

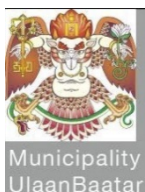
**49169-002 MON: Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Sector Project (AHURP)**



**The Third Annual Progress Report  
(2023)**

**(Incorporating Quarterly progress for Oct-Dec 2023)**

**Prepared by:** PMO with support from PIMS and inputs from PIU/SGFS and EFDP  
**Prepared for:** Government of Mongolia, Municipality of Ulaanbaatar  
Asian Development Bank, Green Climate Fund  
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## Acronyms

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ADB	Asian Development Bank
AHURP	Ulaanbaatar Affordable Green Housing and Resilient Urban Renewal Project
AMC-DBM	Asset Management Company of the Development Bank of Mongolia
AP	Action Plan
BOM	Bank of Mongolia
CCHPA	Capital City Housing Policy Agency
CEMP	Contractor Environmental Management Plan
COL	Concessional Ordinary Capital Resources (ADB)
CPP	Consultation and Participation Plan
DBM	Development Bank of Mongolia
DDR	Due Diligence Report
DEIA	Detailed Environmental Impact Assessment
DFS	Detailed Feasibility Study
DTL	Deputy Team Leader
EA	Executing Agency
EBA	Environmental Baseline Assessment
EARF	Environment Assessment and Review Framework
EDAF	Eco-District and Affordable Housing Fund
EFDP	Eco-District Feasibility and Policy Reform Support
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ESMS	Environmental and Social Management System
FAA	Funded Agreement Activity
FIL	Financial intermediation loan
FMA	Financial Management Assessment
GADIP	Ger Area Development Investment Program
GAP	Gender Action Plan
GBF	Green Building Fund
GCF	Green Climate Fund
GEIA	General Environmental Impact Assessment
GOM	Government of Mongolia
GRM	Grievance Redress Mechanism
HOA	Homeownership Association
IA	Implementing Agency
ICB	International Competitive Bidding
IEE	Initial Environmental Examination
LA	Land Agency
LARP	Land Acquisition and Resettlement Plan
LARWG	Land Acquisition and Resettlement Working Group
MET	Ministry of Environment and Tourism
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPA	Procurement Agency of the City Governor
MSFA	Mongolian Sustainable Finance Association
MSME	Micro, Small and Medium-Sized Enterprises
MTRM	Mid Term Review Mission
MUB	Municipality of Ulaanbaatar
NCB	National Competitive Bidding
NOSK	Capital City Housing Corporation
O&M	Operations and Maintenance
PAM	Project Administration Manual
PAP	Project Affected Person
PE	Permanent Establishment
PIU	Project Implementation Unit
PSC	Project Steering Committee
PMO	Project Management Office

PPLM	Public Procurement Law of Mongolia
PPMS	Project Performance Management System
PPTA	Project Preparatory Technical Assistance
QACP	Quality Assurance and Control Plan
QA/QC	Quality Assurance/Quality Control
QCBS	Quality and Cost-Based Selection
RAMS	Risk Analysis and Mitigation Strategy
REA	Rapid Environmental Assessment
RF	Resettlement Framework
RP	Resettlement Plan
RRP	Report and Recommendation to the President (ADB)
SCS	Stakeholder Consultation Strategy
SGAP	Social and Gender Action Plan
SGFS	Sustainable Green Finance Support
SMCC	Smart Monitoring Control Center
SPS	Safeguard Policy Statement
SRM	Special Review Mission
TA	Technical Assistance
TAF	The Asia Foundation
TL	Team Leader
TOR	Terms of Reference
UBED	Environment Department of Ulaanbaatar
UBIM	Ulaanbaatar Investment Management Company
UDA	Urban Development Agency
UPMPA	Urban Planning and Master Planning Agency
VLS	Voluntary Land Swap
VLSP	Voluntary Land Swapping Plan
WA	Withdrawal Application

## Glossary

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<i>Ger</i>	Traditional circular Mongolian tent
<i>Khashaa</i>	A fence, but referring to an individual's fenced piece of property
<i>Khoroo</i>	The mid-level of local community governance in city administration
<i>Kheseq</i>	The lowest level of local community governance in city administration

## Executive Summary

### Purpose of AHURP

AHURP's purpose is to bridge current gaps in climate responsive urban development and green affordable housing by transforming the highly climate-vulnerable and heavily polluting peri-urban areas of Ulaanbaatar (*ger* areas) into low-carbon, climate resilient and affordable Eco-Districts. This will be achieved through three Outputs:

**Output 1:** Resilient urban infrastructure, public facilities, and social housing units in selected *ger* area Eco-Districts.

