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STAFF APPRAISAL REPORT

MONGOLIA

POVERTY ALLEVIATION FOR VULNERABLE GROUPS PROJECT

MAY 22, 1995

Poverty, Population and Human Resources Division
China and Mongolia Department
East Asia and Pacific Regional Office
CURRENCY EQUIVALENTS
(As of April 1995)

Currency Unit: Tugrik (Tug)
Tug 1.0 = $0.002
$1.00 = Tug 435

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ADB - Asian Development Bank
APAC - Aimag Poverty Alleviation Council
CMEA - Council for Mutual Economic Assistance
DANIDA - Danish International Development Agency
DPAC - Dureg Poverty Alleviation Council
GOM - Government of Mongolia
IDA - International Development Association
IMF - International Monetary Fund
MOH - Ministry of Health
MOSE - Ministry of Science and Education
MPPL - Ministry of Population Policy and Labor
NGO - Nongovernmental Organization
NPAC - National Poverty Alleviation Committee
PAF - Poverty Alleviation Fund
PAFC - Poverty Alleviation Fund Council
PAP - National Poverty Alleviation Program
PAPMU - Poverty Alleviation Program Management Unit
PHRD - Policy and Human Resource Development Fund
PIM - Project Implementation Manual
PIP - Project Implementation Plan
SIF - Social Investment Fund
SPAC - Sum Poverty Alleviation Council
SSO - State Statistical Office
UNDP - United Nations Development Program
UNESCO - United Nations Educational, Scientific and Cultural Organization
UNFPA - United Nations Population Fund
UNICEF - United Nations Children's Fund
UNIFEM - United Nations Fund for Women
UPAC - Ulaanbaatar Poverty Alleviation Council
VGO - Vulnerable Group Organization
WFP - World Food Program
WHO - World Health Organization

GLOSSARY OF MONGOLIAN TERMS

Aimag - Province
Bag - Provincial Subdistrict
Dureg - Ulaanbaatar District
Feldsher - Rural Health Officer
Ger - Nomad's felt tent
Khot-ail - Encampment of cooperating herding households
Sum - Provincial District
MONGOLIA

POVERTY ALLEVIATION FOR VULNERABLE GROUPS PROJECT

CREDIT AND PROJECT SUMMARY

Borrower: Mongolia

Implementing Agencies: National Poverty Alleviation Committee, Aimag (Province) and Sum (District) Governments, Aimag and Sum Poverty Alleviation Councils

Poverty: Program of Targeted Interventions

Amount: SDR 6.5 million ($10 million equivalent)

Terms: Standard IDA, with 40 years' maturity

Commitment Fee: 0.50 percent on undisbursed credit balances, beginning 60 days after signing, less any waiver

Financing Plan: See para. 4.20

Net Present Value: Not applicable

Map: IBRD No. 26754

Project ID Number: MN-PA-36417
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This report is based on the findings of an appraisal/negotiations mission that visited Mongolia in April 1995 comprising: P. Aklilu (EA2HR, Task Manager), L. Griffin (EA2HR), D. Elsen (LEGEA) and K. Subbarao (ESP). J. Segerstrom (EA2HR); A. Abidi, J. Quinley, and R. Swamy (Consultants) have also participated in the preparation assistance missions. I. Haidara (EA2HR) assisted in the processing of this project. The peer reviewer is W. McGreevey (PHN). The managing Division Chief is Vinay K. Bhargava and the Director is Nicholas C. Hope.
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MAP IBRD No. 26754
1. INTRODUCTION

1.1 To complement its economic stabilization and reform measures, alleviate poverty and resurrect delivery of social services, the Government of Mongolia (GOM) has launched a comprehensive National Poverty Alleviation Program (PAP) aimed at poverty reduction from 26 percent of the population in 1994 to 10 percent by the year 2000. Toward this end, the GOM presented its PAP to a meeting of donors in June 1994 in Ulaanbaatar and reported progress at the Tokyo Donors' Meeting in November 1994. In both these meetings the GOM's program received strong endorsement from the donor community. This proposed project supports the most urgent aspects of the PAP aimed at poverty alleviation among groups particularly vulnerable to the social cost of adjustment.

1.2 In April 1994, the GOM requested IDA to assist in the identification of a poverty alleviation project focused on the poor among the vulnerable groups. In response, IDA arranged project preparation financing by the Japanese Policy and Human Resources Development (PHRD) Fund. With a view to promoting client orientation and ownership, project preparation responsibility was taken entirely by the GOM, with IDA providing help through visiting preparation assistance missions. Arrangements were also made to split administration of the PHRD fund between GOM and IDA. As part of project preparation and to gain lessons for project design, the GOM implemented a series of pilot schemes in income generation, education, health, and social assistance. IDA was responsible for recruiting international consultants and providing selective assistance as needed. This process culminated in the preparation of a Project Implementation Plan (PIP) by the GOM which was discussed with IDA in Washington in January 1995. Key elements of the PIP are presented in Annex 1.
2. ECONOMIC TRANSITION AND POVERTY

A. COUNTRY BACKGROUND

2.1 Mongolia, with a per capita income of $320, has unique features which distinguish it from the rest of the developing world. A vast country with an area of 1.55 million km², Mongolia is a home for 2.26 million people of whom 25 percent are nomadic herders. With a population density of 1.46 per km², Mongolia is the most sparsely populated country in the world. It has a well educated population with an adult literacy rate of 96 percent and sizable skilled labor. Its pastures and grasslands sustain over 26.8 million heads of livestock, or over 11 per person. Arable land is relatively abundant at 0.30 ha per capita (China has only 0.08 and Vietnam 0.10), albeit of low productivity. Mongolia is well-endowed with natural resources. It has sizable reserves of copper and other minerals, allowing the country to export approximately $100 per capita in minerals alone and a potential for petroleum production in commercial quantities. However, Mongolia's harsh and erratic semiarid continental climate constrains internal communication and transport. The combination of severe continental weather and a sparse population over a huge territory creates additional burdens for the poor when compared to more benign physical environments.

2.2 Prior to 1990, Mongolia's social indicators were impressive relative to countries at similar levels of development. Despite the dispersed population settlements and limited communication networks exacerbated by adverse weather condition, the population had enjoyed universal coverage of primary education, primary health services, access to safe drinking water for humans and livestock, and state guaranteed employment and social assistance. However, after 1990, when Mongolia launched an austerity program and structural reforms to move towards a market economy and sustainable development, its social indicators plummeted, resulting in an 8.5 percent registered unemployment rate, 30 percent of school age children not attending schools, a doubling of maternal mortality from 0.12 percent in 1990 to 0.24 percent in 1993, the number of female-headed households rapidly rising, and the real value of pensions and other social benefits declining. Mongolia's post 1990 poverty predicament is now unprecedented.

B. THE ECONOMY

2.3 Mongolia had a centrally planned economy for 70 years, longer than China and comparable in longevity with the former Soviet Union. The situation changed dramatically with the termination of assistance of the former Soviet Union in 1990, estimated at 30 percent of GDP, a substantial decrease in demand from its traditional trading partners, the Council for Mutual Economic Assistance (CMEA) which accounted for 95 percent of Mongolia’s exports, and unfavorable terms of trade. A sudden shortage of spare parts and machinery from the Soviet Union caused serious problems to Mongolian industry, which had become heavily reliant on Soviet technology. Disruption of trade with
other members of the CMEA forced Mongolia to find new trading partners and export markets. Until recently, the price of key exports, notably copper and cashmere, declined in world markets and demand in convertible currency markets became sluggish. As a result, between 1990 and 1993 Mongolia’s GDP declined for four years in a row as the country underwent a rapid transition to a market economy. The cumulative loss in national income amounted to 20 percent, real consumption per capita declined by a third, and real investment by two thirds. Inflation accelerated, reaching 331 percent in 1993, and exports and imports fell by more than half between 1990 and 1993.

2.4 During this period, the Government initiated a wide-ranging reform program. To attain macroeconomic stability, fiscal and monetary policies were tightened using a wide variety of measures. To restore economic growth, the Government introduced fundamental reforms to liberalize domestic and international trade, free domestic factor markets, privatize public assets including 90 percent of state-owned livestock, and improve private incentives to save and invest. The economy appears to be responding to these initiatives. GDP contracted by only 1.3 percent in 1993 and is estimated to have grown by 2.5 percent in 1994. Inflation slowed significantly in 1994 to less than 70 percent. External, fiscal, and structural targets set for end-1993 and end-1994 and agreed with the International Monetary Fund (IMF) were met. Government savings, which were negative earlier, turned positive. (Recent developments are reported in detail in the Country Economic Memorandum, Report No. 13612-MOG, dated October 31, 1994.)

2.5 The key challenges still facing the Mongolian authorities are: (a) stabilization of the economy; (b) full implementation of growth-promoting economic reforms; (c) installation of a safety net for those least able to adjust to any adverse consequences of the reform program; and (d) implementation of effective environmental policies to ensure that growth, once resumed, is sustainable.

C. POVERTY IN MONGOLIA

Causes of Poverty

2.6 Several factors lie behind the recent incidence in poverty in Mongolia. In addition to those factors mentioned earlier, pronatal policies of the past supported large families with generous subsidies and welfare programs. In the current resource constrained environment, subsidies and welfare programs have been cut, and this has pushed many households below the poverty line. In addition, the privatization program for herds resulted in many families owning a below-subsistence herd size. About 20 percent of households (many of them headed by females) received less than 10 animals, not enough for a family to survive on. Finally, structural reforms, although likely to generate growth in the long run, are leading to significant amounts of frictional unemployment in the short run as nonviable enterprises close in the face of changed economic circumstances. In this context, expenditure cutbacks by the Government, especially the delivery of health and education services, and imposition of a food-cost recovery policy in schools and hospitals have hurt some segments of Mongolian society.
Incidence of Poverty

2.7 The poverty line in Mongolia is intended to represent a minimum standard of living that enables a person to satisfy his/her basic needs measured by a basket of eight expenditure items. Before 1990, poverty was not reported in Mongolia. However, by the end of 1992, GOM estimated that about 16 percent of the population lived below the poverty line; and by March 1994, the estimate rose to 26 percent. In 1994 there were 140,000 households or 600,000 people below the minimum living standard and 6 percent of the total population belong to the group classified as absolute poor (with monthly per capita income of less than 40 percent of the poverty line). Annex 2 presents detailed poverty data. Table 2.1 presents official estimates of poverty in Mongolia.

Table 2.1: Poverty Indicators

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Poverty Line Urban (Tug/mo)</th>
<th>No. of Poor Rural</th>
<th>No. of Poor Households (')000</th>
<th>Population Below Poverty Line (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1992</td>
<td>350</td>
<td>220</td>
<td>350</td>
<td>70</td>
</tr>
<tr>
<td>March 1994</td>
<td>3,200</td>
<td>2,900</td>
<td>600</td>
<td>140</td>
</tr>
</tbody>
</table>

Note: Figure in parentheses is for the absolute poor.


2.8 The identification of the poor and absolute poor is compiled by the aimag (province) social security staff. The GOM and the Red Cross maintain lists of absolute poor households, which are periodically checked and revised. While identification of the poor is not difficult, the actual targeting and delivering of programs to assist the poor remains a challenge.

Vulnerable Groups

2.9 The GOM has identified seven vulnerable groups adversely affected during the transition to a market economy, including: (a) children who lost one or both parents; (b) disabled persons; (c) the elderly without care; (d) the unemployed; (e) low-income households with many children; (f) female-headed households; and (g) herders with few animals. These groups are not mutually exclusive. (A detailed profile of the groups is found in the PIP.) As of the end of 1993, about half of the poor lived in the cities, and the other half in rural areas. On average, the poor account for a higher proportion of the local population in aimags (20 percent) than in the cities (13.8 percent). About 46 percent of the poor are aged 16 and below (roughly the same proportion as the population of that age bracket); 41 percent are of working age; and 13 percent are over the working age.
However, notwithstanding categorical targeting, it is possible that some deserving poor may be excluded, and some nonpoor may be included. To further improve the identification of the characteristics of the poor, target basic services to the poor and establish a basis for improved monitoring of poverty trends, the Government is carrying out a Living Standards Measurement Survey.

D. SOCIAL COST OF TRANSITION

2.10 The social costs of adjustment are of great concern to the Government. The registered unemployment rate, now 8.5 percent of the labor force, is expected to rise further in the short run as industries close and the Government’s role contracts. Real wages halved between 1990 and 1992, and declined by a third in 1993. Real average pensions declined 60 percent between 1991 and 1993.

2.11 About one in every four poor persons belongs to a family where not a single member is employed. Moreover, with the population growing at 2.3 percent a year and the labor force at a rate of 3.4 percent a year, about 50,000 new entrants to the labor force are anticipated every year. It is estimated that the economy needs to grow by at least 5 percent per year if these new entrants are to be absorbed in productive jobs and the unemployment rate is to decline gradually. If this rate of expansion is not achieved, as is likely for another two to three years, unemployment and poverty may be expected to increase in the short term.

2.12 Unemployment is largely a result of closure or privatization of state enterprises and consequent shedding of surplus labor which may push total unemployment to 17 percent. The hardest hit sectors are construction, transport, and service workers from state enterprises. Although many have come from a pastoral background, they cannot return easily. At the current stage of the transition, there are limited opportunities for self-employment for those without business and language skills and access to capital. Although trade liberalization has resulted in the creation of many new opportunities, this has been insufficient to compensate for the job losses caused by the economic contraction. Neither employment contraction nor new job creation will necessarily be gender-neutral. Single mothers are most likely to suffer disproportionately. Female-headed households, currently at 21 percent of all poor households, are more vulnerable than male-headed households. The closure of child care facilities has restricted women’s abilities to participate in the labor market even when new job opportunities arise. Under the proposed project, financing would be provided to mitigate the effects of transition on employment opportunities. Specifically, the project would include creating temporary employment in public works and community-based productive activities.

2.13 In the long run, structural adjustment is expected to reduce poverty by restoring growth and increasing employment, particularly in labor-intensive export-oriented activities. It should, however, be complemented by steady improvement in the delivery of social services, particularly education, health and social assistance.
Basic Education Services

2.14 During 1990-92, real public expenditure on education fell by 56 percent. In 1990, the allocation for basic education services was equivalent to 11.3 percent of GDP, but by 1993 it had dropped to 3.1 percent. Almost the entire budget is now being spent on recurrent costs, and capital investment has been reduced to insignificant amounts. Schools are deteriorating from lack of funds for maintenance; teachers leave the profession for better-paying posts; curriculum, materials, and textbook problems in the system remain to be resolved; and teachers and administrators need retraining to be effective in the country's new social and economic order.

2.15 In the wake of the transition, the Ministry of Science and Education (MOSE) in 1992 began implementing appropriate measures, albeit without safeguards for the poor, to cut expenses and recover costs. These included halting capital investment in education, retrenching noninstructional staff, introducing partial cost recovery for food in kindergarten and boarding schools, reducing clothing subsidies, reducing the number of students sent to former CMEA countries, and charging tuition fees in post-secondary and higher education. In addition, schools have been encouraged to generate their own revenues by providing services to enterprises and renting premises.

2.16 Food subsidies were reduced drastically. Kindergartens, which used to provide free meals, now charge 50 percent of the cost of food, at about Tug 1,200 a month per child. Boarding schools charge full price for meat. Students are required to provide 50 kilos of meat per year. Clothing subsidies for boarding schools, which were not a big item, were phased out. Because of the steep rise in energy prices, overhead costs quickly rose to the level of salaries, thereby crowding out expenditures on other items. For example, in one sum heating and utility costs accounted for 60 to 70 percent of the budget. Other sums were unable to pay teachers’ salaries in winter. In 1992-93, MOSE closed 80 schools or 18.8 percent of the 426 rural schools during winter months in order to reduce overhead cost. These savings totaling Tug 1 billion, however, were offset by an increase of teachers’ salaries.

