

Annual Report 2012



Submitted to the Government of Mongolia

By



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List of Acronyms

APDC	<i>Association of Parents with Disabled Children</i>	MACP	<i>The Mongolian Association of Cerebral Palsy</i>
APPEAL	<i>Active Partnerships and Public Engagement for Accountable Localities</i>	MAE	<i>Market Access and Expansion</i>
AVSF	<i>Agronomes et Veterinaires Sans Frontiere</i>	MALA	<i>Mongolian Association of Local Authorities</i>
BDS	<i>Business Development Service</i>	MCM	<i>Mercy Corps Mongolia</i>
CCI	<i>Chamber of Commerce and Industry</i>	MD	<i>Mongol Derby</i>
COGS	<i>Competitive Outsourcing of Goods and Services</i>	MNB	<i>Mongolian National Broadcast</i>
CSM	<i>Center of Standardization and Measurement</i>	MNT	<i>Mongolian National Tugrug</i>
CSO	<i>Civil Society Organization</i>	MOFALI	<i>Ministry of Food, Agriculture and Light Industry (former name)</i>
CWD	<i>Children with Disabilities</i>	MoIA	<i>Ministry of Industry and Agriculture</i>
DPO	<i>Disabled People’s Organizations</i>	MORE	<i>Market Opportunities for Rural Entrepreneurs</i>
EIC	<i>Environmental Information Center</i>	MR	<i>Mongol Rally</i>
EPG	<i>Extended Producer Groups</i>	MVMA	<i>Mongolian Veterinary Medical Association</i>
FIELD2	<i>Fostering an Inclusive Environment for Local Disabled (II)</i>	NAMAC	<i>National Association of Mongolian Agricultural Cooperatives</i>
GASI	<i>Government Agency for Specialized Inspection</i>	NAMHEM	<i>National Agency for Meteorology, Hydrology and Environment Monitoring</i>
GIS	<i>Geographic Information System</i>	NEMA	<i>National Emergency Management Agency</i>
GoM	<i>Government of Mongolia</i>	NGO	<i>Non-Governmental Organization</i>
GPA	<i>Government Procurement Agency</i>	PACS	<i>Productive Agribusiness Chains Support</i>
IAAC	<i>Independent Authority against Corruption</i>	PSS	<i>Psycho - Social Support</i>
iCOGS	<i>Improved Competitive Outsourcing of Goods and Services</i>	PWD	<i>People with Disabilities</i>
IHM	<i>Institute for Hydrology and Meteorology</i>	RASP	<i>Rural Agribusiness Support Program</i>
IRIM	<i>Independent Research Institute of Mongolia</i>	RIAH	<i>Research Institute of Animal Husbandry</i>
LDRI	<i>Livestock Disaster Risk Index</i>	CMORPH	<i>Climate Prediction Center morphing method</i>
LED	<i>Local Economic Development</i>	SDC	<i>Swiss Agency for Development and Cooperation</i>
LEOS	<i>Liberal Women’s Brain Pool</i>	SCVL	<i>State Central Veterinary Laboratory</i>
LEWS	<i>Livestock Early Warning System</i>	SME	<i>Small and medium enterprises</i>
LGM	<i>Loan Guarantee Mechanism</i>	SMP	<i>Soum Master Plan</i>
LLC	<i>Limited Liability Company</i>	SVSB	<i>School of Veterinary Science and Biotechnology</i>
LSWD	<i>Labor and Social Welfare Department</i>	VABA	<i>Veterinary Animal Breeding Agency</i>
		VRI	<i>Veterinary Research Institute</i>
		WWF	<i>World Wildlife Foundation</i>

I. Mercy Corps' Mission



Mercy Corps' global mission is to support secure, just and productive communities guided by our Vision for Change. Working in 41 countries and reaching 19 million beneficiaries, Mercy Corps takes a community-led and market-driven approach to facilitate lasting systemic change, supporting the establishment and growth of sustainable mechanisms for improving access to information, training, financial services, business services and markets.

In Mongolia, Mercy Corps' mission is to support rural communities to mobilize resources to meet their economic and social

needs to be resilient in a rapidly changing environment. Public-private dialogue and strong collaborative partnerships form the foundation of our efforts, as strong community engagement is crucial for inclusive and sustainable growth, good governance and environmental stewardship.

History in Mongolia

Mercy Corps first arrived in Mongolia in January 1999. Its mission and mandate began with the Gobi Initiative, which benefitted tens of thousands of rural residents and led to the creation of representative offices in 13 aimags. Mercy Corps' activities have focused on capacity building for individuals and institutions in local government, civil society, and the private sector.

Mercy Corps is proud of its role in promoting access to credit and financial services; extensive work to promote diversified agricultural development; programs to support the development of civil society and improved governance; and programs which have facilitated better communication and collaboration across the public and private sectors.

II. Executive Summary

Mongolia faced a number of changes and challenges in 2012—rising inflation, elections and government changes, new laws, and high expectations. Mercy Corps also faced changes and challenges in 2012, including a full review and revision of strategic areas, closing of long-standing projects, staff reductions, and in-country structural changes. Mercy Corps has come through these changes leaner, with a better defined focus and role, and in a better position to support Mongolia's development.

In 2012, we said farewell to the USDA-funded RASP project, the SDC-funded MORE project, and the Adventurists'-funded Mongol Rally/Mongol Derby program. As the reader can see in this annual report, the impact these projects had on rural lives—from an economic, social, and governance perspective—has been tremendous.

Mercy Corps also said farewell to nearly 40% of its staff due to the ending of projects and the restructuring of our in-country presence. We are proud to see our friends and former colleagues finding avenues to continue their contribution to Mongolia's development as private sector leaders, government officials, Citizen Representative Hural members, and NGO leaders. And yes, some have joined mining companies.

These structural and staff changes underpin a fundamental shift in the way that Mercy Corps will do its work in Mongolia. Increasingly, we will take the role of mentor or advisor, rather than direct implementer. This change is in recognition of the growing capacity of local partners throughout rural Mongolia. Our rural partners have learned to stand and have begun walking; now we can help them learn to run.

We closed 2012 with three clear strategic themes: Good Governance, Inclusive Growth, and Environmental Stewardship. These inter-related themes are high priorities of the 2012-2016 Government of Mongolia. Mercy Corps is proud to support these goals in a sustainable manner that respects our Mongolia partners and the aspirations of the Mongolian people.

Jennifer L. Butz
Country Director
Mercy Corps Mongolia
Ulaanbaatar, January 2013

III. 2012 Key Activities

1. Project Portfolio

Mercy Corps contributed to Mongolia's continued development by addressing three broad, inter-related themes: Inclusive Growth, Good Governance and Environmental Stewardship. Mercy Corps implemented nine major projects in Mongolia during 2012.

Table 1: Project Portfolio Mercy Corps Mongolia 2012

Project	Donor	Project Period	# of Aimags	2012 Program Expenditures (MNT)
Market Systems and Resources				
RASP Rural Agribusiness Support Program	USDA	Nov 09 – Jun 12	12	1,501,385,569
LGM Loan Guarantee Mechanism	USDA	Sep 04 – ongoing	15	298,861,068
MORE Market Opportunities for Rural Entrepreneurs	SDC	Jun 09 – Dec 12	15	1,089,628,648
PACS Productive Agribusiness Chains Support	USDA	Aug 12-Mar 15	11	58,289,471
Mongol Derby Support To Rural Business Expansion And Market Linkage Projects	The Adventur-ists	Jan – Oct 12	3	95,166,168
LEWS Livestock Early Warning System	World Bank	Sep 09 – Jan 13	21	231,603,686
Governance and Inclusion Programs				
APPEAL Active Partnerships And Public Engagement For Accountable Localities	USAID	Jul 12 – Sep 14	15	582,589,170
iCOGS Improved Competitive Outsourcing Of Government Services	SDC	May 12 – Mar 15	13	150,465,467
FIELD 2 Fostering An Inclusive Environment For Local Disabled (2)	USAID	Jul 11 – Jun 13	5+UB	254,500,049

2. Direct Program Implementation Areas

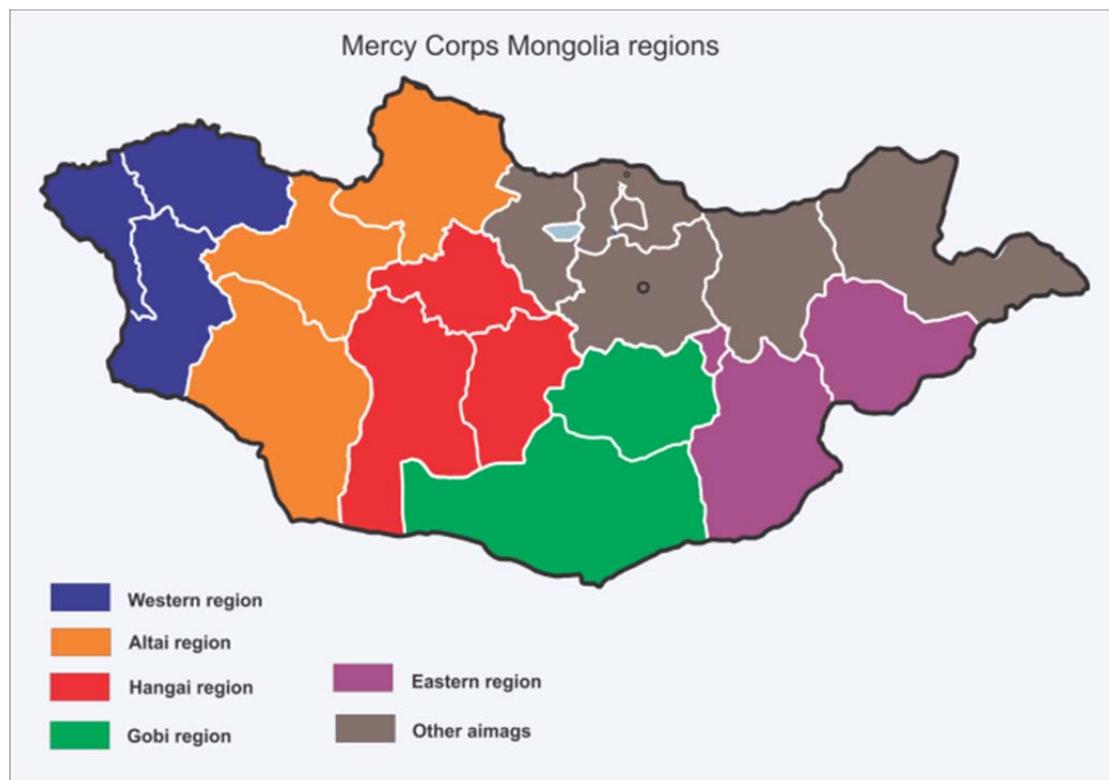
In June 2012 Mercy Corps announced a revised structure for its programs and operations in Mongolia. Mercy Corps' new structure accounts for and honors the growth, development and capacity in the soums and aimags of Mongolia. Starting 1 July 2012, Mercy Corps began conducting its program activities through direct, peer partnerships in 15 program aimags, facilitated by regional centers in Hovd, Zavhan, Uvurhangai, Umnugovi, and Dornogovi.

Regional Centers and Offices

There are 5 regions plus Hentii and Ulaanbaatar (main office).

