

**FRAMEWORK FINANCING AGREEMENT  
AIMAGS AND SOUMS GREEN REGIONAL DEVELOPMENT INVESTMENT PROGRAM**

**Parties** This Framework Financing Agreement ("FFA") dated [ 01.11.2023 ] is between Mongolia and the Asian Development Bank ("ADB").

**MFF Investment Program** Mongolia is committed to and will implement the Aimags and Soums Green Regional Development Investment Program, described in Schedule 1 hereto.

The total cost of the Aimags and Soums Green Regional Development Investment Program over the period 2023 to 2033 is expected to be \$735,000,000 equivalent.

**Multitranche Financing Facility** The Multitranche Financing Facility (the Facility) is intended to finance components, under the Investment Program, provided that such components comply with the criteria set out in Schedule 4 hereto<sup>1</sup> and that understandings set out in this FFA are complied with.

These may include:

- (i) climate-resilient, low-carbon, and attractive *aimag* (province) and *soum* (subunit of an *aimag*) centers developed;
- (ii) climate-resilient, high-carbon sequestration, and sustainable rangeland and agricultural management implemented;
- (iii) accessible financing for low-carbon and climate-resilient livestock and agrobusiness value chains created (financial intermediation loan component); and
- (iv) institutional capacity and policies for low-carbon and climate-resilient agro-territorial development strengthened.

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. ADB has the right to deny any financing request made by Mongolia, cancel the uncommitted portion of the Facility, and withdraw Mongolia's right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based, and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of Mongolia to request any financing. Mongolia has the right not to request any financing under the Facility. Mongolia also has the right at any time to cancel any uncommitted portion of the Facility.

Mongolia and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to refuse a financing request, by giving written notice to such effect to the other parties. The written notice will provide an explanation for the

<sup>1</sup> This includes the program alignment with agricultural logistics and supply centers, and agricultural production clusters models and selected locations formulated by the Ministry of Economy and Development.

cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect. ADB may cancel the Facility or reject a financing request when there is a material noncompliance with ADB policies or FFA undertakings; or there are undue delays in the submission of the financing requests or the implementation of the Investment Program.

### **Financing Plan**

The financing plan for the Aimags and Soums Green Regional Development Investment Program is summarized in the table.

**Summary Financing Plan**  
(\$)

Financing Source	Total (\$ million)	Share of Total (%)
1. Asian Development Bank		
(i) OCR (regular loan)	135.0	18.4
(ii) OCR (concessional loan)	135.0	18.4
(iii) Special Funds resources (ADF grant)	3.0	0.4
2. Green Climate Fund (grant) <sup>a</sup>	45.0	6.1
3. Green Climate Fund (loan) <sup>a</sup>	130.0	17.7
4. European Investment Bank (grant) <sup>b</sup>	30.0	4.1
5. European Investment Bank (loan) <sup>b</sup>	150.0	20.4
6. Government of Mongolia	75.3	10.2
7. Beneficiaries	6.7	0.9
8. Commercial banks/Private sector	25.0	3.4
<b>Total Investment Program</b>	<b>735.0</b>	<b>100.0</b>

ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> To be administered by the Asian Development Bank.

<sup>b</sup> Parallel cofinancing, not administered by the Asian Development Bank.

Source: Asian Development Bank estimates.

### **Financing Terms**

ADB will provide loans, grants, and administer cofinancing to finance components under the Investment Program, as and when the latter are ready for financing, provided, Mongolia is in compliance with the understandings hereunder, and the components are in line with those same understandings. Each loan, grant, and administered cofinancing will constitute a tranche.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing on the date of signing the legal agreement for such tranche.

Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other.

Commitment charges are not payable on the Facility. They are payable only on financing actually committed by ADB as a loan. ADB rules on commitment charges, which are in effect when the legal agreements are signed for a tranche, will apply with respect to such tranche.

### **Amount**

The maximum financing amount available under the Facility through ADB is \$448 million. It will be provided in individual tranches as a blend of regular and concessional loans from ADB's ordinary capital resources, ADB Special Funds resources (Asian Development Fund), and cofinanced loan and grant from the Green Climate Fund (GCF) to be administered by ADB in the following manner:

ADB ordinary capital resources: \$135 million (regular loan)  
 ADB ordinary capital resources: \$135 million (concessional loan)  
 ADB Special Funds Resources (Asian Development Fund): \$3 million (grant)  
 GCF loan: \$130 million  
 GCF grant: \$45 million

The European Investment Bank will provide a parallel collaborative cofinancing (not administered by ADB) of up to \$150 million equivalent loan and \$30 million equivalent grant.<sup>2</sup>

### **Availability Period**

The last date on which the Facility may be utilized is 21 March 2033. The last financing tranche is expected to be executed no later than January 2028.

### **Terms and Conditions**

Mongolia will cause the proceeds of each tranche to be applied to the financing of expenditures of the Investment Program, in accordance with conditions set forth in this FFA and the legal agreements for each tranche.

#### **Execution**

The executing agency will be the Ministry of Economy and Development (MED). The executing agency will implement the Investment Program together with the Ministry of Construction and Urban Development (MCUD); the Ministry of Food, Agriculture and Light Industry (MOFALI); and the Ministry of Finance (MOF), the implementing agencies, in accordance with the principles set forth in Schedule 1 to this Agreement, and as supplemented in the legal agreements for each tranche.

#### **Periodic Financing Requests**

Mongolia may request, and ADB may agree, to provide loans, grants, or administer cofinancing under the Facility to finance the Investment Program and its related components upon the submission of a Periodic Financing Request (PFR). Each PFR should be submitted by Mongolia. Mongolia will make available to MED the proceeds of the tranche in accordance with the related PFR, and the legal agreements for the tranche with terms and conditions thereto.

<sup>2</sup> The grant from the Asia Investment Facility of the European Union is administered by the European Investment Bank.

Each individual tranche will be for an amount of no less than \$100 million, or its equivalent. ADB will review the PFRs and, if found satisfactory, prepare the related legal agreements.

The components for which financing is requested under the PFR will be subject to the selection criteria set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguard and fiduciary frameworks and other documents. The Facility will be implemented in accordance with the general framework set out in Schedule 3 to this FFA, and the Facility Administration Manual (FAM) agreed between MED; MCUD; MOFALI; MOF; and ADB.

Until notice is otherwise given by Mongolia, the Minister of Finance will be Mongolia's authorized representative for purposes of executing PFRs.

**General  
Implementation  
Framework  
Procedures**

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto.

Tranches to be provided under the Facility will be subject to following procedures and undertakings:

- (i) Mongolia will have notified ADB of a forthcoming PFR in advance of the submission of the PFR.
- (ii) Mongolia will have submitted a PFR in the format agreed with ADB.
- (iii) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal agreement for a tranche.
- (iv) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

**PFR Information**

The PFR will substantially be in the form attached hereto, and will contain the following details:

- (i) loan, grant, or cofinancing amount;
- (ii) description of components to be financed;
- (iii) cost estimates and financing plan;
- (iv) implementation arrangements specific to the components;
- (v) confirmation of the continuing validity of and adherence to the understanding in this Agreement;
- (vi) confirmation of compliance with the provisions under previous Loan Agreements and Program Agreements, as appropriate; and
- (vii) other information as may be required under the FAM, or reasonably requested by ADB.

**Safeguards**

Attached as Schedule 5 are references to the Safeguard Frameworks that will be complied with during processing and implementation of the components under the Facility.

ADB's Safeguard Policies in effect as of the date of signing of legal agreements for a tranche will be applied with respect to the components financed under such financing tranche.

<b>Procurement and consulting services</b>	All goods, works and services to be financed under the Facility will be procured in accordance with ADB's Procurement Policy and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).
<b>Advance contracting; Retroactive financing</b>	Under each tranche, ADB may, subject to its policies and procedures, allow on request (i) advance contracting and (ii) retroactive financing of eligible expenditures for up to 20% of proposed individual loan, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. Mongolia acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.
<b>Disbursements</b>	<p>Closing date of any tranche under the facility will be on or before 21 March 2033.</p> <p>Disbursements for each tranche will be made in accordance with ADB's <i>Loan Disbursement Handbook</i> (2022, as amended from time to time).</p>
<b>Monitoring, Evaluation, and Reporting Arrangements</b>	<p>The program performance management system (PPMS) indicators, their relevance, and monitoring practices will be discussed with the executing and implementing agencies, and program beneficiaries during program implementation. Disaggregated baseline data for output and outcome indicators gathered during program processing will be updated and reported through quarterly and annual progress reports prepared by the project implementation unit (PIU) and after each ADB review mission. The annual reports will provide information necessary to update ADB's program performance reporting system. At the start of program implementation, the PIU, with project 1 consulting services, will develop integrated PPMS procedures to generate data systematically on the inputs and outputs of the components, as well as the indicators to be used to measure the program's impact and outcome. The PIU will be responsible for monitoring and reporting on program performance. The basis for performance monitoring will be the design and monitoring framework (DMF) and the GCF funding proposal logic framework, which identify performance targets for the impact, outcome, and outputs of the program. By collecting data from the sources identified in the DMF and GCF funding proposal logic framework, the PIU will report on the performance of the program on an annual basis. Specific reporting requirements will be set out in each project's legal agreements between ADB and the government. The MED will collect the data, calculate the indicators, analyze the results, and prepare a brief report describing the extent to which the program is generating the intended outputs and outcome, as well as the overall impact of the program. Meanwhile, the agreed socioeconomic and environmental indicators to be used will be further enhanced to measure program impacts. The PIU will (i) refine and integrate the PPMS framework at the start of program implementation; (ii) confirm that targets are achievable; (iii) develop recording, monitoring, and reporting arrangements; and (iv) establish systems and procedures no later than 6 months after program inception. Schedule 2 hereto sets as the DMF for the Facility, against which the implementation effectiveness will be evaluated.</p>

**Undertakings** Attached as Schedule 6 are the undertakings provided by Mongolia.

**Amendment** This FFA may be amended by the agreement between Mongolia, represented by the Minister of Finance, and ADB.

MONGOLIA

By \_\_\_\_\_

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ASIAN DEVELOPMENT BANK

By \_\_\_\_\_

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## SCHEDULE 1

### MULTITRANCHE FINANCING FACILITY CONSTITUENTS

#### A. Road Map

1. In 1990, upon disengaging from the Soviet Union, Mongolia entered a transitional period. *Aimag* and *soum* centers were unable to play their role as anchors of economic activities.<sup>1</sup> The quality of animal products and livestock value chains, which began to rely on quantity with low price differentiation and incentives for quality, deteriorated. Herders started to migrate to urban areas in response to (i) the low value of livestock; (ii) higher exposure of their animals to disease because of poor livestock breeding, feed supply, and veterinary services; and (iii) massive losses of livestock caused by *dzud* (a succession of droughts and severe winters), especially during 2000–2001 and in 2010.<sup>2</sup> Many rural households settled on the outskirts of Ulaanbaatar and in *aimag* centers, overwhelming the capacity of cities to absorb them, and formed vast settlements, known as *ger* areas, which account for about 60% of Ulaanbaatar's population and more than 70% of the population of *aimag* centers.<sup>3</sup> In 2022, the urbanization ratio in Mongolia represented about 70% of the country's 3.3 million population. This caused urban systems, already exceeding their planned service life, to further deteriorate and become undersized to meet existing and future needs for Mongolia's growing urban population.<sup>4</sup> With 1.6 million population, Ulaanbaatar accounts for 69% of the urban population, and 63% of gross domestic product. The demographic and economic weight of the capital city illustrates the country's drastic territorial imbalance.

2. The combination of herders expanding herd size to compensate for anticipated livestock losses (especially from *dzud*), open access to pasture, unbalanced herd composition (with a high proportion of goats), and poor rangeland management practices has put Mongolia's rangelands under severe threat.<sup>5</sup> Overgrazing is on average 22.6% above the rangeland carrying capacity, as a result, about 70% of pastoral land has been degraded.<sup>6</sup> The situation has impacted livestock productivity and made herds more vulnerable to climate events and disease, resulting in deteriorating quality of meat, wool, and other livestock products and lower incomes for herders,

<sup>1</sup> *Aimag* center refers to the *aimag* capital. Except for Darkhan and Erdenet (each with about 80,000 people), the population of most *aimag* centers ranges from 15,000 to 40,000. *Soum* center refers to the main town in a *soum*. Inter-*soum* centers refer to *soum* centers of strategic and economic importance within an *aimag*, with populations ranging from 2,000 to 10,000.