**Output 2:** Long-term financing to developers for low-carbon affordable housing, market-rate housing and economic facilities in the same *ger* area eco-districts, and green mortgages to interested and qualified home buyers.

**Output 3:** Sector policy reforms implemented, and institutional capacities strengthened.

Financing for the project totals \$570.1 million, as illustrated in Table 1 which lists the combination of loans and grants from both ADB, GCF as well as public and private finance

Table 1 Total Project Finance (Public and Private)

Source	US \$
ADB (Loan)	80.0
Green Climate Fund (GCF) (Loan)	95.0
Green Climate Fund (GCF) (Grant)	50.0
High Level Technology Fund (Grant)	3.0
Municipality of Ulaanbaatar (MUB)	35.0
Development Bank of Mongolia/Commercial Banks	111.4
Developers	131.8
Beneficiaries	63.9
<b>Total</b>	<b>570.1</b>

This fourth Annual Progress Report covers the calendar year 2023 and provides planning for quarter one in 2024.

### Progress to Date by Output

**Output 1:** Two groups of activities dominated 2023: construction of the pilot project in 110 housing units on the B15 site in Bayankhoshuu and S27-5 site in Sharkhad.

Preparation of Key Documents: the following were prepared, reviewed, or updated by the Consultants in collaboration with PMO for review and acceptance by PMO/GOM and ADB:

1. DFS for AHURP Phase 1 developed and approved by Union of Mongolian Architects (Executive summary to be published in Q1 2024)
2. DFS of Distributed photovoltaic system for eco-district
3. Financial management guideline (March)
4. Updated procurement plan ( November 2023)
5. Updated SGAP (Q4 2023)

6. Semi-Annual report for Updated Resettlement Framework (July)
7. Prepared Environmental and Social Management System for EDAF component (Q3 2023)
8. Prepared Rapid Environmental Assessments for Sharkhad, Bayankhoshuu and Selbe to ADB (Q4 2023)
9. Updated ADB Initial Environmental Examination (Q4 2023)
10. Updated ADB Environmental Management Plan (Q4 2023)
11. Prepared Environmental Monitoring Reports (Semi-annually)
12. Prepared Environmental Baseline Assessment Report for Sharkhad S27-2 (Q4 2023)
13. Updated Risk Management Plan (Quarterly)

**Output 2:** As per the Memorandum of Understanding signed in the fourth quarter of 2022, the initial plan for establishing EDAF within the same year experienced a delay due to internal capacity issues, leading to a deferred decision on fund investment. The Ministry of Finance encountered challenges in directly investing in the public-private equity fund (EDAF) and expressed a preference for the established practice of on-lending loan proceeds to commercial banks. Consequently, DBM AMC decided to initiate EDAF II, a sister fund designed to attract private capital, focusing on financing affordable housing expansion. Integrating EDAF II with AHURP allows for financing developer finance initiatives. Another significant task assigned to AMC is to enhance green financing capacity by developing a Sustainable Green Investment Brand for Mongolia and establishing the Mongolian Green Development Fund. Simultaneously, DBM AMC actively pursued sectoral development initiatives in collaboration with external partners. In October 2023, DBM AMC formalized an agreement with Delphos International, marking the beginning of the establishment of EDAF II, emphasizing a commercial focus and a capital of USD 100 million, alongside the Green Development Fund with a capital of USD 50 million.

The reporting period also saw the formulation of a fund teaser and potential sub-projects for financing, distributed to 15 Development Finance Institutions, with feedback anticipated in early 2024 Q1.