- 1) Bayan-Ulgii, Uvs, Hovd (regional center)
- 2) Govi-Altai, Huvsgul, Zavhan (regional center)
- 3) Arhangai, Bayanhongor, Uvurhangai (regional center)
- 4) Dundgovi, Umnugovi (regional center)
- 5) Govi- Sumber, Suhbaatar, Dornogovi (regional center)
- 6) Hentii
- 7) Ulaanbaatar

Figure 1 Mercy Corps Mongolia Regions



3. Beneficiaries

In 2012 Mercy Corps collaborated with a wide range of partners to promote sustainability through greater local ownership and capacity. Our partners included herder groups, people with disabilities and their families, disabled people’s organizations (DPO), rural micro, small and medium businesses, rural private and governmental veterinarians and veterinary technicians, local government officials, civil society organizations (CSOs) and their members, and Business Development Service (BDS) providers. Overall more than 54,000 people benefited from our activities, of which 54% were women.

4. Cooperative Formation

2012 was Mongolia’s “Year of Cooperatives” with government emphasis on providing support to and promoting rural cooperatives as engines of economic development. Under the MORE project, Mercy Corps mobilized individual herders to recognize the economic benefits of collaborative action in production and marketing. As a result, herders and agricultural producers formed 28 Extended Producer Groups (EPGs) by the end of 2012. These were formed using structures chosen by the members, including: 20 primary and 2 secondary cooperatives, 3 partnerships, 2 herder groups, and 1 NGO. The number of households affiliated with these EPGs reached 1,688 and the number of EPG members reached 3,701. During the Year of Cooperatives, the Ministry of Agriculture and Industry created a “Model Cooperative” designation that was awarded competitively to high performing agricultural groups in each soum. Twelve (12) of Mercy Corps partner EPGs won the model cooperative designation for their soum.

5. Job Creation

In 2012 Mercy Corps supported program partners to implement activities that resulted in the creation of 1,360 new jobs in rural business, local government and other organizations. This was achieved by facilitating access to finance which enabled small businesses to expand, on-the-job training initiatives; and strong collaboration with local and state institutions. Among the people hired into new jobs, 54% were men and 46% were women.

Table 2: Number of jobs created in 2012 disaggregated by project and gender

Project	Full time Jobs		Seasonal/part time Jobs		Total
	Male	Female	Male	Female	
RASP	88	82	173	105	448
MORE	63	67	39	42	211
LGM	130	112	191	141	574
Mongol Derby	14	17	15	18	64
FIELD 2	9	13	14	27	63
Total	304	291	432	333	1360

6. Leveraging Rural Investments

Mercy Corps provided 172 subgrants totaling MNT 341.5 million to local organizations (businesses, CSOs and community groups). Local partners matched those subgrants with an average of 47% cost share (297.3 million) which is higher than in 2011 by 9%.

Table 3: Subgrants and Leveraging

No	Project	Donor	# of subgrants	Value of subgrants (MNT)	Leveraged funds (MNT)
1	RASP	USDA	121	209,184,768	169,458,196
2	LGM	USDA	1	26,000,003	103,109,000
3	MORE	SDC	7	20,584,667	
4	Mongol Derby	Adventurists	26	37,147,675	24,734,225
5	FIELD-2	USAID	17	48,564,970	1,695
	Total		172	341,482,086	297,303,116

7. Loan Guarantee Mechanism (LGM)

Mercy Corps provided MNT 926 million in loan guarantees, which leveraged SMEs and start-ups to secure 514 loans totaling MNT 2.7 billion in commercial loans from partnering banks, including Xac Bank, Khan Bank, Savings Bank, and Capital Bank. Eighty-five (85%) of these loans or 437 were secured by first-time LGM clients, reflecting a sustained need for assistance for rural entrepreneurs to access credit. Thirty percent (30%) of total loans were disbursed in the agricultural sector (dairy, meat, vegetable etc.) and the remaining 70% were disbursed in other sectors such as manufacturing, service, handicrafts, etc.

In September, Mercy Corps suspended the issuing of new loan guarantees in order to better assess the evolving credit needs in rural areas given the variety of State-sponsored assistance now available. Mercy Corps is currently redesigning the LGM to provide greatest strategic support to rural entrepreneurs.

8. Increased Sales

Mercy Corps' private sector partners organized 35 Market Days in 2012 that generated over MNT 2.45 billion in sales. Local products offered by Mercy Corps clients and partners at Market Days included dairy goods, bread, cookies and pastries, vegetables, wool and cashmere, hides and leather products, felt and felt products, wood/metal products, several types of handicrafts, wicker items, and construction materials.

Rural cooperatives and SMEs generated over MNT 2.84 billion of additional sales as a result of market linkage events and direct business support. Partner EPGs concluded 49 new contracts worth MNT 388.5 million for raw materials, including fibers, skins, meat and dairy.

Table 4: 2012 Market Days

Projects	# of Market Days	Sales (million MNT)	# of participants	Sales of EPGs	No of sales contracts	Amount of sales contracts (million MNT)
RASP	14	487.5	834			
MORE	21	1964.1	1294	538.9	49	388.5
Total	35	2451.6	2128	538.9	49	388.5

9. Investing in Long-Term Economic Plans

Investor Forums for nine Soum Master Plans developed under the RASP project attracted pledges of funding equal to MNT 15.6 billion from state ministries and agencies, the national and local private sector, and international donor projects. This represents an average 24% increase in investment commitments per Investor Forum, from 1.4 billion MNT in 2011 to 1.7 billion in 2012. The nine soums include the following: Bayanbulag and Buutsagaan soums from Bayanhongor aimag, Luus and Undurshil soums from Dundgovi, Bugat soum from Govi-Altai, Erdene soum from Dornogovi, Baruun-Urt soum from Suhbaatar and Tes soum from Uvs.

10. Supporting Decentralization

Mercy Corps Mongolia supported the decentralization process with funding support from SDC and USAID. In the SDC-funded project, soum-level government offices organized seven tenders for goods and services for which 53 businesses and CSOs competed. A total of 45 contracts with a value of MNT 294.5 million were signed by 30 businesses and CSOs.

IV. Project Achievements in Detail

1. RURAL AGRIBUSINESS SUPPORT PROGRAM (RASP)

US Department of Agriculture

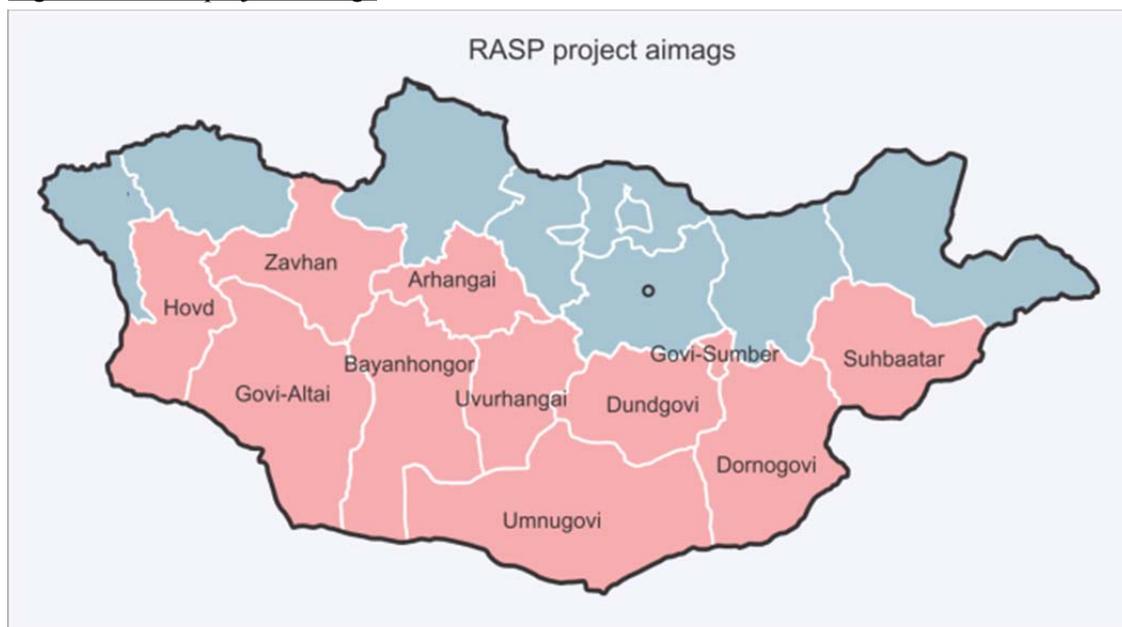
Project Goal

To diversify and expand rural businesses critical to Mongolia's agriculture sector

Project Objectives

- **Value Chain Development**—Promote, expand and strengthen value chain from agricultural and livestock producers to processors and consumers.
- **Market Access and Expansion**—Create new market opportunities for local producers by linking them to larger regional and urban markets.
- **Sector Support for Agribusiness Development**—Improve linkages among business development service providers, critical input suppliers, community groups, marketing and agricultural/livestock technology information for agribusiness development.
- **Food Safety**—Raise awareness of food safety issues and improve food product testing to increase the visibility and availability of safer products.
- **Animal Health**—Develop the veterinary sector by delivering continuing education for professional veterinarians and bolstering the capacity of government and private veterinarians to conduct effective and accurate disease surveillance.
- **Natural Resource Management**—Identify, test and disseminate methodologies for improved natural resource management for livestock production adapted to local context and circumstances.

Figure 2: RASP project aimags



Project Outcomes

The RASP program was closed in June of 2012, but secured a short no-cost extension that supported a limited number of activities under the animal health component through the end of December 2012.

Grants for Value Added Business Expansion and Food Product Package Improvement

Mercy Corps issued a call for proposals in January 2012 for value added business expansion and food product package improvement projects. An intensive promotional campaign took place from January to March and reached over 25,000 local business people, city residents and about 100,000 rural people. Mercy Corps' aimag offices received 181 applications for the value added business expansion projects and 64 applications for food product package improvement. By the end of June 2012, 33 applications for value added business expansion and 27 applications for food product package improvement projects were selected and received grants.

Grants were based on reimbursement after proven investment by the grantee. Compared to 2011, Mercy Corps' contribution to the projects was 37.6%, a decrease of 5.7%. In total, the selected businesses invested MNT 508.8 million of their own funds. They generated MNT 762 million of sales income, double the average revenue of last year's grantees. Sixty-seven (67) new and improved agricultural products entered rural markets, including packaged dried curd, sour-cream, cow and camel milk, yogurt with camel milk, soft cheese, butter, beef, mutton, new types of sausages, felt for the Mongolian ger, felt handicrafts, animal mixed fodder and honey.

Market Linkages

The RASP project helped local government and BDS providers to organize 14 market events in 12 aimags: Arhangai, Bayanhongor, Arhangai, Uvurhangai, Govi-Altai, Govi-Sumber, Dornogobi, Dundgovi, Umnugovi, Suhbaatar, Zavhan and Hovd. In total, 841 local businesses and program clients took part and displayed 197 different types of products. The local businesses generated MNT 487.5 million of sales income from dairy, meat, bakery products, vegetables, handicrafts for Tsagaan Sar gifts and other locally produced goods.

“Young Business People Trainings” Help Start Rural Businesses

In 2012, RASP implemented two “Young Business People Training Programs” in Hovd and Zavhan aimags. Each training program consisted of 12 days of comprehensive business and technology skill building. Sixty-two (62) young people under the age of 35 attended the courses, with 92% (57) completing both stages of the business and technological skill building training. After the training, 79% (45) of the graduates developed business plans to start up their own businesses and applied for commercial bank loans to finance these business ventures.

