



EA Progress Report  
Project Number: 45007-003  
Loan: 3099-MON  
Period covered January – March 2017

# **Ulaanbaatar Urban Services and Ger Areas Development Investment Program**

## **QUARTERLY PROGRESS REPORT**

January - March 2017

**Prepared Jointly by:**  
Municipality of Ulaanbaatar (MUB) and  
Project Management Office (PMO)

## CONTENTS

CONTENTS	2
ABBREVIATIONS	4
PREAMBLE	5
EXECUTIVE SUMMARY	7
Project Management Arrangements	11
A. Project Implementation Organizations – Roles and Responsibilities	11
B. Key Persons Involved in Implementation	12
C. Project Organization Structure	13
A. The Project	16
A.1 Background	16
A.2 Project Impact and Outcome	17
A.3 Project Outcome	17
B. Project Implementation Status	20
B.1 Updated Project Implementation Schedule	20
B.2 Performance Monitoring System (PPMS)	20
C. Project Management Information System (MIS)	23
D. Procurement	24
D.2 Updated and Revised Procurement Plan	24
E. Contract Management	27
E.1 Bayankhoshuu Subcenter Subproject	27
E.2 Selbe Subcenter Subproject	27
E.3 Water and Wastewater Operation Improvement Subproject	27
E.4 Consulting Services Packages	27
F. Financial Management and Project Accountings	28
F.1 Financial Management System and Support	28
F.2 Project Costs	28
F.3 Project Financing and Disbursements	29
G. Safeguards	34
G.1 Update of EMP, RPs, SAP and GAP	34
G.1.1 Update of EMP	34
G.1.2 Update of RPs	35
G.1.3 Update of SAP and GAP	36
G.2. Environmental Monitoring	37
G.3. Safeguards Implementation Support and Monitoring	37
G.4. Safeguards Implementation Support and Monitoring	38
G.5 Social and Gender Consultations	38

G.6 Grievance Redress Mechanism (GRM) and Reporting	39
H. Capacity Building and Training	40
H.1 Institutional Support	40
H.2 Training Plan	41
H.3 Training Activities	41
I. Key Activities for Next Quarter	43
Current Work in Progress:	43
List of documentation available	43
J. Conclusions, Issues and Recommendations	45

## ABBREVIATIONS

ADB = Asian Development Bank  
ADF = Asian Development Fund  
CQS = consultant qualification selection  
DEIA = detailed environmental impact assessment  
DMF = design and monitoring framework  
EARF = environmental assessment and review framework  
EIA = environmental impact assessment  
EMP = environmental management plan  
ESMS = environmental and social management system  
FFA = framework financing agreement  
FAM = facility administration manual  
GACAP = governance and anticorruption action plan  
GDP = gross domestic product  
GEIA = general environmental impact assessment  
GRM = grievance redress mechanism  
ICB = international competitive bidding  
IEE = initial environmental examination  
LAR = land acquisition and resettlement  
MEGD = Ministry of Environment and Green Development  
MFF = multitranche financing facility  
MOU = Memorandum of Understanding  
MUB = Municipality of Ulaanbaatar  
NCB = national competitive bidding  
NGOs = nongovernment organizations  
PAI = project administration instructions  
PIU = project implementation unit  
PMO = program management office  
PSC = program steering committee  
QCBS = quality- and cost-based selection  
RPIC = Resettlement Planning Implementation Committee  
RRP = report and recommendation of the President to the Board  
SAP = social action plan  
SBD = standard bidding documents  
SME = small and medium enterprise  
SOE = statement of expenditure  
SPRSS = summary poverty reduction and social strategy  
SRA = Subcenter Redevelopment Authority  
USUG = Ulaanbaatar Water Supply and Sewerage Authority

### Weights and Measures

km = kilometer  
m = meter  
m<sup>2</sup> = square meter  
mm = millimeter  
MW = megawatt

NOTE In this report, "\$" refers to US dollars.

## PREAMBLE

The program approach aims to initiate a redevelopment process in ger areas. Improving infrastructure within the ger area subcenters and connectivity with the city core center is critical for inclusiveness and important to facilitate the movement of people and goods, develop urban corridors, and create clusters of subcenters. Better urban planning combined with a network of infrastructure along priority roads will initiate a structural change of subcenter urban fabric. This will (i) improve residents access to basic urban services, public space, and socioeconomic facilities; (ii) support local economic development; (iii) allow residents and businesses to take advantage of urban economies; and (iv) provide better housing options. The changes in land use and higher urban density will improve water, sanitation, and heating services delivery.

Road map. Based on government and Municipality of Ulaanbaatar (MUB) priorities to redevelop ger areas, the road map for the program will support the MUB in establishing a network of well-developed subcenters to provide jobs, housing, and economic opportunities with reduced soil and air pollution. It comprises sequenced investments, municipal reforms, and capacity building (policy, planning, and monitoring), with four strategic objectives: (i) expand roads and basic urban services (water, sewerage, and heating) within subcenters and improve connectivity to initiate land use transformation; (ii) increase economic and public services through investments in socioeconomic facilities to meet population needs, increase urban functions, and encourage job creation; (iii) increase service provider efficiency by improving water supply, sewerage, and heating service operations; and (iv) strengthen institutions and capacity by improving urban planning and subcenter development, community awareness, participation and empowerment, service provider operations and management, and program implementation capacity.

The purpose of the QUARTERLY PROGRESS REPORT is to provide a brief summary of work undertaken and progress against activity plan/s:

- Main actions for next quarter
- Record of meetings held
- Advise on the input and activity plan and work undertaken this quarter;
- Tranche 2 progress feasibility study and signed MOU
- Confirm the final project work plan and arrangements; and
- Document issues and constraints arising
- Report on the agreements reached at the mid-term review in February 2016

The Mid-Term review mission (MTMR) was led by the ADB Staff for Tranche1 from 14 to 23 February.

The tentative agenda was:

- 13 February: ADB team arrives in UB
- 14 February morning: MTMR kick-off meeting
- From 14 Feb afternoon to 16 Feb Morning: working groups were formed for each safeguard and due diligence review
- 17 Feb morning: ADB internal wrap-up
- 17 Feb afternoon to 20 Feb: contribution of everybody to the draft MOU. Safeguard team fly back to Manila on 17 Feb late afternoon
- 21 Feb to 22 Feb: Finalization/translation of MOU and pending issues
- 23 Feb Morning: Wrap-up meeting

The MTMR was an important mission. It assessed whether the project's immediate objectives are still attainable in terms of the design and monitoring framework. The mission work included detailed:

- review of institutional, administrative, organizational, technical, environmental, social, economic, and financial aspects of the project based on the assumptions and risks included in the design and monitoring framework;

- review of covenants and FFA undertaking to assess whether they are still relevant or need to be changed, or waived due to changing circumstances;
- updating the project's design and monitoring framework, SDAP and GAD, where restructuring or reformulation is necessary or its immediate objectives will change,
- Review of the procurement plan, baseline projections, project implementation timing, and if necessary the processing of change in scope.

The MTMR should have been fielded later (around August/September) but during ADB management review meeting the VP requested to carry-out the MTRM before the submission of Tranche 2 for President's approval (by March 2017). The mission MOU and outcome will be linked to Tranche 2 processing.

All available experts, national and International, from Egis, Dohwa/Monconsult, UN Habitat and IPE were requested to participate. From the consultant teams EGIS led the MTMR. Working groups for each safeguard and due diligence activity were set-up with a focal point. ADB experts worked directly with each working group members. The tentative groups were:

- Resettlement
- Social, gender and community engagement
- Environment
- Project cost, Economy and Finance
- Project scope, technical/engineer
- Procurement and baseline projection for contract award and disbursement
- DMF, Loan covenant, and FFA undertaking/road map
- Subcenter development and planning

Reports, presentations, procurement plans and documents were provided for respective meetings with detailed description of the current project components and progress related to the items mentioned above. The updated documents are attached in Appendices 1-8 in this report.

## EXECUTIVE SUMMARY

The program approach aims to initiate a redevelopment process in ger areas. Improving infrastructure within the ger area subcenters and connectivity with the city core center is critical for inclusiveness and important to facilitate the movement of people and goods, develop urban corridors, and create clusters of subcenters. Better urban planning combined with a network of infrastructure along priority roads will initiate a structural change of subcenter urban fabric. This will (i) improve residents access to basic urban services, public space, and socioeconomic facilities; (ii) support local economic development; (iii) allow residents and businesses to take advantage of urban economies; and (iv) provide better housing options. The changes in land use and higher urban density will improve water, sanitation, and heating services delivery.

A snap shot of major activities and progress in 1<sup>st</sup> Quarter 2017 are summarized as follows:

- The Project was approved by ADB on 17 Dec 2013, signed on 30 Jun 2014 and became effective on 24 Sep 2014
- Implementation activities started in Q3 2014 when the design of the sewer collector mains was started for the two target subcenters Selbe and Bayankhoshuu
- Work to date has been dominated by the recruitment of four consulting firms and in fast tracking the inception phase and mobilization of respective consultants
- A total of 4 contracts have been awarded, including (i) for Detailed Design and Implementation Supervision (Dohwa Engineering Co. Ltd), (ii) Program Management Support Services (Egis International), (iii) Improved Subcenter Planning and Development (IPE Global) and (iv) Community Engagement, and SME Support (UN Habitat)
- Expression of interest have been advertised for Consulting Services CS5
- Preparation of detailed design for Tranche 1 subprojects is progressing and procurement through international and national competitive bidding (NCB) commenced in July 2016. The detailed designs were promised to be completed by the end of March 2017, however the consultant hasn't delivered the detailed designs.
- PMO has reviewed the Draft Procurement and Financial Manuals prepared for PMO use by EGIS team and found insufficient and requested the EGIS team to comply with the contractual obligations.
- The Procurement risk mitigation matrix prepared, however it does not address the problems PMO faces with the transferring of procurement activities to the Municipal Procurement Agency.
- Based on scoping of procurement packages recommended by detailed design consultants and the PMO the procurement plan approved on 22 August 2016 was revised during the mid-term review and the revised version was submitted to ADB for approval in March 2017.
- TORs for MIS system and PMO internal networking for improved efficiency and file sharing were completed by the PMO and delivered to EGIS team.
- Detailed resettlement plans in progress
- Financial and accounting system development completed. Implementation to start in February 2017.
- Bidding period for WWOI closed on 16 June 2016, bid evaluation completed and contract awarded in October 2016. The Contractor has completed the designs of wells.
- Bidding documents for bridges, flood protection, facilities and heating plants under drafting pending completion of detailed design, specifications, BoQ, etc.
- Bids for bridges and affordable housing pilot project advertised 1<sup>st</sup> Quarter 2017
- Bid evaluation for Selbe heating plant completed and submitted to ADB for no objection.

## KEY ISSUES AND PROPOSED ACTIONS - TRANCHE 1 (As discussed during the ADB Mid-Term Review Mission in February 2017)

1. **Resettlement.** MUB decision on the baseline value for compensation per square meter of land is urgent. Without this, resettlement activities cannot progress and implementation will be delayed. It is suggested that MUB agree on 1m<sup>2</sup> land baseline price between MNT 80,000-100,000. The land acquisition and resettlement (LAR) impact and scope for additional road sections for Selbe and Bayankhoshuu subcenters needs to be determined based on the final detailed technical design. Thus, EGIS (the program management support services consulting team) should prepare the land acquisition and resettlement plans (LARPs) for the remaining areas of Tranche 1. This work should be coordinated with the detailed technical design work for the remaining areas of Selbe and Bayankhoshuu subcenters.
2. **Environment.** The following should be undertaken: (i) urgent update of the design parameters of water supply, sewerage, road, and heating system for Bayankhoshuu and Selbe subcenters as per detailed layout plan is required to update the environmental management plan (EMP) after receiving all updated layout maps and design parameters for various components of Project 1; (ii) EARF and EMP: Tranche 1 project implementation consultants will update EARF and EMP and submit it to ADB by August 2016 (prior to fact-finding mission for Tranche 2); (iii) Grievance redress mechanism (GRM): review the GRM in place to adjust it as needed, and to document it in the updated EARF, including the complaints that were filed, related mainly to resettlement; (iv) Environmental Monitoring: the PMO informed that monitoring obligation will be delegated to contractors (which shall hire monitoring entity), and therefore, provisional item will need to be included in bidding documents; and (v) EMP update: after completion of the final layout of the project detailed design, the EMP will be updated by EGIS.
3. **Social.** Coordination between the PMO, EGIS, IPE Global, and UN Habitat in terms of social due diligences and community participation-related activities should be improved. The PMO, supported by EGIS, will review the progress of implementation of social, community participation, and gender action plans; and prepare a social monitoring report to be submitted to ADB by mid-July 2017.
4. **Approval process.** The MUB approval process should be simplified and shortened (some approval process could be done in parallel). Kindergartens and business incubators are ready to be tendered for more than one month but approval to start the tender process has not been received. Advance review of bidding documents by ADB before detailed design is submitted to state expertise may be considered.
5. **Revised Procurement Plan.** The PMO requested to revise the Procurement Plan due to changes in the design. NCB procurement method will be introduced. The PMO has to submit 2–3 contracts of similar nature. The revised Procurement Plan needs to be approved by ADB as soon as possible as most of the bidding packages will be advertised in Q2 and Q3 of 2017.
6. **Audit Report.** In order to comply with the loan covenants, the Mission requested the PMO to submit the 2014/2015 audit reports for MUB, which were submitted shortly after the mid-term review. The PMO was also reminded to submit the 2016 audit report for the project by end-June 2017.