**Output 3:** Policy Reform is to evolve out of the experience gained through implementation of the first Eco-Districts. At this point policy issues and reform needs are being identified.

## Disbursements and Procurement

Disbursements and procurement increased significantly from 2022 period - when PMO staff and consulting expenses amounted for all disbursements. As construction began in 2023 the planned budget for procurement totalled \$22,087,320. By November the budget was revised to \$23m.

Disbursements from the loan and grants for 2023 totalled \$6.7m, which was financed from three loans and one of the two available grant sources). As construction began in 2023 the first packages were for 110 housing unit building blocks in BKH and another 110 housing units in Sharkhad along with ancillary urban facilities and network.

## Implementation Issues – 2023 update

Three fundamental tenets of the programme design continue to test AHURP during 2023: affordability, EDAF and the VLS.

**Affordability.** Whilst not new for 2023, the ramifications of the macroeconomic impact of COVID-19 pandemic on Mongolia's national economy and thus construction sector have had an insurmountable effect on the project. Cost escalations have threatened the affordability and commercial viability of the project. Hence during the SRM these issues were presented and discussed and later formed part of the MOU which has led to the proposed restructuring of the project.

**EDAF.** The unresolved status of the establishment of EDAF remains. The agreed deadline for its legal inauguration passed without a definitive decision. Shareholder prudence has contributed to the delay. The Ministry of Finance's request for further justification, citing institutional capacity constraints, has led to a prolonged decision-making process. Alternative institutional options for EDAF, presented during the SRM would move responsibility from AMC DBM to MUB's Asset Management Company (UBIM) offers a potential way out of this *impasse*. Any change to PIU from AMC DBM will require a transition of documentation developed under the Sustainable Green Finance Support, along with the associated budget to whichever entity is chosen.

**VLS:** The viability of the VLS as a mechanism to obtain land in exchange for housing units remains to be tested. Due to the hesitation throughout 2023 to share final prices of land and assets, it was delayed<sup>1</sup>. With no disclosure of price of assets, there is no confirmed willingness to participate from N4 residents on how to use the BKH 110 housing units<sup>2</sup>.

**EFDP (SSJV) Management:** The restructuring of SSJV continued from 2022 through all of 2023. A revised restructuring plan was accepted by PMO in late 2023. Technical gaps are being filled, as a core team has formed in which experts can be built around. Procurement of two (or more) standing offer contracts in 2024 will finalize the restructuring, providing the national expertise required to implement Phase 1 construction and support future Output 2 initiatives.

**Off-Site Infrastructure:** The majority of detailed engineering design drawings have been completed for the SR27-2. GADIP completed the detailed designs for electrical and telecommunication servicing to the site. Procurement of these off-site services will be the responsibility of PMO. The sharkhad site has a number of off-site servicing issues which need to be resolved.

## Plan for 2024

The first critical action within Q1 2024 is to obtain approval from lenders – GCF and ADB for the proposed restructuring of AHURP.

Due diligence by ADB in Q1, would facilitate the transition of AMC DBM to UBIM or would refocus the PIU with the authority to lead. Either way, it will be critical for the project that a firm decision on the establishment of EDAF is reached within Q1 2024. Procurement of developers and commercial banks should be started in Q1 2024. While waiting for the EDAF's establishment, some activities relating to policy and sector reforms can be implemented.

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<sup>1</sup> To determine the viability of swapping with residents for housing units to be built in an 8.3 ha site the project acquired from NOSK, with entitlements differing depending on whether the residents are land holders, non-land holders, renters, and/or vulnerable households.

<sup>2</sup>Concerns over the viability of VLS approach were discussed during the SRM. The delays are primarily caused by the high cost of apartment buildings relative to the purchasing power of N4 residents, which may result in either (i) not enough residents agreeing to participate; or (ii) enough residents agreeing to participate but then requiring mortgages that low-income residents may find difficult to qualify for.

Selection and mobilization of developers for the Phase I eco-district development will also be key focus and their management to VLS, safeguards and GCF targets will be critical during implementation.