2.17 The effect of declining school services has been far reaching. Enrollment is declining dramatically and dropout rates are rising at all levels and in all regions of the country. Dropout and nonenrollment in primary and secondary schools, which were negligible before 1991, have become a serious problem in poor and pastoral aimags, and increasingly so in Ulaanbaatar. In 1994, it is estimated that at least 25,000 children in the age group 3-8, largely belonging to the poorest segments of society, are now out of preschool, and that as much as 30 percent of the school age population (ages 8-17 or Grades 1-10) are not in school. The differences between rural and urban populations are even more alarming: 37 percent nonenrollment in the aimags compared to 16 percent in the cities. According to MOSE, 40,000 children "dropped out" in 1992. A large number of residential schools for nomadic children have been closed. Moreover, rural and nomadic families increasingly face trade-offs in a market economy between sending their children to school and having them remain at home to assist with economic activities to support the family. The system now faces the additional burden of reorienting itself to
train the young for life within a market economy (i.e., management skills, market economics, English, and as industry recovers, new technological skills) and to provide incentives for families to participate in that education.

2.18 The main reasons given for increased dropouts and nonenrollments are: (a) the privatization of livestock that increases the demand for child labor at home (in late primary and secondary education), as well as the distance and separation from family for some herder children to attend schools in sum centers (especially in kindergarten and early primary education); (b) the high cost of heating schools and dormitories, leaving some without heat; and (c) the withdrawal of food and clothing subsidies in boarding schools that raises the direct cost of schooling for poor households. A substantial increase in the direct and indirect cost of schooling in turn dampens the demand for education.

2.19 The Government has developed in its Master Plan for Education (1994) a strategy to address the growing crisis in primary education. Increasing the enrollment of school age children, improving school facilities, curriculum materials and text books; exploring distance education and neighborhood schooling; retraining teachers and administrators to meet the new economic and social demands; and enhancing teacher salaries are the priority objectives. Under the proposed project, financing would be provided to mitigate the adverse effects of economic transition on access to basic education. Specifically, the project would include financing of various measures to enhance enrollment in basic education and reverse the dropout and nonenrollment rates.

Basic Health Services

2.20 Mongolia previously had good access to basic health services compared to other developing countries, although many of the services were not efficient and some were probably unsustainable. Over the past three years, some of these services have deteriorated. Although it is a short time to have measurable effects on health status, some serious signs have begun to appear.

2.21 Inputs and services provided by the health sector in Mongolia have substantially declined during this transition period. The number of medical staff employed per 10,000 population declined 13 percent from 1990 to 1992, with another 6 percent decline in all health sector staff in 1993. Salaries of the remaining staff have fallen in real terms. Budgetary allocations for medicines, inpatient meals, and transport fuel have not kept up with price rises for these items, resulting in many patients either having to pay for or forgo such services. Total imports of drugs have been inadequate to meet needs, resulting in absolute shortages. Nationwide, the average number of outpatient visits has fallen by 40 percent (from 8 to 4.8 per capita) and inpatient admissions by 31 percent (from 286 to 196 per 1,000 population) between 1988 and 1992.

2.22 Real expenditure on health services fell 43 percent over 1990-92. In 1990, allocation for basic health services was equivalent to 4.5 percent of GDP, but by 1993 it had dropped to 2.0 percent. The most striking effect has been a rise in the maternal
mortality rate from 12 per 10,000 live births in 1990 to 24 in 1993. Part of this rise can be attributed directly to the decline in health services in rural areas. Over half of the maternity rest homes are closed and transport services are inadequate to rural health services, resulting in unattended home births and delayed hospital admissions. In addition, shortages of supplies at hospitals have resulted in less appropriate therapy for those admitted. Insistence on recovery of a part of food cost during hospitalization dissuaded pregnant women from the poorest families from seeking hospital services for delivery.

2.23 Infant mortality rates in rural areas have remained high at around 64 per 1,000 births in spite of a 20 percent reduction of birth rates from the late 1980s to 1992. The infant mortality rate was at a low in 1987 at 61 per thousand live births. In 1991, it reached 72 per thousand live births. Some aimags are worse than others as regards health care. Three rural aimags (Dornod, Hovsgol, and Hentiy) have a higher infant mortality rate of 86 per thousand live births.

2.24 Health system finance is inadequate to restore access to basic services. Poor working age adults who are unemployed are not covered by the health insurance system (except for maternal care), and cannot afford to join voluntarily. The combination of payments for insured patients and the reduced health budget are not enough to meet the costs of providing medical services. In part this is due to low premium payments coupled with cumbersome methods of reimbursement for some services. Consequently, drugs and meals for inpatients that should be free are charged for (especially maternal patients); shortages of heating/electricity, fuel and vehicles occurred; and loss of essential staff—feldshers (rural health officers) and physicians—became widespread.

2.25 Essential drugs are often out of stock nationwide due to problems in the supply and distribution even for those able to pay. For poor families, the 50 percent copayment for all outpatient drugs is becoming unaffordable. Communications between the aimag and sum (district) and community are difficult. Although this is not new with economic reform, lack of adequate transport for both the sum hospital and the bag (subdistrict) feldshers has made it more severe. Medical equipment and the updating of staff skills with inservice training are also inadequate.

2.26 The Government's strategy to address the long-term issues facing basic health services has been articulated in the Health Sector Review prepared in July 1992 jointly by the World Health Organization (WHO), Asian Development Bank (ADB) and IDA and subsequently updated in July 1993 by the Ministry of Health (MOH) and WHO. To meet the long-term basic health service requirements, the Government, as part of health care reform, has introduced a Health Insurance System in January 1994. Other program areas include upgrading maternal and child health care, improvement of health care management, rehabilitation of sum hospitals and provision of equipment and transport and communication systems, training of health workers, improving the cost effectiveness by minimizing overprescription of drugs and excessive use of referral services. The proposed project would support the immediate needs of the health sector to mitigate the adverse effect of transition on the provision of basic health services, particularly among the
vulnerable groups. The project would support selected basic health services, to improve maternal and child health care through financing of priority expenditures.

Children with Disabilities and Disabled Persons

2.27 Mentally retarded and physically disabled children belong to the vulnerable groups in Mongolia. It is estimated that over 25,000 children have some kind of disability or special learning problem, of which the single largest group (about 10,000) are the mentally retarded. Children with four other categories of disability include the blind, the deaf and dumb, and the physically disabled. In Mongolia, special education is offered to children with disabilities. However, since the transition, there has been a considerable dropout of children from the special schools; many special learning centers have serious shortages of equipment such as Braille kits, hearing aids, materials for ear molds, and special teaching materials for the mentally retarded.

2.28 An estimated 24,600 persons of working age are disabled in Mongolia. Among them, an estimated 12,600 (or 40 percent of all disabled adults) are single persons without family support. The Country Report on Population and Development (GOM, 1993) noted with great concern the fact that disability has increased among young people. It is important to involve the disabled in appropriate economic activities after providing them with the required equipment and training.

2.29 Notwithstanding the significant steps taken by the Government of Mongolia in improving the conditions of disabled children and adults, the current economic crisis is impinging harshly on this vulnerable group. A reduction of support—both from the family and the government—has worsened the condition of children and adults with disabilities. Few disabled children actually receive education or training. In many aimags, special classes for the disabled have been closed due to a lack of resources. Even in Ulaanbaatar, attendance in special schools has dropped. The proposed project would support the critical needs of children in kindergartens for the mentally retarded in Ulaanbaatar, and the special equipment needs of training institutes/factories for the blind, deaf and dumb and the physically handicapped.
3. POVERTY ALLEVIATION STRATEGY

A. NATIONAL POVERTY ALLEVIATION PROGRAM

3.1 The Government, in pursuing its commitment at the Tokyo Donors’ Meeting in October 1993, has prepared a six-year, $83.0 million multisectoral PAP with assistance from UNDP. The PAP is a set of interrelated tasks amenable to unified management which are aimed at achieving the national development objective of substantially alleviating poverty in Mongolia. The PAP has a three-pronged strategy including: (a) growth-oriented and employment-creating economic policy; (b) development of human resources through provision of basic education and health services; and (c) a targeted social safety net for those who would not benefit from new employment opportunities in the short run.

3.2 The Government’s program to alleviate the impact of the structural adjustment on the poor has two elements. The first element seeks to promote the productive use of the poor’s most abundant asset—labor. This calls for policies that harness market incentives and investments in physical capital. The second element is to improve access to basic social services—primary health care, family planning services, nutrition, and primary education—to the poor. As a complementary measure, the Government would promote temporary employment generating activities that are self-selecting (by offering below-market wages attractive only to the poor) and, at the same time, contribute to infrastructural development in the country. Through a combination of growth in the economy and targeted poverty alleviation measures, the Government expects a reduction in the number of poor from 26 percent of the population in 1994 to about 10 percent of the population by 2000. While the adopted strategy is appropriate, achieving the target by year 2000 appears ambitious. The Government is encouraged by the achievements of its stabilization and reform program and the prospects for renewed economic recovery to reduce the poverty level. However, the Government also recognizes the need to revisit the targets set for the PAP in light of implementation experiences and the performance of the implementing institutions and the effectiveness of community participation. Toward this end, IDA and UNDP would be closely associated with planned annual reviews of the PAP to ensure the lessons are fully reflected in adjusting the program.

3.3 In the longer term, the Government’s program would shift from prevention and remedial action to addressing the causes of poverty rather than the symptoms. The strategy would focus on activities to sustain gains made in the short term. Such activities would: (a) focus on poverty alleviation as a cross-cutting issue concerning the activities of all government agencies, in particular those involved in economic policy making; (b) restore cost-effective basic education and rural health services, which would reduce school dropout rates and improve health indicators; (c) generate new opportunities for sustaining a larger work force in the market economy; (d) develop an effective and well-targeted
social assistance program to provide the immediate basic needs to the poorest; and (e) provide opportunities to develop and support genuine community participation.

3.4 The PAP comprises six thematic components: (a) poverty alleviation through economic growth, (b) protecting human capital, (c) alleviating women's poverty, (d) alleviating rural poverty, (e) strengthening the social safety net, and (f) policy management and institutional strengthening. The GOM has indicated that it expects to cover half of the costs of the $83.0 million PAP and anticipates donor support to cover the remainder of the PAP budget. The GOM's proposed budget for the PAP is presented in Annex 3. In 1995, GOM has allocated $10.0 million in the state budget for various programs under the PAP. A National Poverty Alleviation Committee (NPAC) chaired by the Deputy Prime Minister has been formed and is responsible for the overall poverty alleviation policy and program development and intersectoral coordination. In line with the decentralized, participatory and coordinated approach to the PAP, the GOM has designed an implementation strategy which is described in detail in the PIP.

Poverty Alleviation Fund

3.5 To facilitate the financing of the PAP, the GOM has established the Poverty Alleviation Fund (PAF) with four accounts for employment promotion, local development, women and social assistance. Each is seen as a vehicle for resource mobilization (domestic and external) aimed at specific objectives related to the program. These four operational accounts will be complemented by special "project" allocations from aid agencies to finance parts of the PAP.

3.6 The objectives of the Employment Promotion Fund are to promote employment through support to small scale production activities, including small scale enterprises, herders, local cooperatives, etc. The Local Development Fund will seek to alleviate bottlenecks in infrastructure that are presently obstacles to socioeconomic development and create employment opportunities. The aim of the Women's Development Fund is to promote women in society through special assistance to increase employment and income generation opportunities, and support structures. The objectives of the Social Assistance Fund are to eliminate the worst forms of poverty through financing of ongoing programs to those in greatest need, i.e., the residual group who will not benefit from other activities in the program or are unable to participate in the labor market. Each of these funds is described in detail in the PIP.

3.7 To assist the NPAC, an interministerial and nongovernmental organization (NGO), the Poverty Alleviation Fund Council (PAFC), has been established to monitor the allocation of PAF resources to aimags by the Poverty Alleviation Program Management Unit (PAPMU). Under the overall management and monitoring of PAPMU, the Aimag and Sum Poverty Alleviation Councils (APACs and SPACs), and community organizations will be responsible for implementing projects financed under the PAF. In accordance with the established project selection criteria and implementation guidelines, the APACs and SPACs would have the power to allocate resources to eligible, locally identified schemes.
3.8 Although the PAP covers a broad range of investments, it is designed to complement and strengthen other sectoral investments. Therefore, it should not be seen as a unitary program, but rather as a general approach to poverty alleviation and an umbrella for many different programs. The proposed project is designed to support only specific initiatives within the PAF which best target poor populations and promote community participation and the strengthening of local institutions.

3.9 What distinguishes PAF investments from those financed by the budgets of line ministries for overall social services are the following set of principles and guidelines: (a) community participation in project selection and implementation through PAP Councils; (b) poverty targeting; (c) decentralization and shared responsibility for PAP programs with central and local governments; and (d) sharing of program costs between central and local governments. While these concepts are central to PAF, how they are applied will vary among the different PAF subfunds.

B. POVERTY ALLEVIATION ACTIVITIES

3.10 Different policies and programs are required to alleviate poverty: (a) provision of income-generating opportunities for those of working age; (b) transfer payments for those incapable of taking care of themselves; (c) investments in education for children and orphans; and (d) provision of primary health care for the most poor.

3.11 There are several programs currently under implementation or in the pipeline financed by various donors to improve health services, provide educational assistance, expand employment, and test onlending facilities. For example, UNICEF, UNESCO and DANIDA are providing assistance to improve specific education programs related to dropouts, street children, teacher training, curriculum and teaching materials. WHO, UNICEF and UNFPA are engaged in improving specific health programs related to children, maternal care, family planning and others. UNIFEM has successfully supported microenterprise credit to women and the United States has launched a small-scale rural credit program under a Small Business Promotion Fund. In the future, such donor activities may be channeled through one or more of the subfunds of the PAF.

3.12 The proposed IDA-assisted project would enhance social sector service delivery capacity. It has been designed to be integrated into the overall PAP and will be implemented within the PAP's institutional framework and funding mechanism. The project funds will flow through the PAF's Local Development Fund.

C. IDA COUNTRY ASSISTANCE STRATEGY

3.13 The core of IDA's country assistance strategy is to support the transition to a market-oriented economy and to sustain economic growth. The strategy includes measures with a short, medium and longer term horizon. IDA has already started to assist Mongolia in these three fronts. In the short term, IDA's strategy is to strengthen the Government's macroeconomic management capability through technical assistance and continued dialogue on policy issues, in close consultation and coordination with the IMF.
Protection of vulnerable groups adversely affected during the transition also constitutes IDA’s assistance strategy in the short term. In the medium term, IDA’s strategy is to support the market transition through development of the private sector and financial institutions. In the longer term, IDA’s strategy is to help the Government develop and implement a strategy to remove infrastructural bottlenecks for sustainable growth. IDA would also complement its longer-term strategy by assisting the Government in the design and implementation of a sustainable poverty alleviation and human resources development program.

Since Mongolia became a member of the World Bank four years ago, IDA has initiated economic and sector work and maintained a close policy dialogue with the authorities, approved four credits and cochaired with Japan the annual donors meetings. The identification of the most pressing economic issues was presented in the Economic Memoranda in 1991 and 1994. To strengthen the technical capacity of the Government to establish a market-oriented economy, urgently needed technical assistance was provided through the Technical Assistance (Cr. 2321) and Economic Transition Support (Cr. 2551) Credits. This was complemented by the approval of a quick-disbursing Economic Rehabilitation Credit (Cr. 2320) to finance urgent import needs. IDA is also supporting the Government through a Transport Rehabilitation Project (Cr. 2615). The annual donors meetings have been instrumental in eliciting donor support, initially for relief and balance of payment support and, more recently, for longer-term, project-type assistance.