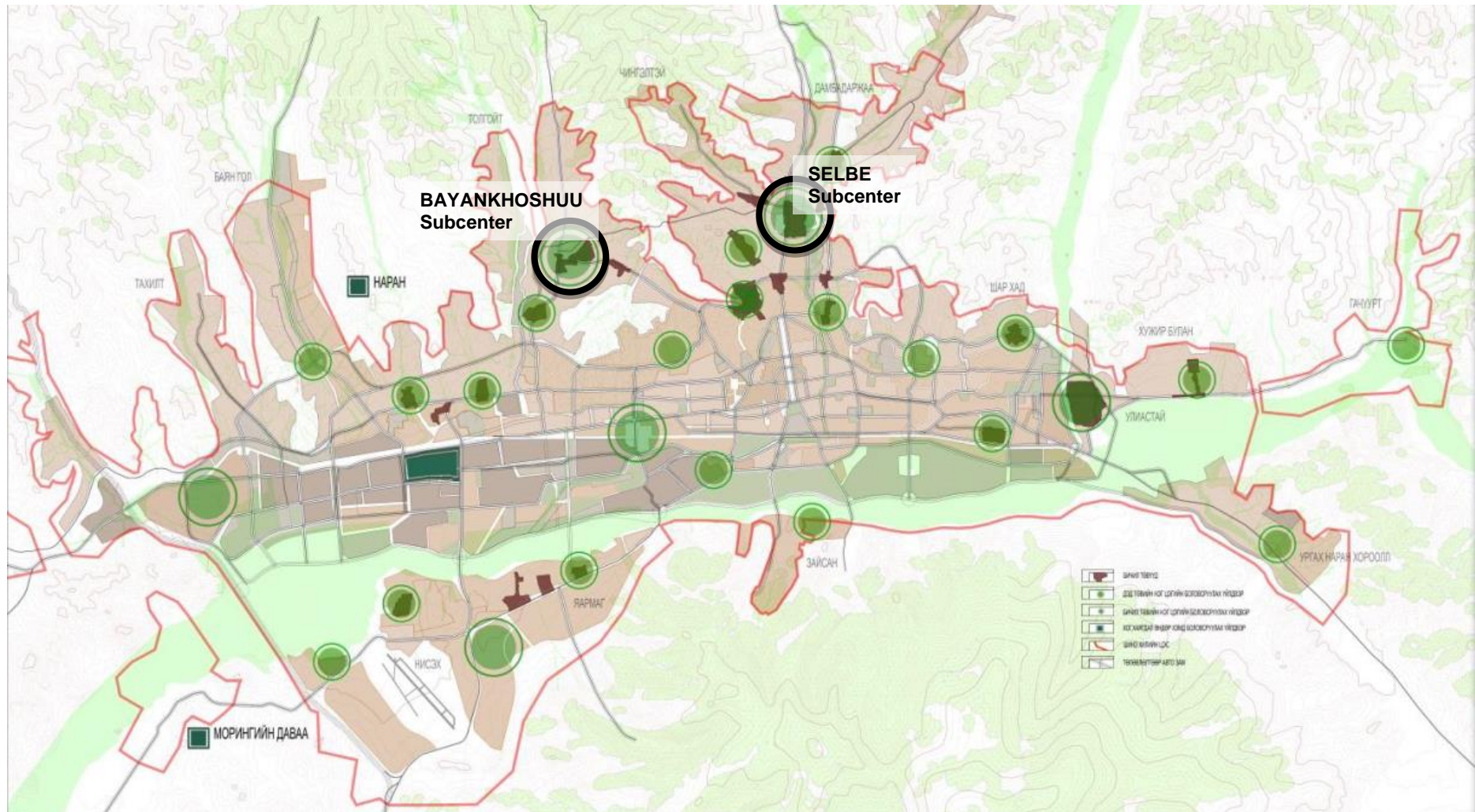
7. **Contract variation.** Dohwa will submit a variation request, which should be processed on time to allow the design team to make the final adjustments to the design and start the tendering process. The variation was approved and the team was mobilized since July 2016, however the detailed designs are not yet completed to start the procurement processes for all the packages in Q1 and Q2 2017.

8. While making the final adjustment in the project detailed design, the consultant team should pay a special attention in making the design as flexible as possible to provide access opportunity to a maximum of residents and calibrate the services supply based on average demand by block to allow a maximum adaptability of the system and to adapt to the future organic and redevelopment process.

### **Impact**

Improved living conditions in Ulaanbaatar.

## PROJECT LOCATION MAP



## Project Management Arrangements

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

	Management Roles and Responsibilities
<b>Asian Development Bank (ADB)</b>	<ul style="list-style-type: none"> <li>Oversees the implementation, including compliance by executing and implementing agencies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.</li> </ul>
<b>The Government</b>	<ul style="list-style-type: none"> <li>The Borrower's representative</li> <li>Ensures that the MUB provides timely counterpart funding.</li> <li>Screens and approves withdrawal applications.</li> <li>Establish three imprest accounts (for loans and grant funds, respectively) in a Commercial bank acceptable to ADB.</li> <li>Ensures annual audit of the project accounts.</li> <li>Negotiates project and loan agreements.</li> </ul>
<b>Program Steering Committee</b>	<ul style="list-style-type: none"> <li>Chaired by the Mayor of Ulaanbaatar</li> <li>Comprise representatives of the Ministry of Economic Development, Ministry of Finance, Ministry of Construction and Urban Development, Ministry of Labor, Ministry of Education, and other agencies concerned, as needed.</li> <li>Oversees progress on the Investment program.</li> <li>Provides strategic guidance on program implementation.</li> <li>Meet at least once every 6 months until program completion.</li> </ul>
<b>Executing Agency – Municipality of Ulaanbaatar (MUB)</b>	<ul style="list-style-type: none"> <li>Responsible for program oversight and administration.</li> <li>Sets up multimodal coordination committee and follow up the action plan.</li> <li>Oversees implementation of investment program road maps.</li> <li>Submits progress reports to the steering committee for decision-making.</li> <li>Prepares subsequent tranches.</li> <li>Be accountable and responsible for proper use of advances to the imprest accounts.</li> <li>Endorses withdrawal applications.</li> <li>Ensures compliance with project covenants.</li> <li>Hold quarterly meetings with the program management office.</li> </ul>
<b>Implementing Agency – Municipality of Ulaanbaatar (MUB)</b>	<ul style="list-style-type: none"> <li>Responsible for implementation of the program, including finance and administration, technical and procurement matters, monitoring and evaluation, and safeguards compliance.</li> </ul>

<b>Program Management Office, and Procurement Committee</b>	<ul style="list-style-type: none"> <li>▪ Responsible for program implementation and management.</li> <li>▪ Establishes and maintain program performance management system.</li> <li>▪ Manages detailed surveys, investigations and engineering designs for all subcomponents.</li> <li>▪ Prepares/update and submits final resettlement plans and updated EMP for ADB approval prior to award of contracts and implements all necessary documents related to land acquisition and resettlement, environmental, and other social safeguards.</li> <li>▪ Secures technical and ecological expertise for all civil works prior to bidding.</li> <li>▪ Assists the MUB in procurement and management of works, goods supply, and consulting services contracts (with support from relevant municipal bodies).</li> <li>▪ Ensures monitoring and quality control of construction works with necessary safety measures.</li> <li>▪ Coordinates with ADB on matters related to disbursements, including preparation of withdrawal/replenishment applications for endorsement by the MUB and the Ministry of Finance, and retaining of supporting documents.</li> <li>▪ Submits progress reports and audit reports, to ADB and the MUB on time.</li> <li>▪ Maintains the program imprest accounts.</li> <li>▪ Submits the withdrawal application to ADB, collect and keep supporting documents, submit reporting requirements, including the annual report and financial statements.</li> </ul>
---	---

SOURCE: FAM

## B. Key Persons Involved in Implementation

<b>Municipality of Ulaanbaatar(MUB)</b>	
Municipality of Ulaanbaatar (MUB)	Mr. Batbold S. Governor of the Capital City and Mayor of Ulaanbaatar Jigjidav Street -9 Ulaanbaatar-15160 Mongolia
Municipality of Ulaanbaatar(MUB)	Mr. Batkhoo Head of Project and Cooperation Dept. Mayor's Office E-mail: batkhoo@gmail.com
<b>ADB</b>	
Urban and Social Sectors Division (EASS)	Mr. Diwesh Sharan Director Tel.: + 63 2 632 5340 Fax: +63 2 636 2407 E-mail: dsharan@adb.org
Mission Leader	Mr. Arnaud Heckmann Urban Development Specialist Mongolia Resident Mission ICC Tower, 17th Floor, Jamyan Gunii Street-9, Ulaanbaatar 14210, Mongolia Tel.: +976 11 313440/323507/329836 Fax: +976 11 311795 E-mail: aheckmann@adb.org

## PMO

Project Management Office Ulaanbaatar Urban Services and Ger Areas Development Investment Program	Mr. Avirmed D Project Coordinator Room #408, Central Cultural Palace Amar Street 2, BagaToiruu 1 Sukhbaatar District, 8th khoroo Ulaanbaatar, Mongolia Tel.:+976-7000-3098 Mobile: + 976 99115199 E-mail: avirmed@ub-subcenter.mn
---	---

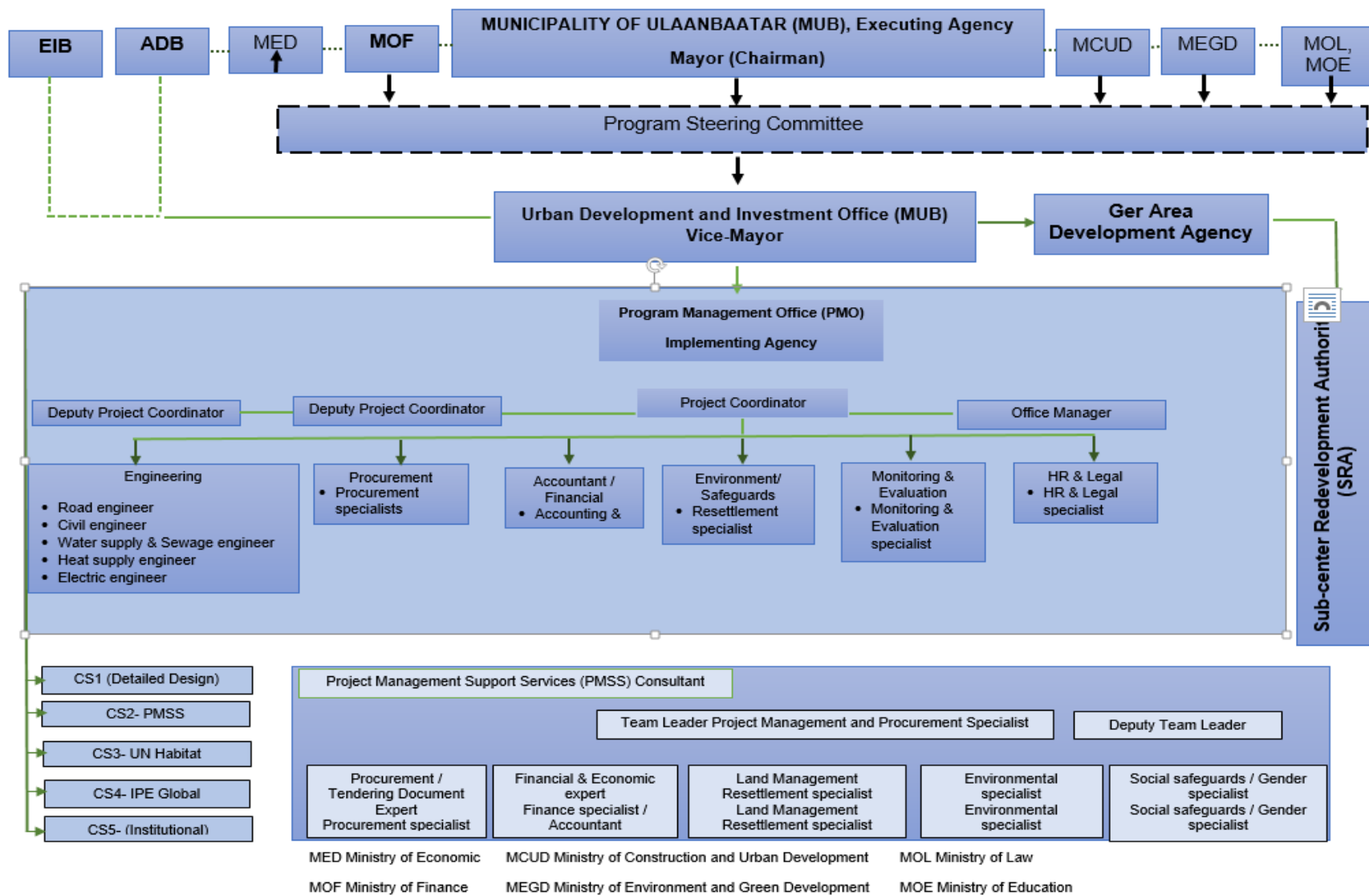
## Consultants

1. Dohwa Engineering / KDH / MonConsult
2. Egis international in JV with Egis Eau and Sub-consultants Egis Tiin Mongolia & Inter Consulting Group
3. UN Habitat
4. IPE Global