Soum Master Plans (SMP)

Soum Master Plans offer rural communities a mechanism to work together to identify ways to improve the local economy, enhance competitiveness, and encourage sustainable and inclusive growth. In 2012, RASP organized a consultancy on the SMP planning process for 331 members of SMP planning and monitoring committees and planning task forces of 10

soums. The project also organized a "Fundraising and Project Design" training for 281 local government officials, businesses and local citizens. The participants of this training improved selected projects in their SMPs, which were introduced at investors' forums to potential investors. A total of 113 SMPs and one aimag Master Plan have been developed and approved by Citizens' Representative Hurals since 2004.

Going forward, SMP efforts have been taken up by the USAID-funded APPEAL project. APPEAL is working with the Mongolian Association of Local Authorities (MALA) to transfer the SMP methodology to this local association and to ensure greater sustainability of this effective methodology. APPEAL will encourage soum governors to adopt approaches to sustain the participatory dialogue on which the creation of Soum Master Plans depends.

Investors Forums

Soum Citizens Representative Hurals, Governors' Offices and UB-based Local Councils (*Nutgiin Zuvlul*) organized nine investors' forums in 2012 with support from RASP. These forums were attended by 813 participants and raised MNT 15.6 billion in pledges for 213 local development projects including vegetable growing, improving of animal breeds, clean water supply for soum center, improving and modernizing soum centers, expanding of school library, development of local and international tourism, building sports gym, animal health control, establishing workshop for construction materials, expanding irrigated crop production by rehabilitation of old irrigation system, establishing elite breeding stocks, developing greenhouse businesses, building new sports and cultural centers and development of SMEs in soums. On average, 57% of the funds pledged were received by the soums for specific projects.

"Safe Food - Happy Life" Campaign

In collaboration with the Ministry of Food, Agriculture and Light Industry (MOFALI), Mercy Corps organized a food safety public awareness campaign for 21 days from April 25 through May 15. The goal of the campaign was to inform the public about food products in food markets, stores and shops. A total of 11,450 posters were printed and delivered to the 10 project aimags. Mercy Corps and local consultants conducted training on subjects of food safety and hygiene, prevention of food poisoning and preservation of food. A total of 2,865 people including herders, consumers, veterinarians, traders and children benefited from this campaign.

Unemployed Young People Became Veterinary Technicians

Together with the School of Veterinary Science and Biotechnology (SVSB), Mercy Corps organized a 30-day "Veterinary Technician Training Program" for 84 unemployed young adults from Uvurhangai, Umnugovi, Dundgovi and Suhbaatar aimags. Training program costs were supported 50% by Mercy Corps and 50% by the soum-level private veterinary units. All participants received Professional Veterinary Technician Certificates after completing the "Veterinary Technician Training Program". Sixty-seven (67) participants (80%) were hired by local private veterinary clinics as full or part time technicians as a result of the training.

Scholarships Ensure Quality Vets

Since starting the scholarship program in 2009, Mercy Corps has provided 102 scholarships to 68 students. The SVSB notes that as a result of the Veterinary Student Scholarship Program there has been a 56% increase in students applying to become veterinarians (112 students) and an average grade point improvement of 8.8% among veterinary students. In the 2012-13 academic year, 60 students were



Photo 2: Best Student Scholarship Recipients for 2012

awarded scholarships. The 2012 awards specifically supported vet students from rural aimags, many of whom come from families with a strong tradition of veterinary service.

Laboratory Testing Training for Soums Private Veterinarians

Mercy Corps collaborated with the Mongolian Veterinary Medical Association (MVMA) to organize training for soum private vets in all 12 RASP target. The training team included representatives from the State Central Veterinary Laboratory (SCVL), Veterinary Research Institute (VRI), School of Veterinary Science and Biotechnology (SVSB), Veterinary Animal Breeding Agency (VABA), Government Agency Specialized Inspection (GASI), Center of Standardization and Measurement (CSM). This training was held from November 19 to December 23, 2012 in Ulaanbaatar and was conducted in 5 phases with a maximum of 45 vet-trainees at a time. The 45 vets divided into 3 subgroups and practiced hands-on testing for Zoonosis diseases at the 3 separate Laboratories at SCVL and VRI. In total, 196 soum private vets have participated in the training.

Toxic, Medicinal Pasture Plants and Endemic Diseases

In collaboration with the Veterinary Research Institute (VRI), State Central Veterinary Laboratory (SCVL) and Mercy Corps a veterinary capacity building training on "Toxic, Medicinal Pasture Plants and Endemic Disease" for both state and private veterinarians was organized in the project's 12 aimags. In total, 592 veterinarians and veterinary health care specialists participated in the training. All participants received a training kit, which included an automatic syringe with drencher, stainless needles for the syringe, a stethoscope, eye safety glasses, a 4g memory stick, a cotton bag and three books in Mongolian (*Toxic and Medicinal Plant Identification and Usage*, *Illustrated Reference of Commonly Occurring Endemic Diseases in Mongolia*, and *Endemic Diseases*). During the training participants learned how to recognize and eliminate toxic pasture plants, to diagnose poisoned livestock, and to recognize endemic diseases. Vets also improved their diagnostic skills by using modern techniques, and learned how to prepare vet drugs with local medicinal plants and how to produce enriched mineral fodder to prevent endemic diseases. This was the first time in a decade that these topics were offered to rural veterinarians and it received high praise from the participants.

Comprehensive Pasture Management Planning training in Govi-Altai

Mercy Corps in collaboration with the Govi-Altai aimag Governor's Office, the aimag

Agricultural SME Department and the World Wildlife Foundation (WWF), conducted a short training course on *Soum Pasture Management Planning* for representatives from Govi-Altai and Hovd aimags in Govi-Altai during March 9-18, 2012. Seventy-two (72) participants attended, including pasture management specialists, land inspectors, and environmental protection staff from 19 soums of Govi-Altai aimag and four soums of Hovd aimag. The training was facilitated by pasture management and GIS specialists of the Mongolian Agricultural University; the Government Agency for Land Affairs, Geodesy and Cartography; and the Ministry of Roads, Transportation, Construction and Urban Development. The topics covered: pasture management, soum pasture management planning, land and pasture database management, and local citizens' participation for pasture management planning.

Following the training, participants developed initial versions of 23 soum pasture management plan models using GIS database. Fifteen (15) soum pasture management plans were submitted to and approved by soum Hurals. After all the Govi-Altai soums complete pasture plans, a Master Aimag Pasture Management Plan will be developed and submitted to the aimag Hural for approval in 2013. This activity is now implemented independently by Govi-Altai aimag Governor's Office, the aimag Agricultural SME Department and WWF.

2. LOAN GUARANTEE MECHANISM (LGM)

US Department of Agriculture (2004)

Project Goal

To assist rural agribusinesses to obtain commercial loans through the provision of additional cash collateral

Project Objectives

- To support small rural businesses to improve their financial capacity in order to implement their business ideas, start and/or expand, and/or diversify their business activities.
- To strengthen the linkages between rural businesses and financial institutions, and build capacity of clients to access to financial resources and use them for business purpose.
- To increase competition among financial institutions to promote improved availability and accessibility of financial services for rural businesses and influence on condition of services they offer.

This Mercy Corps' initiative was originally funded through the USDA-2004 activity. Even though this project formally concluded in 2010, Mercy Corps continued to provide micro- and small business credit guarantees to support business start-up, consolidation and expansion until September 2012, at which point new credit guarantees were suspended until a revised strategy can be put into place. Mercy Corps primarily collaborates with two key retail financial institutions: Xac Bank and Khan Bank. The LGM is facilitated through a network of 30 local Business Development Service (BDS) providers, who—under contract from Mercy Corps—monitor and mentor individual loans, assist the loan-takers on business development, and ensure timely loan repayment.

Project Outcomes

The Loan Guarantee Mechanism program suspended new lending in September in order to carry out an evaluation of program performance since the launch of the LGM in 2004. The evaluation included consideration of populations that have been underserved by both the LGM and the commercial banking sector, including youth, elder, and people with disability populations. In 2013 it is anticipated that the LGM will be strategically restructured to ensure ongoing credit availability for key rural communities, as well as other populations who are equally left out of the commercial credit market.

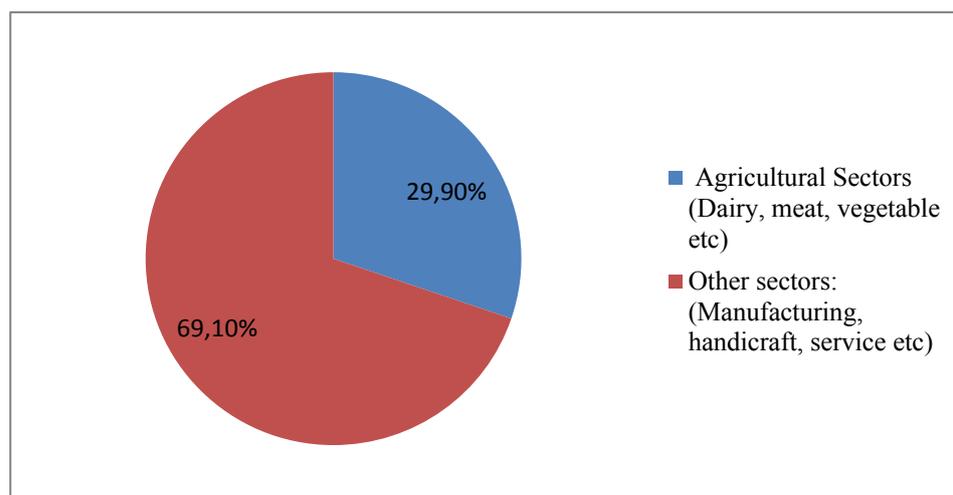


Figure 3: LGM Aimags

Loan Portfolio

In 2012, the two LGM partner banks issued a total of 514 new commercial loans. This represents a decrease in the total number of loans issued compared to 2011, but an increase in the total value of lending and the average size of loans by 18.5%. The average loan value in 2012 was MNT 5 million with an average interest rate of 15.1% annually. To secure these loans, Mercy Corps provided cash collateral worth MNT 926 million, or 33.91% of the total loan value. Herder businesses accounted for around 3% of loans during 2012, while the majority of loan recipients (89%) were private individuals who accessed general business loans. Forty (40) businesses were LLCs, partnerships or cooperatives. In 2012, 30% of total loans disbursed were in the agricultural sector (dairy, meat, vegetable etc.) and the remaining 70% were disbursed in other sectors such as manufacturing, services, handicraft and others.

Chart 1: Distribution of LGM by business sector



The LGM's average loan repayment was 96.06% in 2012 and the rate of additional loan collateral by Mercy Corps at risk (loans repayment late for more than one month) was 3.22%.

By supporting small businesses and herders to access productive credit, the LGM has resulted in increased business activity as well as increased employment. Client businesses reported creating 574 new jobs in 2012. Of those jobs, 242 are full time and 322 are part time or seasonal. Of the 242 people with new full time employment, 112 are women and of the people hired into new seasonal or part-time work 141 are women.

In February 2012 MCM also granted \$20,000 to CGF LLC in order to launch its operations and to expand the supply of available credit. CGF was established with the objective to enable SME entrepreneurs with a viable business plan, but lacking security to borrow money from commercial banks to make financing accessible. This financing activity is not direct lending to businesses, but rather providing "additional cash collateral" for commercial loans to businesses that lack needed collateral. It is designed to reflect the success of Mercy Corps Loan Guarantee Mechanism through a commercial entity.