<sup>2</sup> The loss of large quantities of livestock during past *dzud* illustrates the vulnerability of herders and the severe impact of *dzud* on national livestock assets. During the *dzud* of 2000–2001, 25% of Mongolia's livestock perished. From 1999 to 2003, about 180,000 people migrated to Ulaanbaatar, having lost their livelihoods to the severe winters.

<sup>3</sup> *Ger* areas are settlements of low-income and middle-income households characterized by loosely aligned plots connected by irregular and unpaved pathways. Most dwellings are disconnected to basic infrastructure and are poorly insulated detached solid houses and *gers* that use inefficient coal stoves that produce heavy carbon dioxide emissions and air pollution, especially during winter.

<sup>4</sup> In *aimag* and *soum* centers, gaps between supply and demand for urban services are mainly caused by (i) underperforming coal-based district heating, wastewater treatment, and water supply systems; (ii) lack of drainage and flood protection infrastructure; (iii) limited operation and maintenance resources; (iv) a stagnating economic situation that constricts infrastructure investment; (v) absence of economic zones or agro-industrial parks with appropriate economic and urban services to facilitate growth of local businesses; (vi) lack of solid waste management; (vii) lack of proper domestic and industrial wastewater treatment facilities; (viii) overcrowded public buildings in poor condition (e.g., for education, government, and health services), especially in *soum* centers; and (ix) lack of provision for affordable housing.

<sup>5</sup> Goats are particularly destructive to rangelands but are popular because they generate good income from cashmere. Rangelands are the most common Mongolian land type, covering 82% of the country.

<sup>6</sup> Data from the 2017 National Mongolian Livestock Program (NMLP), the National Statistics Office (NSO) of Mongolia, and *soum*-level datasets of the Ministry of Food, Agriculture and Light Industry.

who compensate by further increasing herd sizes.<sup>7</sup> This vicious cycle has led to uncontrolled and exponential increases of livestock heads. While livestock numbers ranged from 20 million to 25 million heads during 1970–1990, it has reached 66.5 million in 2018 and 71.2 million in 2022.<sup>8</sup> Ongoing rangeland degradation is also associated with considerable reduction of above- and below-ground biomass, and lessening the carbon storage capacity of soil. Improving rangeland management thus offers huge climate change mitigation prospects. It is estimated that Mongolia can avoid emissions of more than 440 million tons of carbon dioxide equivalent over the next 20-year period from soil carbon sequestration.<sup>9</sup>

**3. Weak small and medium-sized enterprise development.** Development of small and medium-sized enterprises (SMEs) in Mongolia is constrained by unaffordable interest rates and short-term loans; high and rigid collateral requirements, especially for immovable assets; overly complicated administrative procedures; and low financial literacy of SME borrowers.<sup>10</sup> In remote *aimags*, SMEs lack access to appropriate urban and economic services. Local agricultural enterprises and value chains suffer from weak finance ecosystems; dominance of large agribusiness companies based in Ulaanbaatar; low entrepreneurial skills; and lack of start-up capital and support to access available financing, affordable financing products, and supportive national program and policies. These challenges impede agribusiness investments at the point-of-need, preventing job creation and local development, which are required to promote economic diversification, counterbalance Mongolian's overdependence on mining, and reverse the flow of migration to Ulaanbaatar.

**4. Government road map.** The government is fully aware of the severity of the situation and has formulated Vision 2050, a two-stage framework to guide long-term development and promote human development, quality of life, green development, and sustainable regional development.<sup>11</sup> The New Recovery Policy of the government aims to create the conditions to reach the objectives of the first implementation stage (2021–2030) of Vision 2050.<sup>12</sup> It promotes Recovery of Operations of Border Ports, Energy Recovery, Industrial Recovery (especially through supporting agro-business industry development and increased value-added of local agro-processing industry for domestic and export markets), Urban Rural Recovery (especially through supporting the development of regional clusters, reversing migration to Ulaanbaatar, and decreasing the Capital City congestion); and Recovery through Green Development (especially through sustainable rangeland management and green urban development), and Recovery of Public Productivity. Finally, following the food security and promoting food supply resolution of the Parliament,<sup>13</sup> the

<sup>7</sup> NSO indicates that two-in-five herder families live in poverty. If the situation continues, more herder families will be pushed into poverty, eroding national food security, and contributing to turning rangelands into deserts.

<sup>8</sup> Livestock data from the NSO. *Mongolian Statistical Information Service* (accessed January 2022).

<sup>9</sup> Carbon sequestration is the process of capturing and storing carbon dioxide. It reduces the amount of carbon dioxide in the atmosphere, contributing to the mitigation of global climate change.

<sup>10</sup> As of December 2022, the average interest rate for SME business loans was 17.3% and the average interest rate for SME personal loans was 17.4%—both much higher than the Bank of Mongolia's policy rate of 13.0% and the weighted average loan interest rate of 15.2% in the banking sector. Banks require collateral to guarantee a loan in 99.7% of cases, and collateral value required is about 200.0% of the loan's value on average.

<sup>11</sup> State Great Khural. 2020. *Vision 2050: Long-Term Development Policy of Mongolia*. Ulaanbaatar.

<sup>12</sup> Enacted by the Act of Parliament No.106 dated 30 December 2021.

<sup>13</sup> On 17 June 2022, the parliament ratified a resolution on ensuring food security and promoting food supply, which includes the following key measures: (i) mobilize \$540 million through government bonds, sovereign guarantees, loans from international development partners, investors, and public-private partnerships to ensure food security; (ii) promote export-oriented food production and increase food production for import substitutions to reduce dependency on imported food; (iii) improve standards, quality controls, laboratories, technologies, and M&E mechanism in food production, storage, transportation, and trade; (iv) increase domestic supply of fodder and forage; (vi) promote



government, through MED, have developed a national food safety and sustainable food supply strategy based on Mongolia specific climatic, geographical, and local resources conditions using an integrated planning approach aiming to upgrade agricultural production, supply, and logistic clusters in selected *soums*.<sup>14</sup> Ministries have developed sectoral plans and policies to support and guide the implementation of the road map.<sup>15</sup> The Ministry of Construction and Urban Development (MCUD) and MED are implementing territorial and regional development studies that formulate key strategic directions for *aimag* development and priority public and private investments. The Ministry of Food, Agriculture and Light Industry (MOFALI) formulated the State Policy on the Food and Agriculture sector (2016–2025), 2015; the Mongolian Herders National Program, 2020; and the Mongolia Livestock II Program (2022-2024).<sup>16</sup> Finally, Mongolia's Third National Communication drives the national climate action plan.<sup>17</sup> The program is included in the public investments plan of Mongolia's Five-Year Development Guidelines (2021–2025).<sup>18</sup>

5. **Program priorities and approach.** Implementing the comprehensive government road map in *aimags* and *soums* will help arrest the vicious cycle of interrelated and mutually reinforcing sector bottlenecks described above, further aggravated by the coronavirus disease (COVID-19) crisis. In this context, a piecemeal, short-term, or single sector-oriented approach would be unsustainable and insufficient. For example, investing solely in infrastructure in a stagnating economic context would be inefficient and would not promote a functional and dynamic urban development process. Providing financial support for agriculture and livestock husbandry while failing to address lagging infrastructure, complicated SME administrative services and the problem of poor animal value would not be enough. Supporting better management of natural resources would be unsustainable and less effective without parallel provision of services for herders and support for market links to promote inclusive and green value chains. Finally, promoting agricultural trade and ensuring sustainable food supply implies improving livestock health and promoting transboundary sanitary and phytosanitary measures, such as veterinary regulated quarantine zones. Through its comprehensive and multisector long-term approach, the multitranchise financing facility (MFF) program of the Asian Development Bank (ADB) will ensure that real transformation takes place within rural communities, motivated and sustained by low-carbon and climate-resilient livestock and agrobusiness value chains (LCLVCs), with livable *aimag* and *soum* centers acting as anchors for private sector investment. The MFF program will incorporate this approach into a regional development strategy and develop a green agro-territorial model<sup>19</sup> supported by policy reforms and institutional strengthening at both the local and national levels and building on agricultural production, supply, and logistic clusters model formulated by MED.

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irrigation systems and irrigated agriculture production; (vii) develop agriculture parks for establishing cluster-based agriculture value chains; (viii) improve livestock sanitary condition and improve pastureland management; (ix) promote intensive and semi-intensive livestock farming; and (x) support domestic food processing.

<sup>14</sup> This includes 10 *soums* located in the western region.

<sup>15</sup> The two-stage national comprehensive development plan (2021–2030 and 2030–2050), was formed through the support of the Asian Development Bank (ADB). *Mongolia: Human Settlements Development Program*; and the Japan International Cooperation Agency's Regional Development Policy.

<sup>16</sup> MOFALI Minister order No A/177, June 2022, following the Mongolian National Livestock Program.

<sup>17</sup> Ministry of Environment and Tourism. 2018. *Mongolia Third National Communication under the United Nations Framework Convention on Climate Change*. Ulaanbaatar.

<sup>18</sup> State Great Khural. 2020. Public Investment Program 2021–2025, Attachment 2.

<sup>19</sup> A territorial approach aims to realize the potential of a territory through strategic management of the relationship between economic development, social inclusion, and environmental sustainability. The goal of agro-territorial development is to link smaller cities and towns with their rural "catchment areas" and improve access to food and income opportunities for the urban and rural poor. Food and Agriculture Organization of the United Nations. 2017. *Development Economics Policy Brief: Strong Rural-Urban Linkages are Essential for Poverty Reduction*. Rome.

6. **Policy framework.** Aligning with the long-term strategic development objectives of the road map, the program will follow integrated and synergetic guiding principles for its policy framework, capacity development, and investment outputs: (i) inclusive and green urban–rural transformation, through improved living conditions and performance of priority urban settlements as anchors for local economic development, to attract LCLVC investments at the point-of-need and reconnect urban and rural economies; (ii) sustainable, climate-resilient, and low-carbon rangeland management, driven by incentives to encourage better rangeland management practices, grassroots organization, and transitional support for herders; improve animal feed, breeding, and health to support more productive and quality animals, reverse ecosystem degradation and increase its capacity for carbon sequestration; enhance rangeland and herder communities' resilience to climate change; and, by improving resource efficiency and food production, improve food security despite the adverse impacts of climate change; (iii) well-functioning and inclusive LCLVCs, hinged on accessible and responsive financial and nonfinancial support for herders, SMEs, and other stakeholders involved in the agriculture sector operating in the *aimag* and *inter-soum* centers;<sup>20</sup> and (iv) improved planning, capacity, knowledge, and institutions, especially for all the stakeholders of the agriculture sector, to support transformational low-carbon, climate-resilient, and inclusive territorial development plans and policies.

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<sup>20</sup> A well-functioning LCLVC provides stakeholders with services to sustain their activities while minimizing their carbon footprint, supporting sustainable management of natural capital, and promoting climate adaptation.

## B. Strategic Context

7. **Strategic context.** The strategic context and long-term partnership of the road map (i) is consistent with ADB's country partnership strategy for Mongolia, 2021–2024,<sup>21</sup> especially its post-COVID-19 recovery action plan, and will contribute to overcoming economic contraction and exacerbated inequalities to promote sustainable economic growth, diversification, and inclusiveness; (ii) is aligned with the seven operational priority plans of ADB's Strategy 2030;<sup>22</sup> and (iii) supports Central Asia Regional Economic Cooperation 2030 and its Common Agenda for Modernization of Sanitary and Phytosanitary Measures for Trade by contributing to agricultural trade and regional public goods, mitigating desertification and climate change, and containing transboundary animal health problems.

8. **The multitranche financing facility.** The program will be implemented using an MFF modality with a financial intermediation loan (FIL) component, over a 10-year period with three tranches. Lessons from similar ADB sector interventions indicate that a comprehensive urban–rural development program requires close coordination among multiple government agencies and strong government capacity to carry out policy reforms, sustain the program outcome, and replicate outputs to other regions of the country.<sup>23</sup> This is built into the program's detailed policy framework, its capacity development component, and the stakeholder engagement plan, which are linked to the outputs and tranche structure of the MFF. The MFF structure will enhance ADB's value addition in carrying out the necessary transformations, remove barriers and implement replicable mechanisms over its successive tranches, and drive the paradigm shift promoted by the program and its road map. Subsequent tranche investments will fall within the framework of the overall MFF and its output structure, conditional upon the MFF undertakings, subproject readiness, selection criteria, and decision filters (Schedule 4).