## Conclusion

Forced by macroeconomic realities on Mongolia's construction sector, the outcome of Q4 2023 (and almost a years' worth of analysis leading to this point) was the acceptance '*in principle*', by ADB / GCF to *reset* AHURP's targets – both in term of number of housing units and correspondingly the energy efficient targets which can be achieved within the project timeframe. The restructuring would still ensure AHURP is compliant with GCF indicators and the DMF. Hence a restructuring proposal being prepared by PIMS/PMO/EFDP for both GCF and ADB in Q1 2024 is underway. The team expects this will be signed by March or April 2024.

AHURP's most significant project milestone in 2023 was the construction of the first housing units (110 units in Bayankhoshuu B15 site). Leveraging from this development will be key for 2024 - the implications of which cannot be understated. As the success of the social housing units being built in Bayankhoshuu along with the proposed 'show suite' will provide a tangible product for existing residents to consider whether they will consider land swapping. The construction also bodes well for private sector involvement, for which EDAF is needed. If EDAF cannot be established in 2024, AHURP will become purely a social housing project. It will not have tested key tenets of its design which is to use the private market to leverage finance to construct energy efficient affordable housing in ger areas.

EDAF and the VLS have been a challenge to establish. Whilst a decision on the VLS will be made by Q3 2024, indication from recent survey results in Selbe, point to a preference for cash compensation for land and assets over using the VLS. Furthermore, the proposed introduction of the government to use expropriation will fundamentally present new considerations for the project. A decision on this will be made by Q3 2024. Where AHURP expands in 2024 raises new questions. Expansion into Selbe is under consideration. Significant engineering studies are needed to determine the site's viability.

Due diligence of off-site infrastructure is already fundamental as the project is experiencing in Sharkhad where further studies are now needed to determine capacity to absorb additional residents on the network. If additional offsite infrastructure is required, the cost will be met by the project. This leaves less finance for social housing.

For 2024, agreeing to an alternative deadline for project implementation is needed as the GCF/ADB formal restructuring proposals due for completion in Q1 2024 require these realistic amendments. If the project can succeed at providing both social and market housing, then the ideals of AHURP raise the opportunity to continue beyond financing this project, as new areas are identified for redevelopment. And it is these ideals that should not be lost.

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## 1. Introduction

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This fourth Annual Progress Report (APR) covers the year 2023 from January to December. This Report also serves as Quarterly Report 13 for the period Oct-Dec 2023 (due to the break during the holiday season, this APR purposefully runs into the first two weeks of January in 2023). The APR is a reporting requirement of both the Asian Development Bank (ADB) and the Government of Mongolia (GOM) to update all key stakeholders on project progress, issues and projections of work to be achieved during the subsequent year, 2024 including details for the Quarter Jan-Mar 2024. The report is compiled using inputs from the Project Executing Agency (EA) represented by the Project Management Office (PMO), the Project Implementing Unit (PIU) and two of the project support consulting teams EFDP, and PIMS.

## 2. The Project - Background and Basic Data

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### 2.1 Project Purpose & Intended Impact

AHURP aims to bridge current gaps in climate responsive urban development and green affordable housing by transforming the highly climate-vulnerable and heavily polluting peri-urban areas of Ulaanbaatar (*ger* areas) into low-carbon, climate resilient and affordable Eco-Districts. AHURP will also establish policies, mechanisms, and standards for sustainable affordable housing and green urban redevelopment. The resulting impact will be improved living conditions in Mongolia by assisting Ulaanbaatar to be a safe, healthy, and green city that is resilient to climate change and provides a liveable environment for its residents.

### 2.2 Project Outputs

AHURP has 3 Outputs:

1. Resilient urban infrastructure, public facilities, and social housing units in selected *ger* area Eco-Districts.
2. Long-term financing to developers for low-carbon affordable housing, market-rate housing and economic facilities in the same *ger* area eco-districts and green mortgages to interested and qualified home buyers.
3. Sector policy reforms implemented, and institutional capacities strengthened.