To pursue this strategy, IDA will continue to use the following instruments: (a) active policy dialogue coordinated with the IMF and ADB (in the context of economic, lending and sector work); (b) economic and sector work using the Bank’s own resources and the ongoing Technical Assistance Credit, and tapping the resources of other donors that may wish to use IDA as an implementing agency; and (c) selected lending operations with particular focus on the energy sector and poverty alleviation and human resources development.

D. LESSONS LEARNED FROM BANK GROUP EXPERIENCE

Since the proposed project would be the first IDA-assisted poverty/human resources sector operation in Mongolia, lessons are not available from previous operations. However, lessons from pilot schemes in Mongolia (para. 4.3) and the Bank Group’s experience in supporting poverty alleviation projects and Social Investment Funds (SIFs) in other countries have been considered in designing the proposed project. Most SIFs in Latin America were created to alleviate the impact of adjustment programs on the poor. The key lessons incorporated in the design of this project are that:

(a) the poverty alleviation program is integrated into the economic transition program to support the sustainability of economic reform and structural adjustment;
(b) political commitment at the highest level is demonstrated in the preparation, review and approval of the PIP and the establishment of an independent PAPMU;

(c) a project implementation manual describing operating procedures, including menus of subprojects eligible for funding under the PAF and appraisal criteria, would be adopted;

(d) to avert approval of ineligible subprojects, the Government would publicize its transparent funding mechanism and procedure to the public, and release of funds to the APACs would be contingent upon satisfactory compliance with agreed procedures and full accounting of actual expenditures; and

(e) targeting of the poor would be achieved by allowing community participation in subproject identification and the use of self-targeting by fixing wages slightly below the market rate.
4. THE PROJECT

A. PROJECT OBJECTIVE

4.1 The overall development objective of the project is to mitigate the adverse effects of Mongolia's economic transition on the poor segments of the vulnerable groups. The proposed project would contribute to the development of the institutional framework for implementing and coordinating the PAP and facilitate community participation. As the first donor-assisted project to be processed through the PAP framework, the project would demonstrate the implementation process of the PAP, while focusing on short-term, quick impacts with a view to: (a) creating gainful employment and income for the poor and absolute poor in particular; (b) raising enrollment in basic education; (c) reducing maternal and other mortality and morbidity; and (d) providing assistance to handicapped and mentally retarded children and disabled persons.

B. PROJECT PREPARATION

4.2 The proposed project has been prepared by PAPMU under the supervision of an interagency government task force with the assistance of consultants' services financed by a Japanese PHRD Grant. The task force, headed by the Ministry of Population Policy and Labor (MPPL), comprised sectoral ministries, the State Statistical Office, Aimag Governments and NGOs. Based on an agreed outline with IDA, PAPMU produced the draft PIP which was approved by the Cabinet. Following the technical discussions held by a Government delegation headed by the Vice Minister of MPPL with IDA staff in Washington in January 1995, the PIP was revised and formed the basis for project appraisal.

4.3 As part of project preparation, selected pilot schemes—income generating, education, health and social assistance—were tested which provided useful lessons in formulating the project. To ensure local leadership and ownership of the project, sectoral teams including local governments, NGOs and communities were designated the responsibility for preparation and implementation of the pilot schemes. Implementation of these pilot schemes and other similar initiatives in the country have demonstrated (a) the viability of beneficiary participation in identification of income generating schemes, (b) the increase in school enrollment due to improvements in school heating and availability of transport, and (c) the ease in targeting the poor. The pilot schemes have also pointed to the need for maximum decentralization of implementation authority particularly in view of communication limitations during the long winter season.

4.4 Due to varying needs of the communities, the project includes menus of eligible activities from which communities would identify schemes for funding. Encouraged by the results of the pilot schemes, about 300 subprojects have so far been identified and, subject to the selection criteria and the menus of eligible activities, would
comprise the pipeline for quick startup of the project. In preparation for implementation, PAPMU, assisted by the Save the Children Fund (UK) and UNDP has completed a series of training ("poverty awareness raising") workshops for selected aimag and Ulaanbaatar officials and will cover the remaining aimags by May 1995. To publicize the program and implementation procedure, the MPPL is also preparing a public information package including a video film which will be aired on television and used for training.

4.5 To improve the Government's monitoring of poverty trends and targeting of public policy and programs on the poor, a Living Standards Measurement Survey would be completed by July 1995. The survey will also be used for a Poverty Assessment which IDA will carry out jointly with the Government. This Assessment will enable the Government to prepare the next operation for IDA assistance.

C. PROJECT DESCRIPTION

4.6 The proposed project is an integral part of the government's PAP and comprises subprojects under four sectoral components, as well as institution capacity building. Subprojects would be selected from menus of eligible activities for: (a) community-based public works programs and other employment and income generating activities for the skilled and unskilled workers who have been adversely affected during the transition; (b) basic education; (c) rural health; and (d) support for handicapped and mentally retarded children and disabled persons. Toward capacity building, the project would support the institutional development of PAPMU and local governments responsible for the poverty alleviation programs and monitoring poverty trends.

Income Generation ($5.94 million)

4.7 The income generation component of the project would create employment opportunities through community-based programs of (a) public works including infrastructure maintenance and environmental protection works, and (b) productive activities. The menu of maintenance works for rehabilitation and/or preservation of essential social and economic infrastructure includes feeder roads serving agricultural, commercial or tourism needs, as well as schools, hospitals and community center buildings including improved insulation for energy conservation. Other subprojects may include essential services aimed at improving quality of life of rural and urban communities such as rehabilitation of communal water supply, sanitation, garbage collection and disposal facilities. Communities may also choose environmental protection works, such as community-based "social forestry" programs for planting fast-growing trees for production of fuel, fodder and construction material. Proposed schemes should be consistent with the sectoral investment priorities. For the productive activities, Vulnerable Group Organizations (VGOs) would be organized to identify community-based income generating schemes based on locally available resources similar to the successfully tested pilot schemes. The menu for productive activities includes agricultural activities (small scale vegetable and fruit farming, production of compost for use as fertilizer, maintaining small livestock herds, production of hay and silage); natural resource exploitation and conservation (open pit mining of coal and other minerals, exploitation of salt from lake
deposits, collection of wild-growing fruits, nuts, and berries and their preservation); community services (animal drawn transport, repair and maintenance services for buildings, roads, and other services); and handicrafts and food products (wool and leather products, production of garments, footwear, wood and iron articles, bakery and dairy products).

4.8 Selection Criteria. Funds for income generation activities would be allocated among aimags in proportion to the distribution of the absolute poor population below the poverty line. Aimags' resources for income generation programs would also be apportioned to each sum based on the distribution of absolute poor. The SPACs, assisted by NGOs (where available) would identify the absolute poor members of the community to form VGOs for productive activities. Community members in bag level meetings would identify the priority needs for maintenance or improvement of the communal infrastructure at each of the participating aimag or sum centers. Annex 4 presents excerpts of the draft Project Implementation Manual (PIM), describing the complete menu, detailed guidelines for subproject preparation, and selection criteria and financing mechanism. The adoption and effectiveness of the PIM in form and substance acceptable to IDA is a condition of credit effectiveness. During negotiations, assurances were obtained from the Borrower that any amendment to the PIM that concerns any change in (i) subproject types, eligibility or appraisal criteria, (ii) the criteria or the allocation of Credit funds to aimags and sums, and (iii) procurement and disbursement procedures shall be subject to the prior approval of IDA. The selection criteria would also ensure project sustainability. Some of the common criteria for both the infrastructure maintenance and environmental protection works, as well as the productive activities are listed below:

(a) The work should be labor intensive, with cost of wages amounting to not less than one half of the total cost of the scheme.

(b) To confine employment generation to the vulnerable groups, wages to be paid under the project should cover subsistence needs and be set at a level below the prevailing market wage rates to ensure self-targeting.

(c) Maximum use would be made of locally available inputs.

Basic Education ($2.0 million)

4.9 The proposed basic education component is aimed at reducing the dropout and nonenrollment rates. IDA's assistance could be seen in this emergency situation as a bridging arrangement to meet certain costs, both capital and recurrent expenditures. The project would provide critical inputs needed to maintain and restore the level, equity, and quality of basic education delivery. Since the exact need for inputs to the education system varies from sum to sum, each sum will be allowed to decide which inputs (selected from a menu of items agreed to be effective in raising school enrollments) are most critical in its case, in accordance with the menu, guidelines, and criteria described in the PIM and presented in Annex 4.
4.10 The menu of options for the education sector would include: heating (installing less expensive room heating systems in schools or making repairs to existing systems, including improved insulation); schools renovation; teaching materials; and activities in nonformal education targeted at reducing the dropout and nonenrollment rate, such as *bag* schools and mobile teachers. What is being proposed is a return to Mongolia's own traditional means of assuring effective, equitable, and quality education for its rural citizens. "Home-based learning," *khot-ail* (encampment of cooperating households) schools, and *ger* schools all have existed in Mongolia before as have have multiple grade and multiple subject teaching.

4.11 **Selection Criteria.** To ensure that the investments selected would facilitate higher enrollment in basic education, maximum participation and consultation of affected households would be encouraged. SPACs would hold *bag* level meetings to mobilize the views of affected households before deciding on the type of subproject. SPACs would survey the number of students likely to attend existing schools or new *bag* located schools. Relative distribution of dropouts/nonenrollment among *aimags* would determine the allocation of resources by PAPMU. SPACs would adopt the following guidelines and eligibility criteria:

(a) Only renovation or regular maintenance of existing school buildings will be considered.

(b) *Bag* schools to accommodate those who are engaged in herding would be encouraged.

(c) Installation of low-cost alternative heating methods should be combined with improved insulation of buildings.

(d) Priority will be given to schemes with the highest school enrollment increase per unit cost of investment.

(e) The expected impact (benefit) and number of poor benefiting from the subproject should be clearly defined in the proposal.

**Rural Health Care ($2.0 million)**

4.12 The proposed project would provide critical inputs needed to maintain and restore the ability of rural health services (*sum, bag* and community levels) to reduce maternal mortality and morbidity. Since the exact situation of health services varies among *sums*, each *sum* will be allowed to decide which inputs (selected from a menu of items considered suitable for project financing) are most critical in its case, in accordance with the menu, guidelines, and criteria in the PIM, presented in *Annex 4*. SPACs, in consultation with the community members, will determine which of these inputs can be covered with the available funds. Allocation of the Local Development Fund among *aimags* would be based on the mortality indices of the *aimags*. 
4.13 The menu of options for the health sector would include transport (repair or replacement of the \textit{sum} hospital vehicle in consultation with the MOH to ensure coordination with other funding sources; provision of horses for transport for \textit{feldshers}); heating (installing low-cost and efficient room heating systems in \textit{sum} hospitals); equipment (very basic medical equipment for \textit{feldshers} and \textit{sums}); and training (community health volunteers and possibly inservice training of other health staff). For each input, appropriate guidelines and conditions will be adopted. For example, the local government must guarantee that adequate fuel would be made available for a new or repaired vehicle or a \textit{sum} hospital heating system, and that services will be provided to the absolute poor.

4.14 \textbf{Selection Criteria.} Selection of health service improvement proposals would ensure that those critical inputs with communitywide needs are met. From the menu of eligible expenditures, the \textit{bag} leaders would hold community meetings to identify the perceived priority health services. While the scheme selection criteria would vary depending on the input selected, the following would serve as a common guideline and criteria:

(a) Proposals should reflect the most commonly used, cost-effective preventive health service by the community.

(b) Proposals to reopen maternity homes should first consider the use of existing hospital rooms.

(c) Proposals for maintenance of existing \textit{sum} hospital vehicles should be given priority over purchase of new vehicles. \textit{Sums} which have purchased new vehicles since 1990 would be eligible only for maintenance budget.

(d) Installation of low cost alternative heating methods should be combined with improved insulation of buildings.

(e) Proposals should clearly define the expected impact (benefit) and number of poor benefiting from the subproject.

\textbf{Support for the Disabled ($0.2 million$)}

4.15 The project has identified two priority groups for support.

(a) First, the project would finance the special equipment needs of mentally retarded and physically handicapped children. Currently, the children attending kindergartens for the mentally retarded in Ulaanbaatar are unable to receive training or education owing to critical shortages of inputs. The project would finance training materials, books, specialized medical equipment, essential drugs and supplies. For the disabled and physically handicapped children, the project would also finance the purchase of special rehabilitative equipment (such as artificial limbs and wheel chairs).
Second, the project would finance the special equipment needs of the institutes/factories training or employing disabled adults. The institutions that would receive support include the special factory for the blind, the training school for disabled persons, special factory for the physically disabled, and the special institute for the deaf. The project would finance the purchase of specialized equipment including Braille kits and paper, specialized typewriters, sewing, hairdressing and cooking equipment, hearing aids, etc. The project would enable the disabled (adults) to engage in appropriate economic activities and improve their living conditions.

Institutional Support ($0.39 million)

4.16 The institutional arrangement for project implementation is intended not only to cater to the proposed project but also to develop umbrella organizations capable of managing local and external assistance for the PAP. To upgrade limited national and local implementation capacity, the project would provide technical assistance to build the management, implementation and monitoring capacities of participating institutions.

4.17 To build PAPMU’s and APACs’ capacities, UNDP and the GOM, using the proceeds from the IDA credit, would provide funding for technical assistance which will be coordinated by the UNDP. To that effect, UNDP will make funds available to the Government in pursuance of a project document and the GOM will enter into an agreement with UNDP for the administration of IDA institutional support funds. The technical assistance would comprise short- and long-term international and local consultants to develop PAPMU’s institutional, management and operating procedures, and develop supervision, monitoring and evaluation methods, and a management information system. Local and overseas training of PAPMU and APACs’ staff, office equipment and vehicles would be financed under the institutional support technical assistance carried out under an umbrella program by UNDP. PAPMU’s operating costs would be initially (for six months) financed under the UNDP program, but thereafter the Government would take over the expenditures using its project counterpart contribution. During negotiations it was agreed that effectiveness of a technical assistance project document with UNDP and of contractual arrangements for execution by UNDP are conditions of IDA credit effectiveness. The draft program for technical assistance and training is described in the PIP.

D. Rationale for IDA Involvement

4.18 The social cost of transition is manifested by the sharp decline in the standard of living of the vulnerable groups particularly for women and children, erosion of human capital and the deteriorating basic health indicators. While encouraging the Government to sustain the adjustment program vigorously, IDA’s country assistance strategy calls for the protection of the vulnerable groups as an integral part of its assistance strategy. Moreover, for the reform program to continue enjoying broad based public support, a cornerstone of IDA’s country assistance strategy, IDA’s support for the PAP is critical. Toward this end, the proposed project is consistent with the country assistance
strategy presented jointly with this operation to the Board. In collaboration with the IMF and ADB, IDA is actively supporting the Government’s economic reform program. Even with the continued implementation of the stabilization and reform programs with minimal slippage and without large external shocks, GDP growth is expected to average 4.5 percent for the next five years. This level of growth falls short of fully absorbing new entrants to the labor market and redeployment of surplus labor from the state enterprises. To complement this effort, it is equally crucial for IDA to assist the Government’s program targeted at the vulnerable groups. IDA’s wealth of experience in poverty alleviation operations in general and social investment funds in particular, makes it well qualified to take a lead assistance role through the proposed operation. IDA’s experience in the institution building of social funds in Latin America and Africa is also a valuable asset for the proposed project and has attracted cofinancing. The social fund framework being established in Mongolia with IDA and UNDP assistance would also facilitate additional donor contributions. IDA involvement in the poverty alleviation program is also a suitable entry point to address the long-term human resource development issues planned for FY98. Finally, Mongolia’s performance in aid utilization has been satisfactory and deserves continued IDA assistance.