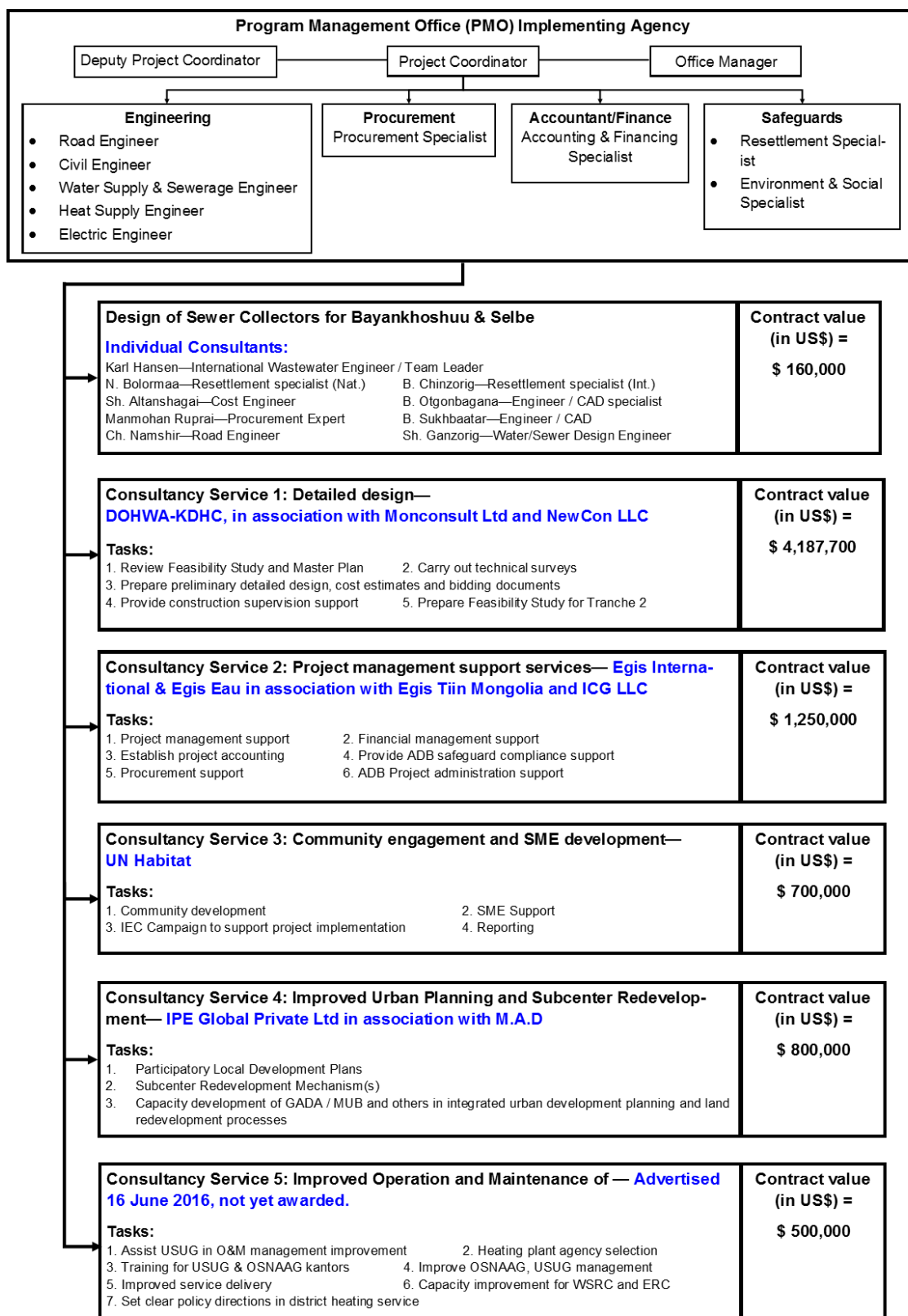
## C. Project Organization Structure

Figure 1: Program Organizational Structure









## **A. The Project**

### **A.1 Background**

Strategic context and sector policy. In February 2013, Parliament approved the Adjustments to the Ulaanbaatar City Urban Development Master Plan 2020 and Development Directions 2030. The master plan produced two important outcomes: (i) integration of ger area development into the city master plan, and (ii) acknowledgement of the value and function of ger area subcenters as key elements of future city growth. The MUB is developing the Ger Area Development Program and established a Ger Area Development Agency, supervised by the vice mayor in charge of urban development and investment. On 30 May 2013, the city council resolution No.10/38 endorsed the program, subcenter locations under project 1, and coordination of the investment program with the city master plan. The MUB proposed a special purpose development vehicle (subcenter redevelopment authority) to facilitate, supervise, and coordinate the redevelopment process of the selected subcenters. In addition, the Ministry of Economic Development's Street Project is to improve road conditions in Ulaanbaatar and includes a ger area component. The National Development Strategy and the New Reconstruction Midterm Program (2008 2016) constitute the national framework for program implementation. The program is consistent with the Asian Development Bank (ADB) country partnership strategy, 2012 2016 for Mongolia; ADB's Strategy 2020 priorities, including environmental sustainability and private sector development; as well as the core themes of green, competitive, and inclusive cities of ADB's Urban Operational Plan.

Policy dialogue and capacity development. To supplement the strong policy framework, policy dialogue and capacity development will focus (i) in communities, on community participation, awareness, and empowerment, including design and implementation of the social and gender action plan; and establishment of community development councils (CDCs) and small- and medium-sized enterprise (SME) development councils (SDCs); (ii) in subcenters, on subcenter upgrading, including technical guidance for preparing and implementing local development plans, urban zoning regulation and construction standards, and a development framework with a transparent mechanism to regulate land redevelopment insuring current residents are integrated in the redevelopment plan; and (iii) in the city, on the master plan through ongoing ADB technical assistance to strengthen urban planning capacity. Capacity development for water and wastewater utilities will target (i) improving the MUB and USUG management contract, (ii) defining a clearer tariff road map, and (iii) providing technical support to the Water and Sewerage Regulatory Commission. For heating, the focus will be to ensure financial sustainability and capacity of new and existing heating facilities operators in the selected subcenters and to strengthen provisions in management contracts.

Financing modality. An MFF is the proposed financing modality to promote a long-term partnership between ADB, the government, and the MUB to facilitate the development of sustainable, inclusive, and livable ger areas. The MFF will support the policy framework for the redevelopment of ger areas, and provide opportunities for constructive dialogue and capacity development on city planning, policy reforms, and physical and nonphysical investments. It will generate critical mass, predictability, and continuity for basic urban services provision in ger areas, and enable ADB to better respond to MUB needs. Development coordination. In preparing the program, ADB coordinated closely with development partners involved in Ulaanbaatar's urban sector. Three ADB-financed projects will directly support the program: (i) a bus rapid transit line from the city center to Selbe subcenter; (ii) support for housing and micro-, small-, and medium-sized enterprise financing in ger areas targeted by the program; and (iii) capacity development technical assistance to strengthen MUB urban planning capacity.



## **A.2 Project Impact and Outcome**

### **Project Outcome**

Description of Outcome A network of livable, competitive, and inclusive subcenters in Ulaanbaatar's ger (yurt or traditional tents) areas

Progress Toward Outcome: The loan and grant projects under MFF 0078 were approved on 17 Dec 2013 and became effective on 24 Sep 2014. The EIB loan and project agreements for Tranche 1 were signed and disbursement conditions are completed. The feasibility study for Tranche 2 commenced in February 2016 and the final reports were received by the end of February 2017. The feasibility study for tranche 2 was circulated among the relevant government agencies and the comments were received, however none of the comments were incorporated in the final report by the consultant.

During the Mid-Term Review in February 2017 the procurement plan was revised further on justifications provided by the PMO and Engineers. Based on the engineering detailed design the procurement plan has been updated.

## **V. KEY ISSUES AND PROPOSED ACTIONS**

### **Implementation Progress**

#### **Description of Project Outputs:**

1. Roads and urban services are expanded within the targeted subcenters and connectivity between subcenters is improved
2. Economic and public services in subcenters are improved
3. Service providers become more efficient
4. Institutions and capacity for urban development, program management, and service delivery are strengthened:
  - i. Subcenter development and community engagement
  - ii. Operations and management of service providers improved
  - iii. Strengthened program implementation capacity

#### **Status of Implementation Progress (Outputs, Activities, and Issues)**

Implementation of Tranche 1 is ongoing. Four out of five consulting firm service packages (detailed design sewerage collector mains, program management support, community engagement and SME development, and urban planning and subcenter development) were awarded and consultants were mobilized accordingly. Three civil works contracts financed by EIB for the construction of sewerage network collectors for Bayankhoshuu and Selbe subcenters are in advanced stage of physical completion. The bidding documents and tendering completed for USUG design, supply and installation of water supply and wastewater treatment equipment (Package WWOI). Contract awarded in October 2016. Selbe heating plant was advertised and bid evaluation is under progress. Bidding documents for several priority packages are under preparation and due to be advertised soon.

### **A.3 Project Outcome**

Description of Outcome: A network of livable, competitive, and inclusive subcenters in Ulaanbaatar's ger areas

#### **Description of Project Outputs:**

- Roads and urban services are expanded within the targeted subcenters and connectivity between subcenters is improved
- Economic and public services in subcenters are improved
- Service providers become more efficient

- Institutional strengthening and capacity building
- Subcenter development and community engagement
- Operations and management of service providers improved
- Strengthened program implementation capacity

### Source of Funding

	Loan/Grant	Fund	US\$ Amount million
1	Grant 0380-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1	Urban Environmental Infrastructure Fund-UFPF Multi	3.70
2	Loan 3098-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1	Ordinary capital resources	27.50
3	Loan 3099-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1	Asian Development Fund	22.50
4	Loan: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1	European Investment Bank	28.38
5	Loan: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1	Municipality of Ulaanbaatar	22.44
			104.52

## **B. Project Implementation Status**

### **B.1 Updated Project Implementation Schedule**

The latest Project Implementation Schedule was provided in the Appendix 3 of the MTR report.

### **B.2 Performance Monitoring System (PPMS)**

#### **Develop and implement Project performance management system**

On approval of the Contract Variation 1 for Egis, the ADB's Project Performance Management System (PPMS) was adopted in carrying out this component of the Consultancy. The ADB's PPMS aims to contribute to improved project performance, and is part of ADB's accountability framework.

Use of the PPMS during implementation will provide early warning to Project Director and others of emerging problems that require corrective action.

The PPMS will comprise five components (i) Project (Logical) Framework; (ii) Project Performance Report; (iii) Monitoring and Evaluation Report (at central, and executing and implementing agency levels); (iv) Project Completion Report; and, (v) Project Performance Audit Report and Impact Evaluation Study—this is outside the Consultant's scope of work.

It has two functions. First, it is a design tool for improving quality at Project start. Its use aims to ensure a consequential relationship between Inputs, Activities, Outputs, Purpose, and Goal. This will also help develop stakeholder understanding and ownership of the Project. Second, it provides the basis upon which the PPMS operates by establishing quantified and time bound targets and measurable indicators, and identifying key risks and assumptions that are used to monitor and evaluate performance in the PPR and PCR, and PPAR. Given this, preparation of a quality Project Framework is critical.

#### **Develop Relevant Database for PPMS**

The PPMS requires information to be collected to calculate the performance indicators. The indicators will include:

- ◆ Financial data
- ◆ Sociological and demographical data (population, gender...)
- ◆ Economic data
- ◆ Traffic data (volume, nature, safety...)
- ◆ Environmental data
- ◆ The Consultant will prepare a detailed description of the information to be collected, which will include:
  - ◆ The type / name of information to be collected
  - ◆ The frequency of collection
  - ◆ The type of collection (primary / secondary)
  - ◆ The location of surveys points.
  - ◆ The organization in charge of collection (government agency, supervision consultant...)

The above will be simply computerized in the form of a database to allow sorting out and monitoring of this information, which will provide the status of the PPMS. Standard formats and tools will be developed for the use of all concerned parties to allow an easy integration of all information and a simple reporting.