### 2.3 Project Components Phases – Updates Q4 2023

The project was originally intended to be implemented in 5 Phases comprising a total of approximately 20 sub-projects. Each sub-project consisting of redevelopment of a selected portion of a *ger* area into an Eco-District containing the components listed above. Implementation of the Phases may overlap depending on available resources and the speed with which necessary feasibility studies and due diligence are completed. Overall project implementation was scheduled to take a period of 6 years from 2020 through 2026 with the completion of 10,000 units.

Since the ADB mid-term review in October 2022 the agreed direction of the project was to focus on Phase 1: Bayankhoshuu and Sharkhad. The project remains consistent to the PAM in the design and construction of low-carbon eco-districts, climate-resilient, for mixed-income and mixed-use areas with approximately 15% green and public space. The project has begun as a pilot covering 10.2 ha. Phase 1 (the Pilot project) includes two core subprojects (55.6 ha) in Bayankhoshuu and (4.6 ha) Sharkhad.

It was agreed that Output 1 of the project will be implemented in two stages: (i) first a 220-unit Pilot Project on vacated lands in Bayankhoshuu (BKH) and Sharkhad (SHK), and (ii) secondly, an expansion of development on these 2 sites with construction of up to 580-units on the additional vacated land slots (8.5 ha) purchased from NOSK. The goal of Output 1 will be the construction of approximately 800 housing units.

Prior to construction of the 220-unit pilot, the project team will initiate conceptual planning and engineering studies for the detailed engineering design (DED) of Phase 1. When Phase 1 is complete, construction of approximately 800 residential housing units will be made available under the project.

The development of the first social housing units in BKH and Sharkhad was guided by the project's goal of developing a community. Prospective residents expressed their need of integrating residential units with public facilities, workshops, parking, and green open space.

It is anticipated that Phase 1 will be completed within 3-5 years from commencement of civil works which began in Q2 2023. This is commensurate with the timeline of the PAM and Pre-Feasibility Study (PFS).

The Special Review Mission (see Section 4 below) has provided initial agreement in the form of an MOU<sup>3</sup> which maintains the approach but reduces the overall number of units to be constructed to reflect market realities. Through 2023 design and implementation of Phase 1 are matured. The ADB midterm and special review missions provided opportunity for the integration of ADB/GCF funded social and affordable housing on vacated lands in Bayankhoshuu and Sharkhad. Progress during the year saw:

1. Construction of 110 housing units in BKH & Sharkhad began in 2023
2. Detailed Design for an additional 454 housing units and accompanying commercial space within 12 buildings (6 in Bayankhoshuu and 6 in Sharkhad) is 95% complete.

It is expected by early 2024, the completion of 'show suites' in Bayankhoshuu will provide residents within the environs of this eco-district an opportunity to view both the external and internal finishes of an AHURP apartment. Together, with a final selling price of the unit and publication of the land valuation, will enable the project to establish the viability of VLSP and potentially initiate a voluntary resettlement process for BKH residents vacating lands for an additional 126 units planned as part of Phase 1 objectives (within Output 1).

Implementation of the pilot project in these two sub-centres will provide an opportunity to determine project viability over certain aspects. Nominally, the pilot project will determine:

- (i) Accurate construction costs
- (ii) Identification of all potential subsidies to reduce the affordability gap
- (iii) Determination of Depreciation, Operation & Maintenance responsibilities, and costs
- (iv) Finalization of land / asset valuation
- (v) Residents' actual willingness and ability to participate
- (vi) Ability of the project to reach the most vulnerable target group in the Ger areas.

It is anticipated that Output 1 (social housing units) for approximately 800 social housing units will be completed within 3-5 years from commencement of civil works, which began in 2023<sup>4</sup>. If Output 2 commences (see section 4 below) a further 2,200 affordable or market housing will be produced. An updated timeline for the completion of Output 2 is sought.

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<sup>3</sup> Final agreement from GCF is sought. AHURP team is submitting a restructuring proposal to GCF to reflect the macroeconomic and exogenous factors which have impacted the project.

<sup>4</sup> The phased approach will allow project parameters to be adjusted based on socioeconomic changes.