E. PROJECT COST AND FINANCING PLAN

4.19 The total project cost is estimated at $10.53 million. Since the specific subprojects are yet to be identified by the communities with variable unit costs and quantities, physical and price contingencies are not included. Similarly, the foreign exchange component, estimated to account for 9 percent of the total project cost is indicative. Table 4.1 presents a summary of project costs.

Table 4.1: PROJECT COST SUMMARY
($ Million)

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
<th>% of Total</th>
<th>Foreign Exchange (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Generation</td>
<td>5.94</td>
<td>-</td>
<td>5.94</td>
<td>56</td>
<td>-</td>
</tr>
<tr>
<td>Education</td>
<td>1.80</td>
<td>0.20</td>
<td>2.00</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>Health</td>
<td>1.40</td>
<td>0.60</td>
<td>2.00</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>Support for Disabled</td>
<td>0.20</td>
<td>-</td>
<td>0.20</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>0.29</td>
<td>0.10</td>
<td>0.39</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td>9.63</td>
<td>0.90</td>
<td>10.53</td>
<td>100</td>
<td>9</td>
</tr>
</tbody>
</table>

4.20 The proposed IDA credit of US$10.0 million equivalent would finance 95 percent of the total project cost (100 percent of foreign and 94 percent of local costs) and the GOM would contribute the balance. GOM’s initial counterpart contribution for
1995 equivalent to $47,000 has been allocated directly to the aimags in the 1995 budget. During negotiations, assurances were obtained that the Borrower would open and maintain the PAF account in the Mongol Bank and deposit into such account amounts equivalent to: (i) $85,500 not later than January 10, 1996, (ii) $132,500 not later than January 10 in each of the following years: 1997, 1998, and 1999. Allocation of GOM and IDA resources is shown in Table 4.2.

Table 4.2: Financing Plan
($ Million)

<table>
<thead>
<tr>
<th>Source</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>0.53</td>
<td>-</td>
<td>0.53</td>
</tr>
<tr>
<td>IDA</td>
<td>9.10</td>
<td>0.90</td>
<td>10.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.63</strong></td>
<td><strong>0.90</strong></td>
<td><strong>10.53</strong></td>
</tr>
</tbody>
</table>

F. IMPLEMENTATION ARRANGEMENTS

4.21 The NPAC, an interministerial and NGO committee, chaired by the Deputy Prime Minister, would oversee implementation of the PAP and would ensure that ministries and local governments adhere to agreed policy and implementation guidelines. In December 1994, under Government Resolution 230, presented in Annex 5, PAPMU was reorganized as an autonomous entity under the supervision of NPAC, reporting directly to the Minister of MPPL in his capacity as Deputy Chairman of NPAC. This new status confers on PAPMU a degree of independence from the procedures and rules of a line ministry department. PAPMU would provide secretariat assistance to NPAC, and the Director of PAPMU would be the Secretary of NPAC. During negotiations, assurances were obtained from the Borrower that PAPMU shall have adequate staff and a full time Director with suitable qualifications satisfactory to IDA. Resolution 104 also announced the formation of APACs (see Annex 5). Details on the institutional arrangements for implementation and monitoring is presented in the PIP and Annex 6 shows the Organizational Chart of all participating institutions and the beneficiaries. As a condition of credit effectiveness, the Borrower shall ensure, by appropriate legislative instrument, that the implementing agencies are bound by the Development Credit Agreement and the PIM, and instructing sum governments to establish SPACs, and giving PAPMU, APACs, and SPACs the capacity to enter into agreements and maintain bank accounts. The project’s implementation schedule is presented in Annex 7. The project is expected to be completed by December 31, 1998.

4.22 As the Government’s focal point for poverty alleviation, PAPMU’s mandate inter alia would include: (a) monitoring the implementation of decisions of the NPAC; (b) preparing annual work plans and monitoring that the APACs and SPACs adhere to the
criteria established for approving locally initiated subprojects; (c) ensuring that PAF is adequately funded and remains liquid; (d) ensuring projects are properly monitored and an appropriate data bank is established for timely evaluation; (e) organizing training for the APACs and SPACs; (f) publicizing the activities financed by the PAF; (g) ensuring that public policy and expenditures have a poverty focus; and (h) issuing progress reports to the NPAC and the donor community. During negotiations, agreements were reached for PAPMU to submit to IDA Six-Month Project Progress Reports in accordance with a format satisfactory to IDA.

4.23 PAPMU’s counterparts at the aimag level are the APACs and the Ulaanbaatar Poverty Alleviation Council (UPAC)1/ with full-time technical staff supported by existing staff from the line departments to help administer their programs. Subprojects submitted by the SPACs would be reviewed by the APAC Secretariats and presented for approval to the APACs. Other key responsibilities of the APAC Secretariats would be to monitor the implementation of subprojects, documenting lessons learned and maintaining proper project accounts. During negotiations, assurances were obtained from the Borrower to cause the APACs to submit quarterly project progress reports and accounts to PAPMU.

4.24 The SPACs, in consultation with beneficiaries, would be responsible for identifying priority community-based income generating schemes, education and health subprojects for approval by APACs. Mongolia’s small population lends itself to a manageable targeting of public programs to the absolute poor. VGOs will be organized and be responsible for implementing the productive activities. VGO representatives will also be associated with the SPACs in supervising project financed activities. Sum administrations maintain detailed information on household incomes and classification of residents by income groups. Effective participation of the vulnerable groups in identifying community-wide needs is a key to successful implementation and sustainability of the program. To facilitate meaningful participation, the SPACs assisted by NGOs (where present) would promote the formation of group organizations prior to undertaking any community-wide programs. Assurance was obtained from the Borrower that it would cause the SPACs to involve beneficiaries and NGOs in the identification, implementation, and supervision of the subprojects.

G. PROCUREMENT

4.25 Except for technical assistance, the specific subproject works and goods to be financed under the project will be determined by local communities, and the procurement items shown in Table 4.3 are indicative. Since most of the subprojects (works and goods) to be financed under the project are geographically scattered with average costs less than $6,000, and therefore not suitable for contract packaging, direct contracting and national shopping procedures would be applied. International shopping

1/ UPAC should be considered for the purpose of this report to be on the "aimag" level and included in all references to APACs. The UPAC’s counterpart on the "sum" level is the dureg with its Dureg Poverty Alleviation Councils (DPACs) and should be considered to be SPACs.
procedures would be applied for all other subproject goods involving vehicles and equipment. The SPACs with beneficiary involvement would be responsible for all direct contracting and national shopping (except for vehicles and equipment). PAPMU would make arrangements for other national shopping and all international shopping. For subproject works estimated to cost less than $4,000, up to an aggregate amount of $3.56 million, direct contracting by the SPACs with beneficiary involvement would be adopted. For other subproject works estimated to cost less than $10,000 but more than $4,000, up to an aggregate amount of $5.78 million SPACs would follow national shopping procedures. For subproject goods, with an average estimated cost of less than $50,000 and not exceeding an aggregate amount of $300,000, national shopping procedures would be applied. International shopping procedures would be adopted for subproject goods (vehicles, parts and equipment) with contract values between $50,000 and $200,000 up to an aggregate amount of $500,000. In each case of national and international shopping, contracts would be awarded on the basis of comparison of price quotations obtained from at least three suppliers. All procurement of subproject goods would be made in accordance with the Bank's procurement guidelines of January 1995. GOM would contribute $100,000, from the IDA credit, to the UNDP financed technical assistance project and will designate UNDP on a sole sourcing basis to administer the funding for consultant services under the project. All contracts above $50,000 for individuals and $100,000 for firms would be subject to prior review by IDA. Employment of local and foreign consultants would be in accordance with the guidelines on the Use of Consultants by World Bank Borrowers published in August 1981.

H. DISBURSEMENTS

4.26 Disbursements would be made against the following categories of expenditures: (a) subprojects: 100 percent of disbursements on subprojects approved according to eligibility criteria described in the PIM, and (b) 100 percent of expenditures for consultant services. These disbursement percentages are presented in Table 4.4. The disbursement schedule is presented in Table 4.5. The project implementation period is four years as shown in Annex 7. The credit Closing Date will be June 30, 1999. This disbursement schedule is consistent with similar operations in Latin America. On average, each SPAC would be eligible to utilize $30,000 during the disbursement period.
Table 4.3: **Indicative Summary of Procurement Arrangements**

($ Million)

<table>
<thead>
<tr>
<th>Item</th>
<th>Total /a</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subprojects:</strong></td>
<td></td>
</tr>
<tr>
<td>Goods</td>
<td>0.80</td>
</tr>
<tr>
<td>(0.80)</td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td>9.34</td>
</tr>
<tr>
<td>(9.10)</td>
<td></td>
</tr>
<tr>
<td><strong>Institutional Support:</strong></td>
<td></td>
</tr>
<tr>
<td>Consultant Services</td>
<td>0.10</td>
</tr>
<tr>
<td>(0.10)</td>
<td></td>
</tr>
<tr>
<td>Operating Costs</td>
<td>0.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10.53</td>
</tr>
<tr>
<td>(10.00)</td>
<td></td>
</tr>
</tbody>
</table>

/a Includes direct contracting, national and international shopping, and consultant appointments.

**Note:** Figures in parentheses are the amounts financed by IDA.

Table 4.4: **Disbursement Categories**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount ($ million)</th>
<th>Expenditure to Financed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Subproject financing:</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>a. income generation</td>
<td>5.7</td>
<td></td>
</tr>
<tr>
<td>b. basic education</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>c. rural health services</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>d. support for the disabled</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>2. Institutional Support</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>a. consultant services</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10.0</td>
<td></td>
</tr>
</tbody>
</table>

4.27 To facilitate timely project implementation and disbursements, the Government would establish and operate, under terms and conditions satisfactory to IDA,
Table 4.5: Estimated IDA Disbursement Schedule
($ million)

<table>
<thead>
<tr>
<th>IDA Fiscal Year</th>
<th>1996</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>2.5</td>
<td>3.0</td>
<td>3.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2.5</td>
<td>5.5</td>
<td>8.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

A Special Account. The Account would be denominated in US Dollars, with an authorized allocation of $700,000; however, the authorized allocation shall be limited to an amount equivalent to $500,000 until disbursements and outstanding commitments against the Credit equal or exceed $1.0 million. Applications for replenishment of the Account, supported by appropriate documentation, would be submitted regularly (preferably monthly, but not less than quarterly) or when the amounts withdrawn equal 50 percent of the initial deposit.

4.28 Disbursements would be made on the basis of Statement of Expenditures (SOEs) for: (a) actual expenditures against subproject financing below $50,000; and (b) consultants' contracts of less than $100,000 equivalent for firms and $50,000 equivalent for individuals and local training. PAPMU may also submit applications for direct payments to suppliers for amounts exceeding $20,000 equivalent. All reimbursements against prefinanced expenditures using Government resources would be deposited into the Government's Local Development Subfund. To accelerate the implementation of the project, it is recommended to finance retroactively up to $0.15 million of expenditures approved after June 1, 1995 in accordance with the PIM. This facility would allow the start up of the project before the onset of the harsh winter season that would prohibit work on many subprojects. The disbursement schedule by semester is presented in Annex 8.

I. Accounts and Audit

4.29 Each aimag would be required to maintain a separate project account on funds received from PAPMU, allocations made to sums and expenditures made on subprojects. These accounts will be consolidated by PAPMU and audited by an independent auditor in accordance with acceptable auditing practices. Assurances were obtained during negotiations that PAPMU would maintain a separate project account and would submit to IDA, within six months after the end of each fiscal year, an annual audit report including the Special Account, by independent auditors acceptable to IDA, including a separate opinion on SOEs.

J. Monitoring and Evaluation

4.30 PAPMU has identified a set of key progress indicators for monitoring delivery of inputs and achievement of project output and key development impact
indicators. A list of indicators, to be monitored by the APACs under the overall guidance of PAPMU, is presented in Annex 9 and summarized in Table 4.6.

Table 4.6: KEY PROJECT INDICATORS

<table>
<thead>
<tr>
<th>Input</th>
<th>Output</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Allocation</td>
<td>Employment Created</td>
<td>Income per Job</td>
</tr>
<tr>
<td>Budget Allocation</td>
<td>Hospital Transport</td>
<td>Maternal Mortality</td>
</tr>
<tr>
<td>Budget Allocation</td>
<td>Schools with Heating</td>
<td>School Enrollment</td>
</tr>
<tr>
<td>Budget Allocation</td>
<td>Equipment for Disabled</td>
<td>Rehabilitation of Disabled Persons</td>
</tr>
</tbody>
</table>

4.31 Consultants will be appointed under the project to design a management information system including the mechanism for collection of baseline data. During negotiations, assurances were obtained that PAPMU establish a management information system by November 30, 1995. To achieve the Government’s objective of reducing the incidence of poverty from 26 percent of the population in 1994 to 10 percent by year 2000, the government recognizes that GDP growth at the rate of 5 percent per year is a necessary condition. However, the PAP and the specific interventions under the proposed project aim to ensure that poverty does not remain unchecked, school dropouts and nonenrollment do not increase, maternal mortality does not continue to rise and those unable to participate in the labor market are provided their basic needs.

Supervision Plan

4.32 PAPMU will have primary responsibility for making adequate arrangements for the supervision of subprojects financed under the project. Since the subprojects would be scattered throughout the country, the APACs, under the overall guidance of PAPMU, will visit the subproject sites and ensure that the approved resources are being used for the agreed purposes and monitor the development impact of the subprojects. In each aimag, the staff from the Labor Exchange, Social Policy, and Social Security would be responsible for supervising the subprojects. During negotiations, assurances were obtained from the Borrower to cause the APACs to designate the staff responsible for supervision and provide adequate facilities for field visits. Assurances were also obtained from the Borrower to cause PAPMU to carry out annual reviews of the project by September 30 of each year, starting in 1996, and prepare and implement an action plan to correct deficiencies in project implementation identified during the review. To supplement the Borrower’s supervision effort, joint IDA/UNDP missions will visit Mongolia twice a year to review progress, with particular emphasis on monitoring the development impact based on the agreed key indicators and institution building. IDA in collaboration with PAPMU would also organize a Project Launch Workshop in September 1995. It is estimated that an annual average of 20 staff-weeks would be required for supervision during the next three and a half years. A detailed supervision plan is presented in Annex 10. During
negotiations, assurances were obtained from the Borrower that an Implementation Completion Report would be submitted to IDA within six months of the credit closing date.

Sustainability

4.33 The long run sustainability of poverty alleviation would only be assured when the growth of the economy recovers allowing employment opportunities to emerge, and public expenditures on basic education, health and other social services are provided adequate funding. It is also recognized that during the transition, the limited domestic resources would have to be augmented substantially to support the poverty alleviation program. In the interim period, sustainability of the specific programs financed under the project would be assured by adhering strictly to the subproject selection criteria requiring the formation of group organizations and the identification of community-based subprojects for which recurrent budget allocation would be assured. To link the short-term measures which are being supported under the proposed operation with the long-term measures, it was agreed during negotiations that the Government would review its planned expenditures for the delivery of priority basic education, health, and other services and develop a draft strategy for providing social services on a sustainable basis over the next five years to be submitted to IDA for review not later than December 31, 1995. IDA would be closely associated with the study with a view to identifying a follow-up operation in the human resources sector planned for 1998.
5. BENEFITS AND RISKS

A. BENEFITS

5.1 The project would contribute to the attainment of the goals set in the PAP by mitigating the social costs of adjustment which if not addressed will undermine the Government’s economic reform program. Public works and productive activities would generate 0.7 million person-months of temporary employment for all the absolute poor of working age. Moreover, the long neglected public infrastructure would be rehabilitated, improving opportunities for local area development. The project would contribute to raising the school enrollment rate from 70 to 85 percent. In addressing the gender-related effects of poverty, reduction of maternal mortality is the focus of the rural health services component which is aimed at achieving the pretransition level of 12 per 10,000 births. The services and capacity of four institutions serving the disabled would be enhanced through this project. In all it is expected that approximately 600 physically disabled and mentally retarded children and adults would be directly assisted by this project. Through the development and capacity building of the PAP institutional mechanism, this project would provide for the longer term sustainability of PAP with a mechanism for channeling other donor support. Creating an enabling environment for the community in general and the poor in particular to participate in identifying community needs in infrastructure, education and health would form the basis for a sustainable development approach.