#### **Carry out necessary Surveys to update the databases**

The implementation of PPMS includes baseline data establishment and survey, and regular monitoring surveys as required. Surveys will be performed by the agencies in charge, and the supervision consultants.

Arrangements for monitoring and evaluation shall continue to be monitored by the Client after Project completion.

The Consultant will finalize the data collection plan in accordance with the requirements of the PPMS and of the ADB's guidelines. This plan will mention the location, type, frequency of collection for each data, to ensure a proper monitoring of the indicators.

Should any other agency / organization be required to perform surveys for example for environmental aspects (noise, water and air quality) this would be contracted out; the Management Consultant would assist the PMO in preparing the Terms of Reference and specifications for the same.

#### **Quarterly update performance indicator framework**

The PMO and Consultant will review these indicators every quarter and include in the quarterly report. This will be done through the consideration of the latest results of data collection / surveys.

The data collection plan mentioned above will be adjusted every quarter in order to reflect the progress of the works and operation (opening of sections to traffic, start or completion of works at a given location). This will be reported.

#### **Management Information System**

Accurate, timely, and relevant information is essential to the decision-making process of the Project, PMO needs to rely on an adequate information system to ensure that Project 'information needs' could be obtained accurately, easily and quickly.

Information needs means information in order to adequately plan, organize, and control the Project; information to share with other stakeholders; information about other projects that interface with the Project; information in order to coordinate and monitor Project activities; information suitable for decision-making (cost, variation, risk, work progress, etc.); information to monitor and evaluate Project performance; and others.

The development of the MIS would be done once the management processes and procedures are defined. This will enable the MIS functionality to be defined in terms of the following basic objectives (among others):

- ◆ To enable the PMO to identify and isolate sources of significant variances and determine the reason in the event the Project deviated from the plan;
  - ◆ To allow the PMO to track the real-time status of work packages in order to determine the completed works and the works that are still pending;
  - ◆ To help the PMO manage Project schedules by providing the basis for work package resource allocation and work timing;
  - ◆ To help the PMO to forecast the impact of certain risks on time, costs, and quality baselines;
  - ◆ To give PMO the insights into what revisions to the baselines should be implemented, when to implement these revisions, and why implement these revisions;
  - ◆ To enable the PMO to integrate with the work breakdown structure, which provides the capability to report status (physical and financial) of the work packages throughout the Project's life cycle;
  - ◆ To assist the PMO to assemble monitoring and evaluation data and statistics; and,
- To support reporting and communication procedures defined for the Project.

#### **Reporting**

The Consultant proposes to adopt on the whole project a standard format to make the compilation and consolidation processes easier. This format will be discussed with the PMO, and then shared with the detailed engineering design, tendering and construction supervision Consultant (package 1) and other packages stakeholders.

The Consultant will agree with the Client, during the Inception phase, the format, content and date for the delivery of these periodic reports. A procedure will be set up to ensure the delivery of the reports to the concerned parties (as agreed with the PMO) on the given date, without delay and with the required level of accuracy and reliability.

Every quarter, a specific report will be prepared by the Consultant. It will present a summary status of the various contracts (schedule, budget, actual and/or potential problems and delays). The reports shall be submitted within 30 days of the end of the report period (the exact date will be agreed with the Client). The Consultant will depend on the Package 1 Consultant for the provision of basic information.

### **Contract Management**

The Consultant will assist the PMO in reviewing and certifying the contractors' claims for payments. These claims will be assessed, using the report submitted by the Engineers and propose a different recommendation if needed.

Decisions will be proposed in a way to:

- ◆ be in accordance with the contracts and regulations
- ◆ be in line with former decisions
- ◆ be fair to all parties, and support and make the project implementation faster (i.e. demonstrate "flexibility" when it is possible and required)

### **C. Project Management Information System (MIS)**

The status: MIS is in the planning and set up stage and an initial architecture outline was developed during June 2016 by CS2. The MIS will be developed further as per the project needs. The UB-Subcenter website will be enhanced further to provide project details during the next two quarters.

PMO has recruited M&E Specialist to continually monitor and update the project schedules.

## D. Procurement

### D.1 Procurement Assistance

#### Prepare Tender Documents

The Consultant will prepare Bidding Documents in accordance with the revised procurement plans and detailed designs and will in general follow:

- ◆ ADB Project Procurement Plan defined in the Project Administration Manual, November 2013 ;
- ◆ ADB Procurement Guidelines, March 2013;
- ◆ ADB Standard Bidding Document, User's Guide Procurement of Plant-Design, Supply, Install, 2015;
- ◆ ADB Standard Bidding Documents for procurement of Works of 2015 or for procurement of Works - Small Contracts, 2015, and
- ◆ FIDIC Conditions of Contract for Construction for Building and Engineering Works Designed by the Employer, Multilateral Development Bank Harmonized, Edition 2010.

The procedure and main steps of bidding activities will be based on the Project Procurement Plan and details will be defined with PMO (e.g. scheduling, ICB, NCB or Shopping, with or without prequalification) prior to the preparation of the bidding documents. Once the procurement method approved, the Consultant will prepare the necessary documents (i) Instructions to Bidders, (ii) Bid Data sheet, (iii) Evaluation criteria; (iv) Bidding Forms, (v) Standard Specifications; (vi) General Conditions of Contract; (vii) Particular Conditions of Contract; (viii) Contract Forms

Technical Specifications, Drawings and Bill of Quantities will be delivered by the CS1 Consultant.

### D.2 Updated and Revised Procurement Plan

The Procurement Plan – Contract Packaging drafted 22 August 2016 formed the basis of the revised procurement plan in accordance with the detailed design packages and the change of scope in phasing the works recommended by CS1 consultants and agreed by the PMO and ADB. The PP was updated revised during the Mid-Term Review Mission February 2017 based on justifications provided by the MUB-PMO.

Revised Procurement Plan. The PMO requested to revise the Procurement Plan due to changes in the design. Phasing of works, recommendations of CS1, resettlement issues, NCB procurement method affected the procurement plan. The revised Procurement Plan was submitted to ADB in February 2017 for approval.

## SUMMARY OF PROCUREMENT

Procurement items	Total numbers	ICB	NCB	Status of tendering		
				Finished	Started	Not Started
<b>Plants</b>	<b>3</b>	<b>3</b>	<b>-</b>	1	1	1
<b>Civil Works</b>	<b>16</b>	<b>2</b>	<b>14</b>	3	1	12
<b><u>Total</u></b>	<b><u>19</u></b>	<b><u>5</u></b>	<b><u>14</u></b>	<b><u>4</u></b>	<b><u>2</u></b>	<b><u>13</u></b>



## SUMMARY OF STATUS OF PACKAGES

Total Summary	Tranche 1	
	As of 2016	At the end of Phase 1
<b>Number of packages completed</b>	<b>0</b>	<b>19</b>
<i>Plants</i>	-	3
<i>Civil Works</i>	-	16
<b>Number of packages awarded and in progress</b>	<b>4</b>	-
<i>Plants</i>	1	-
<i>Civil Works</i>	3	-
<b>Number of packages under evaluation and to be awarded</b>	<b>1</b>	-
<i>Plants</i>	1	-
<i>Civil Works</i>	-	-
<b>Number of packages IFB advertised</b>	<b>1</b>	
<i>Plants</i>	-	
<i>Civil Works</i>	1	
<b>Number of packages under design in progress or to be tendered shortly</b>	<b>13</b>	-
<i>Plants</i>	1	
<i>Civil Works</i>	12	
<b><u>Total packages</u></b>	<b>19</b>	<b>19</b>

**Main outputs of tendering within the reporting period for Q4-2016 are:**

- 1) **ICB for WWOI: Design, engineering, supply and installation of Pumping stations, water and wastewater treatment plants:** Overall procurement tasks beginning from preparation of Bidding documents, clarification to ADB comments, bid advertising, pre-bid meeting, clarification to bidders and bid opening to bid evaluation, bid clarification requests to bidders, contract negotiation and contract award was carried out;
- 2) **ICB for SHF06: Heating Plant in Selbe Sub-center:** Overall procurement tasks beginning from preparation of Bidding documents, clarification to ADB comments, bid advertising, clarification to bidders and bid opening to bid evaluation and bid clarification requests to bidders was carried out;
- 3) **NCB for SBR08: Three Bridges in n Selbe Sub-center:** Overall procurement support including preparation of Bidding documents, clarification to ADB comments and bid advertising was carried out;
- 4) **NCB for AAHURP-PP01: Detailed Design and Construction of an Affordable Housing Pilot Project in Selbe Sub-Centre, Chingeltei Street – Khoroo 18:** prepared the first package of bidding documents along with clarification to ADB comments and submitted to ADB for their approval.
- 5) Capacity building training and workshops were conducted on following subjects;
  - ADB's Standard Bidding Documents: **Section 3: Evaluation and Qualification Criteria** to PMO;
  - ADB's Standard Bidding Documents: **Section 6 - Employer's Requirement** to PMO; and
  - **Bid Evaluation Workshop** to Evaluation Committee members of packages WWOI and SBR08.

- Capacity building workshops on Bid assessment and Bid evaluation procedures were conducted on need basis to the ad-hoc Evaluation committee members.
- 6) **“Project Procurement Risk Assessment Questionnaire”** and **“Check-list of potential risks in Procurement”** was prepared and the assessment was furnished to the ADB.
- 7) **NCB for BSLS09: Landscaping in Selbe and Bayankhoshuu Sub-centers:** First package of bidding documents prepared and submitted to PMO for their review prior to seeking ADB’s approval.
- 8) **EIB Financed Packages:** Revised Standard Bidding Documents for EIB packages was sent to the EIB for their approval.

**Main outputs of tendering within the reporting period for Q1-2017 are:**

- 1) **NCB for BSF05: Works for Kindergarten, Business Incubator and Vocational Training Center in Bayankhoshuu Sub-center:** First package of bidding documents was prepared the submitted to the ADB for their review and approval.
- 2) **NCB for SSF05: Works for Kindergarten, Business Incubator and Vocational Training Center in Selbe Sub-center:** First package of bidding documents was prepared the submitted to the ADB for their review and approval.
- 3) **ICB for SHF06: Heating Plant in Selbe Sub-center:** The Bid evaluation was carried out and the Bid Evaluation Report along with Contract award recommendation sent to the ADB for their approval;
- 4) **NCB for AAHURP-PP01: Detailed Design and Construction of an Affordable Housing Pilot Project in Selbe Sub-Centre, Chingeltei Street – Khoroo 18:** The IFB was advertised on 21 February 2017.

## E. Contract Management

The contract management system will be started soon and future reporting will follow the format shown below. A full contract management system will start this quarter and will follow the headings listed below.

### E.1 Bayankhoshuu Subcenter Subproject

Package No ...

### E.2 Selbe Subcenter Subproject

Package No...

### E.3 Water and Wastewater Operation Improvement Subproject

Package No. WWOI

### E.4 Consulting Services Packages

	General Description	Contract value (in US\$)	Advert. date	Contract Award	Comments
	<b>Detailed Design Eng. Services</b>				
CSD	Design, tendering, and construction supervision and feasibility study preparation for project 1, QCBS (90:10)	4,024,241	2014	29 May 2015	<b>Dohwa Engineering Co. Ltd JV awarded the contract</b>
	Detailed design sewerage collector mains, 9 IC	160,000	2014	4th Quarter 2014	<b>9 ICs Selected and completed the services 1st Quarter 2015</b>
	<b>Program Management Support Services</b>				
CSPM	Strengthened program for PMO, QCBS (90:10)	1,237,727.69	2014	5 June 2015	<b>Egis International JV awarded the contract</b>
PMST	Program management office staff 11 IC	750,000	2014	Dec 2014	<b>11 PMO Staff Engaged.</b>
	<b>Subcenter Development and Community Engagement Support</b>				
CSSP	Improved subcenter planning and development, QCBS (90:10)	799,990	2014	13 Aug 2015	<b>IPE Global &amp; Associates awarded the contract</b>
CSCC	Community engagement, QBS	699,936	2014	25 Jun 2015	<b>UN Habitat awarded the contract</b>
	<b>Improved Operation and Maintenance of Service Providers</b>				
CSOI	Support to the service delivery organizations USUG, OSNAAG, <i>kantors</i> , and heat-only boiler operators to improve the management of the services QCBS (90:10)	500,000	2015	2 <sup>nd</sup> Q 2017	<b>Advertised. Closing 28 Feb 2017. Evaluation of EOI in March 2017.</b>

## F. Financial Management and Project Accountings

### F.1 Financial Management System and Support

#### Financial Accounting and control systems

The Consultant CS2 is assisting the Implementing Agency in establishing, testing and reviewing financial accounting and control systems. The system will provide for the necessary accounting procedures throughout project implementation and will be as simple as possible for its easy use.

The system will be designed and installed in a manner that can be readily converted for use during implementation and will be operational when the project starts, and can be expanded, if necessary, as the demands on it increase.

The "Financial management systems" covers the policies and practices regarding financial planning, programming, accounting, monitoring and reporting, internal auditing, checking and controlling, external auditing, funding, organization, and personnel of a project. Good financial management promotes overall fiscal discipline and efficient allocation of resources to priority needs.