During the sub-grant period, CGF recruited 5 staff, participated in a study tour and capacity building training, and developed 6 operational procedures of the fund and sent them to the Financial Regulatory Committee (FRC) for approval. The FRC has set a minimum capital of MNT 3 billion to issue a license to CGF, as of the end of 2012 only 9 shareholders had completed their investment to CGF which has delayed the start of operations.

Trends & Analysis

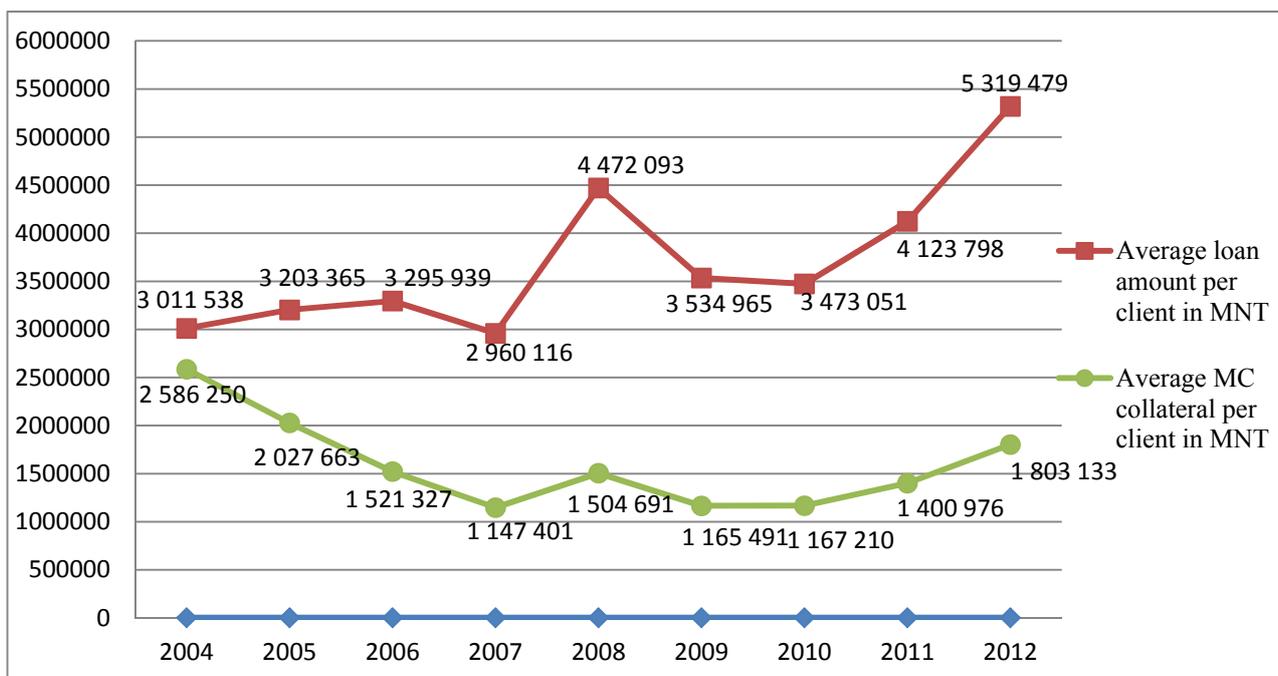
It is important to note that over the life of the LGM the credit market has changed and many other opportunities to access financial credit have opened for rural businesses. In addition to the commercial banks, there are the SME fund, the Microfinance Development Fund, and other programs implemented by development agencies including WV, ADRA, and GIZ that are helping people to access soft loans and get other financial services.

In addition, the Mongolian Government signed a memorandum of understanding on 30th of October to establish the Credit Guarantee Fund, signatories included: the Ministry of Finance, the Ministry of Labor, FRC, Mongol Bank, MNCCI, Mongolian Banks Association, Employers Association, NAMAC, SLP 2 and GIZ. The fund plans to build equity of MNT 7 billion. The GOM has budgeted MNT 5 billion, so the remaining will be invested from interested donors and companies. The fund will start its operation in 2013

Finally, the GOM signed a new regulation on Credit Guarantee into law in February, 2012 that has allowed this growth to take place. All of these changes have combined to create an opportunity for Mercy Corps to recast the LGM program to ensure that credit markets continue to expand and offer suitable products to previously under serviced borrowers.

As noted above, the value of loans disbursed by our partner banks in 2012 increased by 18.5% from the previous year. The chart below shows that the average loan size under the LGM has continued to increase since 2009.

Chart 2: Development of average loan size and collateral 2004-2012



3. MARKET OPPORTUNITIES FOR RURAL ENTREPRENEURS (MORE)

Swiss Agency for Development and Cooperation

Project Goal

To increase the income of Mongolian herders and ex-herders in 15 aimags through sustainable mechanisms and expansion of rural business.

Project Objectives

- **Component 1: Market Access and Expansion**—Sustainable systems in place to develop new or improved market linkages for herders and ex-herders. Create new market opportunities to help diversify and expand rural businesses in Mongolia.

- **Component 2: Business Development Services and an Enabling Business Environment** - 25 BDS providers in 15 aimags delivering sustainable services, including facilitation of access to loans and investments.
- **Component 3: Competitive Outsourcing of Government Services (COGS)** - Increased demand for local goods and services through expansion of transparent and competitive outsourcing of government services.

Figure 4: MORE Project Aimags



The MORE Project came to a close in December 2012. During the four year (2009-2012) implementation period the project’s achievements included the formation of 28 Extended Producer Groups (EPGs) consisting of 3,701 members and operating in 12 aimags. The EPGs generated sales income of over \$2.4 million a result of MORE market linkage activities and improved their joint sales capacity by participating in training and technical assistance programs. The project also supported 35 local BDS providers in 15 aimags to improve their management capacity and to gain the technical skills needed to provide quality business development services to their rural business clients. MORE worked with rural businesses that created 929 new jobs in 15 target aimags and enabled rural business operators to enter 136 new markets by expanding to new geographical regions, finding new consumers and introducing new products.

Project Outcomes

The following main outcomes were achieved during the reporting period:

- 151 new jobs were created in the target aimags by EPGs.
- EPGs signed 48 sales contracts worth MNT 388.4 million and earned in total MNT 1304.5 million in 2012.
- 543 local BDS consultants of 15 aimags improved their technical and business skills and knowledge with support from the project.

- 1,120 local businesses received technical and business consultancies through the local BDS providers.
- 4 technological training centers, 2 business training centers and 3 market linkage services were supported through the “Small projects competition among local BDS providers”
- 32 local BDS providers facilitated 455 loans to local businesses, worth MNT 2.4 billion, under Mercy Corps' Loan Guarantee Mechanism (LGM).
- The MORE project provided technical assistance for undertaking 7 open tender for 3 types of Goods and works in 5 aimags
- 53 local businesses submitted bids, of which 30 were awarded resulting in 45 contracts with a total Value of MNT 294.5 million.

Illustrative Activities

Market Days Improve Market Linkages

Twenty-one (21) market days were organized in nine aimags and in Ulaanbaatar City during 2012. During these popular sales events, more than 1,294 people including 350 EPG members displayed their products and generated a total of MNT 1.96 billion in sales, of which MNT 538.8 million was earned by Mercy Corps clients. Local government authorities and relevant agencies and NGOs have learned how to organize market linkage events and understood their importance. Some aimags such as Uvurhangai, Arhangai, Zavhan, Hovd have organized market events at aimag and soum level themselves without project support

EPGs Increase Their Capacity

By December 31, 2012 the number of households affiliated to EPGs reached 1,688 and the total number of individual EPG members reached 3,701. As a result of MORE's intensive promotional work and early market successes, the perception of EPGs in the project target aimags is very positive and members report strong commitment to the EPGs' activities. The MORE end-line assessment results showed that a majority of EPG members were satisfied with EPG operation. Many EPGs have demonstrated a positive real life business example for herders unaffiliated with an EPG.

In 2012 the Ministry of Industry and Agriculture (MIA) identified and selected the one best cooperative from each soum in order to strengthen them and make them a model cooperative by providing government financial and technical support through the Government's “Rural Cooperative Campaign”. By December 2012, 11 EPGs working with MORE or 39% of all EPGs had been selected as model cooperatives of their own soums. These EPGs represent 1,532 households and 2,670 members.

EPGs Increase Sales

EPGs have improved their joint sales and purchasing systems, and their negotiating and contracting skills, and as a result have attracted the attention of larger processors/buyers as they became more reliable business partners. Before the project, due to remoteness, lack of access to markets, poor market information, and weak knowledge and skills on marketing and contracting, most herders were not able to sell their products directly to processors and buyers at the market price. Now, EPGs are improving market performance for members and facilitating more efficient and reliable supply chains for buyers which creates an incentive for

them to negotiate more favourable terms with these groups. Initiated and supported by Mercy Corps, market linkage events that introduce sellers, buyers and consumers, have become a “new tradition” and created an effective basis for improved market linkages for herders

In 2012, EPGs made a total of 49 sales contracts worth MNT 388.5 million and 91% of all sales contracts (45) were better than market terms. In total EPGs earned MNT 538.9 million through new contracts. The increase in the number and value of contracts demonstrates that EPGs have improved in terms of joint sales and negotiating/contracting has attracted attention of larger buyers.

Nagoon Hudag Cooperative

Uvs aimag’s Zuungobi soum’s herders established the “Nagoon Hudag” cooperative after participating in a workshop offered by the MORE project. In 2011 they had a shop to sell livestock related products, a 50 person capacity eatery, bakery, production shop and had created 6 new employment opportunities. In 2011 this provided each member MNT 500,000 profits. In 2012 the profits earned by each member had reached MNT 700,000.



In May 2012 with the purchasing of a truck, they added one more job and started moving their products to different markets for the most competitive price. With the vehicle they moved 31,500 kg of sheepskin and 1,250 kg of camel fur to Huvsgul Aimag and agreed on a profitable contract with Leader Cashmere. On the way back they found a way to buy their materials for use in the eatery and shop. With business expanding Nagoon Hudag has hired an accountant.

For 2012-2013 they agreed on a contract to provide their soum schools with bread, meat and milk at a value of MNT 13 million. Nagoon Hudag cooperative, starting from its establishment, has participated in local and national exhibitions. They participated in the Uvs Partnership-2012 exhibition encompassing 10 members of the cooperative selling all kinds of dairy products and earned all the available gold medals.

BDS Providers Increase Management and Technical Capacity

In 2012, 543 consultants affiliated with BDS partners accessed training and technical assistance that aimed both to improve their ability to operate independently and sustainably, as well as to increase the range, scope and quality of the services they provide to clients. These trainings included business planning, business management, and marketing to build the internal capacity of BDS providers and support them to establish profitable and sustainable business operations. On the technical services side, the MORE team identified a number of critical subsectors in which technical assistance on production and processing were insufficient and constraining growth. To address this gap, training was organized in subjects such as skin and hide processing technology and yak wool processing. In the MORE project final evaluation survey, 86% of SME respondents expressed satisfaction with the services they receive from BDS providers.