5.2 Environmental Aspects. The project design does not have any direct environmental impact.

5.3 Poverty Category. The project meets the criteria for inclusion in the Program of Targeted Interventions because: (a) the project has specific mechanisms for targeting the poor through the allocation of funds to the APACs, and (b) the population of project beneficiaries has a significantly larger proportion of poor people (nearly 100 percent) than the country’s population as a whole (26 percent). The target beneficiaries of the project are the absolute poor among the vulnerable groups who are currently unable to meet their basic needs together with those who may fall into these groups. As female-headed households constitute the largest group of poor, a particular focus of the project will be addressing the gender-related causes of poverty. Mongolian society as a whole would benefit from the project through increased financial resources diverted away from subsidies to priority community identified activities; through better use of underemployed resources; and greater socioeconomic stability as a result of increased equity, opportunity, and human development.

5.4 Program Objective Categories. Given the gender-specific dimension of poverty, special efforts will be made to target poor women and to address the gender-related causes of poverty. Program components will build on or operate through, to the extent possible, existing central and local structures rather than aim at the establishment
of separate services/facilities for the poor. Though the program will fully focus on the identified poverty groups, maximum attention will be paid to linking poverty alleviation activities to other human resources development policy decisions and promoting poverty as cross cutting public policy concern.

**B. Risks**

5.5 A key project risk is the limited institutional capacity to plan, implement, monitor and evaluate a multisectoral poverty alleviation program. Project implementation is largely delegated to local government entities and community organizations with limited experience in decentralized decision making. Moreover, if donors provide assistance for poverty alleviation outside the institutional framework of the PAP, local governments may be burdened by additional administrative and management procedures. The institutional capacity constraints in the government would be reduced by mobilizing donor support and coordination to strengthen existing structures and through expanding ongoing programs and limiting new initiatives to a small proportion of the project activities. Staff training and awareness-raising seminars for senior local government officials, NGOs and beneficiaries are also being provided. Another risk is the possible failure in targeting the poor to benefit from the project. To ensure effective targeting and delivery mechanisms, there will be local community based identification of the vulnerable people jointly by government and NGOs.
6. AGREEMENTS REACHED AND RECOMMENDATION

6.1 During negotiations, assurances were obtained that the Borrower would:

(a) get prior IDA approval before making key amendments to the PIM (para. 4.8);

(b) open and maintain a PAF account in Mongol Bank and deposit into the PAF account amounts as follows: (i) an amount equivalent to $85,500 not later than January 10, 1996, and (ii) an amount equivalent to $132,500 not later than January 10 in each of the following years: 1997, 1998, and 1999 (para 4.20);

(c) ensure that PAPMU shall have adequate staff and a full time Director with suitable qualifications satisfactory to IDA (para. 4.21);

(d) cause PAPMU to submit six-month progress reports with a format satisfactory to IDA (para. 4.22);

(e) cause the APACs to submit quarterly progress reports and accounts to PAPMU (para. 4.23);

(f) cause the SPACs to involve beneficiaries and NGOs in the identification, implementation, and supervision of subprojects (para. 4.24);

(g) cause PAPMU to maintain a separate project account and submit to IDA, within six months of each fiscal year, an annual audit report including the Special Account, by independent auditors acceptable to IDA, including a separate opinion on SOEs (para. 4.29);

(h) cause PAPMU to establish a management information system by November 30, 1995 (para. 4.31);

(i) cause the APACs and SPACs to make arrangements for supervision and provide adequate facilities for field visits (para. 4.32);

(j) cause PAPMU to carry out an annual review of the project by September 30 of each year, starting in 1996, and as part of each review to prepare and implement a program of action, satisfactory to IDA, to deal with deficiencies in project implementation identified during the review (para. 4.32);
(k) cause PAPMU to submit an Implementation Completion Report within six months of the credit closing date (para. 4.32); and

(l) review its planned expenditures for the delivery of priority basic education, health, and other services and develop a draft strategy for providing social services on a sustainable basis over the next five years, to be submitted to IDA for review not later than December 31, 1995 (para. 4.33).

6.2 As conditions of credit effectiveness, the Borrower will:

(a) have NPAC adopt and make effective the Project Implementation Manual in form and substance acceptable to IDA (para 4.8);

(b) enter into and make effective an agreement with UNDP for technical assistance and contractual arrangements with GOM and UNDP (para. 4.17); and

(c) adopt an appropriate legislative instrument to ensure that the implementing agencies are bound by the Development Credit Agreement and the PIM and instructing sum governors to establish SPACs and giving PAPMU, APACs and SPACs the capacity to enter into agreements and maintain bank accounts (para. 4.21).

6.3 Subject to the above, the proposed project would be suitable for a credit of SDR 6.5 million ($10 million equivalent) to Mongolia. The credit would carry standard IDA terms with 40 years maturity.
PROJECT IMPLEMENTATION PLAN

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(COMPLETE DOCUMENT IS IN THE PROJECT DOCUMENT FILE)

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PART IV: PROJECT IMPLEMENTATION

A. IMPLEMENTATION ARRANGEMENTS

Responsibilities of NPAP Institutions and Other Organizations

4.1 National Poverty Alleviation Committee: The NPAC will oversee implementation of the PAP and ensure that ministries and local governments adhere to agreed guidelines.

4.2 Poverty Alleviation Fund Council: The PAFC (to be established) will be responsible for approving and monitoring the allocation of project resources to the aimags and Ulaanbaatar.

4.3 Poverty Alleviation Program Management Unit: PAPMU will be responsible for the overall management and implementation of the project through its responsibility as administrator of the PAF. In addition it will maintain separate accounts for the project and report on the progress of implementation to the NPAC and IDA. PAPMU will be responsible for preparing a Project Implementation Report 6 months after the start of implementation.

4.4 Aimag/Ulaanbaatar Poverty Alleviation Councils: APACs will be responsible for approving and supervising subprojects and allocating resources from project components to sums in line with guidelines set out in the PIM.

4.5 APAC/UPAC Secretary: The APAC/UPAC secretary will be responsible for supporting local government agencies with implementation, administration, monitoring and promotion of project components. In particular, it will ensure that the subproject proposals submitted to the APAC/UPAC conform with component guidelines.

4.6 Sum/Dureg Poverty Alleviation Councils: The SPAC, with local beneficiaries, will be responsible for the formulation, implementation and supervision of subprojects within component guidelines.

4.7 Local Government: Branches of the aimag and sum government will assist in supervising the various components of the projects at the local level.

- The aimag Labor Exchange will assist with the supervision of the income generation projects
- The Social Policy Department of the aimag Governor’s Office will assist with the supervision of the health and education components

4.8 These local agencies will also assist the APAC Secretary with the promotion and administration of the component.
Implementation Agreement Between the Borrower and Implementation Agency

4.9 PAPMU as the agency responsible for overall NPAP implementation will manage the IDA assisted project and be responsible for its implementation. As such, it will ensure that all subprojects conform to guidelines and criteria of the project as detailed in component Project Implementation Guidelines to be agreed with the Government and IDA. It will also report to the Government of Mongolia as borrower on the progress of the project including provision of financial statements as required.

Relationship Between Implementing Agency and Other Entities

4.10 Line Ministries: Line ministries will be represented on the NPAC and the PAFC and will play the lead role in the development of the general and specific Activity Area guidelines contained in the PIM.

4.11 Beneficiaries: The beneficiaries of the health, education components as well as the public works subcomponent will directly participate in the identification of priority subprojects and the process of formulating subprojects in their sum through participatory meetings of the bag community. In the income generation component beneficiaries will be directly involved in the implementation of subprojects through membership of VGOs.

4.12 Consultants: In addition to the full time staff of PAPMU national consultants will be required to assist the administration and implementation of the PAF. Such consultants will be employed to undertake activities such as training and awareness raising, monitoring and evaluation and assistance with the PAF Management Information System.

Role of IDA During Project Implementation

4.13 IDA will be closely associated with PAPMU in the annual reviews of the project starting in September 1996. It will also undertake supervision of the project at regular intervals and respond to Government requests for technical inputs.

Administrative Arrangements for Project Implementation

4.14 PAPMU: PAPMU will be strengthened considerably through external technical assistance to undertake its responsibilities for overall administration of the project and the NPAP. It will initially comprise 8 people under the overall supervision of the PAPMU Director General and will increase in size as more funds are provided for the PAF. The training of PAPMU staff as well as the development of the administrative procedures for the NPAP will be undertaken within the proposed NPAP Institutional Strengthening Project.

4.15 APAC Secretary: The APAC Secretary will initially comprise one full-time person although the staffing will be reviewed as the project and the NPAP as a whole progress. The APAC Secretary will be provided with adequate communication facilities to keep in close contact with the PAPMU providing it with details of approved subprojects,
monitoring and evaluation indicators including those related to implementation of subprojects and disbursement of funds.

4.16 **Financing Management and Administration:** The Government has agreed to finance the operating costs of the PAPMU and the APAC and UPAC secretaries. To help establish PAPMU and the APAC and UPAC Secretariats, UNDP would provide technical assistance for consultants, office equipment, vehicle and initial operating costs.

**B. PREPARATION FOR PROJECT IMPLEMENTATION**

**Preparation for Implementation of the NPAP**

4.17 Preparation of the PAF implementation began in October 1994 with the start of a program of regional awareness raising/training workshops. The following represents the proposed program of training to be funded under the UNDP NPAP Institutional Strengthening Project.

- **Regional Awareness Raising/Training Workshops:** An ongoing series of regional awareness raising and training workshops designed to provide local government and NGOs with an understanding of the NPAP. Each workshop covers 3 to 4 aimags and the process is due to be completed by the beginning of May 1995.

- **NPAP Workshop:** This Ulaanbaatar workshop, scheduled for May 1995, will be attended by APAC Chairpersons, APAC Secretariat, officers of line ministries and the PAPMU. It will reinforce participants understanding of the NPAP and in particular its decentralized and participatory approaches and the policy issues involved.

- **APAC Secretariat Workshop:** APAC Secretariat officers will remain in Ulaanbaatar after the NPAP workshop to raise their skills for promoting the NPAP and supporting local implementing agencies. Areas to be covered include participatory appraisal and training methodologies.

- **NPAP Implementation Workshop:** APAC Secretariat officers and officers of local government implementing agencies will attend a workshop in June/July, 1995. It will train participants in the basic implementation procedures of the NPAP including accounting, monitoring and evaluation and administrative systems.

**Preparation for the Implementation of the IDA Assisted Project**

4.18 In addition to the preparation for the overall NPAP specific preparatory activities will be undertaken for the IDA project.

- **Field testing PIMs:** Relevant line ministries and PAPMU will finalize draft PIMs for each component for field testing in May 1995. The manuals for the health, education and income generation components will each be field tested in two sums.
in two aimags. The results should identify areas for improvements in the manuals and in local government implementation and management capacity that need to be addressed. They will also help evaluate the participatory approaches of the project and will provide examples of the types of projects that will be identified by local communities.

- **Project Implementation Workshop:** A project implementation workshop will be held immediately after the NPAP Implementation Workshop in June/July 1995. This workshop will train APAC Secretariat officers and officers of local implementing agencies in the implementation procedures for the IDA assisted projects through the PIMs.

### C. COMPONENT IMPLEMENTATION PLANS

**Implementation of Components under the Local Development Fund**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Income Generation</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>b. Rural Health Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Basic Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Support for the Disabled</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.19 Subprojects within the three components falling under the Local Development Fund will be identified and formulated at the local level. Detailed guidelines for selection and implementation of subprojects within these components will be provided in the relevant PIM Guidelines. Project formulation will take place in two stages based around a 3-month programming cycle.

4.20 i. Identification of resource allocation:

- PAPMU would calculate total allocation of resources to each aimag according to the guidelines in the PIM Guidelines and inform the APAC Secretariats of allocation and disbursement schedule.
- APACs would identify priority sums for allocation of resources within each 3 month cycle and according to PIM Guidelines.

4.21 ii. Preparation and clearance of project proposals: Sums selected for allocation of resources within each cycle will be informed of a range of resources for which they should formulate projects. The following process will be followed:
- Bags in selected sums to identify priorities through participation of the community
- SPACs/VGOs (as appropriate) to formulate a subproject based on the above proposals and within the allocation and submit to APAC Secretariat
- APAC secretariats ensure proposed subproject complies with PIM guidelines and submits to APAC
- APAC meeting approves subproject for funding

Implementation of the Institutional Support Component

4.24 The umbrella Institutional Strengthening Project is currently being formulated and completion of formulation is scheduled for April 1995.

D. INDICATIVE SCHEDULE OF DISBURSEMENTS

<table>
<thead>
<tr>
<th>Fiscal Year (US$ Thousands)</th>
<th>1996</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
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<tr>
<td>GOM Counterpart Contribution</td>
<td>50</td>
<td>40</td>
<td>40</td>
<td>70</td>
</tr>
<tr>
<td>IDA - Income Generation</td>
<td>500</td>
<td>600</td>
<td>850</td>
<td>850</td>
</tr>
<tr>
<td>IDA - Basic Education</td>
<td>300</td>
<td>300</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>IDA - Rural Health Services</td>
<td>500</td>
<td>300</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>IDA - Support for the Disabled</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>IDA - Institutional Support</td>
<td>50</td>
<td>50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDA TOTAL</td>
<td>1200</td>
<td>1300</td>
<td>1500</td>
<td>1500</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>1250</td>
<td>1340</td>
<td>1540</td>
<td>1570</td>
</tr>
</tbody>
</table>

E. SPECIFIC ACTIONS TO ACHIEVE THE PROJECT'S DEVELOPMENT IMPACT OBJECTIVES

4.25 Government commitment at central and local levels: There would be strong Government commitment at both central and local level to the project and the NPAP as a whole. In particular local government must be committed to following a participatory approach and ensure that the project activities are identified by the community.

4.26 Recurrent expenditure: The Government would ensure adequate levels of financing to cover recurrent costs to ensure the sustainability of project activities.

4.27 Awareness raising: Local government would fully support awareness raising activities and ensure that the whole community understands the project and contributes to identification of project activities.
4.28 **Training:** Local Government officers would allocate time to training and ensure that they have the skill to support community identification of projects and formulation of adequate formulation of project proposals. The failure to obtain such skills will lead to delays in project implementation.

**F. PROJECT ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM**

**Provision for setting up Accounting and Financial Management System**

4.29 The accounting and financial management system of the PAF will be established under the proposed NPAP Institutional Strengthening project. Separate accounts will be established and maintained for the project within the framework of the NPAP system. The Statement of Expenditure format used in the pilot project schemes, suitably modified, will be adopted.