The project accounts and related financial statements will be audited annually in accordance with sound auditing standards by auditors acceptable to ADB. The Government will submit annual audited reports and related financial statements to ADB within 6 months after the end of each fiscal year

#### Financial Performance Indicators

Financial performance indicators will be identified and implemented, to assess and monitor the project's financial sustainability, the financial viability of the executing agency, and the project's impact on the borrower's fiscal balance.

#### Financial Reports to ADB:

The Consultant will assist the PMO in preparing financial reports for the ADB for proper fund flow during the implementation of the project. These reports will be detailed and submitted timely.

### F.2 Project Costs

9. **Investment and Financing Plans.** The total cost of the program is \$320 million. For the program, the government has requested an MFF of up to \$163.70 million from a blend of ADB's Asian Development Fund (ADF), ordinary capital resources (OCR), ADB's trust funds, and other co-financing. It is expected that the Municipality of Ulaanbaatar (MUB) will finance \$96 million, or 30% of the total cost, including taxes and duties, resettlement, and other miscellaneous costs. Co-financing which is estimated at \$60.3 million equivalent may be provided as loans or grants. The European Investment Bank will provide a parallel co-financing up to €50 million for financing water supply and sanitation subprojects of the program.

10. The total cost of Tranche 1 is \$104.52 million, inclusive of physical and price contingencies, interest, taxes and duties, and other charges. ADB financing is \$53.70 million, consisting of about \$22.5 million from ADF, \$27.5 million from OCR, and \$3.7 million as a grant from the Urban Environmental Infrastructure Fund. The total MUB financing is \$22.44 million, and the European Investment Bank (EIB) is co-financing a total of \$28.38 million.

**Table 1: Investment Program**  
(\$ million)

Item	Investment Program	Tranche 1
<b>A. Base Cost<sup>a</sup></b>		
1. Expanded roads and urban services		
1.1 Roads improvement	93.21	24.59
1.2 Water supply system improvement	35.23	12.39
1.3 Sewerage system improvement	42.91	13.31
1.4 Heating services expansion	74.67	30.14
<b>Subtotal (1)</b>	<b>246.02</b>	<b>80.43</b>
2. More efficient service providers	11.48	3.70
3. Increased economic and public services	15.36	5.00

Item	Investment Program	Tranche 1
4. Institutional strengthening and capacity development		
4.1 Program management implementation support	6.13	2.00
4.2 Strengthening service providers	1.53	0.50
4.3 Subcenter development and community engagement	4.59	1.50
<b>Subtotal (4)</b>	<b>12.25</b>	<b>4.00</b>
<b>Subtotal (A)</b>	<b>285.11</b>	<b>93.13</b>
<b>B. Contingencies<sup>b</sup></b>	<b>22.63</b>	<b>7.40</b>
<b>C. Financing Charges During Implementation</b>	<b>12.25</b>	<b>4.00</b>
<b>Total (A+B+C)</b>	<b>320.00</b>	<b>104.52</b>

Note: Numbers may not sum precisely because of rounding.

<sup>a</sup> In mid-2013 prices. Includes value-added tax and import duties estimated at \$16.7 million for the investment program and \$6.18 million for project 1. The government will finance these taxes and duties through tax exemptions.

<sup>b</sup> Physical contingencies computed at 5% of civil works and consulting services. Price contingencies calculated at rates ranging from 3%–8.0% for local currency costs and 0.5%–2.2% for foreign exchange costs; includes provision for exchange rate fluctuations under a purchasing power parity exchange rate.

<sup>c</sup> Includes interest and commitment charges. Financing charges during implementation of the Asian Development Bank (ADB) loans are computed (i) at 2.0% per annum of the first tranche's loan from ADB's Special Funds resources; and (ii) at the 5-year dollar fixed swap rate plus an effective contractual spread of 0.4%, and a commitment charge of 0.15% on the undisbursed portion of the first tranche's loan from ADB's ordinary capital resources. Financing charges during implementation for the European Investment Bank loan were also calculated based on the 5-year dollar fixed swap rate.

Source: Asian Development Bank estimates.

### F.3 Project Financing and Disbursements

Imprest accounts were opened in State bank on November 12 2014.

#### Direct Payment - Withdrawal Applications in 2016:

Withdrawal Application No.	Application Amount	Auth. No.	Amount Disbursed	US\$ Equivalent	Value Date	Accounting Month
0004	91,219.00 USD	0003	91,219.00 USD	91,219.00	07 Apr 2016	201604
0005	243,920.00 USD	0002	243,920.00 USD	243,920.00	31 Mar 2016	201603
0006	181,114.31 USD	0004	181,114.31 USD	181,114.31	15 Apr 2016	201604
0007	70,796.25 USD	0005	70,796.25 USD	70,796.25	19 Apr 2016	201604
0008	121,824,474.40 MNT	0006	121,824,474.40 MNT	61,144.90	19 Apr 2016	201604
0009	521,379.00 USD	0007	521,379.00 USD	521,379.00	23 Jun 2016	201606
0010	15,439.78 USD	0010	15,439.78 USD	15,439.78	24 Jun 2016	201606
0011	17,977.27 EUR	0008	17,977.27 EUR	19,846.91	28 Jun 2016	201606
CAP	44,385.52 USD	916A	18,517.28 USD	18,517.28	15 May 2016	201605
<b>TOTAL</b>				<b>1,232,311.92</b>		

### Project Financial Status Report (As of February 2017)

	Budget	Previous Year's Balance	Current Year	Cumulative Total	Balance To date
<b>ADB OCR Loan No. 3098-MON</b>					
Civil Works					
Heat Distribution Networks	4,950,000			-	4,950,000.00
Other Civil Works	18,550,000			-	18,550,000.00
Contingencies	1,760,000			-	1,760,000.00
Interest and Commitment Charges	2,240,000	56,329.53	26,309.50	82,639.03	2,157,360.97
<b>Sub-Total - OCR Loan</b>	<b>27,500,000</b>	<b>56,329.53</b>	<b>26,309.50</b>	<b>82,639.03</b>	<b>27,417,360.97</b>
<b>ADB ADF Loan No. 3099-MON</b>					
Civil Works					
Socio-Economic Facilities	4,400,000			-	4,400,000.00
Landscaping and River Embankments	7,070,000			-	7,070,000.00
Detailed Engineering Design	4,350,000	533,742.47	1,336,092.94	1,869,835.41	2,480,164.59
Program Management Support	2,000,000	293,807.26	655,151.86	948,959.12	1,051,040.88
Consulting Services	2,000,000	233,312.00	133,208.43	366,520.43	1,633,479.57
Contingencies	1,990,000			-	1,990,000.00
Interest and Commitment Charges	690,000	25,868.24	18,517.28	44,385.52	645,614.48
<b>Sub-Total - ADF Loan</b>	<b>22,500,000</b>	<b>1,086,729.97</b>	<b>2,142,970.51</b>	<b>3,229,700.48</b>	<b>19,270,299.52</b>
<b>ADB UEIF Grant No.0380-MON</b>					
Civil Works					

	<b>Budget</b>	<b>Previous Year's Balance</b>	<b>Current Year</b>	<b>Cumulative Total</b>	<b>Balance To date</b>
Civil Works for USUG	3,700,000			-	3,700,000.00
<b>Sub Total - ADG Grant</b>	<b>3,700,000</b>	-	-	-	<b>3,700,000.00</b>
<b>European Investment Bank (EIB)</b>					
Civil Works					
Water Supply and Sewerage	25,000,000			-	25,000,000.00
Contingencies	2,340,000			-	2,340,000.00
Interest and Commitment Charges	1,040,000			-	1,040,000.00
<b>Sub Total - EIB Loan</b>	<b>28,380,000</b>	-	-	-	<b>28,380,000.00</b>
<b>GOM (Municipality of Ulaanbaatar)</b>					
Land Acquisition	1,020,000			-	1,020,000.00
Civil Works					
Heat Distribution Networks	4,050,000			-	4,050,000.00
Other Civil Works	8,100,000	2,937,966.14	431,932.26	3,369,898.40	4,730,101.60
Resettlement Support	1,760,000			-	1,760,000.00
Duties and Taxes	6,180,000			-	6,180,000.00
Contingencies	1,330,000			-	1,330,000.00
<b>Sub - Total GOM Equity</b>	<b>22,440,000</b>	<b>2,937,966.14</b>	<b>431,932.26</b>	<b>3,369,898.40</b>	<b>19,070,101.60</b>
<b>GRAND TOTAL</b>	<b>104,520,000</b>	<b>4,081,025.64</b>	<b>2,601,212.27</b>	<b>6,682,237.91</b>	<b>97,837,762.09</b>
<b>Percentage of Disbursement</b>				<b>6.39%</b>	

### Statement Cash Receipts and Payments Summary (as of 30 December 2016)

ACCOUNT DESCRIPTION	PREVIOUS BALANCE /2014-2015/		CURRENT PERIOD /2016/		CUMULATIVE TOTAL	
	USD	MNT	USD	MNT	USD	MNT
<b>CASH RECEIPTS:</b>						
<b>Direct Payment</b>						
Loan (ADF) 3098-MON (SF)	56,329.53		26,309.50		82,639.03	-
Loan (OCR) 3099-MON (SF)	259,180.24		1,660,216.74		1,919,396.98	-
Grant (UEIF) 0380-MON (EF)					-	-
<b>Reimbursement</b>						
Loan (ADF) 3098-MON (SF)					-	-
Loan (OCR) 3099-MON (SF)					-	-
Grant (UEIF) 0380-MON (EF)					-	-
<b>Commitment</b>						
Loan (ADF) 3098-MON (SF)					-	-
Loan (OCR) 3099-MON (SF)					-	-
Grant (UEIF) 0380-MON (EF)					-	-
<b>Imprest-Fund</b>						
Loan (ADF) 3098-MON (SF)	1,500,000.00				1,500,000.00	-
Loan (OCR) 3099-MON (SF)	1,500,000.00				1,500,000.00	-
Grant (UEIF) 0380-MON (EF)					-	-
<b>European Investment Bank (EIB)</b>					-	-
<b>Government of Mongolia</b>		5,864,121,663.00		880,930,167.00	-	6,745,051,830.00
<b>TOTAL CASH RECEIPTS</b>	<b>3,315,509.77</b>	<b>5,864,121,663.00</b>	<b>1,686,526.24</b>	<b>880,930,167.00</b>	<b>5,002,036.01</b>	<b>6,745,051,830.00</b>
<b>CASH PAYMENTS (Per Loan/Grant Category)</b>						
<b>A. INVESTMENT COSTS</b>						
<b>1. Land Acquisition</b>					-	-
<b>2. Civil Works</b>	-	5,864,121,663.00	-	880,930,167.00	-	6,745,051,830.00
a. Water Supply and Sewerage					-	-



ACCOUNT DESCRIPTION	PREVIOUS BALANCE /2014-2015/		CURRENT PERIOD /2016/		CUMULATIVE TOTAL	
	USD	MNT	USD	MNT	USD	MNT
b. Civil Works for USUG					-	-
c. Socio Economic Facilities					-	-
d. Heat Distribution Networks					-	-
e. Landscaping and River Embankments					-	-
f. Other Civil Works		5,864,121,663.00		880,930,167.00	-	6,745,051,830.00
<b>3. Detailed Engineering Design and Supervision</b>	533,742.47		1,336,092.94		1,869,835.41	-
<b>4. Resettlement Support</b>					-	-
<b>5. Program Management Support</b>	293,807.26		655,151.86		948,959.12	-
<b>6. Consulting Services</b>	233,312.00		133,208.43		366,520.43	-
<b>7. Duties and Taxes</b>					-	-
<b>C INTEREST AND COMMITMENT CHARGES</b>	82,197.77		44,826.78		127,024.55	-
<b>TOTAL CASH PAYMENTS</b>	1,143,059.50	5,864,121,663.00	2,169,280.01	880,930,167.00	3,312,339.51	6,745,051,830.00
<b>NET CASH RECEIPTS</b>	<b>2,172,450.27</b>	-	<b>(482,753.77)</b>	-	<b>1,689,696.50</b>	-
<b>Other Receipts- State Bank Interest</b>	104,535.45				104,535.45	-
<b>Other Expenditures- Bank Charge</b>	50.00		4.94		54.94	-
<b>Add/Deduct: Foreign Exchange Gains/Losses</b>	100.95				100.95	
<b>NET CHANGE IN CASH</b>	2,277,036.67	-	(482,758.71)	-	1,794,277.96	-

## G. Safeguards

### G.1 Update of EMP, RPs, SAP and GAP

#### **Review overall implementation of environmental management plan (EMP), resettlement plans (RPs), social action plan (SAP), and gender action plan (GAP).**

Monitoring environmental and social impacts due to the project will be one of the main responsibilities of the Project Management Office under ADB funded project.