9. **Modality advantage.** Compared with other modalities, only an MFF could generate the critical mass, continuity, predictability, and replicable mechanisms to support communities, the government, and the private sector to transform the status quo of the animal husbandry industry and the urban economy in a sustainable manner.<sup>24</sup> The MFF's well-defined and phased shifts will allow the government to upscale, mainstream, and maintain the green agro-territorial model, focusing in priority locations for agricultural production, supply, and logistic clusters identified by MED, to achieve the objectives of the road map. Specifically, the MFF will (i) allow effective implementation of processes and plans that require sustained long-term engagement and phasing; (ii) pilot innovations in project 1 and phase their upscaling and replication without losing momentum, capacity, and knowledge; (iii) deploy in a timely manner lessons from earlier tranches to subsequent tranches, and ensure necessary adjustments to accommodate the local context; (iv) build cross-agency institutional coordination and cooperation mechanisms through a large upfront capacity building component, sustained over the subsequent tranches; (v) provide stakeholders and development partners with multiple entry points for policy dialogue and apply lessons from tranche-to-tranche; and (vi) replicate the green agro-territorial development model by capturing

<sup>21</sup> ADB. 2021. *Country Partnership Strategy: Mongolia, 2021–2024—Laying Resilient Foundations for Inclusive and Sustainable Growth*. Manila.

<sup>22</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>23</sup> Lessons in urban development, rangeland and livestock management, and financial intermediation and support for SMEs and agribusinesses are in Sector Assessment (Summary); Water and Other Urban Infrastructure and Services; Agriculture, Natural Resources and Rural Development (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President [RRP]); and in Development Coordination (accessible from the list of linked documents in Appendix 2 of the RRP).

<sup>24</sup> Comparison of Financing Modality (accessible from the list of linked documents in Appendix 2 of the RRP).

achievements from complementary sector-focused initiatives using a set of well-defined readiness and selection criteria, and focusing in priority locations for agricultural production, supply, and logistic clusters identified by MED.

10. **Eligibility of financial intermediary.**<sup>25</sup> An apex financial institution will be established to channel the funds to participating banks. Selection of financial intermediaries is based on eligibility and selection criteria that include the following: (i) duly registered bank in Mongolia under the applicable laws of Mongolia; (ii) adequate capacity to conduct retail banking for agriculture and agribusiness in the targeted *aimags* and *soums*; (iii) meet ADB's reporting, governance, safeguard, and financial due diligence policies and standards; (iv) have no past-due obligations with the Bank of Mongolia or adverse audit findings; and (v) have agriculture sector and multisector financing experience in the targeted *aimags*.

11. **Scope of tranches 1–3.** The program will cover up to 17 *aimags*, for targeted investments from outputs 1 and 2.<sup>26</sup> Outputs 3 and 4 will cover the above mentioned *aimags*, but can also be implemented over the entire Mongolia based on selection criteria in Annex 1. Tranche 1 will focus on up to 11 *aimags*. This includes Bayan-Ulgii *aimag*, Khovd *aimag*, and Uvs *aimag* for targeted investments; plus up to eight other additional *aimags* for outputs 1 and 2 initial activities and project preparation, to be identified during tranche 1 based on selection criteria in Schedule 4 and agricultural cluster location identified by the MED. Output 2 will cover all affiliated *soums* that are under the area of influence of the targeted *aimag* or inter-*soum* centers under output 1. Tranche 2 will cover tranche 1 locations to complement tranche 1 activities and will cover additional *aimags* based on selection criteria in Schedule 4 and based on priority locations for agricultural development identified by MED (footnote 26). Tranche 2 will build on ongoing ADB, UNDP, or other initiatives wherein some of the program outputs are already in place and are compatible with the program's green agro-territorial model.<sup>27</sup> Similarly, tranche 3 will assess local achievement in other *aimags* and provide complementary investments to replicate the program's green agro-territorial model, using its resources more strategically to cover a wider geographical scope based on the 17 *aimags* identified for priority implementation (footnote 26).

### C. Policy Framework

12. The policy framework and capacity development is in line with the strategic objectives of the road map and will support: **Strategic objective 1** by improving low-carbon and climate-resilient urban services, regulation, and planning; **Strategic objective 2** by improving low-carbon and climate-resilient rangeland and livestock and agriculture management; **Strategic objective 3** through policy reforms to promote LCLVC; **Strategic objective 4** through policy reforms to establish sustainable and inclusive low-carbon climate-resilient territorial development.<sup>28</sup>

<sup>25</sup> The detailed eligibility and selection criteria are discussed in the Facility Administration Manual (FAM) (accessible from the list of linked documents in Appendix 2 of the RRP).

<sup>26</sup> Based on priority locations for agricultural production, supply and logistic clusters identified by MED, and other criteria such as together with socioeconomic development level, urban hierarchy and urban development, rangeland degradation and overgrazing, vulnerability to climate change, livestock agribusiness development potential criteria, up to 17 *aimags* have been identified for priority implementation: Khovd, Uvs, Bayan Ulgii, Arkhangai, Dornod, Tuv, Khentii, Bulgan, Selenge, Dundgovi, Darkhan-Uul, Khuvsgul, Ovorkhangai, Bayankhongor, Zavkhan, Dornogovi, and Govi-Altai.

<sup>27</sup> In southern Khovd *aimag* or in other *aimags*. United Nations Development Programme Mongolia. 2021. *Improving Adaptive Capacity and Risk Management of Rural Communities in Mongolia*. Ulaanbaatar; ADB. *Mongolia: Climate-Resilient and Sustainable Livestock Development Project*; and ADB. *Mongolia: Vegetable Production and Irrigated Agriculture Project*.

<sup>28</sup> Strategic objectives are fully described and discussed in the FAM (accessible from the list of linked documents in Appendix 2 of the RRP).

#### D. Investment Program

13. The investment program is aligned with the following impact: green development, regional development sustainability, quality of life, and human development achieved (footnote 11). The investment program will have the following outcome: green and inclusive agro-territorial development advanced.<sup>29</sup>

14. **Output 1: Climate-resilient, low-carbon, and attractive *aimag* and *soum* centers developed.** This output will target development of priority infrastructure and services to support the transition of targeted *aimag* and inter-*soum* centers into anchors for LCLVC investments. It will address *aimags* and *soums* infrastructure gaps to support green agri-business development and the agriculture sector based on the locations for agricultural logistics and supply centers, industries, and clusters identified by MED. It will employ a comprehensive and integrated approach to address urban service deficiencies and improve the living conditions in *aimag* and inter-*soum* centers.

15. **Output 2: Climate-resilient, high-carbon sequestration, and sustainable rangeland and agricultural management implemented.** This output will support climate vulnerable herder groups and empower them with sustainable livestock and agricultural management practices to reverse rangeland degradation while producing high-value agricultural products.

16. **Output 3: Accessible financing for low-carbon and climate-resilient livestock and agrobusiness value chains created (financial intermediation loan component).** This output will establish a green and inclusive regional agribusiness fund (GIRAF) to provide climate-smart financial mechanisms and institutions to overcome the financial bottlenecks of agribusiness SMEs in the targeted areas especially in the agricultural production, supply, and logistic clusters defined by MED<sup>30</sup> by (i) loans with affordable interest rates, longer grace periods and tenors, and a customized repayment plan that take into account the production cycle and its seasonality which will help SMEs overcome the financial barriers described in para. 4 and will increase LCLVC

<sup>29</sup> The design and monitoring framework is in Schedule 2.

<sup>30</sup> The GIRAF will be established following the Law of Mongolia and the eligibility criteria for financial intermediation loans (FILs) as per ADB. 2003. Financial Intermediation Loans. *Operations Manual*. OM D6/BP. Manila. Based on a participatory and consensus-building process with all local stakeholders, the low-carbon and climate-resilient agribusiness development (LCADP) will identify priority investments and activities at the *aimag* and inter-*soum* levels necessary to develop LCLVCs. GIRAF will be managed by a "GIRAF Manager" (i) which satisfies the eligibility criteria set forth in paragraph 37 of Schedule 4 to this Loan Agreement, (ii) which manages GIRAF and is responsible for implementing Output 3 of the Project, and (iii) which may be AMC or any other party agreed upon between the Borrower and ADB and acceptable to GCF.<sup>31</sup> The GIRAF will have three lending windows. Window 1 will provide three categories of loans at estimated interest rates ranging from 7.0% to 8.5% per annum and terms of up to 10 years, to support SMEs engaged in livestock processing, commercial and logistic investments for retail and exports, and other forms of economic diversification. To be eligible, subprojects should be implemented by SMEs in partnership and profit-sharing agreements with certified herders' cooperatives and should be included in the LCADP. Window 2 will provide loans at an estimated 10%–12% per annum to qualified medium and large enterprises involved in livestock production, processing, distribution and marketing, and international trade. The proposed agribusinesses should demonstrate congruence and consistency with the LCADP. Window 3 will be piloted for potential expansion for microfinance that will be channeled through savings and credit cooperatives to certified herders engaged in microenterprises, a majority of which are home-based. Details of financing terms and conditions are in Box 4 and Appendix 3 of the FAM and in Annex 1 of this FFA (accessible from the list of linked documents in Appendix 2 of the RRP).

investments;<sup>31</sup> (ii) credit guarantees that will be used as a substitute for collateral in lending and will reduce the risks of financiers, thereby contributing to more affordable interest rates and facilitating access to the GIRAF loans; and (iii) reimbursable innovation grants to stimulate pioneering agribusiness enterprises to advance innovative green products, processes, and business models. The GIRAF will support investments that demonstrate clear supply linkages and/or profit-sharing mechanisms with herders, PUGs, and cooperatives that are certified in sustainable rangeland management, and preferably located in agro-industrial parks that support local development and exports.

**17. Output 4: Institutional capacity and policies for low-carbon and climate-resilient agro-territorial development strengthened.** The output will focus on building the government and main stakeholders' capacity,<sup>32</sup> especially in the priority locations identified by MED, to ensure efficient program management and implementation. Output 4 (i) will establish soft tools and plans necessary for the implementation of other program outputs such as the PIHMP, the low-carbon and climate-resilient agribusiness development plan (LCADP), the green urban development and certification and traceability systems; (ii) support the design, installation, and operationalization of the program's measurement, reporting, verification, and monitoring and evaluation systems; and (iii) explore public-private partnership arrangements especially related to agro-industrial park management.

## E. Financing Plan

18. The program is estimated to cost \$735.0 million. The investment component of the program, comprising outputs 1, 2, and 4, will cost \$617.4 million (Table 1). Output 3, which will be delivered through an FIL component will require an estimated \$117.6 million. Detailed cost estimates by expenditure accounts and by financiers are included in the facility administration manual (FAM).<sup>33</sup> The investment component will cover civil works, equipment, support to PUGs and cooperatives, design and construction supervision, project implementation and management support, safeguards and due diligence, and consulting services.

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

Item	Amount <sup>a</sup>
<b>A. Base Costs<sup>b</sup></b>	
1. Output 1: Climate-resilient, low-carbon, and attractive aimag and soum centers developed	395.7
2. Output 2: Climate-resilient, high-carbon sequestration, and sustainable rangeland and agricultural management implemented	99.2
3. Output 4: Institutional capacity and policies for low-carbon and climate-resilient agro-territorial development strengthened	38.5

<sup>31</sup> The GIRAF will have three lending windows. Window 1 will provide three categories of loans at estimated interest rates ranging from 7.0% to 8.5% per annum and terms of up to 10 years, to support SMEs engaged in livestock processing, commercial and logistic investments for retail and exports, and other forms of economic diversification. To be eligible, subprojects should be implemented by SMEs in partnership and profit-sharing agreements with certified herders' cooperatives and should be included in the LCADP. Window 2 will provide loans at an estimated 10%–12% per annum to qualified medium and large enterprises involved in livestock production, processing, distribution and marketing, and international trade. The proposed agribusinesses should demonstrate congruence and consistency with the LCADP. Window 3 will be piloted for potential expansion for microfinance that will be channeled through savings and credit cooperatives to certified herders engaged in microenterprises, a majority of which are home-based. Details of financing terms and conditions are in Box 4 and Appendix 3 of the FAM and in Annex 1 of this FFA (accessible from the list of linked documents in Appendix 2 of the RRP).

<sup>32</sup> This includes professional associations of the agriculture sector, academics, herdsman, farmers, the private sector, and SMEs.

<sup>33</sup> FAM (accessible from the list of linked documents in Appendix 2 of the RRP).

Item	Amount <sup>a</sup>
Subtotal (A)	533.4
B. Contingencies <sup>c</sup>	59.3
C. Financial Charges During Implementation <sup>d</sup>	24.7
<b>Total (A+B+C)</b>	<b>617.4</b>

<sup>a</sup> Includes taxes and duties estimated at \$48.0 million for the investment program and \$16.2 million for tranche 1. Such amount does not represent an excessive share of the investment program cost. The government will finance taxes and duties through tax exemptions.