National BDS Network www.zuvluh.mn

MORE initiated the creation of a national online network for BDS providers (www.zuvluh.mn) that enables members to access resources and exchange experiences. In February 2012, Development Solutions (DS), was selected on a competitive basis to manage daily operations of the website and BDS network activities including membership development and training for member consultants. During the BDS network members' meeting held in UB on October 19, 2012, the network management structure and membership fee were discussed and agreed. The members supported DS to continue to manage the BDS online network.

As of December 2012, 47 business development organizations and 198 individual business consultants are registered members in www.zuvluh.mn. In November 2012, the website was expanded to attract SMEs as members with better website content including a consultants' database, a library, SME forums, announcements and social networking tools.

On December 27, 2012 Mercy Corps and Development Solutions NGO signed a donation agreement making DS the sole owner of www.zuvluh.com. DS has agreed to be solely responsible for managing and maintaining the website to further enhance the skills and knowledge of national consultants and BDS providers, to expand their market access and to strengthen network capacity.

Mutton Value Chain Market System Analysis

Working with a Mongolian consulting firm, MORE conducted the *Mutton Value Chain Market System Analysis* using a market development (M4P) approach. The analysis identified the main constraints and opportunities faced by mutton producers and suggested interventions for systemic change. The analysis was conducted by the Nutag Partners LLC which was selected competitively. The study covered five soums in two MORE target aimags and interviewed 67 respondents from among herders, cooperatives members, local and aimag level middlemen, traders, meat processors, government officials, special professional inspectors and other market players and stakeholders.

Participating market stakeholders identified a number of critical constraints and some immediate actions that they could implement directly to improve market performance. Constraints within the mutton value chain market system include: weak market linkages between producers and domestic processors; low quality and poor hygiene at all levels of processing; lack of infrastructure and technology to improve production; and a lack of sufficient refrigerated transportation and storage facilities. These constraints could be eased through improvements in the regulatory system to support animal registration, to improve the legal structure that underpins quality assurance and to strengthen supporting structures for refrigerated warehousing and transport businesses. The private sector could improve conditions by promoting more cooperation within the sector, and mobilizing more technical assistance within the mutton value chain to improve performance of primary producers and processors.

Credit Market System Analysis

During November-December 2012, an *Access to Credit for Cooperatives, Market System Analysis* was conducted in collaboration with researcher Mr. Erdenebolor from the Mongolian

University of Agriculture. The study covered nine target aimags and interviewed 120 respondents from cooperatives, banks, non-bank financial institutions, government agencies, non-government organizations, international organizations, and BDS providers. These credit market stakeholders diagnosed and analyzed the credit for cooperatives market system through a participatory process and identified potential leverage points for systemic change and defined immediate and practical interventions that can be led by the stakeholders to improve market function.

From the study, the main constraints cooperatives face in accessing credit include: a general assumption by market stakeholders and the public that cooperatives do not function effectively as business entities; a tendency by banks to undervalue agricultural assets used as collateral; low asset ownership among cooperatives; and low skill levels within cooperatives in accessing information, completing credit applications and managing banking relationships. The situation could be improved by lenders and borrowers through improved communication and information flow; renegotiating the criteria for valuing assets and establishing collateral requirements; and improved understanding of cooperative business performance. Within the supporting sector the stakeholders identified a need for improved business services, increased access to loan guarantee programs and changes in the Value Added Tax (VAT) law to increase margins for cooperatives.

iCOGS

There are no activities to report under Component 3 of MORE, *Competitive Outsourcing of Government Services (COGS)*. After demonstrating significant impact in the first three years of MORE, SDC decided to integrate the COGS program and methodologies into SDC's *Governance and Decentralization Programme (GDP) Phase One* as Module 2.2, *Improved Competitive Outsourcing of Government Services (iCOGS)*. Starting on May 16, 2012 this component has therefore been implemented by Mercy Corps under a separate contract, and is discussed in detail below in Section 6 of this report.

4. PRODUCTIVE AGRIBUSINESS CHAINS SUPPORT (PACS)

US Department of Agriculture

Project Goal

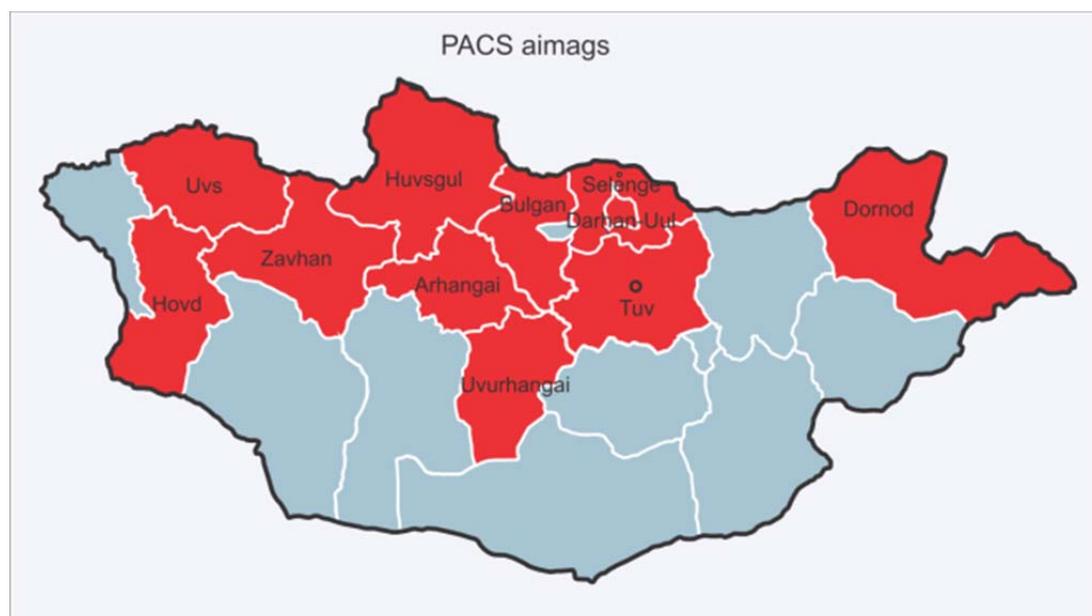
- Increase agricultural productivity in the meat and dairy sectors by increasing agricultural producers' knowledge of improved agricultural techniques and technologies, and by improving the quality of agricultural inputs and farm management.
- Expand the trade of agricultural products by increasing producers' adoption of established industry standards for quality and safety of meat and dairy products, and by improving post-production processing, handling and marketing.

Project Objectives

- Train and Monitor Veterinary Inspection Services
- Conduct Awareness Campaign
- Conduct In-Country Study Tours
- Educate and Motivate Processors to Adopt International Safety and Quality Standards
- Facilitate "Market Days"

- Improve Vocational Training Centers' Curriculum and Participation
- Promote "Yellow Pages"
- Provide Grants to Animal Feed Producers
- Provide Training and Technical Assistance to Business Development Service (BDS) Providers
- Research and Disseminate Local, Regional, and International Market Assessments
- Research Animal Feed Production and Preservation
- Strengthen International Market Linkages
- Support Adoption of Improved Processing Practices

Figure 5: PACS aimags



Project Outcomes

Agreement Signed with USDA

On 14 September 2012, Mercy Corps and USDA approved the Productive Agribusiness Chains Support project agreement, launching the initial phase of the project. In November 2012, Jennifer Bielman arrived in Mongolia as the Director of Market Systems and Resources with responsibility for PACS project oversight.

PACS Monetization

Consultant James Hinton visited Mongolia October-November 2012 to prepare the first stage of the monetization process. Working with Mercy Corps' partner Development Solutions, Mr. Hinton surveyed local importers, reviewed relevant US and Mongolian law and prepared initial documentation and procedures for the monetization to take place in early 2013.

Coordination with Mongolian Government

In December 2012, Mercy Corps met with State Secretary Zoljargal and other representatives from the Ministry of Industry and Agriculture to update them on the status of PACS and discuss coordination with MIA's plans and activities. This meeting led to a

follow up meeting with the MIA livestock team attended by Jennifer Bielman, Project Manager Enkhtuya, and Bat-Orshikh, Executive Director of Development Solutions and a close program partner. Both the PACS team and the livestock team presented 2013 plans and discussed potential areas of collaboration.

5. ACTIVE PARTNERSHIPS AND PUBLIC ENGAGEMENT FOR ACCOUNTABLE LOCALITIES (APPEAL)

US Agency for International Development

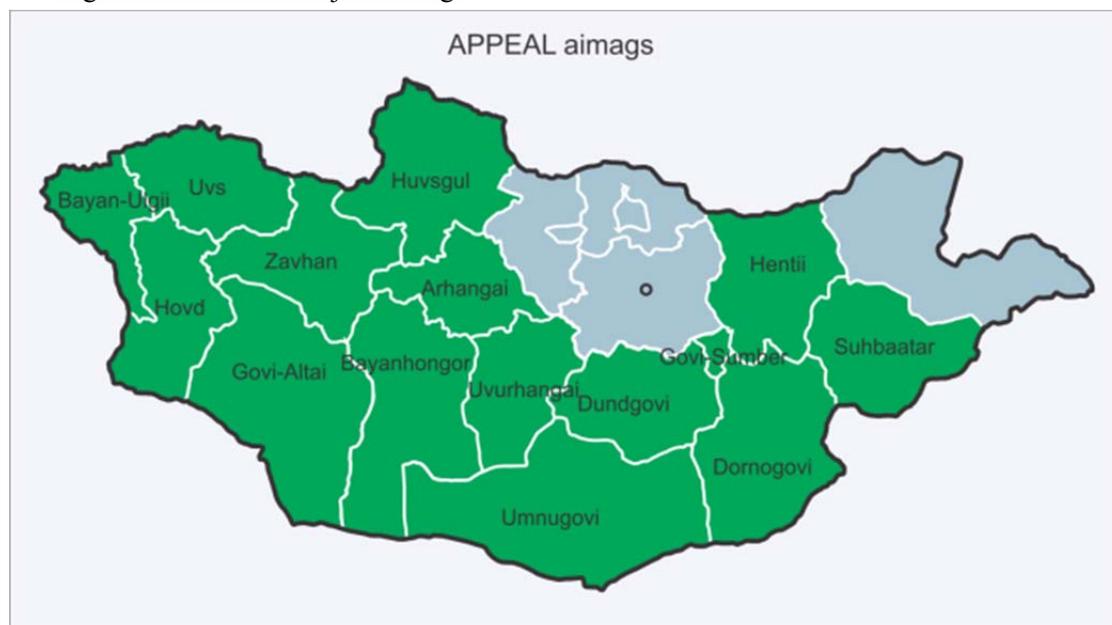
Project Goal

To improve the legal, institutional and administrative processes in 15 aimags that promote democratic reforms and support more inclusive economic growth by supporting local governments, citizens, civil society and the media to participate in transparent participatory governance.

Project Objectives

- **KNOWLEDGE**—Key elements of Mongolian legal frameworks related to anti-corruption and good governance are understood by and relevant to government institutions, civil servants, civil society and the public at the local level.
- **ACTION**—Exercise of authority and delivery of government services reflect transparent and accountable, administrative processes, provide effective checks and balances, and engage informed communities to optimize quality and impact of governance at local level.