The Safeguard Specialists of the Consultant will assist the PMO in ensuring the monitoring of the environmental and social issues in accordance with the provisions of the Environmental Assessment and Review Framework (EARF July 2013) and ADB's Safeguard Policy Statement and that appropriate mitigation measures are implemented.

The duties of the consultant will include the review of Monthly Environmental Monitoring Reports submitted by the Contractors, Supervision Consultants Reports on the suitability and effectiveness of mitigation measures and liaising with external agencies.

#### **Establishing a grievance redress mechanism (GRM)**

Affected parties would lodge complaints about adverse impacts on them. During the construction phase most claims are on the Contractors due to flooding, silting, noise, dust, road damage and cracking of buildings. It is important that a system is implemented to record all complaints and claims so that they can be systematically studied and addressed. The system should extend beyond the construction phase as there is a likelihood that some effects will persist during operational phase and may be cumulative. Effects that may be cumulative include erosion, silting, deterioration of water quality, effects on flora and fauna. The setting up of a system preferably computerized, its management and referral to the responsible party would be the responsibility of the Client and the Management Consultant can assist the PMO.

#### **G.1.1 Update of EMP**

During this reporting period, no construction works begin due to the delay of detail design approval and bidding process. The consultant has reviewed all relevant EMP documents, which was prepared by MUB. After reviewing the documents and based on performance review of the project and compliance in terms of environmental safeguard issues following gaps were identified.

1. According to the Mongolian Government's order #374 (approved in 2013) any executing project that have updated its alignment/ specification, design or formed any extension (updating technology, machinery, change in raw materials, use of natural resources, power, change in project location or was a subject to conduct DEIA update due to environmental audition) or change in related regulatory documents shall conduct amendment in DEIA (*Article 4.14*). However, **since approval of the last DEIA in October 2013 the detailed design of the project have made several changes, which requires amendment in the DEIA of the project.**

2. According to the Law of Mongolia on Environmental Impact Assessment the legal entity that has performed a DEIA shall develop an environmental management plan (EMP) (*Article 9.1 and 9.8*) and shall be updated and submitted to the MEGDT on annual basis by the project executing entity (*Minister's Order (A-05) of EGDТ issued in January 6, 2014*). The annual EMP approved by the MEGT is the only document officially allowing the project start or continue (*Section 1.3 of the Minister's order A-05*). Unfortunately, **annual EMPs that should be submitted to the MEGDT for approval are missing since 2013.**

3. According to regulations on the EIA, the project implementer annually shall allocate proper budget in order to implement the EMP addressing the monitoring and analysis of changes made to the state of environment as a result of the project activity, clarifying results of prevention, elimination and reduction activities against adverse impacts and shall clarify reporting requirements and the ways to implement the plan as well as providing the timeline and estimated budget (*Article 1.6. Procedures to be followed in developing, supervising, approving and reporting of environmental protection and management plan declared by the Minister's order #A-05 dated in 6 January 2014*)).

4. Based on evaluation of the DEIA conducted in 2013 following issues were found.

### **Suggested**

1. The DEIA have to be closely related to the project technical specifications, which should enable proper estimation of the project impacts, ensuring evidence based management of those adverse impacts in the future. However, the current DEIA report was done before finalization of the project detailed design, which rises concern on accuracy of the assessment.
2. The coverage of the DEIA is too commonness in terms of the project capacity and projected scale of procurement in the near future, which impede further management of the environmental safeguarding and monitoring activities that should be included in the EMP.
3. The DEIA and the EMP approved by the MEGDT is the only document officially allowing the project start or continue. Consequently, the DEIA needs updating due to changes of alignment and project specification, as per Mongolian guidelines. However, updating the whole DEIA is inconvenient in terms of timing and budget constraints. Therefore, following options were suggested by the CS1 environmental specialist (*Annex 3*). Based on above, updating EMP is the potential solution to reflect updated specifications of the project in terms of timing and the budget.
4. Accordingly the ToR and raw budget estimation for conducting EMP update has been developed with the support of CS1 environmental specialist (*Annex 4*).
5. Updating EMP will be incorporated all data which was received from the CS1 and the EMP required by the ADB. Procedures set in the Minister's order #A-05 (*dated in 6 January 2014*) will need to be followed in developing, supervising, approving and reporting of environmental protection and management plan.

### **G.1.2 Update of RPs**

1. During this reporting period, updating Resettlement Plans has not started due to change in detail design. The consultants identified APs based on cadastral database from PRD and road alignment drawings from DOHWA following issues were come up:
  - According to Mongolian standard there should be protection zone with at least 15 m width from road axis on both sides. However to minimize land resettlement affect 3m protection zone from road slope fill layer was suggested by PMO resettlement specialist and road engineer. Therefore, number of affected people increased up to 703 of which 284 in Selbe sub-center, 419 in Bayankhoshuu sub-center after identification of exact APs based on cadastral database from Property Relation Department.
  - Another reason of increased number of APs are resulted from different parcel (cadastral land lot) and plot/fence number.
2. Due to large number of APs, Resettlement Plan update is rescheduled and planned to be divided into 4 sections:
  - Resettlement Plan for Constructions in Bayankhoshuu sub-center
  - Resettlement Plan for Constructions in Selbe sub-center
  - Resettlement Plan for Roads in Bayankhoshuu sub-center
  - Resettlement Plan for Constructions in Selbe sub-center each sub-center.
3. The Consultant reviewed the detailed design with PMO resettlement specialist and DOHWA and have made some changes to reduce APs. Series of meetings are conducted (Mayor, MPD, ADB, DOHWA, UN-Habitat) and discussed about change in road alignment and road.
4. Selected Socio economic survey team on 14 January 2016. The consultant with PMO resettlement specialist, Egis gender specialist finalized the survey questionnaire. The survey team conducted detailed socio-economic survey (started on 23 February 2016) including 631 affected parcels and 1004 households and entities.

5. Selected asset valuation survey team. The asset valuation team conducted asset valuation of APs in project locations for kindergartens, heating plants and vocational training centers in both sub-center.

### **G.1.3 Update of SAP and GAP**

The project is expected to improve the living conditions of population in two sub-centers at *ger* area. Throughout the detailed design stage of the project, social safeguard/gender consultant has worked with UN Habitat team to create database at macro and micro level for two sub-centers based on the existing primary and secondary data by sex disaggregated. Indicators for the project monitoring and implementation will be used for this database.

Committee requirements in the detailed design phase of the project have been identified and prioritized through several focus groups' discussions and individual interviews with social target groups (women, elders, youth, persons with disabilities and affected families) at two sub-centers. In accordance with the key findings of this assessment, SAP, GAP and SDC development plans incorporate the needs of the committees and consider in the preliminary design of the physical infrastructures (including design features for safety, security and pedestrian mobility will be integrated into road network, facilities of kindergarten and business incubator/vocational training center).

Training Modules on Capacity building (including gender mainstreaming) for the project implementation was prepared and published for PMO/PMUs and other consultant teams for the implantation of the EMP, RP, SAP and GAP.

The consultant assisted PMO with annual action plan development on Social and Gender activities for overall project-1 in 2016 and reviewed the implementation and monitoring indicators for the reporting.

The on-site-training on Qualitative research utilized as participatory approach (including preparation of the questions guideline, moderators skills for successful conducting of FGD and analysis and reporting) was conducted during the period. At the same time, technical support was provided to UN Habitat for conducting FGDs amongst community groups at Selbe and Bayankhoshuu sub-centers.

The consultant provided technical support to gender/social specialist of UN Habitat to create datasets of survey data and consultation meeting attendance information for SAP, GAP and CAP monitoring. There are essential needs required on on-site-training for data processing on simple statistics to UN Habitat and PMO social specialists, resettlement specialist (how to use existing social-economic data, results of consultation meeting participation for analyzing and monitoring project activities and preparing indicators for project progress implementation reports).

Gender analysis included in poverty and social assessment of the project-affected household was done under DMS.

The consultant presented the scope of social and gender issues of two sub-centers at Tranche-1 based on the result of DMS to ADB mission.

According to ADB gender specialist comments, GAP and SAP implementation matrices (in English and Mongolian) were prepared for monitoring of the implementation process of Tranche-1 in collaboration with PMO, UN-Habitat.

Technical support was provided to UN Habitat for preparation of distribution materials to residents of Selbe and Bayankhoshuu sub-centers.

Presentation was prepared for GAP and SAP implementation progress Tranche 1 for ADB Interim mission.

## **G.2. Environmental Monitoring**

1. Based on list of nationally accredited environmental monitoring laboratories complete information on following laboratories were collected.

- ✓ Microbe Synthesis Laboratory of the Institute Of Biology of MAS.
- ✓ Institute Of Chemistry, Chemistry-Technology
- ✓ National Environmental Monitoring Laboratory
- ✓ Mining Analyses And Experimenting Laboratory
- ✓ Central Laboratory Of The Agency For Specialized Inspection Of UB
- ✓ Central Laboratory Of The State Specialized Inspection Agency
- ✓ Public Health Related Reference Laboratory
- ✓ Toxicological Laboratory
- ✓ Central Water Laboratory Of The USUG
- ✓ Soil Testing Laboratory Of Engineer Geodesy LLC

2. Supported the PMO in developing the first EMR.

## **G.3. Safeguards Implementation Support and Monitoring**

1. Developed Environmental specifications to be incorporated in the bidding documents. The document aimed to give basic requirements set in safeguard regulations and standards covering water usage, soil degradation, air quality, vegetation or green infrastructure, waste management, noise reduction, permafrost and operational safeguard issues.

2. Conducted Heating station technical specification review and developed recommendation and following conclusions/recommendations were developed.

- ✓ The proposed boiler system is a quite new technology in the world, even in Mongolia, which have less impact to the air, using limestone to reduce the SO<sub>x</sub> related pollutants to the air.
- ✓ As a new technology, the system have advantages and disadvantages that should be considered during bidding procedures especially, to increase performance with expectations for further extensions.
- ✓ Surveys and assessment of the FBC system states that the system is designed to reduce air pollutants,
- ✓ Even the system is aimed to reduce the air pollutants it is not meant that there would not be any impacts. Basic environmental requirements included in this document and needs to be considered by the CS1 and construction company. Impact will be minimized to a large extent by implementation of the EMP
- ✓ However, due to specifics of proposing technology, the construction company needs to have detailed EIA approved by the MEGDT and obliged to follow it during construction and operation stages.
- ✓ Additionally, the detailed EIA should address following issues:
  - i. Compliance with the existing ambient air quality standards will be achieved by implementation of measures outlined in EMP. This needs to be coupled with the continuous monitoring of air pollutants within and around the project site as well as in adjoining areas.
  - ii. To assess the impact of air emissions from various continuous point sources, air dispersion modelling study have to be conducted during the DEIA
  - iii. The sufficiency of the land for proposed heating stations should be assessed in detail during the detailed EIA
  - iv. Additionally, the cumulative impacts of the proposed HS should be assessed during the detailed design and DEIA.

3. Developed guideline for developing Construction environmental management plan (CEMP) for bidding construction companies, who do not need EIAs. The guideline introduces definition and the purpose of the CEMP and detail explains contents that should be outlined.

4. Initial meetings were held on Tranche 2 with PMO, Egis and DOWHA. As a result, the EIA for Tranche 2 will be submitted to the MEGDT according to the Law on EIA and technical capacity of the project.
5. Project and consultant's staff participated in the Steering Committee meeting and MUB authorities.

#### **G.4. Safeguards Implementation Support and Monitoring**

1. Land Acquisition and Resettlement Commission and Working group for Land acquisition and Resettlement Plan implementation are established, Decree of the Mayor is issued on it.
2. Made two field visits together with relevant PMO staff and DOAHWA staffs to identify the physical impacts due to land acquisition and resettlement and to check the possibility of changing the road alignment to reduce resettlement impact. (10 March 2016 in Bayankhoshuu sub-center and 11 March in Selbe sub-center). From field visit investigation Egis resettlement team and PMO Resettlement specialist developed suggestions on road alignment change.
3. Organized community meeting with APs of project locations for kindergartens, heating plants and vocational training centers in both sub-centers to give information about project and resettlement process prior to socio-economic survey and asset valuation survey (21 February 2016).
4. Issued cut-off day notification beginning from 9 March 2016 to all affected people.
5. Organized community meeting with APs in these locations regarding asset valuation on the 26 March in Bayankhoshuu sub-center, on the 27 March in Selbe sub-center. Asset valuation has been introduced to APs starting from the 31 of March.
6. Draft final report on Detailed Socio-Economic Survey is available
7. Draft final report on Asset Valuation Survey is available

#### **G.5 Social and Gender Consultations**

Throughout the reporting period, consultation meetings on project design have been held by UN Habitat in two sub-centers. The participants have been recorded by sex disaggregated; yet no analyses has been made, thus, sex disaggregated data has continuously been collected including a category on economic status.

The consultants collectively with PMO and UN Habitat social specialists consulted on definition of the vulnerable households for community based project activities and applied it for household mapping at two sub-centers.

The consultants developed criteria for selection of affected households who will live in temporary housing apartments; however, it cannot be accurately assessed due to final discussion from MUB.