<sup>b</sup> In 2023 prices as of 17 January 2023.

<sup>c</sup> Physical and price contingencies, and a provision for exchange rate fluctuation are included.

<sup>d</sup> Includes service fees, interest, commitment, and other charges on all sources of financing.

Source: Asian Development Bank estimates.

24. **Financing plan.** The government has requested an MFF in an amount of up to \$448 million from a blend of regular loans (\$135 million) and concessional loans (\$135 million) from ADB's ordinary capital resources, a grant (\$3 million) from ADB's Special Funds resources (Asian Development Fund [ADF]), and cofinanced loan (\$130 million) and grant (\$45 million) from the GCF to be administered by ADB, to help finance a part of the investment program. The European Investment Bank will provide cofinancing (non-ADB-administered) comprising a loan of up to \$150 million equivalent and a grant of up to \$30 million equivalent.<sup>34</sup> The government will finance \$75.3 million, including taxes and duties, resettlement, civil works, equipment, consulting services, project management, and other miscellaneous costs. The investment project component comprises outputs 1, 2, and 4 and will cost \$617.4 million. Output 3 will be delivered through an FIL component for which the government will invest \$87.6 million of the GCF loan proceeds into the GIRAF. In addition, the \$5.0 million GCF grant will be passed on to the government's green innovation grants facility as reimbursable grants to qualified investors to promote innovations in green and inclusive agribusiness. The GIRAF will serve as the apex financial institution for the program funds to be channeled through financial intermediaries based on eligibility and selection criteria.<sup>35</sup> The GCF loan proceeds will leverage financial contributions from private entrepreneurs, and other participating commercial banks estimated at \$25.0 million. The contribution from beneficiary households is estimated at \$6.7 million. The MFF will consist of three tranches, subject to the government's submission of related periodic financing requests, execution of the related loan and project agreements for each tranche, and fulfillment of terms and conditions and undertakings set forth in this framework financing agreement.

**Table 2: Summary Financing Plan**  
(\$ million)

Source	Tranche (estimated year of PFR submission)			Amount	Share of Total (%)
	1 (2023)	2 (2025)	3 (2028)		
<b>A. Investment Project Component</b>					
1. Asian Development Bank					
(i) OCR (regular loan)	45.0	50.0	40.0	135.0	18.4
(ii) OCR (concessional loan)	45.0	52.2	37.8	135.0	18.4
(iii) Special Funds resources (ADF grant)	3.0	0.0	0.0	3.0	0.4
2. Green Climate Fund (loan) <sup>a</sup>	11.8	18.4	12.2	42.4	5.8
3. Green Climate Fund (grant) <sup>a</sup>	22.0	10.8	7.2	40.0	5.4
4. European Investment Bank (loan) <sup>b</sup>	52.9	59.4	37.7	150.0	20.4
5. European Investment Bank (grant) <sup>b</sup>	10.5	11.4	8.1	30.0	4.1
6. Government of Mongolia	20.7	33.5	21.1	75.3	10.2
7. Beneficiaries	3.4	2.0	1.3	6.7	0.9
<b>Subtotal (A)</b>	<b>214.3</b>	<b>237.7</b>	<b>165.4</b>	<b>617.4</b>	<b>84.0</b>

<sup>34</sup> The grant from the Asia Investment Facility of the European Union is administered by the European Investment Bank.

<sup>35</sup> Apex mechanisms usually involve financial institutions through which development partner-funded FILs are channeled to a second layer of financial intermediaries, which in turn onlend such loan proceeds to subborrowers.

Source	Tranche (estimated year of PFR submission)			Amount	Share of Total (%)
	1 (2023)	2 (2025)	3 (2028)		
<b>B. Financial Intermediation Loan Component</b>					
1. Green Climate Fund (loan) <sup>a</sup>	38.4	29.6	19.6	87.6	11.9
2. Green Climate Fund (grant) <sup>a</sup>	3.0	1.2	0.8	5.0	0.7
3. Commercial banks/Private sector	14.3	7.5	3.2	25.0	3.4
Subtotal (B)	55.7	38.3	23.6	117.6	16.0
<b>Total (A+B)</b>	<b>270.0</b>	<b>276.0</b>	<b>189.0</b>	<b>735.0</b>	<b>100.0</b>

ADF = Asian Development Fund, OCR = ordinary capital resources, PFR = periodic financing request.

<sup>a</sup> Administered by the Asian Development Bank.

<sup>b</sup> Parallel cofinancing, not administered by the Asian Development Bank.

Source: Asian Development Bank estimates.



## SCHEDULE 2

## DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

Impact the Investment Program is Aligned with Green development, regional development sustainability, quality of life, and human development achieved (Vision 2050: Long-Term Development Policy of Mongolia) <sup>a</sup>			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<b>Outcome</b> Green and inclusive agro-territorial development advanced	<b>By 2034</b> a. 3.2 million tons of carbon dioxide equivalent per annum avoided through soil carbon sequestration and methane, nitrous oxide, and carbon dioxide emissions reduced (2021 baseline: 0) (OP 3.1) b. 28.8 million ha of rangeland improved and more sustainably managed (2021 baseline: 0) (OP 3.3.3) c. Climate and disaster resilience of 550,000 people strengthened (2021 baseline: 0) (OP 3.2, 3.3, 4.1) d. 500 SMEs or cooperatives and 1,000 microenterprises established under the GIRAF (2021 baseline: 0) (OP 1.2, 2.1, 5.2.3) e. 11,400 direct green jobs created, of which 40% are filled by women (2021 baseline: 0) (OP 1.2, 2.1) f. Number of livestock heads in targeted areas decreased by 2.5% per annum (2021 baseline: 2.5% per annum growth) g. Wastewater treatment efficiency in targeted <i>aimag</i> and <i>soum</i> centers improved to 90% (2021 baseline: 50% in targeted <i>aimag</i> centers and 0% in targeted <i>soum</i> centers) (OP 4.3)	a–b. ALAMGAC and National Agency for Meteorology and Environmental Monitoring externally verified MRV report, and MOFALI annual report on livestock and land use c. ALAMGAC local land officer and <i>soum</i> government report d–e. Audited financial and operational reports from beneficiary enterprise or qualified commercial bank, and oversight reports from FRC f. National Statistics Office annual data on livestock g. <i>Aimag</i> water and wastewater operating companies' measurement of biological oxygen demand removal in the effluent discharge in compliance with Mongolian standards MNS 4943:2011	R: Changed government priorities shift resources away from supporting <i>aimag</i> development A: EIB inputs and outputs timely delivered
<b>Outputs</b> 1. Climate-resilient, low-carbon, and attractive <i>aimag</i> and <i>soum</i> centers developed	<b>By 2033</b> 1a. 35 km of urban roads built and 215.9 km of connection roads improved; water supply capacity increased by 3,000 cubic meters per hour; 25 km of water supply pipes laid; 35 km of sewerage network laid; 16 km of district heating pipes laid; 135 km of power lines built; 20 km of drainage pipes built; 173.5 km of optical cable laid; 10.2 megawatts from solar panels installed; 10 km flood protection infrastructure built; and 1,230 ha of solid waste dump site cleared (2021 baseline: 0) <sup>b</sup> (OP 4.1.2) 1b. Existing open dump site cleaned and closed, and municipal as well as agrobusiness solid waste segregated and safely disposed of at new landfills (that includes recycling facilities for livestock and agricultural waste) in 12 <i>aimag</i> and <i>soum</i> centers (2021 baseline: 0) (OP 4.1.1)	1a–h. Mongolia state special inspection monitoring report, and <i>aimag</i> and <i>soum</i> governments' report on urban construction	R: Reduced cooperation and coordination among the project key stakeholders R: Rising world prices of energy and construction materials significantly increase the project's investment and operation and maintenance costs

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>2. Climate-resilient, high-carbon sequestration, and sustainable rangeland and agricultural management implemented</p> <p>3. Accessible financing for low-carbon and</p>	<p>1c. Pilot for ger area streets upgrading implemented and replicated (2021 baseline: 0) (OP 3.1.3, 4.1.2)</p> <p>1d. 150 ha of agro-industrial parks<sup>c</sup> developed and 12 agribusiness incubators operating in targeted locations, with at least 40% of workspaces allocated to women-led and/or owned businesses (2021 baseline: 0) (OP 5.2.3)</p> <p>1e. 12 domestic WWTPs with a total capacity of 30,000 m<sup>3</sup>/d meet Mongolian standards; and 12 agro-industrial park WWTPs with a total capacity of 12,500 m<sup>3</sup>/d constructed and/or upgraded (2021 baseline: 0) (OP 4.1.2, 4.3.1)</p> <p>1f. Heat metering and associated consumption-based tariffs implemented in targeted <i>aimag</i> and <i>soum</i> centers (2021 baseline: 0) (OP 4.1.1, 6.2)</p> <p>1g. Smart land and agriculture management and climate-responsive digital center built (2021 baseline: 0) (OP 3.3.3, 4.2)</p> <p>1h. At least 6 education facilities improved with gender-sensitive<sup>g</sup> WASH facilities<sup>g</sup> (2021 baseline: 0) (OP 2.4.1, 4.1.2)</p> <p>1i. 100,000 person-months of employment opportunities during project construction created, of which 20.0% are filled by women (2021 baseline: 17.2% of women in the construction sector) (OP 1.2, 2.1)</p> <p><b>By 2033</b></p> <p>2a. At least 180 PUGs and herder groups signed (by both spouses) the updated RUA and sustainable and inclusive pasture management plan and benefited from CPP activities, with 45% female participation (2021 baseline: 0) (OP 5.1, 6.2.4)</p> <p>2b. 60 PUG-based cooperatives established, with at least 30% led by women;<sup>g</sup> and 12 <i>aimag</i> and inter-<i>soum</i> centers, 6 <i>aimags</i>, and 1 regional cooperative organized (2021 baseline: 23%) (OP 2.3, 5.1)</p> <p>2c. 10 disease-free establishments and 12 <i>aimag</i>-, and inter-<i>soum</i>-level veterinary laboratories built (2021 baseline: 0) (OP 5.2.4)</p> <p>2d. Primary works for the irrigated perimeter of at least 2,500-ha fodder and crop farms built, including ecosystem-based water harvesting and conservancy solutions (2021 baseline: 0) (OP 3.3.2, 3.3.5, 5.1.1)</p> <p>2e. 8,000 person-months of employment opportunities during project construction created, of which 20% are filled by women (2021 baseline: 0) (OP 1.2)</p> <p><b>By 2033</b></p> <p>3a. Under window 1, loans, subloans, or loans plus credit risk guarantees of at least \$50 million provided</p>	<p>1i. Contractors' annual employment records</p> <p>2a. <i>Aimag</i> and <i>soum</i> governments' monitoring data on land management, and ALAMGAC RUA registration data system</p> <p>2b. <i>Aimag</i> and <i>soum</i> governments' reports, and MOFALI annual reports on cooperatives</p> <p>2c-d. <i>Aimag</i> and <i>soum</i> governments' reports on livestock and rural development, and Mongolia State Special Inspection monitoring reports</p> <p>2e. Contractors' annual employment records</p> <p>3a-e. Audited financial and operational reports from</p>	<p>A: Significant interest from herders' cooperatives and private sector to participate in project activities</p> <p>A: Compliance with the program road map</p> <p>A: Timely delivery of EIB inputs and outputs</p>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>climate-resilient livestock and agrobusiness value chains created (financial intermediation loan component)</p> <p>4. Institutional capacity and policies for low-carbon and climate-resilient agro-territorial development strengthened</p>	<p>for SME investments, of which at least 30% led by women, in targeted <i>aimag</i> and inter-<i>soum</i> centers, through PUGs and herder groups (2021 baseline: 0)<sup>a</sup> (OP 1.3.2, 2.1.2, 5.2.3)<sup>b</sup></p> <p>3b. Under window 2, loans, subloans, or loans plus credit risk guarantee of at least \$60 million provided for medium and large investments in targeted <i>aimag</i> and inter-<i>soum</i> centers, through PUGs and herder groups (2021 baseline: 0) (OP 1.3.2, 5.2.3)<sup>c</sup></p> <p>3c. Under window 3, 1,000 micro green loans approved (2021 baseline: 0) (OP 1.3.2)</p> <p>3d. 100 partnership agreements signed with SMEs, of which at least 30% led by women, investing in pre-processing facilities (2021 baseline: 0) (OP 2.1.3, 5.2.3)</p> <p>3e. At least \$5 million reimbursable grants from Green Innovation Grant Facility provided to qualified investors to promote green and inclusive innovations in agribusiness (2021 baseline: 0) (OP 5.2.3)</p> <p><b>By 2032</b></p> <p>4a. By 2032, at least 180 (PUG-level) PIHMPs and at least 60 (<i>soum</i>-level) low-carbon and climate-resilient agribusiness development plans developed and consolidated into at least 10 <i>aimag level</i> and 3 regional-level agro-territorial development plans (2021 baseline: 0) (OP 6.1.2)</p> <p>4b. By 2025, traceability and certification systems at herder-, PUG-, and cooperative-levels operational, with 40% of targeted herder groups and PUGs certified (2021 baseline: 0) (OP 5.2.4)</p> <p>4c. By 2032, at least 180 community-based animal health workers trained, of which 95% report improved knowledge and skills on veterinary services and 50% are women (2021 baseline: 0) (OP 5.3.1)</p> <p>4d. By 2033, 6 national policies for rangeland and agricultural management and green territorial development prepared and implemented, and 2 policy recommendations included in the revised National Mongolian Livestock Program and the Mongolian Livestock 2 Program (2021 baseline: 0) (OP 3.3.2, 6.1.2)<sup>d</sup></p> <p>4e. By 2025, business plan and technical specification template for investments supported by GIRAF developed; and training programs for agribusiness development held, of which 40% are women (2021 baseline: 0) (OP 2.1.1)</p>	<p>beneficiary enterprises or qualified commercial banks, and oversight reports from FRC</p> <p>4a–d. MOFALI policy department reports, and local governments' reports on urban construction and economic development</p> <p>4e. FRC and project implementation reports</p>	
<p><b>Key Activities with Milestones</b></p> <p><b>1. Climate-resilient, low-carbon, and attractive <i>aimag</i> and <i>soum</i> centers developed</b></p> <p>1.1 Complete infrastructure and detailed architectural design (2024–2030)</p> <p>1.2 Pilot the <i>ger</i> street development voluntary participation (2024–2026)</p>			