### 3. Project Cost and Financing

Total project financing of \$570.1 million is a somewhat misleading figure to represent the total project cost, as this amount is contingent on developer contributions (estimated at \$131.8 m), commercial bank contributions (estimated at \$111.4 m) and beneficiaries taking out a mortgage (estimated at \$63.9). Given the equivocation on forming EDAF, the reduction of units, increase of unit cost (to achieve GCF metrics), the mortgage duration, this figure should be 'considered' as part of the restructuring process of EDAF, should it become established in 2024.

Total ADB loans amount to \$80m and GCF contribution totals in \$145 m, including \$95 million of highly concessional loan and \$50 million of grant. The total financing for Outputs 1 and 3 amounts at \$157m combined of ADB loans and GCF and HLTF grants while the financing for Output 2 totals at \$413 million combined loans and grants, and additional contributions from developers, commercial banks and homebuyers as summarised in **Table 2** and **Table 3**.

Table 2: Project Financing: Outputs 1 and 3

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Concessional ordinary capital resources (loan)	20.0	12.7
Ordinary capital resources (loan)	60.0	38.2
Subtotal	80.0	50.9
Cofinanciers		
Green Climate Fund (grant) <sup>a</sup>	19.7	12.6
Green Climate Fund (loan) <sup>a</sup>	19.3	12.3
High-Level Technology Fund (grant) <sup>b</sup>	3.0	1.9
Subtotal	42.0	26.8
Municipality of Ulaanbaatar	35.0	22.3
<b>Total</b>	<b>157.0</b>	<b>100.0</b>

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

<sup>b</sup> Financing partner: the Government of Japan. Administered by the Asian Development Bank.

Source: Asian Development Bank estimates.

Table 3: Project Financing: Output 2

Source	Amount (\$ million)	Share of Total (%)
Green Climate Fund (grant) <sup>a</sup>	30.3	7.3
Green Climate Fund (loan) <sup>a</sup>	75.7	18.3
Development Bank of Mongolia/commercial banks	111.4	27.0
Developers	131.8	31.9
Beneficiaries	63.9	15.5
<b>Total</b>	<b>413.1</b>	<b>100.0</b>

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

Source: ADB estimates.

## 4. Project Management and Implementation Status

### 4.1 Management Arrangements

Table 4 summarises the agencies responsible for project management and their respective roles and responsibilities. During the special review mission in November 2023, discussions on potential changes in the Implementing Agency and Implementation Unit, were held. If the discussed changes are formalized, the actual changes in the management arrangements are expected to happen in the Quarter 1 and 2 of 2024.