Public consultation meeting on project orientation was coordinated at two sub-centers in collaboration with PMO, MUB and all CS companies.

The consultant provided technical support to finalize survey tools on Poverty and Social analysis including the FGD guideline on Girls and Women's security among the communities for Tranche-2.

The consultant provided technical assistance with the agenda development and hold of consultation meeting on Poverty, social and gender assessment of Tranche-2.

The consultants collectively with PMO social specialist held stakeholders meeting amongst counterpart international donor organizations running in social welfare related areas.

### **G.6 Grievance Redress Mechanism (GRM) and Reporting**

PMO, the GRM mechanism (without institutional arrangements) is established at the MUB during the previous Sewer Main Collector Pipes subproject in Selbe, Bayankhoshuu sub-centers. PMO receives any issues and problems met by the affected people and related to the LAR subproject and any other issues concerning the whole project as well. Following suggestion or recommendation are given on the draft Grievance Redress mechanism framework, developed by Egis Resettlement specialists:

1. The Ordinance for establishment of Committee, Working Group responsible for executing and managing the implementation of LARP should be issued.
2. The activities of grievance redress mechanisms would be included in above-mentioned Committee.
3. Creating a new separate Grievance Redress Committee could result many inefficient committees for the Project.
4. Grievance redress mechanism will be Located in the project management office and Grievance redress committee members are located at information center for affected people and receive their grievances.
5. UN-Habitat consulting team will provide assistance to create Information center for the project host community.
6. Grievance receiving and handling mechanism within the Project is working associated with Citizen Service center under the MUB <http://smartcity.mn/login>. Also, PMO got recommendations and trainings on Complying with Mayor Ordinance A/1086 and operating according to this ordinance

Mayor's Ordinance on establishment of Committee, Working Group for LARP implementation is issued on 22 February 2016.

Grievance intake form is available. Receiving grievances regarding land compensation and asset valuation from APs of project locations for kindergartens, heating plants and vocational training centers in both sub-centers starting from 31 March after introducing the asset valuation.

## H. Capacity Building and Training

### H.1 Institutional Support

#### Capacity development

Developing the skills of the local staff at all levels of the Project, and through all phases of the infrastructure investments, will help promote sustainability. The knowledge transfer and training to be provided by the Consultant is indeed part of the wider effort to ensure that the benefits of the Projects persist beyond its duration.

In order to provide an effective approach to training, its objectives must be clearly defined. The basis of our approach to training is that skills and improvements in performance cannot be attained only by formal education but must also be acquired and developed in a working environment. One of the most effective training methods consists in on-the-job training. It enables the trainees to sit and learn with an experienced practitioner and to apply their learning in real life situations.

Great care will be taken in ensuring that the training needs are identified and adapted programs are prepared to address them.

It is already possible to stipulate general objectives, which are common to most positions:

- ◆ To build-up the capacity of the trainees to conduct a specific range of tasks in full autonomy and to the internationally-recognized standards of quality and efficiency; and,
- ◆ To assist the trainees in acquiring general work methodologies and tools applicable in various types of working situations

An evaluation shall be carried out at the end of the training period. Its aim is to assess the progress and verify compliance with the objectives.

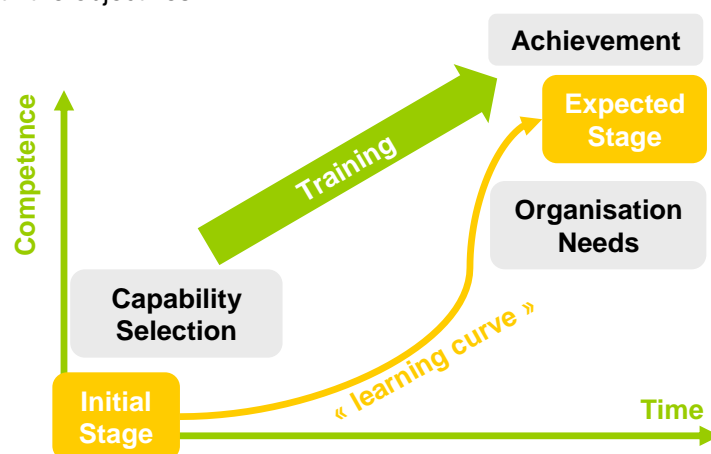


Figure 1. Training process flowchart

#### Consolidated Project Completion Report (PCR)

The consolidated report will compile the information provided in the individual project completion reports prepared by the package 1 Consultant, which shall be in accordance with the requirements of the funding agencies. The following criteria are used to rate the quality of the PCR:

- ◆ (i) Quality and completeness of evidence and analysis to substantiate ratings;
- ◆ (ii) Consistency with PCR Guidelines and relevant ADB Operations Evaluation Department guidelines;
- ◆ (iii) Internal consistency of the PCR;



- ◆ (iv) Plausibility of the assumptions underlying the Economic Internal Rates of Return (EIRR), Financial Internal Rates of Return (FIRR), and financial analysis;
- ◆ (v) Adequacy of the treatment of safeguard issues;
- ◆ (vi) Identification of exogenous factors affecting results;
- ◆ (vii) Clarity and conciseness of the report;
- ◆ (viii) Quality of lessons and recommendations.

Formats and methodologies for the completion reports will be harmonized and discussed with the PMO in order to ensure an easy compilation, as well as a satisfactory output.

## H.2 Training Plan

PMO's Organization and Staffing Assessment Report is available for reference completed in December 2015. The objectives of this assessment are to get an understanding of PMO mandate, organization, functions, personnel resources and capacities, and business process. The assessment should provide answers to the key questions: who is doing what, why and how? This should facilitate the identification of PMO strengths and weaknesses. The assessment has been conducted during the period 1 September – 1 December 2015 through Questionnaires and interviews with PMO Management and staff, and based on information and data provided by PMO.

## H.3 Training Activities

Summary of Capacity Development and Training Plans for PMO Staff have included:

	Training Type	Target Staff	Length of Training
1	Team Building	For all staff to work as a Team.	1 day
2	Team Management	Lead the project team and monitor project progress through successful execution	2 days
3	Project Management	For all management staff to: <ul style="list-style-type: none"> <li>▪ Manage and deliver successful projects for stakeholder satisfaction</li> <li>▪ Apply best practices to plan a project</li> <li>▪ Estimate and schedule task work, duration and costs</li> <li>▪ Implement risk management techniques and mitigation strategies</li> </ul>	4-5 days
4	Introduction to FIDIC	This will give general ideas about FIDIC	1 day
5	FIDIC Conditions of Contract	This course will be designed for staff working on the Construction supervision services. Specifically, it would be relevant to those working in construction management and supervision.	2 days
6	Procurement of Works	Procurement Staff and Managers at all levels and is also recommended for project staff and other procurement stakeholders involved in the planning, monitoring, management, or oversight of procurement of works.	3 days
7	Contract Administration Tools	This course is designed for procurement officers or those in functions that include close interaction with procurement, such as program and project staff seeking advanced training in contracts administration, contract management and supervision.	3 days
8	Detailed training on Bid evaluation and bidding documents	PMO staff and Evaluation committee members	1 day
9	Safeguard Modules:	Staff responsible for resettlement, social, gender and environment issues	3 days

	Training Type	Target Staff	Length of Training
	Introduction to the safeguard training modules developed by Egis under the project		
10	Supervision of Consultants, Contractors and Suppliers	This course is designed for all staff who are actively involved in managing contracts in the PMO and MUB office and regularly deal with suppliers and consultants. While this includes procurement staff, it would also be particularly relevant for finance and admin officers and program and project staff who on a regular basis deal with the management, monitoring and evaluation of contractor/supplier/consultant performance.	2 days
11	Construction Supervision	This course will be designed for staff working on the Construction supervision services. Specifically, it would be relevant to those working in the procurement function or project design development phase, and in construction management.	3 days

## **I. Key Activities for Next Quarter**

### **Current Work in Progress:**

- Sewer Collectors – After EIB final review award of contracts for 3 packages made. Physical work nearing completion.
- Plant Design and Install WW and WS Equipment for USUG completed bid evaluation. Contract was awarded Q4
- ICB and NCB tender documents templates for Procurement of Works are completed. Bidding documents for initial packages under preparation.
- Implement the procurement plan as approved by the ADB
- Draft Procurement and Financial Manuals completed Dec 2015, review and revision required.
- Procurement Training Workshop completed Sept- Dec 2015, retraining needed for the PMO new recruits.
- Safeguards: Resettlement, EMP, GAP, SAP, GRM
- Procurement Plans updated and validation by ADB
- Project Management: PMSS, MIS, review and revision required.
- PMO Rapid Assessment Report
- Quarterly Reports Q1, Q2, Q3 and Q4 (including mid term review) for 2016, Q1 2017.

### **List of documentation available**

- Report and Recommendation of the President to the Board of Directors
- Facility Administration Manual
- Project Preparation Technical Assistance Consultant's Reports including Feasibility Study on Project 1 (Downloaded from [www.ub-subcenter.mn](http://www.ub-subcenter.mn))
- Other documents:
  - ADB Procurement Guidelines
  - ADB Guidelines on the Use of Consultants
  - ADB Standard Bidding Documents
  - ADB Safeguard Policy Statement
  - ADB SPS and Safeguard Requirements
  - ADB Financial Management and Analysis of Projects Guidelines
  - ADB Guidelines for Economic Analysis of Projects
- Contracts/TORs and Inception Reports for all Consultant Firms recruited by PMO
- ADB Grant Agreement
- ADB Loan Agreement
- EIB Agreement
- ADB Project Documents and Reports

## **I.2 Discussion points based on the TORs of Resettlement/Social and Environment Team**

### **1. Main tasks assigned in the TORs, (brief)**

- Revise/Update the Draft Resettlement Plans prepared for Selbe and Bayankhoshuu sub centers
- Prepare a Data Base of affected people for PMO
- Assist PMO in smooth implementation of RS and EM Plans.
- Conduct capacity building training/awareness on ADB Social and Environment Safeguard Policies and Principles in Involuntary resettlement for PMO, Stakeholder Agencies, Affected People, and CBOs/NGOs if available
- Assist/Advice PMO and other consulting agencies on Public consultation and Participation/Community engagements in the process of involuntary resettlement and
- Provide any other project management support services to PMO and other agencies whereas necessary.

## **2. Accomplishments since October 2015**

- Reviewed the Resettlement and environment Management Plans together with the National Resettlement, Environment and Gender specialist and Identified the gaps/areas to be revised/updated
- Made two field visits together with PMO to observe the area and impacts of resettlement
- Conducted a series of discussions with other consultants (DOWHA, UN Habitat etc.. for example) and discussed their scope of work/role in implementation of the RS Plans
- Organized and conducted a coordination meeting with relevant stakeholder agencies
- Arranged for a meeting with the Project Coordinator and Head of Procurement to discuss the issues and the way forward of the project activities
- Conducted a series of discussions with PMO and other consulting agencies to identify the Training needs
- Prepared the Training modules for trainings
- Prepared the Training materials
- Collected both hard and soft copies of maps/documents related to the project
- Attended in Progress review meetings organized by other consulting agencies for our inputs
- Tranche 2 feasibility studies started and completed.
- Tranche 2 ADB FFM started work.

## **3. Activities Planned in the next three months**

1. After sub-project design has been finalized, additional data should be collected to finalize and understand of impacts of resulting from the final design.
2. A 100% census, Detailed Measurement Survey (DMS) and Asset Valuation Survey (AVS) of affected households and other entities to be conducted. (These surveys will form the basis of determining
  - (I) Individual household's entitlements and compensation amounts,
  - (II) Whether households have members who are vulnerable
  - (III) Information on migration from other areas, employment and livelihood strategies, income and expenditure patterns, education, health, transport, vulnerability, community needs and social cohesion.
  - (IV) All other affected assets in the project area

## **4. Based on the training need assessment, conduct Trainings and awareness programmes for**

- (i) PMO Staff
- (ii) Stakeholder Agencies
- (iii) Affected People
- (iv) Grievance Redress Committee
- (v) NOG/CBOs and the PMO staff, stakeholder agencies, Affected People, NGOs/CBOs and the host community on relevant topics.

## **5. Prepare the Data Base for PMO based on the field surveys.**

## **6. Update/Revise both the Resettlement and Environment Management Plans**

## **7. Assist PMO in conducting Community/Public consultation meetings to make all APs, and stakeholders aware of the project.**

(The public consultation meetings basically to ensure peoples' participation in the Land acquisition and Resettlement planning phase and aiming at promotion of public understanding and fruitful solutions of developmental problems such as the needs of the people, problems and prospects/expectations of resettlement, various sections of affected persons (APs) and other stakeholders will be consulted through focus group discussions, individual interviews and formal and informal consultations. The vulnerable groups of APs and particularly women will also include in this consultation process)

## **J. Conclusions, Issues and Recommendations**

### **Key Issues and Challenges**

#### **PMO**

- Land Acquisition and Resettlement needs has increased sharply due to widening of the trunk roads to reflect the design parameters given in Detailed master plans of both sub-centers, Thus it requires more attention and inputs from all stakeholders. The new administration has established re-staffed land and property department who will now review the resettlement issues.
- The new city administration meetings were organized with the Mayor's office since July 2016 in Khangarid palace, where the agenda included discussion of progress reports provided by consulting firm's detailed design and LARP was the focus of the meeting.
- PMO and Consulting firms need to put more attention on compliance of reporting requirements.
- Land acquisition and resettlement negotiations at Bayankhoshuu and Selbe public facilities (kindergarten, Business incubator and Heating plants) are continuing.

