii) raise enrolment in basic education; (iii) reduce maternal and infant mortality; and (iv) provide assistance to handicapped and mentally retarded children and disabled persons.

b. Components
The main components of the project are:

(a) **Income generation** (US\$6 million; 56% of total project cost (TPC)). It includes community based public works programs and other employment and income generating activities for the unemployed poor. These activities include rehabilitation of infrastructure such as roads, schools, hospitals, garbage collection and disposal, and water supply. Communities may choose environmental protection works such as community based "social forestry" programs for planting fast growing trees for production of fuel, fodder and construction material.

(b) **Basic education** (US\$2 million, 19% of TPC). The project would provide critical inputs necessary to maintain and restore the level, equity and quality of basic education delivery.

(c) **Rural health** (US\$2 million, 19% of TPC). The project would provide critical inputs needed to maintain and restore the ability of rural health services to reduce maternal mortality and morbidity.

(d) **Support for the Disabled** (US\$0.2 million, 2% of TPC). The project would finance special equipment needs of (a) mentally retarded and physically handicapped children, and (b) institutes/factories training or employing disabled adults.

(e) **Institutional Support** (US\$0.4 million, 4% of TPC). Develop umbrella organizations capable of managing local and external assistance for National Poverty Alleviation Program (NPAP).

Revised Components:
In 1999, the Credit Agreement was amended to enable the rural health component to procure ambulances for 212 remote rural districts. In 2000, in response to high levels of livestock deaths, the loan agreement was further amended to purchase livestock for poor herders.

c. Comments on Project Cost, Financing and Dates
Disbursement was slow in the first three years of project implementation due to frequent changes of government, controversy over the Poverty Alleviation Program Office's status, and the cycle-based sub-project implementation and special account replenishment arrangement. As a result of slow disbursement, the project was extended twice to

the current closing date of Dec. 31, 2000.

3. Achievement of Relevant Objectives:

According to the Participatory Living Standards Assessment conducted in 2000, only a minority of the households managed to lift themselves out of poverty. Most experienced worsening of living conditions. However, the project was reasonably successful in mitigating the adverse effects of transition on vulnerable groups -

- Under the public works component, 634 small scale labor intensive infrastructure works were carried out. These include road and bridge repair, drinking water supplies, public bath houses and building repairs. A total of 27,430 unemployed people (28% female) received short-term work.
- The level and quality of basic education was substantially improved through rehabilitation of schools and refurbishing and heating of school dormitories. The project provided school supplies, clothing and boarding for herder children staying at the dormitories. Under the project the enrollment rate increased from 77.5% in 1995 to 93.8% in 1998.
- The project increased the access of poor households to health care facilities, especially by repairing hospitals, providing ambulances and re-equipping and re-opening rest homes for mothers about to give birth. The project also trained volunteer community health workers. Between 1994-2000, infant mortality decreased from 46.8 to 31.2 per 1,000 births. The appraisal target for maternal mortality (12 deaths per 10,000 live births) was only partially achieved. Maternal mortality decreased from 21.2 in 1994 to 17.5 in 1999.
- The project provided hearing aids, wheelchairs and artificial limbs to disabled children. Disabled adults received professional training, exercise and audio-visual equipment. About 1,300 disabled adults acquired professional skills and by project closing 290 had found employment.
- The project enhanced the capacity of local government staff to identify, prioritize, implement and monitor small projects and to handle contracting and procurement. The capacity of *Aimag* (province) Poverty Alleviation Council (APAC) and *Sum* (rural district) Poverty Alleviation Council (SPAC) to manage micro-credit and revolving loan funds was also improved.
- Over 95,000 animals (mostly sheep and goat) were delivered to 1728 poor herder households who were severely affected by 1999/2000 winter storm.

The achievement of credit schemes sub-component in terms of job creation, business development, the introduction of sound micro-credit principles, and poverty alleviation was limited. The number of households "lifted out of poverty" by Income Generation Fund/Vulnerable Group Organization credit scheme is about 2.7% of the poor households. About 60% of project borrowers succeeded in establishing new enterprises.