**Project Audit**

4.30 Annual financial statements for the project will be audited by an independent auditor acceptable to IDA. In addition, the NPAP will be subject to internal auditing of the programs financial operations on a semiannual basis.
## POVERTY DATA

### POPULATION

<table>
<thead>
<tr>
<th>Aimags</th>
<th>Area ('000 km²)</th>
<th>Population</th>
<th>No. of Sums</th>
<th>No. of Bags</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Households</td>
<td>People</td>
<td></td>
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<tr>
<td>Arhangay</td>
<td>55.0</td>
<td>28,997</td>
<td>102,716</td>
<td>19</td>
</tr>
<tr>
<td>Bayanhonger</td>
<td>116.0</td>
<td>20,655</td>
<td>85,301</td>
<td>20</td>
</tr>
<tr>
<td>Bayan-Olgiy</td>
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POVERTY ALLEVIATION PROGRAM
INDICATIVE FINANCING PLAN

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## ANNEX 3

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<td>Resources</td>
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#### COMPONENT 4

| WDF   | Support the income-generation activities of women. Expand development centers and increase capacity | 2,000 | - | 2,000 | 5,000 |

#### COMPONENT 5

| PP    | Strengthen the market structure in rural areas | 4,000 | 2,000 | 2,000 | 5,000 |

#### COMPONENT 6

| Expand the system of social protection (subtotal) | 7,292 | 5,593 | 1,699 | 4,248 |
| P/SAF | a. Development of the social assistance system | 3,325 | 2,625 | 700 | 1,750 |
| SAF   | b. Assist the homeless | 300 | 300 | 500 |
| P/SAF | c. Protect poor children | 1,599 | 1,000 | 599 | 1,498 |
| PP    | d. Special education of disabled children | 100 | - | 100 | 250 |
| SDF   | e. Increase the allowances of pensioners not covered by the new social insurance law | 1,968 | 1,968 | - | - |

### Key:

- **EPF** = Employment Promotion Fund
- **P** = Project
- **LDF** = Local Development Fund
- **PP** = Pilot Project
- **SAF** = Social Assistance Fund
- **SDF** = Special Domestic Financing
- **WDF** = Women's Development Fund

/\ The funding status indicates an estimate of resources for the NPAP committed or indicated after June 1994. (*) indicates assistance in the pipeline. GOM funding is for 1995.

**Note:** The exchange rate used is $1 = Tug 400.

**Source:** Poverty Alleviation Program, GOM - June 1994.
DRAFT PROJECT IMPLEMENTATION MANUAL

LOCAL DEVELOPMENT FUND
PROJECT IMPLEMENTATION MANUAL

PART I: INTRODUCTION

A. OVERVIEW OF LDF

The Local Development Fund (LDF) is one of the four subfunds of the Poverty Alleviation Fund (PAF) and forms part of the Government of Mongolia Poverty Alleviation Program. It has been designed to provide financial resources to poverty-related projects that are identified, formulated, implemented and supervised at the local (sum/khoroo) level. These projects are appraised and approved by the Aimag or Ulaanbaatar District Poverty Alleviation Councils. The LDF has the following key features which are described in more detail in the General Guidelines of the PIM:

- **Activity Areas:** The LDF will provide resources to finance projects within thematic Activity Areas described in Section C of this introduction.

- **Type Projects:** Each Activity Area contains a menu of types of project (the Type Projects) from which the community or target group can choose. The Type Projects for each Activity Area can be found in the Activity Area Guidelines.

- **Participatory Project Identification:** Priority projects are identified by the whole community or by specific target groups such as the very poor (depending on the Activity Area) at the sum and bag (district/khoroo) level. (Section B.1 of the General Guidelines)

- **Three-month Programming Cycle:** The LDF will feature a three-month programming cycle covering the period from submission of project proposals from the SPACs to the start of project implementation.

- **Decentralized Resource Allocation:** The resources from the central LDF will be allocated to each aimag and Ulaanbaatar district according to strict criteria. Allocation of resources from the Aimag/UB District LDF to priority Type Projects takes place at the aimag/district level based on the local priorities identified as above. (Section A of the General Guidelines)
**Decentralized Implementation:** Implementation of projects in each Activity Area will be the responsibility of SPACs and VGOs as appropriate. Local government, NGOs, community-based organizations (CBOs) and the community will facilitate project implementation. (Section B.7 of the General Guidelines)

**Community Supervision:** In addition to a supervisor designated by the SPAC each project will be supervised by members of the community selected by the community. (Section B.9 of the General Guidelines)

**B. THE LDF PROJECT IMPLEMENTATION MANUAL**

To assist local government and the community with the implementation of the projects financed by the LDF a Project Implementation Manual (PIM) has been developed. In addition to this introduction, the PIM consists of three other parts, namely;

- **Part II - General Guidelines:** These are general guidelines for implementing the projects within the LDF and include details of the LDF Activity Areas, guidelines for resource allocation within the LDF and details of the LDF project cycle.

- **Part III - Forms:** This section consists of the forms to be used by the various participants in the LDF Project Cycle. *(Part III not presented here.)*

- **Part IV - Activity Area Guidelines:** In addition to the General Guidelines there are specific guidelines for each Activity Area of the LDF.

The LDF PIM would be approved by the National Poverty Alleviation Committee (Government of Mongolia Resolution No. -- ). The National Poverty Alleviation Committee would have the authority to revise the LDF PIM following proposals by the Poverty Alleviation Program Management Unit. Annexes of the General Guidelines *(not presented here)* outline the responsibilities of the relevant institutions at the central and local level.

**C. ACTIVITY AREAS**

As of April 1995 the following five Activity Areas have been developed:

- **Basic Education:** This Activity Area is aimed at substantially reducing the dropout and nonenrollment rates. Assistance should be seen in an emergency situation as a bridging arrangement to meet certain costs, both capital and recurrent expenditures. The projects would provide critical inputs needed to maintain and restore the level and equity of basic education delivery.

- **Rural Health Services:** This Activity Area would provide critical inputs needed to maintain and restore the ability of rural health services *(sum, bag and community levels)* to provide equitable access to primary health care. It would finance priority projects aimed at improving general health service delivery.
• **VGO Income Generation:** This Activity Area aims at sustainable income generation based on formation of Vulnerable Group Organizations (VGOs) comprising members of poor and very poor households. These organizations are private legal entities established under Mongolian law. The Activity Area aims to empower VGOs to identify productive activities and provide financial resources for their implementation.

• **Public Works:** This Activity Area would create employment opportunities for members of very poor households through community-based public works projects aimed at infrastructure maintenance and environmental protection.

• **Support to Disabled:** This Activity Area addresses the specific issues of the disabled in Mongolia. It will finance essential inputs to provide improved education facilities for disabled children and employment opportunities for disabled adults.

**PART II: GENERAL GUIDELINES**

**A. RESOURCE ALLOCATION**

Resources from the LDF and its Activity Areas will be allocated to each aimag and Ulaanbaatar according to strict criteria described below. PAPMU will make a proposal according to these guidelines and submit it to the NPAC for approval.

**Allocation to Aimag/Ulaanbaatar LDF:** Resources will be allocated from the National LDF to the Aimag LDF based on the proportion of national population in the aimag. Contributions to the Aimag LDF can also be made from the aimag budget and the private sector. The Allocation from Central to Aimag LDF Form will be used to inform aimags of their allocation of the LDF for each programming cycle.

**Direct Allocation to Activity Area:** External resources may be directly allocated to the Aimag Activity Area according to the Activity Area Guidelines. The Direct Allocation from Center to Aimag Activity Area Form will be used to inform the aimag of the direct allocation to each Aimag LDF Activity Area in each programming cycle.

**Allocation from Aimag LDF to Activity Area Type Projects:** The APAC can allocate resources to any Type Project according to the local demands and priorities and within the approval guidelines outlined below.

**B. OVERVIEW OF THE LDF PROJECT CYCLE**

The general principles of the components of the LDF project cycle are outlined below. Any specific variations from these general principles will be given in the Activity Area Guidelines.
1. Identification:

Projects will be identified by a specific target group at the community level or by the community as a whole. The target group for each Activity Area will be identified in the relevant Activity Area Guidelines. Meeting of the target group will take place at the bag level and the meetings will be facilitated by a government or nongovernment officer designated by the SPAC. At the meeting the priority Type Projects for each Activity Area should be identified by the target group and the Community Proposal Form completed and signed by the bag governor. This form should be submitted to the SPAC before the start of programming cycle.

2. Formulation:

The following forms together with the Community Proposal Forms should be made into one package for each Activity Area in each sum. The package should be submitted to the APAC Secretary according to the programming cycle.

**Sum Project Request Form:** The Sum Project Request Form will be completed by the SPAC with the assistance of the beneficiaries (for example the sum hospital, bag community, NGO or a Vulnerable Group Organization). The form must be signed by the SPAC Chairperson.

**Sum Project Priority Form:** Based on the priorities of the bag the SPAC will place the Type Project in each Activity Area in order of priority using the Sum Priority Project Form. The form must be signed by the SPAC Chairperson.

**Appraisal and Approval Form:** The SPAC should complete this form based on the approval criteria in the Activity Area Guidelines for each Type Project. It should be signed by the SPAC Chairperson.

3. Appraisal:

All project proposals will first be submitted to the APAC Secretary who will ensure that they conform to Activity Area and Type Project appraisal criteria. The APAC Secretary will use the Appraisal and Approval Form for each Type Project using the appraisal criteria in the Activity Area Guidelines.

- **Project Conforms:** If the project conforms to the appraisal criteria, the APAC Secretary will sign the Project Appraisal and Approval Form and pass the project to the APAC for approval.

- **Project Rejected:** If the project fails to conform to appraisal criteria, the APAC Secretary will not sign the Project Appraisal and Approval Form but return the Project Request Form to the sum. The returned Project Request Form must be attached to a Project Rejection Form to be completed by the APAC Secretary.
APAC Secretary should complete the Summary of Rejected Projects Form and submit it to PAPMU.

4. Approval

The APAC Secretary will submit the projects to the APAC who will base approval on four criteria (a) the project conforms to all appraisal criteria (b) the project can be financed by the financial resources available, (c) the project will be able to be completed within the agreed timeframe, and (d) the SPAC requesting the project has provided all necessary receipts for ongoing projects in previous cycles. The APAC can use the following financial resources to finance projects:

- **Priority projects financed from direct allocations to Aimag Activity Area:** The Aimag Allocation to Sum Form should be completed by the APAC secretary using specific criteria for each Activity Area. The APAC should approve priority projects that can be financed within the allocation for the sum.

Using the Sum Reallocation Forms the APAC will calculate the total remaining funds after the priority projects have been approved. The APAC should then prioritize those projects that have not been approved according to reallocation criteria set down in the Activity Area Guidelines. The priority projects that can be financed by the remaining resources should be approved. At the end of this process any remaining funds should be carried forward to the next cycle.

- **Priority project financed by Aimag LDF:** The APAC can use resources allocated to the Aimag LDF to finance priority projects not financed by direct allocations to Activity Areas.

- **Priority projects financed by other sources:** Any remaining projects can be financed from other sources including the aimag budget. The aimag government is encouraged to use its resources within the LDF so that they can be monitored, supervised and implemented along with projects financed directly by the LDF.

5. Disbursement of Funds

Once the project approval process is finalized, the APAC Secretary will complete the Disbursement and Procurement Request and submit the form to PAPMU. The Secretary must identify all those goods to be procured by PAPMU and include this information in the form. Procurement responsibilities for each Type Project can be found in the Activity Area Guidelines.

For projects to be completed within the Programming Cycle (three months) PAPMU will disburse 100 percent of the project amount (less the cost of the goods PAPMU will procure) to the APAC LDF Account in each Aimag. For projects to be implemented within two Programming Cycles PAPMU will disburse 50 percent of this amount. The
APAC Secretary and the APAC Chairperson or Deputy Chairperson will be the signatories for this account.

The APAC will distribute 100 percent to the SPACs. The SPACs will keep project funds in an SPAC LDF account with the SPAC Chairperson and one of two SPAC members as signatories for the account. The SPAC will disburse initially 60 percent of the total amount required for each project once the project is approved.

Once most of the first disbursement has been spent the remaining 40 percent of the total project cost will be paid to the project. The second disbursement will only take place once the first disbursement has been accounted for using the SPAC Documentation Form (Form 14). The documentation, including all receipts for the purchase of inputs, must be submitted to the APAC Secretary within the time indicated in the Programming Cycle. Sums not providing receipts for inputs for any project will receive no further funds from the LDF.

6. Procurement for IDA-Assisted Subprojects:

- The SPACs with beneficiary involvement would be responsible for all direct contracting and national shopping (except for vehicles and equipment). PAPMU would make arrangements for other national shopping and all international shopping. Direct contracting would involve negotiations with a single-source contractor while national shopping would be based on obtaining price quotations from three contractors/suppliers. For international shopping, three quotations in two different countries would be obtained.

- For subproject works estimated to cost less than $4,000, direct contracting by the SPACs with beneficiary involvement would be adopted.

- For other subproject works estimated to cost less than $10,000 and more than $4,000, SPACs would follow national shopping procedures.

- For subproject goods, with an average estimated cost of less than $50,000, national shopping procedures would be applied.

- International shopping procedures would be adopted for subproject goods (vehicles, parts and equipment) with contract values between $50,000 and $200,000.

- In each case of national and international shopping, contracts would be awarded on the basis of comparison of price quotations obtained from at least three suppliers. All procurement of subproject goods would be made in accordance with the World Bank’s procurement guidelines of January 1995.
7. Implementation:

Projects will be implemented by the SPAC or a VGO as appropriate. For each project implemented by a VGO there will be a contract which will include provisions imposing this PIM on the organization.

8. Monitoring:

All projects will be monitored to ensure that they achieve their defined objectives within a defined timeframe and budget. Monitoring will take place at 3 levels.

- **SPAC:** The SPAC will monitor the input and process indicators for each project and submit them to PAPMU on a quarterly basis. Input and process indicators for each Activity Area can be found in the relevant Activity Area Guidelines.

- **PAPMU:** PAPMU will monitor the delivery of the inputs it procures and the disbursement of funds to each Aimag and each project. In addition it will produce a quarterly report for the NPAC and donors based on the indicators provided by the APACs.

9. Supervision:

In addition to monitoring by the project management the implementation of projects financed by the LDF and the management of the LDF will be supervised at four levels.

- **Community Supervisors:** Each project will be supervised by three members of the community not directly involved with project implementation. These community supervisors will be selected by the community. During the implementation of the project the three community supervisors must visit the project at least once a week and must immediately inform the SPAC if they find problems they cannot resolve themselves.

- **APAC:** The APAC should attempt to arrange a supervision visit to all sums during one year. The sums will be selected according to the number of projects being implemented. The APAC should use the Selection of Projects to Supervise form (Annex 16) to identify the sums to be visited during each quarter.

- **PAPMU:** Officers of PAPMU and its consultants will supervise project implementation and the management of the LDF at the Aimag and sum levels on behalf of the NPAC.

- **Donors:** Representatives of donors contributing to the LDF will supervise project implementation and the overall management of the LDF at regular intervals.
10. Impact Evaluation

The impact of the LDF will be evaluated on two levels:

- **Activity Area impact evaluation**: The impact of each LDF Activity Area will be evaluated on an annual basis using the impact evaluation indicators collected by the aimag and sum. The impact evaluation indicators for each Activity Area can be found in the relevant Activity Area Guidelines.

- **Local Development Fund impact evaluation**: The 1995 Living Standard Measurement Survey undertaken by the State Statistical Office will be used for baseline indicators and for use in future impact evaluations of the fund as a whole.
PART IV
ACTIVITY AREA GUIDELINES

A. VGO INCOME GENERATION
B. PUBLIC WORKS
C. BASIC EDUCATION
D. RURAL HEALTH SERVICES
A. VGO INCOME GENERATION

ACTIVITY AREA GUIDELINES

1. Description: The Activity Area would entail investments in establishing viable community-based Vulnerable Group Organizations (VGO) with a view to providing employment and income generating opportunities to the unemployed and very poor members of the community.

- Eligibility: All sum and Ulaanbaatar districts are eligible for receiving project finance under this Activity Area

- Target Group: The target group for identifying priority projects is the group of very poor persons in the community

2. Type Projects:

- Agricultural activities: Small scale vegetable and fruit farming, particularly potatoes. Production of compost from animal and domestic refuse for use as fertilizer. Maintaining small livestock herds or poultry stock. Production of hay and silage for livestock feed.