#### **Dohwa CS1**

- Delay in timesheet approval by PMO: - The experts' timesheets for May have been submitted to PMO in June 07. However, PMO informed us to make approval for the timesheets after submission of the detailed design completion report by the official letter referenced as 285 dated June 14, 2016. Accordingly, we prepared the report and submitted it in June 24 with the letter referenced as DH-MNG-295 and the timesheets for May have been submitted again in July 20, 2016 for the PMO's approval. However, they have not been approved still now. In addition, the timesheets for June, July and August have been submitted in July 20, August 08 and September 07, 2016 respectively.
- Delay in payment for invoices submitted: In accordance with the Contract, The Consultant shall submit invoice not later than 15 days after the end of each calendar month in the GCC clause 45.1(b) of contract. However, unapproved timesheets for May, June, July and August 2016 lead us to be unable to submit the monthly invoices. The unpaid reimbursement from February to April is USD 237,012 and monthly payments from May to August invoices are estimated as USD 552,901 including USD 205,000 for MonConsult payment. The delayed payment process seriously affects our work: (i) Monconsult is suffering in financial situation which is hard to pay salary for their experts working in our field office; and (ii) the reimbursable expenses for implementing the detail design such as expertise fee and office rental, etc. are accumulated to \$166,000, which is very high to bear in debt.
- According to the consultant; the Consultant team revised the detailed design drawings for Bridges 24m, 30m and 60m in Selbe sub-center, Flood protection channel in Bayankhoshuu and Selbe sub-centers and Kindergarten and BIC buildings (as a standard design) in accordance with the comments and recommendations from the appointed State Experts and got final approval and evaluation from the Road Development Center and Construction Development Center. These 3 packages were submitted to PMO within September. In addition, the detailed designs for phase works of road, heating supply network, water supply and sewerage in Bayankhoshuu and Selbe sub-centers are under the process. The detailed design for landscaping of Selbe sub-center has been reviewed and approved by the State expert, while the detailed design of Bayankhoshuu sub-center is processing.
- Revise detailed designs - Tranche1 encounters a problem which shall decrease number of households to be affected as much as possible - The Consultant has proposed ideas for decreasing the land acquisition - The Consultant continues to receive mixed messages on the detailed designs which makes it difficult to finalize design details.

- State expertise approval continuing, however this is a lengthy process and involves several steps and parties to seek approvals. MUB to expedite the process.

The deliverables submitted by DOHWA Engineering are not in accordance with the agreed upon schedule, and do not meet the requirements, i.e. nonmatching detailed design, bill of quantity, and technical specifications.

The following deadlines are agreed with DOHWA Engineering.

The first deadline was on 30 November 2016

The second deadline, 31 December 2016 was set.

The third deadline was on 12 January 2017

The fourth deadline was 30 January 2017

The fifth deadline was 15 March 2017.

However, the deliverables are have not submitted and still presented nonmatching data in the bill of quantities.

General Description	Detail design 60%	Bill of Quantity 10%	Technical Specification 30%	TOTAL 100%
Road network	56.63%	8.33%	10%	75%
Heating supply network	56.07%	4.65%	25.36%	86.07%
Water supply network	58.8%	7.5%	23.75%	90%
Sewerage network	60%	10%	20%	90%
Electricity and telecommunications network	6%	-	-	6%
Flood protection and embankment	60%	10%	25%	95%
Kindergarten	60%	10%	30%	100%
Business incubator and vocational training center	60%	10%	30%	100%
Expansion of heating supply network	20%	-	-	
Construction work for heating supply network of Bayankhoshuu subcenter to centralized heating network	-	-	-	
Open space (Landscape)	60%	10%	25%	95%
Bridge (60m, 30m, 24m)	60%	10%	30%	100%
Design, supply, and installation of heating plant	-	-	-	
Pilot project for Affordable house	-	-	-	
Construction of water reservoirs and supply pipes in Bayankhoshuu and Selbe subcenters	56.13%	5%	17.95%	79.08%
Water supply and sewage connections in Bayankhoshuu and Selbe subcenters	--	-	-	-
Rehabilitation of water supply and sewerage network				
1. Precast repair of including 20 corridor and 5 Section aeration tank of central wastewater treatment plant.	60%	9%	15%	84%
2. Reconstruction of reservoir building in Domestic wastewater pumping station				
3. Reconstruction of west screen building				

4. Technical development and rehabilitation (Air blower-2, pump-2)				
Sewage 9 collectors Φ600 mm line/ from 100 ail area to Bayanburd/, Φ-900 mm transmission line from Northeast water reservoir to Tasgan reservoir	60%	9%	15%	84%
Φ-600 mm transmission line from Tasgan reservoir to water reservoir of sub district 3, 4. Φ-600 mm transmission line from water reservoir of sub district 3, 4 to west region district water reservoir.	60%	9%	15%	84%
Expansion of sewage line of Food shop 72 to Φ-400 mm/from Russian school 14 to central collector on main road.	60%	9%	15%	84%

## Egis CS2

A snap shot of major activities and progress during Q4 2016 are summarized as follows:

- Implementation activities started in Q3 2014 when the design of the sewer collector mains was started for the two target subcenters Selbe and Bayankhoshuu
- Work to date has been dominated by the recruitment of four consulting firms and in fast tracking the inception phase and mobilization of respective consultants
- A total of 4 contracts have been awarded, including (i) for Detailed Design and Implementation Supervision (Dohwa Engineering Co. Ltd), (ii) Program Management Support Services (Egis International), (iii) Improved Subcenter Planning And Development (IPE Global) and (iv) Community Engagement, and SME Support (UN Habitat)
- Preparation of detailed design for Tranche 1 subprojects is progressing and procurement through international and national competitive bidding (NCB) will continue over the next 3-4 months in order to commence physical implementation by Q2 2017.
- Draft Procurement and Financial Manuals were completed
- Initial safeguard trainings completed for environment, resettlement, social and gender issues
- Services for DMS survey and recruitment of IT firm for financial management automation completed
- Procurement Plan reviewed and updated 22 August 2016
- Procurement Plan reviewed and updated in February 2017
- Package WWOI for design-build water and wastewater facilities (Estimate US\$ 3.7m), bid documentation and bid evaluation completed and contract awarded in October 2016
- Bidding documents for design-build Selbe heating plant completed, bidding and evaluation completed Q1 2017
- Bidding documents under preparation for: (i) Kindergarten, business incubator, and vocational training center in Bayankhoshuu & Selbe sub-center; (ii) Flood protection and embankment (combined for culverts and embankment Bayankhoshuu and Selbe sub-centers); (iii) Three bridges in Selbe Sub-center; (iv) Open space (Landscaping) and (v) Heating Plant in Bayankhoshuu sub-center. Technical specifications, drawings and cost estimates under finalization by detailed design consultant.

## Key Issues

- Resettlement and safeguards for Tranche 1 – preliminary assessment concludes that almost 600 households are affected. An accelerated program in consultation with all concerned agencies needs to be agreed so implementation can be completed by early 2016 to avoid delay in commencing the works

- The detailed design of all civil works contract packages in the Procurement Plan are in progress and cost estimates were finalized in August 2016. Priorities in line with current funding allocations were considered, and it was necessary to adjust the contract packaging as shown in the latest procurement plan
- Procurement – initially international competitive bidding (ICB) was specified for many of the civil works, however, now due to phasing of the works and packages being smaller, national competitive bidding is suitable for most works
- The feasibility study was in progress this quarter and the reports finalized during the ADB fact finding mission in September 2016
- A loan ADB fact-finding mission for the proposed Ulaanbaatar Urban Services and Ger Areas Development Investment Program–Tranche 2 took place in Ulaanbaatar on 29 Aug - 6 September 2016. It is a standby project in the government-agreed Asian Development Bank (ADB) Country Operations Business Plan, 2016 for Mongolia. The objectives of the mission were to agree with the Municipality of Ulaanbaatar (MUB) on the impact, outcome, outputs, activities, implementation arrangements, costs and financing, and processing timeline of the project. The mission met with officials of the Ministry of Finance (MOF); Ministry of Construction and Urban Development; Ministry of Fuel and Energy; Master Planning Agency; MUB, the proposed executing agency for the project; project management office (PMO); other relevant agencies; and consultants.
- The memorandum of understanding (MOU) prepared by the ADB summarizes the discussions and issues identified during the meetings. The agreements reached as set out in this MOU are subject to review and approval of ADB Management and the government. Tranche 2 is estimated to cost \$121.14 million.
- ADB Mid-Term review Mission was conducted over 14-23 February 2017. The memorandum of understanding (MOU) prepared by the ADB summarizes the discussions and issues identified during the review meetings. The agreements reached as set out in this MOU are subject to review and approval of ADB Management and the government.

### **UN Habitat CS3**

- From the start of the project, community level work has been significantly affected because of the pending finalization of the designs and decisions on the related resettlement issues. Until the date, the communities are waiting for the start of on the ground activities, repeatedly ask about the progress, and express frustrations. Now with the construction season end by end of September, communities' disappointment in the project is expected to rise during the winter season.
- The team has learned that the proposed construction activities under Tranche 1 are being designed in a way that only the main trunk lines will be built without subsidiary lines and home connections. This is going to come as a disappointment to the communities and will be a pending challenge to discuss during community meetings when the information be broken.
- Extended holidays due to Naadam Festival, vacation season just after the Naadam and after election days when restructuring has started at all government and municipal administration levels including the city administration all have contributed in the certain delays of field activities.

### **Planned Activities for Next Quarter**

- As mentioned earlier in this report the delay in finalization of the infrastructure designs and the pending decision on the resettlement issues will mean very few activities can be planned in the field during the coming winter season (4th quarter 2016 and 1st quarter 2017). Therefore, UN Habitat has proposed to implement few field activities (small construction works) prioritized by the communities during the Community Action Planning and not included in the program. The decision about this is still pending.
- Besides continuing to work with the primary groups, CDCs, SMEs and other community organizations, the major activities planned for the next quarter are shown in the consultant's progress report Annex 1.



- Under Communities and SME engagement and development for Tranche 1: Continue facilitation with Community Manpower Association in the development of its charter, structure, system and policies, work plan and startup operations; Organize capacity building trainings for Community Grievance Redress Task Forces and Community Manpower Associations; Continue working with CS4 for identification of CDCs and BCs roles in the sub center development business plan; Develop SME training programs in connection with the CDCs and BCs roles and responsibilities
- CS management: Revise work plan; and Organize training for staff

#### **IPE CS4**

The work largely focused on:

- Sub-block plan preparation, mainly the feasibility study for the proposed sub-block plans in both sub-centers and related recommendations that have meant the revision of the sub-block layouts; and the refinement of the outline of the proposed block planning manual to be prepared by the consultants.
- Sub-center business development plan, principally the computations of target population numbers and densities, the need for social and other facilities based on planning standards that relate to their population targets, maps for inclusion, and the text for the business plans.
- Assistance to the ADB Fact Finding Mission for the Tranche 2 feasibility study.
- The work on developing the capacity-building program was put back because of the revised structure and staffing of the Municipality of Ulaanbaatar (MUB) because of the senior management changes resulting from the new administration installed after the June elections.
- The PMO advised the consultants to delay undertaking the capacity development survey until the new structure of the MUB institutions becomes clearer. The aim is now to start the survey in November 2016.

Matters for the Attention of the PMO:

- Findings of the Sub-block Plan Feasibility Studies: During September, upon the request of the PMO, the team did not continue the community meetings regarding the preparation of block plans because of the impacts of the national and local elections, the changes in the administration of MUB and the forthcoming local government elections.
- Work, however, was undertaken on preparing the feasibility studies the two sub-block schemes already discussed with the communities—in Selbe and Bayankhoshuu. The results of the Likert survey, presented in the Progress Report for May and June/July, 2016, were incorporated into concept designs for the sub-blocks. The results of the feasibility study for the sub-block in Selbe sub-center was presented in the August Monthly Progress Report and that for the Bayankhoshuu sub-block together with an updated document for the Selbe block.
- Capacity Development Program Preparation: The distribution of the capacity development survey forms to key agencies was delayed until after the local elections proposed for October 2016. It was decided to delay this, and supported by the PMO, since the changes within MUB and the local governments had not all been enacted and would make an early start less useful.
- Preparation of Sub-center Business Development Plans: Work has progressed on the two sub-center Business Development Plans, a draft of each has been prepared, and is under discussion with the ADB, the consultants' team and UN-Habitat. Contents of the plans are attached to the consultant's report.