Figure 6: APPEAL Project aimags



Since June 2012, Mercy Corps has implemented the Active Partnerships and Public Engagement for Accountable Localities (APPEAL) project with US\$ 3.5 million funding from the US Agency for International Development (USAID) in 60 soums of 15 aimags of Mongolia. The APPEAL project comes at a critical point in Mongolia's democratic development. The national and international context of Mongolia's commitment to democratic

governance has improved under the leadership of President Ts. Elbegdorj. As chair of the Community of Democracies, founding member of the Open Government Partnership and its commitment to Millennium Development Goal #9 of zero tolerance for corruption, Mongolia is making progress in consolidating its democratic principles and actions.

Project Outcome

Formal Partnerships Established

In August, the APPEAL project issued a call for expression of interest to the 251 soums in the project's 15 aimags. From that call, 143 soums expressed their interest to partner with Mercy Corps to improve their governance practice. This response rate—60% of all soums of the target aimags—shows the strong willingness of Mongolian local authorities to strengthen local democratic practice. Mercy Corps has signed MoUs with 15 aimag Governors and Citizen Representative Hural Chairmen and 60 MoUs with soum level leadership.

Engaging Policy Makers

In order to bring local initiatives to a national audience, Mercy Corps has engaged stakeholders such as Cabinet Secretariat of the Government, IAAC, Ministry of Justice, Ministry of Population Development and Social Welfare, Governance Academy; national NGOs such as Mongolian Association of Local Authorities, Mongolian Women Lawyers Association; and other democracy implementers including The Asia Foundation, Sustainable Livelihoods Project, and Open Society Forum.



Photo#3: Signing of MoU between Mercy Corps, Dornogovi Governor's office and Citizens' Representative Hural

MoU with Ministry of Justice. On December 13, 2012, the Ministry of Justice and Mercy Corps signed a MoU to partner and support the adoption and sustainability of good governance in the process of designing and finalizing law drafts by developing public feedback loops from bottom up from informed citizens to communities and to institutions. Within the MoU, Mercy Corps will support the Ministry to collect public feedback from 15 rural aimags of Mongolia and to integrate the respective recommendations in the General Law of

Administrative Procedure before Parliamentary discussion. Other draft laws will receive similar attention through mutual agreement. In addition, local legal departments will partner with the project to build its staff capacities in educating public for good governance legal frameworks.

MoU with IAAC. On December 28, 2012, the IAAC and Mercy Corps signed a MoU to improve aimag level anti-corruption action plan quality and promote greater public participation in ACAP planning. In 2013 and beyond, at least 15 project aimags will refine their ACAPs in partnership with local civil society organizations. Local authorities will adopt timely citizens' engagement practices to refine, approve, implement and monitor the plans.

Good Governance Week—Awarding Best Practices

To strengthen the good governance practice at the local level and replicate good practices nationwide, Mercy Corps and its national partners, the IAAC, Ministry of Justice, the Cabinet Secretary of Government of Mongolia and The Asia Foundation, formed a Good Governance Working Group to organize a week-long event to celebrate good governance and commemorate the International Day Against Corruption. In total, about 3,400 citizens and government officials directly participated in Good Governance Week events which demonstrate strong engagement of project stakeholders and relevance of the project activities in Mongolia.

On December 7, Mercy Corps partnered with the Office of the President and hosted a Citizens Chamber to disseminate key findings of the civic measurement survey. The proceedings were broadcast live across the nation through MNB (Mongolian National Broadcast). In addition, more than 600 citizens and local officials in 15 aimags gathered to watch the UB event and then discuss the local situation.

On December 9, IAAC Chairman Ganbold led an official awards ceremony to recognize the nine best practices for good governance that the APPEAL Good Governance Working Group selected. The awards went to:

1. Participatory planning process of soum development plan of Hyargas soum, Uvs aimag
2. Tri-partite partnership (public, private and civil society) committee experience for public procurement transparency and efficiency in Hovd aimag
3. Open and competitive human resource recruitment policy in Bayan-Ulgii aimag. Online examination of civil servants in Bayan-Ulgii aimag with external monitoring of citizens and live broadcast through local media.
4. Mobile “one stop shop” of Bagakhangai district of Ulaanbaatar that enables marginalized population groups such as elderly, people with disabilities, children and nursing mothers to receive government services at their homes.
5. Open and transparent performance evaluation of health care staff and democratic selection process for creating sub-committee of ethics of the Health Care Department upon who received most votes from the public, Bulgan aimag
6. Introducing preventive approach from conflict of interest through special agreements with employees and refined work-ethics policy of “Ulaanbaatar Energy Network” state owned share holding company, Ulaanbaatar
7. Ms. Uuganbayar, Khan-Uul district Governor’s Office staff, Ulaanbaatar was awarded because of her own initiative introducing public awareness activities and events among different population groups to encourage anti-corruption initiative. She is also a role model who contributes for e-district initiative of the district.
8. Budget transparency experience of Education and Culture Department of Bulgan aimag. It establishes special agreements with all relevant budgetary organizations on open and transparent reporting of budget expenditures.
9. Ms. Gantuya, head of the Dalanzadgad soum Governor’s Office of Umnugovi aimag for her initiative to introduce transparent and competitive procurement process.



Photo 4: Nine best practice awardees of Good Governance Week with Mr. Ganbold, IAAC General Commissioner (fourth from the left) and Ms. Bat-Otgon, Head of Public Awareness Department, IAAC (second from the left)

Rules to Reality Campaign

One of the greatest challenges to good governance is translating laws into real action so that citizens have a more accurate understanding of the legal and regulatory framework for good governance. The APPEAL team has organized more than 300 civil servants, CSO and media representatives in joint working groups to lead Rules to Reality campaigns in 60 target soums. Under the Rules to Reality campaign, an open call for proposals was announced between October 23 and November 9, 2012 among local CSOs in the 15 aimags. 102 CSOs submitted their proposals and so far 54 small action grants have been approved. Implementation of these six-month actions began in early January 2013.

6. IMPROVED COMPETITIVE OUTSOURCING OF GOVERNMENT SERVICES (iCOGS)

Swiss Agency for Development and Cooperation

Project Goal

To strengthen an institutional framework of open, competitive public procurement in 13 aimags through sustainable mechanisms

Project Objectives

- Government, CSO, and business capacity strengthens to ensure open, transparent and competitive local public procurement
- Public procurement process that consistently plans, selects in open, transparent and competitive manner and delivers efficient, responsive goods and services reflects into local procurement practice.

Figure 7: iCOGS aimags



Mercy Corps officially launched the *Improved Competitive Outsourcing of Government Services* (iCOGS) project, funded by the Swiss Agency for Development and Cooperation, on May 16, 2012. This project is part of the larger SDC-funded Governance and Decentralization Programme and is implemented in 13 aimags (Arhangai, Bayanhongor, Bayan-Ulgii, Dornogovi, Dundgovi, Govi-Sumber, Govi-Altai, Hovd, Uvurhangai, Suhbaatar, Umnugovi, Uvs and Zavhan). iCOGS focuses on the institutionalization of open tendering into local government processes and procedures. The project aims to develop a sustainable institutional framework of open, competitive public procurement process through increasing collaboration of government agencies, bid evaluation committee and encouraging business and CSOs' participation in public procurement. Several Mercy Corps partners were recognized for their efforts during Good Governance week as noted above.

Project Outcomes

Best Practices and Case Studies

In early August 10, a mission team consisting of Peter Trepte, an international procurement expert, Dr Munkhbat, a national consultant, SDC and Mercy Corps staff, collected best practices and case studies in open public procurement and produced a dual-language (English/Mongolian) analysis to identify emerging best practices. The iCOGS team is now augmenting that compendium with specific case studies which will be compiled in the autumn of 2013.

Launch of iCOGS

On September 26, 2012 Mercy Corps Mongolia officially launched the iCOGS project in Ulaanbaatar. Over 65 representatives from national and local government, civil society organizations, Tri-partite Partnership Committees, business entities and development and donor organizations attended the ceremony.

Ensuring Understanding and Action

Mercy Corps worked with local Tri-Partite Partnership Committees and CSOs' Networks to organize local dialogue on open, transparent public procurement in Bayan-Ulgii, Dornogovi, Umnugovi, Uvurhangai, Hovd, Suhbaatar and Zavhan aimags. As a result of those capacity and trust building activities, eight procurements of government goods were conducted in an open, transparent manner by respective procuring entities in Dundgovi and Hovd aimags.

Table 5: Local procurement

	Name of bidding	Procuring entity	Aimag, soum	Amount of contract (mln MNT)
1	School building renovation	Aimag government	Sainshand soum, Dundgovi aimag	50
2	Building extension to kindergarten	Aimag government	Sainshand soum, Dundgovi aimag	140
3	Meat, milk and fuel	Soum government	Jargalant soum, Hovd aimag	242.9
4	School Tea Break	Soum government	Jargalant soum, Hovd aimag	37.9
5	Kindergarten building repairs	Education & Culture Department	Uyench, Tsetseg, Jargalant, Durgun soums, Hovd aimag	230
	Total			700.8

In total, 14 capacity building trainings were conducted under iCOGS technical support. The trainings were attended by 186 participants (62.6% women) from government, civil society organizations and local businesses.

Memorandum of Understanding with Government Procurement Agency

Mercy Corps established an MoU with the newly created Government Procurement Agency (GPA) to ensure ownership, commitment, and clarity in the roles and responsibilities of Mercy Corps and the PPD at the national level. Signed in early January 2013, the MoU provides a strong foundation for future iCOGS initiatives at the national and local levels.

7. FOSTERING INCLUSIVE ENVIRONMENT FOR LOCAL DISABLED II (FIELD-2)

US Agency for International Development

The FIELD 2 project officially started in July 2011, targeting five aimags—Arhangai, Dundgovi, Uvurhangai- Uvs and Bayanhongor—and the Bayangol district of Ulaanbaatar.

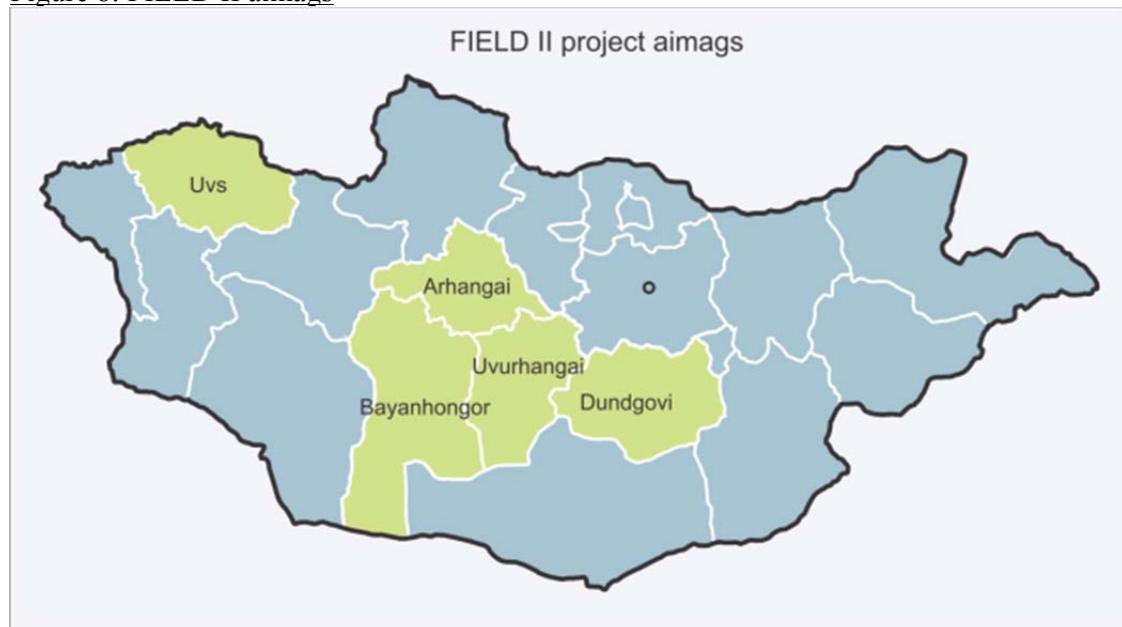
Project Goal

To enhance the rights of people with disabilities (PWDs) to independent living and full participation in all aspects of life

Project Objectives

- Promote implementation of the national 2010 Accessible Construction and Walkways Standards
- Improve livelihood opportunities, capacities and life skills of PWDs through provision of quality Community Based Social Welfare Services to PWDs in collaboration with aimag Departments of Labor and Social Welfare
- Increased number of People with Disabilities who exercise their right to vote as the issue is addressed through Disabled People’s Organizations in national and local level before 2012 election

Figure 8: FIELD II aimags



Project Outcomes

Trainings for PWDs and Government Employees

Several government departments and agencies, including the National Human Rights Commission, the General Department of State Registration and the Ulaanbaatar Department of Social Welfare, approached Mercy Corps to conduct training to improve staff awareness of disability rights. Mercy Corps contracted two DPO partner organizations, “Universal

Progress” Independent Living Center (ILC) and the National Association of Wheelchair Users, to conduct these sessions. As a result, more than 320 social workers and civil servants have an improved knowledge of Mongolian and international standards, including the UN Convention on the Rights of Persons with Disabilities.