Table 4 Management Arrangements

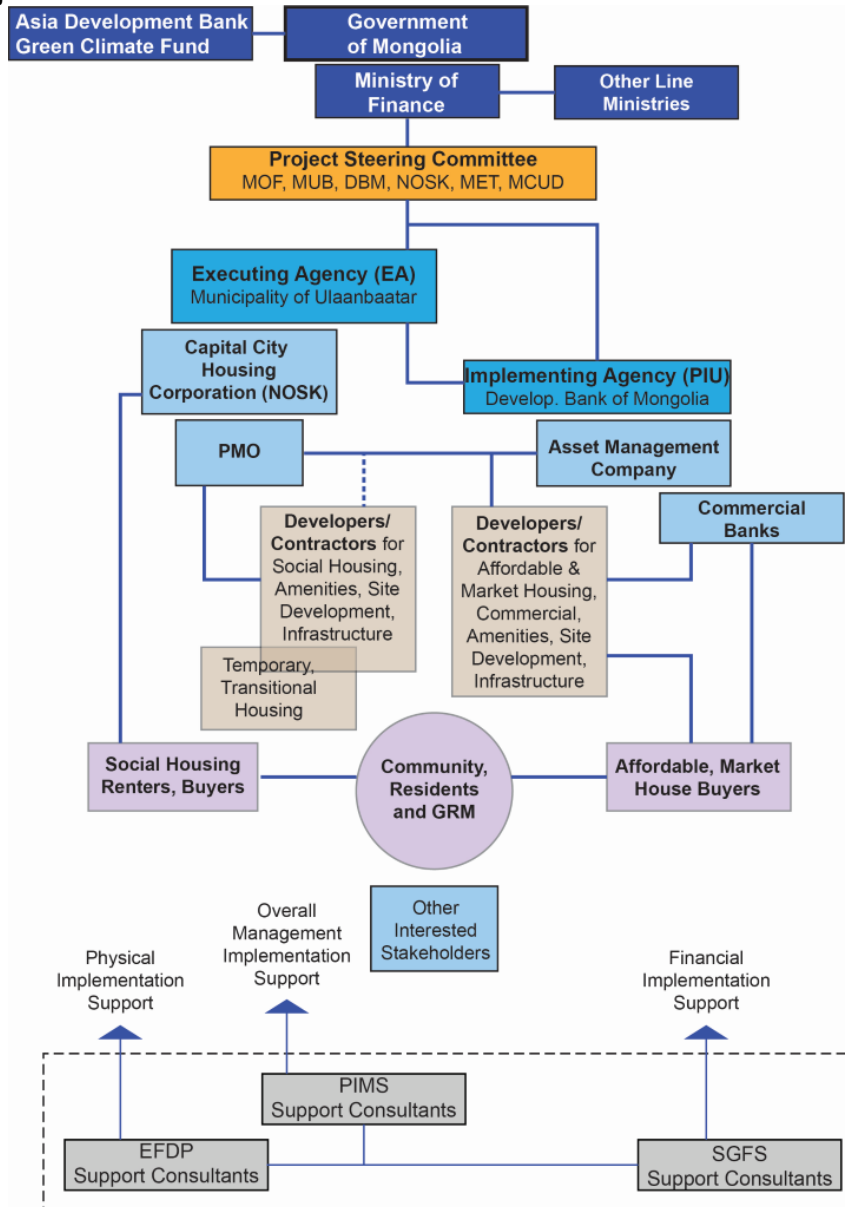
Role	Agency	Summary Responsibilities
<b>Executing Agency</b>	Municipality of Ulaanbaatar (MUB)	MUB, headed by the Governor of Ulaanbaatar, will be responsible for identifying, prioritizing, formulating, appraising, approving, and overseeing the implementation of subprojects in accordance with technical, financial, and economic appraisal criteria, including social and environmental criteria, as agreed with the Asian Development Bank (ADB).
<b>Project Steering Committee</b>	Various agencies	A project steering committee headed by the MUB, will comprise government officials from the Ministry of Finance (MOF), Ministry of Environment and Tourism, MUB departments and agencies, Ministry of Construction and Urban Development (MCUD), Development Bank of Mongolia (DBM), and Capital City Housing Corporation (NOSK) will be established to oversee the project implementation and provide strategic and policy guidance.
<b>Project Management Office</b>	MUB	The PMO will be established under the Mayor of Ulaanbaatar and will be responsible for the overall implementation of the project and closely coordinate with AMC-DBM regarding project implementation.
<b>Project Implementing Agency</b>	Development Bank of Mongolia (DBM)	The Development Bank of Mongolia (DBM) will act as the project implementing agency providing overall support to the AMC-DBM in its establishment and management of the eco-district and affordable housing fund (EDAF).
<b>Project Implementation Unit</b>	Asset Management Company of the Development Bank of Mongolia (AMC-DBM)	AMC-DBM will serve as the project implementation unit to manage the eco-district and affordable housing fund (EDAF) and will directly report to the executing agency and MOF on the status of the EDAF.
<b>Participating Commercial Banks</b>		A commercial bank deemed eligible for the project and subsequently selected to develop an eco-district subproject in partnership with a proponent real estate property developer will be referred to in the project as a participating commercial bank.
<b>Capital City Housing Corporation (NOSK)</b>		NOSK will be in-charge of operating and maintaining the social housing built by the project.
<b>Ministry of Finance (MOF)</b>		MOF will act as a major shareholder of EDAF provide necessary guidance to AMC-DBM on the management of EDAF.
<b>Asian Development Bank (ADB)</b>		ADB will oversee the project administration, monitor the project implementation, and will ensure project compliance with ADB safeguards and relevant policies.