- Natural resource exploitation and conservation: Open pit mining of coal and other minerals. Exploitation of salt from lake deposits for human and animal consumption. Collection of wild-growing mushrooms, fruits, nuts and berries and their preservation. Collection of deadwood from the forest and pasture refuse for use as fuel.

- Community Services: Animal drawn transport service for domestic water supply and garbage collection. Other transport services including moving nomadic herder’s goods. Repair and maintenance services for buildings, roads and other services.

- Handicrafts and food products: Wool, cashmere, leather and other animal derived products, production of garments, footwear, wood and iron articles (for example ger furniture, ger wood, ger covers, saddles, carts and other items). Bakery and dairy products and other everyday food items in demand for sale in the local market (for example milk, cream, curds, airag, meat and other products).

Specific guidelines for each type project are detailed in the annex of these Activity Area Guidelines. Additional inputs identified by communities but not eligible at the present time may be included in the PIM at a later date. Community should inform the SPAC and APAC of potential inputs that could be included in the above list.
3. **Resource Allocation Criteria**

a. **Direct Allocation to Aimag Activity Area:** Direct allocations from the center to the Aimag VGO Income Generation Activity Area should be based on proportion of the national total number of very poor located in the aimag. The Direct Allocation To Aimag Activity Form should be used to inform the aimag of the size of the allocation.

b. **Allocation from Aimag to Sums:** From the direct allocation to the VGO Income Generation Activity Area the APAC can allocate resources to the sum according to the proportion of the total number of very poor in the aimag located in the sum. The APAC should use the Allocation to Sum Form.

4. **Activity Area Impact Evaluation Criteria**

   - Number of VGOs created
   - Jobs created by gender (and if FHH) and level of poverty
   - Cost per job created
   - Average monthly income of VGO
   - Total number of persons benefiting from the income earned by the VGO members.

5. **Special Guidelines for Vulnerable Group Organizations**

   **Scope:** Typically, a bag would be expected to form a VGO comprising 20 to 25 members, organized into 2 to 3 subgroups. On the average, an aimag would have 16 sums, with 5 bags in each sum. The project would thus lead to the formation of about 1700 VGOs spread over some 360 sums in all the 21 aimag of the country.

   **Eligibility:** The following criteria will be used for selection of community members who would be eligible to participate in the project assisted income generation program:

   - Only persons of working-age belonging to the 'very poor' group would be eligible for membership of the VGOs. Exceptions to this may be made in cases where the eligible members do not include individuals endowed with the requisite leadership and entrepreneurial qualities. Equal opportunity would be given to both male and female candidates qualifying for project assistance.

   - In selecting the project beneficiaries, priority would be given to:

     1. members of female-headed households with the ability to work, and
     2. disabled persons who are capable of participating in appropriate activities of the income generating schemes, such as accounting and other work suited to the various types of disabilities.

   **Community participation:** The SPAC, assisted by NGOs (where available), will hold bag level meetings inviting all members of the community with particular emphasis on
participation of poor. The meetings would serve to create awareness of the project objectives and implementation methodology, the scope of project assistance available for undertaking income generation activities and the need for group formation to benefit from the project assistance.

The community members would be invited to identify the priority needs for maintenance/improvement of the public works and explain the project assistance available for undertaking social forestry programs for environmental protection of the sum centers, which will form the basis of public works subprojects and identifying the members of the target group willing to be organized and able to be engaged at implementing such schemes.

**Group Formation:** The bag level meetings will also be used as the fora for identifying the target group members who would be eligible for joining VGOs for undertaking Productive Activities Schemes. The Group would normally be composed of a number of Subgroups, each assembled on the basis of common vocational and social interests and represented by a leader chosen by the subgroup members for his education or vocational training and entrepreneurial traits.

**Group Management:** The subgroup leaders would comprise the VGO Management Committee, who would elect amongst themselves a Group Leader and an Accountant/Secretary. This arrangement would serve as a built-in mechanism for the supervision of one subgroup activity by the other subgroups for reasons of mutual interest in the Group's total resources. A Bank Account will be opened for the VGO, with the VGO Leader and the Accountant as cosignatories for operating the account.

**6. Special Operational Guidelines:**

The project resources would made available to the VGO by the SPAC in the form of a grant, which would be used as a revolving fund for undertaking income generation activities.

a. All receipts of funds from the project resources and sale proceeds of the production achieved by the income generating scheme will be deposited in full into the VGO account.

b. Expenditure by a subgroup can be incurred only against authorization by the VGO Management Committee, for which a cheque will be issued by the Group Leader/Accountant.

c. Wage rates to be paid to its members would be decided by the VGO itself. Wherever possible, compensation would be paid on piecework basis at unit rates.

d. Where payment on daily, weekly or monthly wage rates is unavoidable, the rates will generally be set below the prevailing market wage rates at a level sufficient to cover subsistence needs of the workers. In such cases, the
The subgroup leader would be responsible to ensure that the value of production exceeds the wage bill by a sufficient margin.

e. After finishing the start-up project the amount of money equal to the input (including inflation) may be used for the next project or returned for use by another VGO. Decisions on this matter will be made by the APAC based on the SPAC proposal. The repayment terms should be included in the contract between the APAC and the implementing agency of the start-up project.

f. The VGO will repay according to the following schedule:

- First year: 0
- Second year: 20% of amount advanced
- Third year: 30% of amount advanced
- Fourth year: 50% of amount advanced

g. Each subgroup will be responsible for rendering an account of the expenditure incurred and revenues earned from sale proceeds of the produce. The account, duly supported by vouchers, would be submitted by the subgroup to the VGO Management Committee.

h. Whenever a subgroup is showing less than expected profits or is running into financial loss, the Management Committee will jointly examine the causes and take corrective measures in consultation with the SPAC.

7. Remedial Measures

The SPAC would be represented by an observer at the monthly VGO meetings and would coordinate VGO activities through quarterly meeting of VGO Leaders. In case of evidence of mismanagement or poor performance in terms of expected rate of growth of the VGO resources, the SPAC may suggest appropriate measures to improve VGO performance. In case of continued poor performance, the SPAC may recommend to APAC forfeiture of the defaulting VGO resources and propose reallocation to another VGO.
ANNEX 1A OF VGO INCOME GENERATION ACTIVITY AREA GUIDELINES

Agricultural Activities

1. Description: The following inputs will be financed under this type project:
   - Stock (animals, or seeds)
   - Tools
   - Salaries

2. SPAC Formulation Guidelines
   - VGO must "approve"
   - Market for product

3. Input cost
   - Tools

4. Appraisal Criteria: The following appraisal criteria will be used by the APAC Secretary. The beneficiaries are the workers on the project and the cost per beneficiary should be an average for one month.

<table>
<thead>
<tr>
<th>A. GENERAL APPRAISAL CRITERIA</th>
<th>NUMBER/COST</th>
<th>APPRAISAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Number of Beneficiaries</td>
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<td></td>
</tr>
<tr>
<td>Male</td>
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<tr>
<td>Female</td>
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<td>8. Cost per Beneficiary</td>
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<tr>
<th>B. SPECIFIC APPRAISAL CRITERIA FOR TYPE PROJECT</th>
<th>NUMBER</th>
<th>COST</th>
<th>APPRAISAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Labor costs as a proportion of total project cost</td>
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<td>&gt; 50%</td>
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<td>10.</td>
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</table>
B. PUBLIC WORKS

ACTIVITY AREA GUIDELINES

1. **Description:** This Activity Area would create employment opportunities through community-based programs of public works aimed at infrastructure maintenance and environmental protection. The component would not only provide employment to the very poor but would provide an opportunity to the community to select priority activities for benefitting the community as a whole.

- **Eligibility:** All *sums* and Ulaanbaatar districts are eligible for receiving project finance under this Activity Area

- **Target Group:** All members of community may participate in identifying the priority public works and the absolute poor would be employed

2. **Type Projects:** The Type Projects that can be financed under the Public Works Activity Area are as follows:

   - **Feeder Roads:** Maintenance works for rehabilitation and/or preservation of feeder roads serving agricultural, commercial or tourism needs.

   - **Renovation of Buildings for Public Use:** Deferred maintenance community center buildings including improved insulation for energy conservation.

   - **Water Supply System:** Renovating the system for capturing, supplying and distributing water for the community.

   - **Sanitation System:** Improvement of sanitation system in the community.

   - **"Social forestry":** Programs for planting fast-growing trees for production of fuel, fodder and construction material.

   - **Garbage collection and disposal facilities:** Collection, transport and disposal of garbage for the community in an environmentally friendly manner.

   - **Fuel collection:** Collection of dead wood and dung to be used in the stoves being installed for heating of public buildings.

Specific guidelines for each type project are detailed in the annex of these Activity Area Guidelines. Additional inputs identified by communities but not eligible at the present time may be included in the PIM at a later date. Community should inform the SPAC and APAC of potential inputs that could be included in the above list.
3. Resource Allocation Criteria

a. Direct Allocation to Aimag Activity Area: Direct allocations from the center to the Aimag Public Works Activity Area should be in proportion to the total number of very poor located in the aimag. The Direct Allocation To Aimag Activity Form should be used to inform the aimag of the size of the allocation.

b. Allocation from Aimag to Sums: From the direct allocation to the Public Works Activity Area the APAC can allocate resources to the sum according to the proportion of the number of Poor in the aimag located in the sum. The APAC should use the Allocation to Sum Form.

4. Activity Area Impact Evaluation Indicators

The number of jobs created by gender and level of poverty
Cost per job created

5. Special Approval Arrangements

The SPAC must attach a full description of each project to the Project Request Form it will submit to the APAC Secretary. In particular, this will outline the economic and/or social benefits that the proposed project will produce. The APAC Secretary will collaborate with the Aimag Government during appraisal of the proposed project to ensure that it fits in with sectoral policies and priorities.

In addition, the SPAC must provide evidence that the project is sustainable by providing for each public works proposal an estimate of recurrent costs and assurances that these will be covered.

6. Special Implementation Arrangements

The SPAC will identify a suitable contractor, either an individual or a private company, that will assist with the technical formulation of the project and manage the project during implementation. Contractors will compete for the work and will be paid according to market rates for such work.

The workers provided employment would be motivated to form a Workers Group and make group saving from part of the wages earned. This will enable them to undertake further income-generation activities on completion of the Public Works project. In the event of successful formation of a VGO by the Workers Group and consolidation of group savings, the new VGO would be given favorable consideration for further project assistance.
ANNEX 1A OF THE PUBLIC WORKS ACTIVITY AREA GUIDELINES

FEEDER ROADS

1. Description: The following inputs can be financed for this type project
   - labor
   - local materials
   - sets of tools

2. SPAC Formulation Guidelines
   - More than 60 percent of the project cost must be designated to pay jobs created
   - Payment of jobs must be below the market rates
   - The project must have a real economic impact in the community

3. Appraisal Criteria: The following appraisal criteria will be used by the APAC Secretary. The beneficiaries are the workers on the project and the cost per beneficiary should be an average for one month.

<table>
<thead>
<tr>
<th>A. GENERAL APPRAISAL CRITERIA</th>
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<td>8. Cost per Beneficiary</td>
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<tr>
<th>B. SPECIFIC APPRAISAL CRITERIA FOR TYPE PROJECT</th>
<th>NUMBER</th>
<th>COST</th>
<th>APPRAISAL</th>
</tr>
</thead>
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<tr>
<td>9. Cost of labor as a proportion of total project cost</td>
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<td>&gt; 50%</td>
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<td>10. Cost per Km of road</td>
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<td>&lt; Tg X</td>
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<tr>
<td>11. Cost per M2 of small bridge</td>
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<td></td>
<td>&lt; Tg X</td>
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<tr>
<td>12. Consistent with aimag sectoral priorities</td>
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<td>Yes/No</td>
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<tr>
<td>13. Maintenance cost estimates attached</td>
<td></td>
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<td>Yes/No</td>
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<tr>
<td>14. Evidence that maintenance costs will be covered</td>
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<td>Yes/No</td>
</tr>
</tbody>
</table>
C. BASIC EDUCATION

ACTIVITY AREA GUIDELINES

1. **Description:** The education component is aimed at substantially reducing the dropout and nonenrollment rates within three years. Assistance should be seen in an emergency situation as a bridging arrangement to meet certain costs, both capital and recurrent expenditures. The project would provide critical inputs needed to maintain and restore the level and equity of basic education delivery.

- **Eligibility:** Only *sums* and *bags* outside the aimag center are eligible for receiving project finance under this Activity Area

- **Target Group:** The whole community will participate in identifying priority subprojects

2. **Type projects:** Six types of projects that can be financed under the Basic Education Activity Area:

- **Renovation of Sum Schools:** Building repairs, school equipment, heating of school and dormitory and teaching materials.

- **Bag Ger Schools for Out-of-School Children:** A standard package of *ger*, *ger* furniture, teaching materials and basic teaching equipment

- **Establishment of Sum School Farms:** Livestock, inputs for growing vegetables and basic farming equipment

- **Mobile Teachers:** Animals for transport and basic portable teaching equipment

- **Preparation of Herder Children:** Supporting "home education" of herders children by parents to prepare them for basic education

- **Electric Power for Sum Schools and Boarding Houses:** Installation of solar-powered electricity systems in schools and boarding houses

Specific guidelines for each type project are detailed in the annex of these Activity Area Guidelines. Additional inputs identified by communities but not eligible at the present time may be included in the PIM at a later date. Community should inform the SPAC and APAC of potential inputs that could be included in the above list.

3. **Resource Allocation**

   (a) **Direct Allocation to Aimag Activity Area:** Direct allocations from the center to the Aimag Basic Education Activity Area should be based on the
number of out-of-school children in the aimag as a proportion of the national total. The Direct Allocation to Aimag Activity Area Form should be used to inform the aimag of the size of the allocation.

(b) **Allocation from Aimag to Sums:** From the direct allocation to the Basic Education Activity Area the APAC can allocate resources to sums according to the number of dropout and nonenrolled children in the sum as a proportion of the total number in the aimag. The APAC should use the Allocation to Sum Form.

4. **Activity Area Impact Evaluation Criteria**

Number of out of school children in the sum, by
Gender
Poverty
Age
ANNEX 1A OF THE BASIC EDUCATION ACTIVITY AREA GUIDELINES

RENOVATION OF RURAL SCHOOLS

1. **Description:** This type of project would provide the following inputs

   - **Building repairs:** repairs to the school and dormitory buildings including improved insulation
   - **School equipment:** Basic equipment for the school including furniture, blackboards, etc.
   - **Heating of school and dormitory:** Installation of alternative cost effective heating systems
   - **Teaching materials:** A standard package of teaching materials

2. **SPAC Formulation Guidelines:**

   - The *sum* needs to show that the new heating system will either increase the reliability of heating or reduce the cost compared to the current system. *Sums* schools should be able to show that they attempt to conserve heat by not heating areas that are not in use and by adequate insulation.
   - The SPAC should examine the possibility of renovating empty buildings for use as schools at the *bag* level if appropriate.

3. **Input costs:** The following inputs are to be procured by PAPMU

   - **School equipment:**
   - **Teaching materials:** Standard Package Tg X

4. **Project Appraisal:** Projects will be appraised by the APAC Secretary based on the following criteria. The beneficiaries for this type project are the number of children aged 8-14 in the *sum.*
### A. GENERAL APPRAISAL CRITERIA

<table>
<thead>
<tr>
<th>NUMBER</th>
<th>APPRAISAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Number of Beneficiaries</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>8. Cost per Beneficiary</td>
<td>&lt; TGs X</td>
</tr>
</tbody>
</table>

### B. SPECIFIC APPRAISAL CRITERIA FOR TYPE PROJECT

<table>
<thead>
<tr>
<th>NUMBER</th>
<th>COST</th>
<th>APPRAISAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Rate of out of school children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Percentage of girls in the school</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
RURAL HEALTH SERVICES
ACTIVITY AREA GUIDELINES

1. Description: The objective of the Rural Health Services Activity Area of the Local Development Fund is to maintain or restore the capacity to provide primary health care services to the rural population. The Activity Area will fund basic inputs directed towards improving the general ability of rural health services to provide adequate health care to the community. Reducing maternal mortality and the health service risk factors for maternal mortality (such as home deliveries) is the single highest priority under this project.