Voters with Disabilities

The FIELD 2 project secured additional USAID funds to support the local DPOs network to increase voter education for and participation in the national elections. Mercy Corps provided voter education training and tailored technical assistance on advocacy approaches to national and local DPOs in Ulaanbaatar city as well as in Darhan-Uul, Bayanhongor, Uvurhangai, Arhangai, Dundgovi and Uvurhangai aimags. The national DPOs Network signed a MoU with the General Election Committee and provided technical guidance on how to make polling stations more accessible for PWDs.

In addition, the DPO Network secured monitoring accreditation for the first time in Mongolia’s history.

According to the DPO monitors, only 15% of the polling stations were accessible for PWDs, and 47% were completely inaccessible. However, most of the polling stations used magnifying glasses for voters with visual impairment and some used portable ramps for wheelchair users as a result of the advocacy campaign of national DPOs. This was a significant step forward to ensuring People with Disabilities’ right to vote.

International Day for Persons with Disabilities

The FIELD 2 team partnered with local governments and local DPOs to honor December 3rd, International Day for People with Disabilities. For two weeks, activities included organizing conferences, round table discussions, sport competitions among person with disabilities and capacity building trainings for social workers who were newly hired after the election. A total of 914 people participated in all activities and gained knowledge on rights of PWDs, local government services, and other important information to support independent living.

Small Grants Lead to Big Impact

Thirteen (13) DPOs received subgrants with a total value of MNT 57.1 million to improve local PWDs livelihoods, identify their needs and conduct advocacy to build accessible environments in their respective aimags. The selected DPOs organized trainings for 310 local people with disability on business management, the new Law of Social Welfare as well as caring tips for children with disabilities. As a result of training, 474 people including local government officials, private businesses, members of NGO’s and DPOs’ improved their knowledge on disability issues, accessibility,



Photo 5: Playground for disabled children renovated by their parents

communication methodology with PWDs and UN Convention on the Rights of Persons with Disabilities.

“Accessibility” project in Bayangol district. In June 2012, the DPO Aivuun and the Bayangol district Governor’s office signed a MoU to implement a 3-month accessibility project. Mercy Corps granted Aivuun DPO MNT 11 million and the Bayangol district government contributed MNT 2.6 million. Aivuun DPO conducted an accessibility assessment of 72 organizations from Bayangol district. Only 16% of them had accessible ramps, 74% had accessible doors and 61% had accessible doorways. Following an intensive awareness raising campaign that included brochures, radio broadcasts, and television programs, the situation improved. As a result of the constant advocacy efforts by Aivuun DPO, the Bayangol Government Action Plan for 2012-2016 now includes a plan on *“establishing an accessible infrastructure in the apartment, school and public service buildings”*.

“Peer Counseling” Project in Bayangol district. In July 2012, Mercy Corps supported Universal Progress DPO to conduct an 8-month project named *Peer Counselling* to help improve the life skills of PWDs and to prepare them psychologically for active participation in social life. Universal Progress DPO selected 10 PWDs who stayed at home and refused to go out. Members of the DPO visited each beneficiary and were introduced to the family members. The DPO members held community events among beneficiaries, invited Japanese experts to conduct psychological trainings, and organized discussions and games for selected PWDs.

Reading is Power—Braille. The Uvs branch of the National Association for the Blind received a sub grant from Mercy Corps to teach six people with visual disabilities to read and write using the Braille alphabet. The project ended in September, but the project opened new opportunities for the beneficiaries. For example, one beneficiary was selected to attend a massage therapist training in UB for 6 months with financial support from the National Association for the Blind. Two students submitted applications to an informal education center to study. Two other students submitted applications to a vocational education center to learn technical skills. In addition, the National Association for the Blind in Uvs aimag started a “Braille Day” and students of the Braille Alphabet project meet every Wednesday to share their reading experiences and skills on Braille literature.

Livelihoods and Jobs

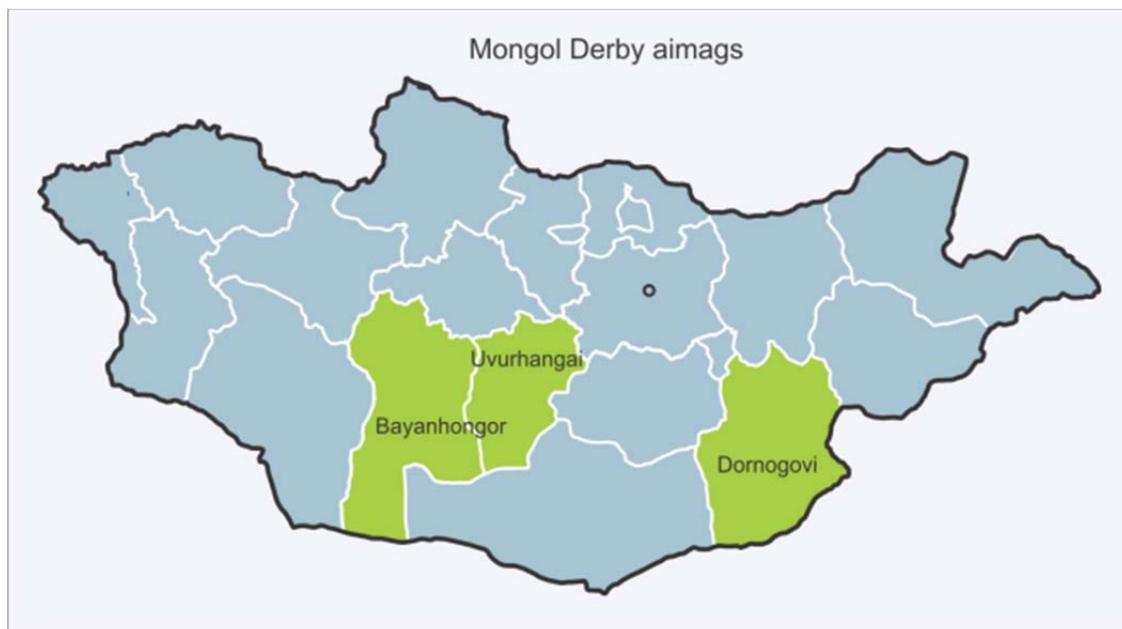
The subgrant projects implemented by 13 DPOs helped 66 PWDs to improve their income by 7.2% and create 40 permanent and 23 temporary jobs for PWDs. An “Employment and Participation” community event was organized by the FIELD 2 team in five target aimags in partnership with the Department of Social Welfare and Service of each aimag and local DPOs in which more than 400 people took part. The goal of these events was to provide information to local PWDs on available government and civil society support for their businesses and livelihoods, and to promote the skills of PWDs to local communities. During the events, local BDS providers and bank employees made presentations on how to get business advice from them, how to apply for government funding for business expansion or start-up, and how to obtain loans from banks and other financial sources. With Mercy Corps support, the Branch of National Association for the Blind in Uvurkhangai aimag received MNT 16 million from the aimag government to buy equipment to produce paper bags. FIELD 2 organized technical

training for 11 people with visual disabilities to work on the equipment. As a result, the Uvurhangai Branch of National Association for the Blind now has eight skilled workers to operate the paper bag equipment.

8. MONGOL DERBY (MD) The Adventurists

Project Goal: The main focus of the Mongol Derby project, funded by the Adventurists was to facilitate partnerships between local government and civil society organizations (CSOs) and to support rural community groups working with vulnerable populations such as elders, people and children with disabilities (PWDs) and women. The aim was to enable these vulnerable citizens in target areas to benefit from existing public services and to build their confidence to carry out income generation activities so they can support themselves, their families and contribute to society

Figure 9: Mongol Derby aimags



Project Outcomes

Small Grants for Local CSOs

Through a small grant program, Mercy Corps and our partners helped empower 860 vulnerable rural citizens to become active participants in their communities. With an average value of MNT 770,000, the grant program, the program funded over 90 small projects that resulted in improvements in household income, created new avenues for providing essential social services and supported individuals to achieve more secure livelihoods. The funded projects also created indirect benefits for more than 4,400 additional people. According to the agreement with government organizations, 38% of total funding of approved projects was provided by the Mongol Derby project and 62% was funded by aimag government. The stories of many local partners were featured on Mercy Corps' international website: www.mercycorps.org.

Self-Employment of Vulnerable Members of Rural Communities

Fourteen community groups formalized their registration status and received grants ranging from MNT 500,000 to MNT 1 million under the Mongol Derby project. These community groups, with a total of 64 members started producing felt goods, furniture, bricks, boots, clothes and food, generating sales of over MNT 36 million. Generally group sales have been increasing month by month, a result of their growing reputations and on-going improvement of quality and quantity of production.

Improved Physical and Mental Health

Fourteen members of four community groups have increased their knowledge and skills through the provision of health services such as day care, home-based care and rehabilitation services for rural elderly and children with disabilities (CWD). These services benefited 373 rural people including 253 elders, 102 people with disabilities (PWDs) and 18 children with disabilities (CWDs). Three of the groups have established community based organization. These groups offer welfare services such as home and day care, rehabilitation and massaging that are already familiar to their clients and aimag Labor and Social Welfare Department (LSWD).

Vulnerable People Find their Voice

Mercy Corps granted the Uvurhangai branch of the Liberal Women's Brainpool (LEOS) MNT 3.6 million to strengthen capacity of rural citizens to form citizens' councils which defend citizens' rights, and resolve local issues. LEOS offered local citizens training on six themes, including team management, legal accountability of citizens, communication skills, facilitation skills, project proposal writing skills, and time management. Through this initiative, 10 new citizens' councils with 86 members were formed in two soums: Arvaiheer and Bogd. These citizens' councils continue to be involved in many community mobilization activities.

Life Skills for Rural Citizens

Mercy Corps and our local CSO partners organized and delivered training to 409 rural residents to educate them of vital life skills. A variety of topics were covered including basic health, business, community action, and simple vocational technical skills.