<p>1.3 Procure goods and works (2024–2031)</p> <p>1.4 Construct, supervise, and commission infrastructure, and socioeconomic facilities (2026–2033)</p> <p><b>2. Climate-resilient, high-carbon sequestration, and sustainable rangeland and agricultural management implemented</b></p> <p>2.1 Engage and consult with herders, PUG, and herder groups to ensure their participation (2024–2032)</p> <p>2.2 Complete detailed design for irrigated perimeters and storage facilities (2024–2030)</p> <p>2.3 Prepare and sign PUG and herder groups' RUA including PIHMP (2024–2032)</p> <p>2.4 Establish or upgrade cooperatives (2025–2033)</p> <p>2.5 Procure goods and works (2025–2031)</p> <p>2.6 Procure and implement CPP (2025–2033)</p> <p>2.7 Construct, supervise, and commission infrastructure (2026–2033)</p> <p><b>3. Accessible financing for low-carbon and climate-resilient livestock and agrobusiness value chains created (financial intermediation loan component)</b></p> <p>3.1 Establish the GIRAF (2024–2025)</p> <p>3.2 Finalize the green and inclusive agri-value chain development plan (2024–2030)</p> <p>3.3 Reach out to local businesses and receive bidding proposals for financing (2025–2032)</p> <p>3.4 Short-list commercial banks (2025–2031)</p> <p>3.5 Establish and implement environmental and social management system for each commercial bank (2025–2032)</p> <p>3.6 Select proposals for financing (2025–2032)</p> <p>3.7 Construct production and logistic facilities or establish businesses (2025–2032)</p> <p><b>4. Institutional capacity and policies for low-carbon and climate-resilient agro-territorial development strengthened</b></p> <p><b>4.1 Capacity building and policy reforms</b></p> <p>4.1a Train and increase capacity of PIU staff, targeted institutions, and all related stakeholder in the agriculture sector on project implementation safeguards and due diligence (2024–2031)</p> <p>4.1b Implement policy and sector reforms (2024–2032)</p> <p><b>4.2 Detailed design and supervision</b></p> <p>4.2a Hire detailed design and supervision consulting services (2023–2028)</p> <p>4.2b Prepare feasibility study for tranches 2 and 3 (2026–2029)</p> <p>4.2c Complete detailed design of all civil works under project 1 and update safeguard documents, including the initial environmental examination, land acquisition and resettlement plans, and voluntary participation plans (2025–2030)</p> <p>4.2d Supervise civil works construction and monitor implementation of safeguard provisions (2025–2033)</p> <p>4.2e Implement policy and sector reforms (2025–2032)</p> <p><b>4.3 Rangeland management</b></p> <p>4.3a Hire consulting services (2023–2028)</p> <p>4.3b Engage with herders, herder groups, and PUGs (2024–2032)</p> <p>4.3c Complete detailed design of irrigated perimeters and disease-free facilities (2023–2029)</p> <p>4.3d Train PUGs and herder groups and implement CPP activities (2023–2031)</p> <p>4.3e Train cooperatives (2025–2032)</p> <p>4.3f Implement policy and sector reforms (2025–2032)</p> <p><b>4.4. Green agribusiness finance</b></p> <p>4.4a Hire consulting services (2023–2029)</p> <p>4.4b Develop standards, guidelines, and regulations for GIRAF (2024–2025)</p> <p>4.4c Implement policy and sector reforms (2025–2032)</p>
<p><b>Investment Program Management Activities</b></p> <p>Establish and fully staff the PIU.</p> <p>Hire project implementation and management support consulting services.</p> <p>Fully train PIU staff on ADB safeguards, due diligence, procurement, and financial management.</p> <p>Perform day-to-day management and supervision during program implementation.</p> <p>Coordinate with government agencies, aimag governments, and other involved parties for program implementation.</p> <p>Manage consulting services, monitor deadlines for procurement packages, and implement key procurement activities.</p> <p>Monitor civil works and infrastructure implementation.</p> <p>Meet targets in the design and monitoring framework, social and gender action plan, consultation and participation plan, stakeholder communication strategy, and facility administration manual.</p> <p>Complete and operate sex-disaggregated project performance management system and comprehensive MRV system.</p> <p>Prepare and submit ADB, EIB, and Green Climate Fund relevant progress, safeguards, and financial audit reports.</p> <p>Conduct inception, annual, midterm, and final review missions.</p> <p>Prepare tranches 2 and 3, including due diligence (tranche 2 by 2025 and tranche 3 by 2027).</p>
<p><b>Inputs</b></p> <p>ADB ordinary capital resources: \$135.0 million (regular loan)</p> <p>ADB ordinary capital resources: \$135.0 million (concessional loan)</p> <p>ADB Special Funds resources (Asian Development Fund): \$3.0 million (grant)</p>

<p>Green Climate Fund: \$130.0 million (loan)          Green Climate Fund: \$45.0 million (grant)          European Investment Bank: \$150.0 million (loan)          European Investment Bank: \$30.0 million (grant)          Government of Mongolia: \$75.3 million          Commercial banks/private sector: \$25.0 million          Beneficiaries: \$6.7 million</p>
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A = assumption; ADB = Asian Development Bank, ALAMGAC = Agency for Land Management and Administration, Geodesy and Cartography; CPP = community participation in procurement; EIB = European Investment Bank; FRC = Financial Regulatory Commission; GIRAF = Green and Inclusive Regional Agribusiness Fund; ha = hectare; km = kilometer; m<sup>2</sup> = square meter; m<sup>3</sup>/d = cubic meter per day; MOFALI = Ministry of Food, Agriculture and Light Industry; MRV = measurement, reporting, and verification; OP = operational priority; PIHMP = participatory and inclusive herd management plan; PIU = project implementation unit; PUG = pasture user group; R = risk; RUA = rangeland use agreement; SMEs = small and medium-sized enterprises; WASH = water, sanitation, and hygiene; WWTP = wastewater treatment plant.

<sup>a</sup> State Great Khural. 2020. *Vision 2050: Long-Term Development Policy of Mongolia*. Ulaanbaatar.

<sup>b</sup> Excludes agro-industrial park infrastructure.

<sup>c</sup> Agro-industrial park is a comprehensive complex with full provision of engineering infrastructure for transportation, logistics, trading, processing, and manufacturing services to support the transformation and the trade of green livestock and agricultural raw materials, and promote green food manufacturing and food safety.

<sup>d</sup> A gender-sensitive public space refers to urban designs where women feel comfortable using the public space and is adapted to the needs and demands of both women and men.

<sup>e</sup> Gender-sensitive WASH facilities as defined in footnote (e) of the DMF for the Investment program in the Facility Administration Manual (accessible in Appendix 2 of the report and recommendation of the President).

<sup>f</sup> Cooperatives "led by women" must have (i) at least 51% female representation on the board, or (ii) a female executive director or board president and at least 30% female representation on the board. Swiss Agency for Development and Cooperation. 2021. *Sustainably Managed Pastures and Healthy Animals: Mongolia's 'Green Gold'*.

<sup>g</sup> SMEs led by women refer to those owned and managed by women. Proxy baseline was from the results of 2019 World Bank Mongolia Enterprise Surveys: (i) 43.7% of firms have female participation in ownership, of which 45.9% are small, 40.0% are medium, and 32.4% are large firms; and (ii) 38.9% of firms have a female top manager, of which 44.4% are small, 26.8% are medium, and 24.4% are large firms. Men are predominant in large-scale business operations while women lead small businesses. Women are predominant in service-oriented industries and retailing and less involved in livestock agribusiness operations targeted by the program. Survey results by sector are not available.

<sup>h</sup> Window 1 will support SMEs processing livestock products, commercial and logistic investments for retail and exports, and other forms of economic diversification.

<sup>i</sup> Window 2 will support qualified medium- and large-scale enterprises involved in livestock production, processing, distribution, and marketing, and engaged in international trade.

<sup>j</sup> MOFALI Minister order No A/177, June 2022, following the Mongolian National Livestock Program.

#### Contribution to Strategy 2030 Operational Priorities

The expected values and methodological details for all OP indicators to which this operation will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2). In addition to the OP indicators tagged in the design and monitoring framework, this operation will contribute results for:

OP 1.3 Poor and vulnerable people with improved standards of living (number)

OP 7.3.1 Measures to improve shared capacity of developing member countries to mitigate or adapt to climate change supported in implementation (number)

OP 7.3.3 Measures to improve regional public health and education services supported in implementation (number)

Source: ADB.

## SCHEDULE 3

### IMPLEMENTATION FRAMEWORK

#### A. Program Implementation Organizations: Roles and Responsibilities

1. The comprehensive scope and crosscutting issues of development and climate change in Mongolia require an integrated institutional arrangements, both vertically among the various levels of government (national, provincial, and local) and horizontally across inter-ministerial and intergovernmental agencies, combined with financial institutions, private sector groups, and civil society organizations. The program will be coordinated, monitored, and overseen by the Ministry of Economy and Development (MED) which will ensure the inter-ministries and inter-agencies coordination, as well as the policy and strategic roadmap. MED will be the executing agency for the program.

2. A projects steering committee, comprised of representatives from the MED (Chair); Ministry of Construction and Urban Development (MCUD) (vice chair); Ministry of Food, Agriculture and Light Industry (MOFALI) (vice chair); Ministry of Finance; Ministry of Environment and Tourism; targeted *aimag* governments; and the European Union will be established to oversee program implementation, provide strategic and policy guidance, and coordinate efforts among ministries and agencies. The program executing agency will be the MED representing the government for program implementation oversight.

3. The projects director will be the MED state secretary. A project implementation unit (PIU) will be established under MED. The PIU will be managed by a PIU coordinator who will report to the projects director. A deputy coordinator will be appointed to oversee construction, supervision, and urban development activities of the program in close coordination with MCUD. MCUD will be responsible for Output 1 procurement (at least at the first stage of project implementation) and will provide design, implementation, and policy guidance. A deputy coordinator will be appointed to oversee livestock, agriculture, and rangeland management component in close coordination with MOFALI. MOFALI will be responsible for Output 2 procurement (at least at the first stage of project implementation) and will provide design, implementation, and policy guidance. A deputy coordinator/fund manager will be appointed to manage GIRAF and the financial intermediation loan (FIL) component of the program. MOF will act as a major shareholder of the GIRAF and provide necessary guidance to GIRAF manager on the establishment and management of the GIRAF. ~~Procurement and supervision responsibilities for output 3 will be delegated to GIRAF.~~ The deputy coordinator/fund manager will report to the PIU coordinator. At the *aimag* level, an *aimag* project implementation unit (APIU) will be established under the PIU in *aimags* targeted by the program. Each will be managed by a monitoring and evaluation (M&E) officer who will lead the team of urban development, rangeland management, agribusiness, and safeguard and due diligence officers. The APIU will closely coordinate with the *aimag* governor's office and each targeted *soum* governor's office.