4. Significant Outcomes/Impacts:

The ICR notes that the project contributed to halting the deterioration of basic education, rural health facilities and community infrastructure during a difficult period of economic transition. There were some positive institutional development impacts especially at the local government level (e.g., more transparent, community-based procedures for contracting small works, using private contractors for sub-project implementation).

5. Significant Shortcomings (including non-compliance with safeguard policies):

The main shortcomings of the project are:

1. The credit scheme was poorly designed. The credit targeting system worked against the poor vulnerable groups. Large loans were made to group leaders - commonly influential local elites - with insufficient feedback on benefit sharing between leaders and group members. There was lack of training of beneficiaries in simple business management skills to improve credit utilization.
2. The monitoring system was weak, preventing an accurate assessment of benefits.
3. Quality of some of the works was unsatisfactory.
4. Shortage of counterpart funds caused serious disbursement delays.
5. Capacity building at district level was incomplete, because the responsibility for identifying, contracting and monitoring sub-projects and managing Revolving Loan Fund (RLF) rested at the *aimags* (province) level. The decentralization to *sum* (rural district) or *khoroos* (Ulaanbaatar sub-district) level was not foreseen at design.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Modest	While the project did have some positive institutional development impacts,

			available evidence does not support a "substantial" rating. Page 16 of the ICR notes: "Capacity building at district level was incomplete because the responsibility for identifying, contracting, and monitoring sub-projects and managing RLFs originally rested with <i>aimags</i> and its decentralization to <i>sum</i> and <i>khoroos</i> level was not foreseen at design. Capacity building at <i>sum</i> , <i>khoroos</i> and beneficiary level therefore needs further attention". Furthermore, the stakeholder workshop results indicate "modest" institutional impact on private sector and "limited" impact on civil society other than NGOs (ICR page 57). Finally, the appropriateness of using a new agency to deliver health and education services, when the line ministries had been capable of doing so when well funded previously, needs further examination.
Sustainability :	Likely	Non-evaluable	The available evidence does not support a "likely" rating. The ICR and the beneficiary survey results do not provide confidence that the technical, financial, and institutional requirements for O&M will be adequately met over the operational life of project investments. Instead, they point to shortage of funds for recurrent costs and maintenance, the lack of systematic community participation in selection of investments and project management, and unsatisfactory quality of works in the public works, basic education, and rural health components. Low repayment rate which is likely to deplete the capital in the Revolving Loan Fund is noted for the credit component. Completed works were not monitored systematically and data are lacking about the effectiveness and impact of sustainability measures such as making the availability of funds for O&M a pre-requisite for subproject financing.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

The ICR identifies the following lessons of broad applicability:

- Successful implementation of a bottom-up, demand driven approach is facilitated by open public meetings at grassroots level.
- The establishment of a cross-sectoral implementing agency facilitates project implementation but creates conflicts and uncertainty. Since poverty reduction is an issue that transcends sectoral boundaries, the proper

location for a poverty programme PMU is either under the Prime Minister or in a cross-sectoral ministry such as Finance, Planning or Local Government. A social sector ministry is a poor choice and can create conflict during implementation.

- The construction or rehabilitation of local infrastructure can have a quick and direct impact on income earning opportunities and standards of living. However, the temporary employment created by public works programmes is too short to have significant impact on livelihood's of the poor.
- Sustainable access to credit for the poor requires the creation of a rural finance system and training of beneficiaries in simple business management skills.

8. Assessment Recommended? ● Yes ○ No

Why? An audit may be scheduled to verify ratings and identify lessons of experience especially with respect to the sustainability of project investments and institutional development impact.

9. Comments on Quality of ICR:

The ICR is rated satisfactory. It adequately covers the main issues. This was an intensive learning ICR and is noteworthy for extensive consultation with a variety of beneficiaries and stakeholders. The results of the beneficiary surveys and stakeholder workshops are included in the ICR.