Consolidation Grants

Mercy Corps announced a final round of consolidation grants open to groups who were supported in 2011 under the Mongol Rally project in order to recognize their consistent growth on their own. A selection committee that included Mercy Corps staff, aimag LSWD representatives and local CSO members assessed the CSOs proposals and selected two groups from each of the three target aimags to receive MNT 500,000-700,000 to purchase needed equipment or take skills training. The project concluded with these awards.

9. LIVESTOCK EARLY WARNING SYSTEM (LEWS)

World Bank - Sustainable Livelihoods Project II

Program Goal:

To develop risk management technologies to provide drought and winter disaster Livestock Early Warning

System to improve rural business in the livestock sector of the all regions in Mongolia

Program Objectives:

- Develop a forage monitoring system that provides near-real time spatial and temporal assessment of current and forecasted forage conditions for Mongolia livestock producers
- Develop a nutritional monitoring system for sheep, goats, cattle, camels and horses that provides an assessment of the nutritional balance, changes in body conditions and optimal fodder interventions for Gobi livestock producers
- Develop an appropriate information and communication infrastructure and analysis delivery system to provide herders, and local/regional government officials with information on current and forecasted forage conditions and animal nutrition that will assist them to make timely and specific management decisions

Figure 10: LEWS aimags



Project Outcomes

Forage Site Monitoring

Since 2009, the LEWS project team organized 53 field sampling trips in 21 aimags and 2 city areas, establishing 502 new monitoring points in Selenge, Orhon, Hentii Dornod, Sukhbaatar, Arhangai, Bulgan, Huvsgul, Zavhan, Bayan-Ulgii, Uvs, Hovd, Govi-Altai and Darhan,

Ulaanbaatar area and the original 8 Gobi aimags. The project developed innovative science and created 12 kinds of maps related to environmental and pasture conditions. The project also produced site books which provide photographs and analysis of pasture conditions in 21 aimags.

LEWS Information: Print, Broadcast and Online

During 2012, 60-day forecasts and real time pasture conditions aired regularly through Mongolian radio programs twice monthly. The same pasture condition information was broadcasted by the “Tsagiin Hurd” news broadcast on Mongolian National TV 18 times and featured LEWS produced maps with explanations for the non-scientist. Forecast and real time pasture condition information with maps, and a snow coverage map with snow extension map were published in the “Unuudur” newspaper 42 times.

The Mongolia LEWS website (<http://glews.tamu.edu/mongolia>) was redesigned and a new www.mongolialews.mn website was developed to allow more flexibility in adding content and for more interactivity of the online mapping. Updates to the Mongolia LEWS website and Interactive Mapping Activities for Mongolia LEWS were conducted by Texas AgriLife Research/Texas A&M University.

Standard Equations Developed for Horse Fecal Diet

For the first time in Mongolia, an equation was developed for horse fecal diet pair using NIRS equipment and Grams AI software to predict crude protein in fecal samples. Using this equation, the crude protein amount was predicted for 84 fecal samples collected from native horses pastured in the territory of Tseel soum of Tuv aimag. This new science will enable local officials, veterinarians and herders to make better decisions about pasture use and improved animal husbandry.

Nutritive Value Analysis

Forage samples collected from NAMHEM monitoring points were analyzed chemically for Crude Protein and for Crude Fiber and by NIRS equipment. The equation development was completed for forage samples of Arhangai, Bayan-Ulgii, Bayanhongor, Selenge, Orhon, Darhan, Hovd, Huvsgul, Uvs, Umnugovi, Dornod, Tuv, Sukhbaatar, Hentii and Govi-Altai, Uvurkhangai, Zavhan, Bulgan and Dundgovi aimags collected by NAMHEM. The development of one general equation standard for all samples collected from NAMHEM monitoring was completed. These samples were transferred to the “Feed Evaluation Laboratory” of the Research Institute for Animal Husbandry (RIAH) where their crude protein and crude fiber parameters were analyzed chemically and by NIRS spectra. The LEWS team used GIS technology to develop a Nutritive Value Map illustrating the spatial distribution of crude protein (CP) and crude fiber (CP) on Mongolian pastureland. This map is now available online.

Sustainability through Technical Assistance

The LEWS team conducted a variety of training and technical assistance efforts to ensure that civil servants, local officials, private veterinarians and herders know about and can utilize the information emerging from LEWS science. To achieve ownership of the LEWS system and its sustainable integration into national and local level livestock risk management, the project established strategic partnerships with RIAH and NAMHEM. It further strengthened the

capacity of national scientists of the partnering institutions to run and update the model. Trainings on PHYGROW model data input, and the calibration and validation process were organized for NAMHEM specialists, and training on the use of NIRS technology and equation development was organized for RIAH specialists by the LEWS TAMU partners. Trainings and information was delivered to 65 herder alliances and cooperatives in seven Gobi aimags: Bayanhongor, Govi-Altai, Govi-Sumber, Dornogobi, Umnugovi and Dundgovi on 24 October 2012.

V. Collaboration with Mongolia Government and Agencies

Mercy Corps collaborates and cooperates with all layers of the Mongolian government in our shared goal of promoting greater economic activity and social inclusion, including:

Office of the President

Cabinet Secretariat of Government of Mongolia

Ministries

Mercy Corps Mongolia appreciates the direct and productive communication it shares with the following Ministries, Departments and Agencies to develop and implement specific program ideas that support official government development priorities such as job creation, inclusive growth, good governance, and sound environmental stewardship.

Ministry of Finance

Development Financing and Cooperation Department (Policy and Coordination for Loans and Aid Department)

Financing and Economic Policy Department

Ministry of Justice

Immigration Agency

General Authority for State Registration

Ministry of Industry and Agriculture

Food Production, Trade and Service, and Policy Coordination Department

External Cooperation Department

Veterinary and Breeding Service Agency

Ministry of Labor

Department for Small and Medium Enterprises

Ministry of Population Development and Social Welfare

General Office of Social Welfare and Service

Ministry of Environment and Green Development

National Agency for Meteorology, Hydrology and Environment Monitoring (NAMHEM)

Ministry of Construction and Urban Development

Ministry of Roads and Transportation

Department of Road

Ministry of Foreign Affairs

Agency for Diplomatic Service Corps

Ministry of Science and Education

Mercy Corps program implementation requires cooperating and coordinating with a variety of state, local and non-state institutions and agencies. Among our partners in 2012, –although there were many more, - were:

Government Agencies

Independent Authority Against Corruption, State Agency for Implementation, Public Procurement Agency, General Election Committee, General Agency for State Inspection, Human Rights Commission

Education and Research

Mongolian University of Agriculture, School of Social Science, University of Science and Technology, College for Food Technology Meat and Dairy Training Center, School of Veterinary Science and Biotechnology, Institute of Veterinary Medicine, Public Health Institute, Research Institute for Animal Health, State Central Veterinary Laboratory, Independent Research Institute of Mongolia (IRIM), Media for Business, Mongolian Capital Market Association, Nutag Partners LLC.

Non-Governmental Organizations

Development Solutions, Mongolian Women Lawyers Association, Center for Policy Research (CPR), Mongolian Association of Protecting Interests of Children with Cerebral Palsy, Aivuun, APDC, Voter Education Center, Disabled People’s Organization, National Association for Wheelchair Users, Independent Living Center, Business Incubator Center of People with Disabilities, Meat Association, Mongolian Veterinary Medical Association, Mongolian Chamber of Commerce, Food Market Owners Association, Mongol Yak Association, Mongolian Marketing Association, National Association of Mongolian Agricultural Cooperatives, Procurement Development Center, Mongolian Cooperative Training and Information Center, Mongolian Management Consultant Association, Women Lawyers Association, the Mongolian Association of Local Authorities, and more.

Banks

Xac Bank, Khan Bank, Savings Bank, Capital Bank, and Golomt Bank

International Organizations and Projects

Asia Foundation, Sustainable Livelihood Project-II, University of Texas at Austin, Texas Agricultural and Mechanical University (TAMU), Agronomes et Veterinaires Sans Frontiere (AVSF), World Wildlife Foundation (WWF), Green Gold

Ulaanbaatar Offices and Units

Tax Department of Bayanzurkh District, Governor Office of Bayangol district

Aimags and Soums

Mercy Corps program staff and stakeholders enjoy good program cooperation and implementation with a variety of aimag and soum-level officials and agencies. In addition to governors’ offices, Mercy Corps values our partnerships with Citizens’ Representative

Hurals, aimag Professional Inspection Agencies, aimag departments of Urban Planning, Departments of Social Development Policy, Departments of Development Policy, Departments of Justice, local Procurement Units, Departments of Social Welfare and Service, Departments of Labor, Departments of Child and Family Development, tax departments and more across the following aimags and soums:

Table 6: Selected Aimags and Soum Partners

Arhangai <ul style="list-style-type: none"> • Erdenebulgan • Erdenemandal • Tsenher • Ulziit 	Dundgovi <ul style="list-style-type: none"> • Saintsagaan • Erdenedalai • Gobi Ugtaal • Ulziit 	Hentii <ul style="list-style-type: none"> • Kherlen • Tsenhermandal • Bor Undur • Batshireet 	Uvurhangai <ul style="list-style-type: none"> • Arvaikheer • Baruunbayn Ulaan • Tugrug • Uyanga
Bayanhongor <ul style="list-style-type: none"> • Bayanhongor • Bayantsagaan • Buutsagaan • Galuut 	Dornogovi <ul style="list-style-type: none"> • Sainshand • Airag • Khuvs gul • Zamiin-Uud 	Hovd <ul style="list-style-type: none"> • Hovd • Jargalant • Erdeneburen • Munkhkhairkhan • Bulgan 	Umnugovi <ul style="list-style-type: none"> • Dalanzadgad • Bayn Ovoo • Khanbogd • Tsogtsetsii
Bayan-Ulgii <ul style="list-style-type: none"> • Ulgii • Altantsugts • Tsengel • Ulaankhus 	Govi-Altai <ul style="list-style-type: none"> • Yesunbulag • Bayan-Uul • Sharga • Tseel 	Huvs gul <ul style="list-style-type: none"> • Murun • Burentogtokh • Ikh Uul • Erdenebulgan 	Uvs <ul style="list-style-type: none"> • Ulaangom • Baruunturuun • Tarialan • Umnugovi
Dornod <ul style="list-style-type: none"> • Choibalsan 	Govi-Sumber <ul style="list-style-type: none"> • Sumber • Bayantal • Shiveegovi 	Suhbaatar <ul style="list-style-type: none"> • Baruun Urt • Munkhkhaan • Sukhbaatar • Uulbayan 	Zavhan <ul style="list-style-type: none"> • Uliastai • Tosontsengel • Dorvoljin • Ikh Uul

VI. Financial Statement

Table 5: Financial summary

Project	Donor	Project Expenditures 2012 (USD)	Total Project Budget (USD)
RASP	USDA	1,128,861	3,852,678
LGM	USDA	224,708	418,484
MORE	SDC	819,270	3,789,745
PACS	USDA	43,827	3 487,500
Mongol Derby	The Adventurists	71,554	71,498
LEWS	World Bank	174,138	889,080
APPEAL	USAID	438,037	3,499,988
iCOGS	SDC	113,132	880,000
FIELD 2	USAID	191,353	356,783
Total		3,204,879	13,758,255