4. The roles and responsibilities of the PIU will be sent for no-objection or approval by the European Investment Bank. The official documents establishing the PIU will be shared with European Investment Bank.

5. The key positions such as PIU coordinator, deputy coordinators, finance officers, procurement officers, and M&E officers will be selected and appointed based on competitive selection procedures in compliance with the Asian Development Bank (ADB) procurement

policies with the Ministry of Finance regulations approved by the Minister's order No. 4.<sup>1</sup> Other key positions in the PIU such as urban development specialist, chief engineer, rangeland management specialist, and cooperative specialist, will be selected and appointed based on competitive selection procedures following ADB procurement policies of the executing and implementing agencies (ADB will oversee and will provide no-objection). Other positions in the PIU will be selected and appointed based on competitive selection procedures by the executing and/or implementing agencies with ADB's endorsement.

6. Because of National Federation of Pasture User Groups' (NFPUG) extensive experience, its long-term cooperation with the Swiss Agency for Development and Cooperation, and its role and network in establishing rangeland use agreements (RUAs) and organizing herder groups especially in the western *aimags*; it will have an important role during program implementation and will provide PIU staff to implement rangeland management activities. This represents about 796 person-months for project 1. A memorandum of understanding between the MED, MOFALI, and NFPUG will be signed to define the extent of the NFPUG participation in the program. Consulting services recruitment will be led by MED together with MCUD for output 1 related consultants, and MOFALI for output 2 related consultants, and will be led by the GIRAF manager together with MOF for output 3 related consultants. Support for the establishment and operation of cooperatives and pasture user groups will be done through civil works and equipment investment, as indicated in the procurement plan. It will also be done through support for operation and maintenance, operation cost, working capital, and incentives for herds reduction representing a total estimated at \$4.9 million for the establishment and operation of cooperatives. Operation and maintenance support for *soum* and *aimag* pasture user group organizations is estimated at \$720,000. Details are provided in Appendix 1 of the facility administration manual.<sup>2</sup>

7. An agribusiness council, comprising of representatives of associations or federations for producing meat, wool, cashmere, skin, and hide products; Mongolian National Chamber of Commerce and Industry; herder organizations; representatives from all professional associations in the agriculture sector; and cooperatives will be established to provide economic and value chain development guidance and support to the PIU.

## **B. Investment Program Review**

8. ADB will regularly field review missions to monitor project performance during implementation. ADB and the MED will (i) monitor the project's achievements using program performance management system (PPMS) through the use of indicators and targets covering both macro and micro issues; and (ii) review the institutional, administrative, technical, economic, and other relevant aspects that may have an impact on the performance of the project. The review will examine implementation progress and compliance with assurances in the legal agreements. The MCUD, MOFALI, and MOF will report to MED who will conduct a general oversight of project implementation.

## **C. Monitoring**

9. **Program performance monitoring.** PPMS indicators, their relevance, and monitoring practices will be discussed with the executing and implementing agencies and program

<sup>1</sup> Regulation on the utilization of Government foreign loan proceeds, implementation, administration, financing, monitoring and evaluation of projects funded by these proceeds as approved by the Finance Minister's Order number 4 dated 11 January 2021.

<sup>2</sup> Facility Administration Manual (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

beneficiaries during program implementation. Disaggregated baseline data for output and outcome indicators gathered during program processing will be updated and reported through quarterly and annual progress reports prepared by the PIU and GIRAF manager, and after each ADB review mission. The annual reports will provide information necessary to update ADB's program performance reporting system. At the start of program implementation, the PIUGIRAF manager, with the program consulting services, will develop integrated PPMS procedures to generate data systematically on the inputs and outputs of the components, as well as the indicators to be used to measure the program's impact and outcome. The PIU and GIRAF manager will be responsible for monitoring and reporting on program performance. The basis for performance monitoring will be the design and monitoring framework (DMF) and the Green Climate Fund funding proposal logic framework, which identify performance targets for the impact, outcome, and outputs of the program. By collecting data from the sources identified in the DMF and GCF funding proposal logic framework, the PIU and GIRAF manager will report the performance of the program on an annual basis. Specific reporting requirements will be set out in the agreement between ADB and the government. The MED, MCUD, MOFALI, and GIRAF manager will collect the data, calculate the indicators, analyze the results, and prepare a brief report describing the extent to which the program is generating the intended outputs and outcome, as well as the overall impact of the program. Meanwhile, the agreed socioeconomic and environmental indicators to be used will be further enhanced to measure program impacts. The PIU and GIRAF manager will (i) refine and integrate the PPMS framework at the start of program implementation; (ii) confirm that targets are achievable; (iii) develop recording, monitoring, and reporting arrangements; and (iv) establish systems and procedures no later than 6 months after program inception.

10. **Compliance monitoring.** The compliance status of loan and program covenants will be reported and assessed through the semiannual progress reports and verified during ADB review missions.

11. **Safeguards monitoring.** The government and the MED, and MOF/GIRAF manager will ensure that laws and regulations of Mongolia governing safeguards, as well as ADB's Safeguard Policy Statement (2009) are followed. The MED in coordination with MCUD and MOFALI will ensure that all works contracts under the project incorporate provisions and budgets for safeguards plans implementation.

12. **Involuntary resettlement.** The government, through the MED, will (i) engage qualified and experienced external social safeguards experts under a selection process and terms of reference acceptable to ADB, to verify information produced through the social safeguards monitoring process, and facilitate the carrying out of any verification activities by such external experts; (ii) submit semiannual safeguards monitoring reports to ADB in respect of implementation of and compliance with involuntary resettlement safeguards including implementation of voluntary participation plans and implementation of an environmental and social management system (ESMS) as part of the FIL component; and (iii) disclose relevant information from such reports to the respective affected people. The external experts will submit semiannual monitoring reports during implementation to the MED and ADB and a completion report within 6 months after completion of all resettlement and voluntary participation activities.

13. **Environmental and social management system.** The government, through the MOF/GIRAF manager, will require each qualified commercial bank to submit semiannual ESMS monitoring reports to GIRAF manager for compilation and timely submission to ADB.



14. **Environmental management plan.** During construction, contractors will develop contractor environmental management plans (EMPs) with environmental management and internal monitoring systems based on the updated subproject EMP, undertake self-check activities, and fully cooperate with the environmental inspectors of the municipal specialized inspection department and/or specialized inspection divisions of the districts. Contractors will submit monthly contractor EMPs implementation reports to the PIU. Subprojects EMP implementation coordination and verification for the construction and operation periods will be carried out routinely by the PIU with the support of the services of environment consultants. Periodic environmental impact monitoring will be carried out by the PIU through the services of a licensed institute or consultant. The results of subprojects' EMP implementation and environmental impact monitoring will be communicated to ADB through the annual project EMP monitoring and progress reports and summarized in the quarterly project implementation reports.<sup>3</sup> The annual project EMP monitoring and progress reports will be disclosed on the ADB website.

15. **Gender and social dimensions monitoring.** Monitoring indicators for the social and gender action plan (SGAP) have been incorporated into the PPMS. Clear targets and indicators have been established and some indicators, such as those on employment, are also captured in the DMF. The regular project progress reports to ADB will include, at least semiannually, reporting on those indicators. Assistance will be provided for the PIU by the social development and gender consultants who will help to set up effective monitoring systems and work with the focal points in the PIU to ensure implementation of the SGAP. The SGAP will be monitored semiannually and reported via the quarterly project progress reports and during ADB review missions. The external monitoring agency will also monitor the implementation progress of SGAP and report through the semiannual external monitoring reports.

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<sup>3</sup> As and when necessary to report significant progress, implementation issues, or status of earlier identified problems.

## SCHEDULE 4

### SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECTS

#### Overall Process for Project Preparation and Approval

1. The program preparation has developed all relevant feasibility studies, due diligence, and safeguards for project 1, while the contents of the subsequent projects have been pre-defined and will be similar to project 1.
2. Preparation of subsequent projects will follow the scope indicated in Schedule 1 of this framework financing agreement and will include a climate change rationale for the targeted *aimags* together with commercial, economic, financial, legal, regulatory, social dimensions, and technical due diligence; and managing anticorruption aspects, capacity, fiduciary oversight, governance, implementation, procurement, safeguards, social risks, sustainability, and other matters. Due diligence will help the Asian Development Bank (ADB) determine whether the investments are ready for financing, i.e., whether they have been suitably prepared and can be implemented in compliance with the relevant ADB policies and agreed criteria, and whether an acceptable climate change rationale can be presented to the Green Climate Fund (GCF) for no-objection on the inclusion of each proposed *aimags* within a tranche geographical scope. Preparation will inform on the readiness and selection criteria, and the compliance decision filters for GCF loan and grant financing as indicated below.
3. **Readiness criteria:**
  - (i) The proposed tranche has passed the internal safeguard and due diligence review process of ADB.
  - (ii) Previously approved tranches that are under implementation are satisfactorily implemented and in compliance with the road map for the program, including relevant provisions concerning the program, and the terms and conditions of the ADB loan and grant agreements with respect to each tranche.
  - (iii) The government and the Ministry of Environment and Tourism (the GCF national designated authority) have expressed their commitment and willingness to proceed with the implementation of the relevant tranche.
  - (iv) Evidence of an acceptable climate rationale for the *aimags* where the tranches will be implemented.
  - (v) The tranche achieves a climate change benefit (CCB) exceeding 10% of the investment amount for mitigation-related activities (Box).
  - (vi) The tranche promotes donor coordination.
  - (vii) The tranche demonstrates direct water resources saving impacts.

### Box: The Climate Change Benefit Indicator

The climate change benefit (CCB) indicator is a measure of climate change value for money. It is a monetized estimate of the main annual climate change benefits resulting from the program, linking the annual CCBs to the investment amount. An eligibility requirement for consideration in the program is that the CCB (see below for calculation) is at least 10% of the investment amount. This requirement means that CCB alone will earn back the capital investment in (at most) 10 years. Moreover, CCB will be used to select the investments with the highest CCB as percentage of the capital investment as the investments that will receive priority Green Climate Fund cofinancing, provided additional criteria below are met.

The monetary value of the CCB is calculated as the sum of three terms:

1. [Average annual carbon dioxide (CO<sub>2</sub>) emissions (average over lifetime)] x [shadow price of CO<sub>2</sub>]<sup>a</sup>
2. [Annual amount of water saved / stored (average over lifetime)] x [shadow price of water]<sup>b</sup>
3. [ $\Delta$  annual value added / sheep unit] x [number of animals in sheep units]<sup>c</sup>

The first term is a straightforward estimate of the monetary value of the greenhouse gas emission reductions achieved. The second term is an estimate of the value of the amount of water saved or stored, which is important for Mongolia given the shortage of water and the negative impact of climate change on water availability. The third term provides an estimate of how the animal productivity increase compensates for the need to reduce animal numbers to compensate for the reduction of the biomass productivity of grasslands.

<sup>a</sup> The program will use the Asian Development Bank (ADB) shadow price for CO<sub>2</sub> of \$36.30/ton of carbon dioxide equivalent (tCO<sub>2</sub>e) to be increased by 2% annually in real terms. This is comparable to the World Bank's shadow price of CO<sub>2</sub> of \$40.00/tCO<sub>2</sub>e in 2020, increasing by 2.25%. To simplify, the program will use a constant value for the shadow price of CO<sub>2</sub>, calculated by evaluating the ADB shadow price for greenhouse gas emission reductions in 2020 (\$39.62/tCO<sub>2</sub>e).

<sup>b</sup> For the shadow price of water, the program will use a value of \$0.55 per cubic meter of water stored or saved.

<sup>c</sup> The first term will be evaluated as the difference between the average value added per animal (measured in sheep units), calculated over the last 5 years for which data are available, and the average value added per animal calculated over 5 years after the measures to reduce animal numbers and increase value added per animal have been implemented. The second term is the average number of animals (in sheep units), in 5 years after the measures have been implemented.

Source: ADB.

#### 4. Selection criteria. Each investment will meet the following selection criteria and approval process:

- (i) align with agricultural logistics and supply centers, and agricultural production clusters models and selected locations formulated by the Ministry of Economy and Development;
- (ii) technically feasible and includes a detailed report supporting its feasibility;
- (iii) economically feasible and financially sustainable;
- (iv) environmentally and socially sound and includes measures to mitigate any possible environmental and social impacts in accordance with the safeguard frameworks (Schedule 5) and the ADB Safeguard Policy Statement (2009). For each investment, a poverty and social analysis will be conducted in accordance with ADB's guidelines on poverty and social assessment;
- (v) sufficient counterpart funding has been allocated to timely and efficiently implement the investment in accordance with the overall implementation schedule; and
- (vi) do not finance new coal-based capacity for power and heat.