- Eligibility: Only sums and bags outside the aimag center are eligible for receiving project finance under this Activity Area

- Target Group: The whole community will participate in identifying priority subprojects

2. Type Projects: Four types of projects can be financed under the Rural Health Services Activity Area:

- **Sum hospital renovation**: Repair of the sum hospital, installation of new cost effective heating systems, standard packages of hospital equipment, standard packages of medicines.

- **Bag fieldsher transport and equipment**: Horses or camels for transport and standard fieldsher equipment bags.

- **Sum hospital transportation**: Repairs to existing sum ambulance or purchase of a new one.

- **Community Health Volunteer training**: Training of volunteers from the community to provide primary health services to the community

Specific guidelines for each type project are detailed in the annex of these Activity Area Guidelines. Additional inputs identified by communities but not eligible at the present time may be included in the PIM at a later date. Community should inform the SPAC and APAC of potential inputs that could be included in the above list.

3. Resource Allocation Criteria

(a) **Direct Allocation to Aimag Activity Area**: Direct allocations from the center to the Aimag Rural Health Services Activity Area should be based on maternal mortality rates. The Direct Allocation To Aimag Activity Form should be used to inform the aimag of the size of the allocation.
(b) **Allocation from Aimag to Sums:** From the direct allocation to the Rural Health Services Activity Area the APAC can allocate resources to the *sum* according to the maternal mortality rates. The APAC should use the Allocation to Sum Form.

4. **Activity Area Impact Evaluation Indicators**

**Maternal care:**

- Numbers, rate and causes of maternal deaths.

**Child care:**

- Infant mortality, rate and causes
- Perinatal (stillbirth and first six days) mortality
- Low birth weight rate

**Other care:**

- Overall mortality by age and cause of death

5. **Special Approval Criteria for Hospital Transport:** For the Hospital Transport Type project the PAPMU will give the final approval in consultation with the Ministry of Health.
ANNEX 1A OF RURAL HEALTH SERVICES ACTIVITY AREA GUIDELINES

SUM HOSPITAL RENOVATION

1. Description: The following inputs can be provided from this Type Project:
   
   • **Building Maintenance**: repairs to hospital building and maternity rest home, including improvements to insulation
   
   • **Heating equipment**: installation of small-scale cost-effective heating systems in sum hospital and/or maternity rest home
   
   • **Equipment (standard list)**: Selection of essential hospital equipment from a standard list
   
   • **Medicines (Standard package)**: A standard package of essential medicines

2. SPAC Formulation Guidelines:

   • Proposals to reopen maternity rest homes should first consider the use of existing sum hospital rooms
   
   • Installation of low cost alternative heating systems should be combined with improved insulation of buildings
   
   • The SPAC must take into consideration the donation of equipment from other sources

3. Input costs: The following inputs are to be procured by PAPMU

   • **Equipment (standard list)**: See standard list for cost estimate of individual items
   
   • **Medicines (standard package)**: Tg X per package

4. Project Appraisal: The following are the appraisal criteria used by the APAC Secretary. The beneficiaries for this type project are the people of the sum.

<table>
<thead>
<tr>
<th>GENERAL APPRAISAL CRITERIA</th>
<th>NUMBER</th>
<th>APPRAISAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Number of Beneficiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Cost per Beneficiary</td>
<td></td>
<td>&lt; Tgs X</td>
</tr>
<tr>
<td>SPECIFIC APPRAISAL CRITERIA FOR TYPE PROJECT</td>
<td>NUMBER</td>
<td>COST</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>--------</td>
<td>------</td>
</tr>
<tr>
<td>9. Cost per number of beds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. MMR over the last three years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. <em>Sum</em> birth rate over the last three years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. % of total births at hospital over the last three years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
GOM'S RESOLUTIONS

RESOLUTION OF MONGOLIAN GOVERNMENT No. 104

25 May, 1994
Ulaanbaatar

On Some Measures to Implement the National Poverty Alleviation Program

The Government of Mongolia decides:

1. To establish ad hoc National committee to oversee and organize the implementation of "The national program on alleviation of poverty"/referred further as the program/, prepared by the Ministry of population policy and labor in cooperation with relevant Ministries, international organizations, NGOs and public organizations.

2. National Committee should:

   a/ Carefully examine resources, including loans, assistance, budget estimates required for the implementation of the Program, and after having completed the necessary preparations present the present Program to Meeting of Donors to be held in June 1994 in Ulaanbaatar;

   b/ Involve NGOs, public organizations, employers, cooperatives organizations and representatives in activities contained in the program; and

   c/ Report annually to the Government on the implementation of the program.

3. Governors of cities and aimags establish ad hoc local Councils charged with the responsibility of organizing the implementation of the program and report before 1 February of each year on the results of their activities.

4. Mr. Gombojav, Minister for Population Policy and Labor should establish "a unit on alleviation of poverty "which will have the duties of operational management of the activities to implement the program, within the structure of his ministry.

signed: Prime Minister of Mongolia P. Jasrai
Minister for Population Policy and Labor E. Gombojav
Annex to Government Resolution No. 104 of 1994

Composition of national committee to oversee the implementation of "National Poverty Alleviation Program"

Chairman  Deputy Prime Minister in charge of operational coordination of foreign trade, economic, cultural, scientific and technical cooperation

Deputy Chairmen  Minister for Population Policy and Labor
                 Minister of State and Chairman of the National Development Board

Members  Minister for Health
         Minister for Science and Education
         Minister for Food and Agriculture
         Minister for Trade and Industry
         Minister for Infrastructure
         Deputy Finance Minister
         Deputy Foreign Minister

Secretary  Head of Poverty Alleviation Program Management Unit
RESOLUTION OF THE GOVERNMENT OF MONGOLIA

December 28, 1994 Ulaanbaatar

Number 230

On Some Measures Related to Implementation of the National Poverty Alleviation Program

Based on the proposals of the World Bank, the Asian Development Bank, UNDP and other countries supporting Mongolia the Government of Mongolia has decided to:

1. Establish the Poverty Alleviation Program Management Unit under the Minister of Population Policy and Labor which will coordinate and provide everyday management of NPAP activities and to approve the placement of a full-time secretary for the Ulaanbaatar and Aimag Poverty Alleviation Councils.

2. The Chairman of the National Poverty Alleviation Committee, Mr. Ch. Purevdorj is entrusted to:
   a. ensure the operational costs (including wages) of the PAPMU and the Ulaanbaatar and Aimag PAC Secretaries will be financed from grants and technical assistance of donor countries and international organizations within the NPAP.
   b. establish a unified Poverty Alleviation Fund according to the general guidelines of Social and Economic Development of Mongolia in 1995 with 4 subfunds namely the Local Development Fund; the Women’s Development Fund; the Employment Promotion Fund; and the Social Assistance Fund. The Fund’s Council will consist of representatives of relevant line ministries and NGOs.
   c. formulate and approve a regulation on mobilization and disbursement of resources and monitoring of the Poverty Alleviation Fund within the first quarter of 1995.

3. Aimag and city governors are entrusted to establish a unified Poverty Alleviation Fund and subfunds at the aimag and city levels.

4. The relevant ministers, chairmen of special agencies and city and aimag governors are entrusted to: organize activities for mobilization of resources within the unified Poverty Alleviation Fund; to intensify activities on protection of the poor population; to organize activities for rational expenditures of the unified fund’s resources; and, to ensure supervision.

Prime Minister P. Jasrai
Deputy Prime Minister Ch. Purevdorj
Minister for Population Policy and Labor E. Gombojav
ORGANIZATION CHART OF
THE NATIONAL POVERTY ALLEVIATION PROGRAM

National Poverty Alleviation Committee (NPAC)

Poverty Alleviation Fund Council (PAFC)

Sector Ministries

Poverty Alleviation Program Management Unit (PAPMU)

Labor Exchange

Social Security

Social Policy

Aimag Poverty Alleviation Councils (APACs)

Ulaanbaatar Poverty Alleviation Council (UPAC)

Social Security

Social Policy

Sum Poverty Alleviation Councils (SPACs)

Dureg Poverty Alleviation Councils (DPACs)

NGOs

Beneficiaries

NGOs

Beneficiaries
# IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<tr>
<td>Income Generation</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Basic Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Health Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for the Disabled</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Support</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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</table>
DISBURSEMENT SCHEDULE BY SEMESTER
($ Million)

<table>
<thead>
<tr>
<th>IDA FY &amp; SEMESTER</th>
<th>SEMESTER</th>
<th>CUMULATIVE</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>Jul.95-Dec.95</td>
<td>1.20</td>
<td>1.20</td>
</tr>
<tr>
<td></td>
<td>Jan.96-Jun.96</td>
<td>1.30</td>
<td>2.50</td>
</tr>
<tr>
<td>1997</td>
<td>Jul.96-Dec.96</td>
<td>1.50</td>
<td>4.00</td>
</tr>
<tr>
<td></td>
<td>Jan.97-Jun.97</td>
<td>1.50</td>
<td>5.50</td>
</tr>
<tr>
<td>1998</td>
<td>Jul.97-Dec.97</td>
<td>1.50</td>
<td>7.00</td>
</tr>
<tr>
<td></td>
<td>Jan.98-Jun.98</td>
<td>1.50</td>
<td>8.50</td>
</tr>
<tr>
<td>1999</td>
<td>Jul.98-Dec.98</td>
<td>1.00</td>
<td>9.50</td>
</tr>
<tr>
<td></td>
<td>Jan.99-Jun.99</td>
<td>0.50</td>
<td>10.00</td>
</tr>
</tbody>
</table>

CLOSING DATE: June 30, 1999
PROJECT PERFORMANCE INDICATORS

1. Project performance would be measured by three types of indicators—input, output and impact. While it is difficult to establish direct causality attributed to project specific inputs, attempts will be made to establish baseline data prior to the provision of project inputs. School enrollment in a sum would be monitored to trace the impact of installing new heating system in a classroom. Similarly, in an aimag, if overall maternal mortality rate declines, attempt will be made to determine if project interventions such as provision of transport, opening up of maternity homes, and frequent visits by feldshers may have contributed. Finally, care should also be taken in acknowledging the contributions of other programs to the outputs and impacts. Table 1 presents the indicators to be monitored.

Table 1: INDICATORS TO BE MONITORED

<table>
<thead>
<tr>
<th>SUBPROJECT</th>
<th>INPUT</th>
<th>OUTPUT</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Generation</td>
<td>Funds Allocated</td>
<td>Jobs Created</td>
<td>-Income per Job</td>
</tr>
<tr>
<td></td>
<td></td>
<td>VGOs Established</td>
<td>-No. of ongoing VGOs.</td>
</tr>
<tr>
<td>Basic Education</td>
<td>Funds Allocated</td>
<td>Heating System</td>
<td>-School Enrollment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>School Transport</td>
<td>(increased from 70-85%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New Bag Schools</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Teaching Materials</td>
<td></td>
</tr>
<tr>
<td>Rural Health</td>
<td>Funds Allocated</td>
<td>Hospital Transport</td>
<td>-Maternal Mortality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medical Kits</td>
<td>(reduced from 24 to 12 per 10,000 births)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. of Feldshers</td>
<td>-Child Mortality</td>
</tr>
<tr>
<td>Support for the</td>
<td>Funds Allocated</td>
<td>Training Equipment</td>
<td>-No. of disabled trained</td>
</tr>
<tr>
<td>Disabled</td>
<td></td>
<td></td>
<td>-Income of disabled trained</td>
</tr>
</tbody>
</table>

Table 2: SOCIOECONOMIC INDICATORS

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>UNIT</th>
<th>YEAR OF REFERENCE</th>
<th>VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP per Capita</td>
<td>$</td>
<td>1994</td>
<td>320</td>
</tr>
<tr>
<td>Illiteracy</td>
<td>%</td>
<td>1993</td>
<td>4</td>
</tr>
<tr>
<td>Net Enrollment in Basic Education</td>
<td>%</td>
<td>1994</td>
<td>70%</td>
</tr>
<tr>
<td>Infant Mortality</td>
<td>per 1,000 births</td>
<td>1991</td>
<td>72</td>
</tr>
<tr>
<td>Maternal Mortality</td>
<td>per 10,000 live births</td>
<td>1994</td>
<td>24</td>
</tr>
<tr>
<td>Population Below Poverty Line</td>
<td>%</td>
<td>1994</td>
<td>26</td>
</tr>
<tr>
<td>Absolute Poor Population</td>
<td>%</td>
<td>1994</td>
<td>6</td>
</tr>
</tbody>
</table>
IDA SUPERVISION PLAN

1. PAPMU through the APACs and SPACs would have the primary responsibility for supervision. Detailed supervision plan and formats would be developed by PAPMU and adopted by the Councils. IDA would ensure that the supervision plan captures the input, output and impact (development) indicators outlined in Annex VIII. To supplement the Government’s supervision effort, IDA in collaboration with PAPMU and UNDP would supervise the project twice a year, starting in September 1995 with a Project Launch Workshop. IDA supervision Terms of Reference would be prepared in consultation with PAPMU to ensure the required skill mix is included in the mission. An indicative supervision plan and skill composition which will be modified depending on the specific requirements, is presented in Table 1.

Table 1: INDICATIVE SUPERVISION PLAN

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DATE</th>
<th>MISSION COMPOSITION</th>
<th>SWs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Launch Workshop</td>
<td>Sept. 1995</td>
<td>Economist (TM) Social Fund Specialist Civil Engineer Disbursement Analyst UNDP</td>
<td>2</td>
</tr>
<tr>
<td>Review of Implementation Arrangements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Review</td>
<td>Sept. 1996</td>
<td>Economist (TM) Engineer Poverty Specialist UNDP</td>
<td>2</td>
</tr>
<tr>
<td>Emphasis on Dev’t Impact and Inst. Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined w/ Preparation of next operation</td>
<td>May 1997</td>
<td>Economist (TM) Human Resources Sp. UNDP</td>
<td>3</td>
</tr>
<tr>
<td>Annual Review</td>
<td>Sept. 1997</td>
<td>Economist (TM) Engineer Poverty Specialist UNDP Staff</td>
<td>2</td>
</tr>
<tr>
<td>Emphasis on Dev’t Impact and Inst. Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined w/ Preparation of next operation</td>
<td>May 1998</td>
<td>Economist (TM) Human Resources Sp. UNDP</td>
<td>3</td>
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<tr>
<td>Annual Review</td>
<td>Sept. 1998</td>
<td>Economist (TM) Engineer Poverty Specialist UNDP Staff</td>
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</tr>
<tr>
<td>Emphasis on Dev’t Impact and Inst. Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SELECTED DOCUMENTS IN THE PROJECT FILE

I. Documents

1. Poverty Alleviation Program, GOM - June 1994
2. "Poverty and the Transition to a Market Economy in Mongolia", UNDP - June 1994
4. Health Sector Review, MOH - 1993
5. Income Generation Component Notes, IDA Missions - 1994-95
6. Education Component Notes, IDA Missions - 1994-95
7. Health Component Notes, IDA Missions - 1994-95
8. Social Assistance Component Notes, IDA Missions - 1994-95
IMAGING

DRAFT
CONFIDENTIAL
Report No: 13963 MOG
Type: SAR