5. In addition, specific selection criteria, detailed investment eligibility, and decision criteria related to GCF financing to output 2 are listed in the Facility Administration Manual (FAM). Under output 1, GCF will only finance renewable energy investments, such as solar panels.

**SCHEDULE 5****POVERTY AND SOCIAL DIMENSIONS AND SAFEGUARD REQUIREMENTS**

1. Mongolia will ensure that all the requirements prescribed in this Schedule, and the following social and safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche and of which the Asian Development Bank (ADB) has been provided full copies, and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the components under the Facility.

- (i) environmental assessment and review framework, dated \_\_\_\_\_;
- (ii) resettlement framework, dated \_\_\_\_\_;
- (iii) indigenous peoples planning framework, dated \_\_\_\_\_;
- (iv) environmental management plan and resettlement plan, dated \_\_\_\_\_ for the first tranche;
- (v) environmental and social management system; and
- (vi) social and gender action plan dated \_\_\_\_\_.

2. The frameworks cover the facility-specific information and requirements in accordance with ADB's safeguard policies: (i) general anticipated impacts of the components or projects likely to be financed under the multitranche financing facility on the environment, involuntary resettlement, and indigenous peoples; (ii) safeguard criteria that are to be used in selecting components and projects; (iii) requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; and (iv) institutional arrangements (including budget and capacity requirements) and the client's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each periodic financing request, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and indigenous peoples will be reviewed and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's safeguard policies, as amended from time to time.

4. In all cases, for each new periodic financing request preparation, the client will review ongoing projects to check on the status of compliance with the social and safeguard plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the components included in the tranche being processed. In any case, if major noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB.

## SOCIAL AND GENDER ACTION PLAN

Targets and Indicators		Responsible Agencies	Timeframe	Budget
<b>Objectives and Activities</b> <b>Output 1: Climate-resilient, low-carbon, and attractive aimag and soum centers developed</b> 1.1 Introduce eco-friendly solutions for heating, water, and sanitation systems for streets redevelopment pilots, including female-headed households	<b>Targets and Indicators</b> <b>1.1.1.</b> 80% of residents of the targeted pilot streets with improved water, sanitation, and heating systems (2021 baseline: 0) <b>1.1.2.</b> 80% of female-headed households with improved water, sanitation, and heating systems (2021 baseline: 0) <b>1.1.3</b> 100% of secondary occupants of plots of targeted streets and 100% of female-headed households are given priority to apply for rent/rent-to-own/purchase of housing units (2021 baseline: 0) <b>1.1.4</b> 100% households buying an apartment receive information on women's rights to register their name on the asset property right certificate (2021 baseline: 0)	<ul style="list-style-type: none"> <li>• MED</li> <li>• MCIUD</li> <li>• Social, gender, and community engagement specialists</li> </ul>	2025–2029 2026: 0% 2027: 20% 2028: 50% 2029: 100% <ul style="list-style-type: none"> <li>• Information campaign in 2025–2029</li> <li>• Female ownership target to be assessed in 2028</li> </ul>	Project construction and operation funds
1.2 Introduce IEC campaign on eco-friendly technology to ensure appropriate use of technologies and optimize project benefits	<b>1.2.1</b> Conduct an IEC campaign with all beneficiary households; at least 35% of recipients are low-income households* (2021 baseline: 0) and 50% are women (2021 baseline: 0)	<ul style="list-style-type: none"> <li>• MED</li> <li>• MCIUD</li> <li>• Social, gender, and community engagement specialists</li> </ul>	2025–2029	Project management support contract <sup>b</sup>
1.3 Ensure participation of low-income households, ethnic groups, and women in urban the planning	<b>1.3.1.</b> Ensure no less than 50% of participants are women in all mixed consultations and conduct at least two women-only workshops and/or focus group discussions on the design of the street pilots (2021 baseline: 0) <b>1.3.2.</b> Information flyers in Mongolian and other ethnic group languages spoken in the local area prepared and distributed where necessary (2021 baseline: 0) <sup>c</sup> <b>1.3.3</b> Consultations with 80% of ethnic minority groups households in Ulgii (2021 baseline: 0) <b>1.3.4.</b> Gender-sensitive public space and facilities constructed <sup>d</sup> (2021 baseline: 0)	<ul style="list-style-type: none"> <li>• MED</li> <li>• MCIUD</li> <li>• Social, gender, and community engagement specialists</li> </ul>	2025–2029 2026: 25% 2027: 50% 2028: 75% 2029: 100%	Project construction and operation funds and project management support contract <sup>e</sup>
1.4 Ensure participation of low-income households,	<b>1.4.1.</b> Consultation and information sharing to all households on the constitution of street development councils, including low-income households and ethnic groups (particularly minority ethnic groups present in both Ulgii and	<ul style="list-style-type: none"> <li>• MED</li> <li>• MCIUD</li> <li>• Social, gender, and</li> </ul>	2025–2029	Project management support contract <sup>e</sup>

Objectives and Activities	Targets and Indicators	Responsible Agencies	Timeframe	Budget
<p>ethnic groups, and women in street development councils and in the planning and management of the community center</p>	<p>Khovd) with at least 65% of households participating low-income(2021 baseline: 0)</p> <p>1.4.2. Information flyers in Mongolian and other ethnic group languages spoken in the local area prepared and distributed where necessary (2021 baseline: 0)</p> <p>1.4.3. At least 30% of primary groups' leaders forming the street development councils are from low-income households* (2021 baseline: 0)</p> <p>1.4.4. At least 50% of chairperson or vice-chairperson of street development councils are woman (2021 baseline: 0)</p> <p>1.4.5. At least 45% of trained members of street development councils are women (2021 baseline: 0)</p> <p>1.4.6. Street development councils consult at least 80% of low-income households and 80% of minority ethnic groups in Ulgii on planning and management of the community center (2021 baseline: 0)</p> <p>1.5.1. All WASH facilities implemented are responsive to gender, early age, and special needs which includes separate male and female facilities, ramps and facilities adapted to wheelchairs, and toilets and washbasins adapted to early age for kindergartens (2021 baseline: 0)</p>	<p>community engagement specialists</p>	<p>2025: detailed design completed</p> <p>2029: 100% of works completed</p>	<p>Project construction and operation funds and project management support contract<sup>b</sup></p>
<p>1.5 All social amenities, rehabilitation works, and WASH facilities, include gender-, age-, and disability-responsive features</p>	<p>1.5.1. All WASH facilities implemented are responsive to gender, early age, and special needs which includes separate male and female facilities, ramps and facilities adapted to wheelchairs, and toilets and washbasins adapted to early age for kindergartens (2021 baseline: 0)</p>	<p>Social, gender, and community engagement specialists</p> <p>Engineering firm and/or architectural engineers</p>	<p>2025: detailed design completed</p> <p>2029: 100% of works completed</p>	<p>Project construction and operation funds and project management support contract<sup>b</sup></p>
<p>• Output 2: Climate-resilient, high-carbon sequestration, and sustainable rangeland and agricultural management implemented</p> <p>2.1 Communication and consultations with low-income and/or vulnerable households to ensure their inclusion in PUGs and RUAs and protect their right to pastureland</p>	<p>2.1.1. 100% of herder households of targeted soums (subunits of an aimag) remain included within PUGs (2021 baseline: 100%)</p> <p>2.1.2. 25% of PUGs of Bayan-Ulgii, Khovd, andUvs sign updated RUAs recognized by the Agency for Land Management and Administration, Geodesy and Cartography to protect the rights to pastureland of all herder households, particularly the low-income herder households (2021 baseline: 17.5% of PUGs)</p> <p>2.1.3. Information flyers on the PUG/RUA/PIHMP/PPP approach and steps in Mongolian and other ethnic group languages spoken in the local area prepared and distributed, where necessary. (2021 baseline: 0)</p>	<p>MED</p> <p>MOFALI</p> <p>PIU</p> <p>Social, gender, and community engagement specialists</p> <p>PUGs</p>	<p>Information flyers by 2025</p> <p>Other targets by 2029</p>	<p>Project management support contract<sup>b</sup></p>
<p>2.2 Identify female-headed households in each PUG area</p>	<p>2.2.1. 100% of RUA updated and/or signed under the project include an annex where both spouses of signatory households sign the RUA (2021 baseline: 0)</p>	<p>MED</p> <p>MOFALI</p> <p>PIU</p>	<p>2029</p>	<p>Project management support contract<sup>b</sup></p>

Objectives and Activities	Targets and Indicators	Responsible Agencies	Timeframe	Budget
<p>and ensure they receive sufficient information on benefits of PUG and RUA, inform women on PUG and RUA importance and increase women participation and leadership in the PUG system, and ensure both spouses of all herder households sign RUAs</p>	<p>2.2.2. At least 20% female leadership in PUG system (2021 baseline: 14.4% in Green Gold registered PUGs)<sup>a</sup></p>	<ul style="list-style-type: none"> <li>• Social, gender, and community engagement specialists</li> <li>• PUGs</li> </ul>		
<p>2.3 Communication and consultations with women, low-income and/or vulnerable households, and ethnic groups for the elaboration of the PIHMP</p>	<p>2.3.1. 60% of PUG households are consulted for the elaboration of PIHMP, including 60% of low-income households and 60% of ethnic groups, where relevant (2021 baseline: 0)</p> <p>2.3.2. 40% of participants in awareness sessions, workshops, and training related to elaboration of PIHMP are women; or at least one woman-only consultation in each PUG (2021 baseline: 0)</p> <p>2.3.3. 100% of PIHMPs include specific sections on needs of women and low-income households and list priority projects for these populations (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>• MED</li> <li>• MOFALI</li> <li>• PIU</li> <li>• Social, gender, and community engagement specialists</li> <li>• PUGs</li> </ul>	2029	Project management support contract <sup>b</sup>
<p>2.4 Projects financed through CPP benefit women and low-income households</p>	<p>2.4.1. At least 60% of CPP-financed projects benefit low-income households<sup>b</sup> (2021 baseline: 0)</p> <p>2.4.2. At least 50% of CPP-financed projects benefit women<sup>c</sup> (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>• MED</li> <li>• MOFALI</li> <li>• PIU</li> <li>• Social, gender, and community engagement specialists</li> <li>• PUGs</li> </ul>	2025–2029	Project management support contract <sup>b</sup>
<p>2.5 Sustainable and PUG-based cooperatives are inclusive of low-income herder</p>	<p>2.5.1. Sustainable and PUG-based cooperatives include 70% of herder households of complying PUGs<sup>d</sup> (2021 baseline: 0)</p> <p>2.5.2. At least 40% of women in cooperatives' annual all members meeting</p> <p>2.5.3. 30 PUG and/or herder group-based cooperatives established (5 aimag/inter-soum centers; 3 aimag cooperative organization; and 1</p>	<ul style="list-style-type: none"> <li>• MED</li> <li>• MOFALI</li> <li>• PIU</li> <li>• Social, gender, and community engagement specialists</li> <li>• PUGs</li> </ul>	<ul style="list-style-type: none"> <li>• Participation of women in annual all members meeting to</li> </ul>	Project management support contract <sup>b</sup>



Objectives and Activities	Targets and indicators	Responsible Agencies	Timeframe	Budget
households and women	regional cooperative organization) (2021 baseline: 0) with at least 30% of female leadership in cooperatives (2021 baseline: 23% in the cooperatives registered by the Green Gold Project) <sup>6</sup>	community engagement specialists	be assessed in 2025–2029 <ul style="list-style-type: none"> <li>Female leadership in cooperatives to be assessed in 2025–2029</li> </ul>	
<p>• <b>Output 3: Accessible financing for low-carbon and climate-resilient livestock and agrobusiness value chains created (financial intermediation loan component)</b></p>				
<p>3.1 Financial intermediary is designed to foster socioeconomic development of local communities</p> <p>3.2 Gender analysis included in assessment of private sector proposals in response to requests for proposals for targeted loans</p>	<p>3.1.1. One environmental and social management system developed and approved for the three financial intermediaries of the program (2021 baseline: 0)</p> <p>3.1.2. 100% of participating enterprises in the livestock sector established a form of cooperation with sustainable herder organizations (partnership agreements or sales and purchase agreements) (2021 baseline: 0)</p> <p>3.1.3. Criteria to prioritize proposals of enterprises include commitment/measure to hire local workforce (2021 baseline: 0)</p> <p>3.2.1. Criteria for assessing and prioritizing private sector proposals include (i) enhancement of employment opportunities for women—action plan for female recruitment; (ii) gender-responsive physical facilities, including separate toilet and changing facilities for female and male employees; and (iii) other gender and social benefits, such as gender-sensitive and gender-friendly working environments (2021 baseline: 0)</p> <p>3.2.2. 40% of SMEs investing in pre-processing facilities are led by women (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>MED</li> <li>GIRAF manager</li> </ul>	2025–2029	Project management support contract <sup>6</sup>
<p>3.3 All policies and practices of participating enterprises are consistent with national legislations and Law on Promotion of Gender Equality of Mongolia</p>	<p>3.3.1. Commitment to respect national legislations and Law on Promotion of Gender Equality of Mongolia signed and is part of participating enterprises' proposals (2021 baseline: 0)</p> <p>3.3.2. Training conducted for participating enterprises on respective workplace free of sexual harassment and gender-based violence (2021 baseline: 0)</p> <p>3.3.3. No court case against participating enterprises related to gender issues (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>MED</li> <li>GIRAF manager</li> <li>Participating enterprises</li> <li>Social, gender, and community engagement specialists</li> </ul>	2025 Female leadership in SMEs to be assessed in 2024–2028	Project management support contract <sup>6</sup>
<p>• <b>Output 4. Institutional capacity and policies for low-carbon and climate-resilient agro-territorial development strengthened</b></p>				

Objectives and Activities	Targets and Indicators	Responsible Agencies	Timeframe	Budget
4.1 Gender-responsive capacity building and institutional strengthening	<p>4.1.1. By 2022, sex-disaggregated project performance management system established (2021 baseline: 0)</p> <p>4.1.2. By 2023 pre-feasibility, business plan, and technical specification template and training (of which 40% are attended by women) for investments supported by the GIRAF are developed (2021 baseline: 0)</p> <p>4.1.3. At least 35% of PIU staff are female (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>• ADB</li> <li>• Implementing agencies</li> <li>• PIU</li> </ul>	2025–2029	Project management support contract
<p>• For outputs 1–3: Generating job opportunities</p> <p>5.1a Generate 300,000 person-months, including 100,000 person-months of skilled employment, at the construction stage and for operation and maintenance, and ensure women benefit from employment opportunities</p> <p>5.1b Ensure timely advertisement of job vacancies; contractors give priority to local people (pilot street and/or soum center residents), women, ethnic groups, and low-income people for hiring in civil works</p> <p>5.2 Ensure provision of new jobs to local workforce including low-</p>	<p>5.1.1. 20% of jobs at construction phase are first made available to women, and 20% of jobs are actually filled by women (2021 baseline: 17.2%)</p> <p>5.1.2. 20% of jobs are first made available to low-income people (2021 baseline: 0)</p> <p>5.1.3. 60% of projects financed under CPP use local workforce, of which 60% are from low-income households (2021 baseline: 0)</p> <p>5.1.4. Type of publicity and/or job advertisement done by contractors (i.e., posters, bulletin boards, and/or public boards notices in the pilot streets areas and/or soum centers) (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>• Implementing agencies</li> <li>• Social, gender, and community engagement specialists</li> </ul>	2024–2029	Project construction and operation funds
5.2 Ensure provision of new jobs to local workforce including low-	5.2.1. 176 businesses and 250 microenterprises benefit from the GIRAF support creating 3,850 direct green jobs, of which 300 are skilled jobs; 40% of both skilled and unskilled jobs are filled by women, 40% of unskilled jobs are filled by low-income households (2021 baseline: 0)	<ul style="list-style-type: none"> <li>• Implementing agencies</li> <li>• Participating enterprises</li> </ul>	2024–2029 GIRAF-generated	Project management support contract

Objectives and Activities	Targets and Indicators	Responsible Agencies	Timeframe	Budget
<p>income households and women, and skills and knowledge of low-income households and women increased at operation phase</p>	<p>5.2.2. 3 incubators constructed in aimag centers and 2 incubators in inter-soum centers with a total of 80 workspaces and 40% of workspaces provided to women-led businesses (2021 baseline: 0)</p> <p>5.2.3. At least 30% of recipients of training programs for entrepreneurs in soum cooperatives and SMEs are women (2021 baseline: 0)</p> <p>5.2.4. 1,400 hectares of irrigated perimeters generating 80 jobs of which 20% go to women (2021 baseline: 0)</p>		<p>Jobs: 2025: 0% 2026: 10% 2027: 30% 2028: 65% 2029: 100%</p> <ul style="list-style-type: none"> <li>Incubators constructed and filled at 50% in 2025 and 100% in 2026</li> <li>25% of irrigated perimeters built in 2026, 50% in 2027, and 100% in 2028</li> </ul>	
<p>• For outputs 1–3: Measures to reduce potential risks, and strengthen management</p> <p>6.1 Appoint a social and gender specialist at PIU level</p> <p>6.2a Conduct IEC campaign on HIV/AIDS/STI, sexual harassment, drugs, and human trafficking to contractors and workers</p> <p>6.2b Public health prevention awareness conducted to</p>	<p>6.1.1. Social and gender specialist engaged in the PIU with 102 person-months, and in each aimag PIU with 25.5 person-months (2021 baseline: 0)</p> <p>6.1.2. All PIU staff trained by the social and gender specialist on gender-specific needs and priorities, and sex-disaggregated data collection and reporting (2021 baseline: 0)</p> <p>6.2.1. 100% of contractors and workers provided awareness training on HIV/AIDS/STI, drugs, and human trafficking prevention (2021 baseline: 0%)</p> <p>6.2.2. Public health and HIV/AIDS/STI prevention awareness participants (disaggregated by sex), 50% women, 20% low-income people (2021 baseline: 0%)</p> <p>6.2.3 Core labor standards are included in all civil works contracts (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>Implementing agencies</li> <li>PIU</li> </ul>	<p>2024</p>	<p>Project management support contract<sup>a</sup></p> <p>Project management support contract<sup>b</sup></p>

Objectives and Activities	Targets and Indicators	Responsible Agencies	Timeframe	Budget
<p>community residents</p> <p>6.2c Ensure implementation of core labor standards (i.e., equal pay for equal work, no child labor, etc.), and safety guidelines are stated in the contracts</p>				
<p>6.3 GRM and monitoring system to track possible complaints established</p>	<p>6.3.1. Women are appropriately informed about the mechanism (45% minimum female attendance to any meeting related to presentation of GRM) (2021 baseline: 0)</p>	<ul style="list-style-type: none"> <li>PIU</li> </ul>	<p>GRM system put in place in 2024</p>	<p>PIU</p>

ADB = Asian Development Bank; CPP = community participation in procurement; GIRAF = Green and Inclusive Regional Agribusiness Fund; GRM = grievance redress mechanism; IEC = information, education, and communication; m<sup>2</sup> = square meter; MCDU = Ministry of Construction and Urban Development; MED = Ministry of Economy and Development; PIHMP = participatory and inclusive herd management plan; PIU = project implementation unit; PUG = pasture user group; RUA = rangeland use agreement; SMEs = small and medium-sized enterprises; STI = sexually transmitted infection; TOSK = State Housing Corporation; WASH = water, sanitation, and hygiene.

\* According to a socioeconomic survey conducted in September 2019—in Ulgi bagh (subdistrict) 13 targeted street, 40.7% of households do not reach the minimum standard of living; in Khovd bagh targeted street, 31.4%; and in Uvs bagh 4 targeted street, 37.7%. Per Decree No. A/12 of 22 January 2019, the minimum standard of living in 2019 is MNT190,700 for the western region, including Bayan-Ulgii, Khovd, Uvs aimags.

† Project consultants will support the MCDU, implementing agencies, and PIU to conduct the proposed actions and monitor the indicator. An allocation of \$341,700 will be included in the consulting contract to fund the social and gender action plan activities.

‡ The list of ethnic groups are in Part IV, Section B of Summary Poverty Reduction and Social Strategy (accessible form the list of linked documents of the report and recommendation of the President).

§ Gender-sensitive public space refers to urban designs where women feel comfortable to use the public space and is adapted to both genders' needs and demands, in a specific societal context. Given the cultural aspects (women of a certain country may be comfortable in a type of urban design, while the same design may be excluding women in another society); women are to be consulted at design stage. For instance, in France, a gender-sensitive urban design guidebook published by Paris Municipality identifies specific features related to topics such as mobility, appropriation of public space, or sense of security to promote designs adapted to women's needs. Examples of gender-sensitive urban designs in the French context include larger sidewalks (for people walking with strollers or with dependent elderly people, who are more often women), quality public lighting and signage, and well-thought design of bus stops for women to feel comfortable waiting, benches in squares, etc. Consultation is key to identify design priorities for women in the targeted aimags and soums.

\* According to a socioeconomic survey conducted in September 2019—in Ulgi bagh (subdistrict) 13 targeted street, 40.7% of households do not reach the minimum standard of living; in Khovd bagh targeted street, 31.4%; and in Uvs bagh 4 targeted street, 37.7%. Per Decree No. A/12 of 22 January 2019, the minimum standard of living in 2019 is MNT190,700 for the western region, including Bayan-Ulgii, Khovd, Uvs aimags.

<sup>f</sup> According to the National Federation of Pasture User Groups statistics, 100% of herder households are included in the PUGs of the targeted soums of Tranche 1. However, qualitative interviews indicate these results may be overestimated. Data will be collected and checked by the National Federation of Pasture User Groups at the beginning of the project.

<sup>g</sup> Swiss Agency for Development and Cooperation, 2021. *Sustainably Managed Pastures and Healthy Animals: Mongolia's 'Green Gold'*.

<sup>h</sup> Based on what is indicated in the CPP project sheets (requests for financing) and validated by the project consultants.  
Source: ADB.

## SCHEDULE 6

### UNDERTAKINGS

In addition to the legal agreements for individual tranches under the Facility, Mongolia shall ensure and shall cause the Ministry of Economy and Development; Ministry of Finance; Ministry of Construction and Urban Development; and Ministry of Food, Agriculture and Light Industry to carry out the following:

#### **Implementation Arrangements**

- (i) Remain committed to the implementation of the *Aimags and Soums Green Regional Development Investment Program* and achieve its outputs and outcome in a timely manner, including executing the implementation arrangements set out in Schedule 3 to this framework financing agreement (FFA) and monitoring and evaluating implementation based on the design and monitoring framework attached to this FFA as Schedule 2.
- (ii) That all projects financed under this Facility are selected and approved in accordance with the criteria and procedures set out in Schedule 4 to this FFA, and all projects financed under this Facility are developed, implemented, and maintained in accordance with the safeguard and social requirements set out in Schedule 5 to this FFA.
- (iii) Implement the road map referred to in Schedule 1 to this FFA.
- (iv) Keep the Asian Development bank (ADB) informed of policies and programs related to the road map and economic development that will materially affect the economic viability of each project financed under the Facility. In the event of any change in the road map, policy framework, project or financing plan, Mongolia shall assess with ADB the potential impact on the Investment Program and evaluate any change in scope, amendment, or continuation, as appropriate, of the program.
- (v) Implement the program and the projects under the program in accordance with the detailed arrangements set forth in the facility administration manual (FAM). Any subsequent change to the FAM shall become effective only after approval of such change by the government and ADB.
- (vi) The implementation of each project under the program is in compliance with the undertakings and assurances concerning, environment, indigenous peoples, involuntary resettlement, gender policy, anticorruption policy, labor standards, and prohibited investments as set out in Schedule 5 of this FFA and the loan agreement for each tranche under the program.
- (vii) The establishment of the projects steering committee as further described in FAM.

#### **Counterpart Support and Operation and Maintenance**

- (i) That, throughout implementation of the program, adequate and timely counterpart support is provided for efficient implementation of the program, and additional financing is provided for any cost overruns in excess of the contingencies of the program and the projects.
- (ii) Take all actions, including provision of funds, facilities, services, and other resources necessary or appropriate to enable the executing and implementing agencies to perform its obligations under the legal agreements for each tranche, and for timely completion of the projects under the Facility.
- (iii) That executing and implementing agencies have sufficient funds to satisfy their respective liabilities from any works, goods, and services contract.

- (iv) Financial, technical, and human resources necessary for implementation of the program are provided on a timely basis throughout the implementation period.
- (v) Sufficient and appropriate staff for the duration of the program with adequate and relevant expertise, and that all staff provided for the program are equipped with adequate office space, facilities, equipment, support staff, and telecommunications and management information systems for the entire duration of the program.
- (vi) Sustainable operation of the project implementation unit, (as described in the implementation arrangements set out in Schedule 3) throughout the duration of the program.
- (vii) Adequate funds are allocated for the operation and maintenance of the infrastructure assets constructed and goods procured under the program.