		<p>ADB will review the execution of subprojects, monitor the capability and performance of MUB, and assess any change in circumstances that may have a bearing on the sector development plan in general and on the implementation and operation of the sector subprojects in particular.</p>
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### 4.2 Project Structure and Stakeholders

The project structure remains as planned as illustrated in **Figure 1**. until official changes are made in the project structure.

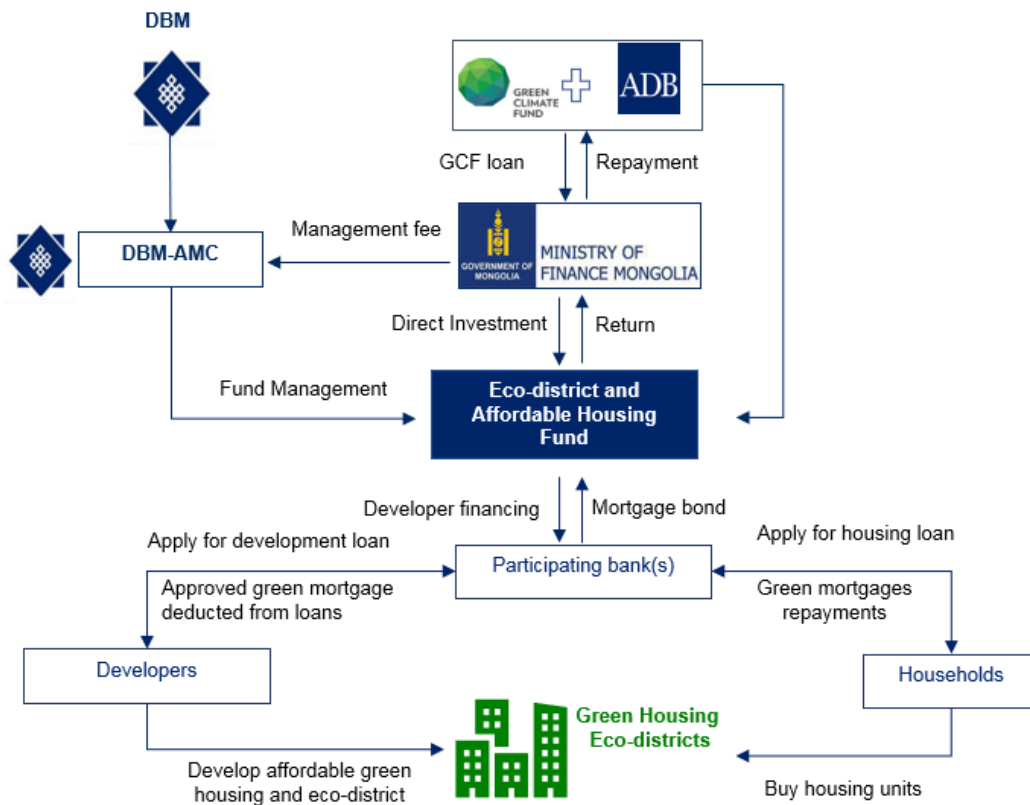
Figure 1. Project Structure and Stakeholders



## 4.2. Financial Intermediation Arrangements

The ‘original option’ of the EDAF model is premised on participating banks issuing mortgage bonds and DMB AMC purchasing those bonds. Investment from the Ministry of Finance to EDAF was initiated to establish DBM AMC to manage EDAF. Participant banks provide developer loans (EDAF: 35%, Commercial bank: 35%, Developers 30%), issue green mortgages and mortgage-backed securities (MBS) to EDAF. See the diagram illustrated in Figure 2 for representation of this approach.

Figure 2. Original option for EDAF (2019-2023)



Due to the continued delays since 2019 to establish EDAF at AMC-DBM, there was agreement during the April 2023 mission between ADB, MOF, MUB, AMC DBM to explore alternative options. Subsequently, the outcome of these discussions led MOF to agree to on-lend the GCF loan (MON 8348) to MUB and accept MUB to establish EDAF under Ulaanbaatar Investment Management Company (UBIM). Whilst this approach remains subject to ADB’s due diligence two options were presented to ADB during the SRM to demonstrate how this approach could be operational. The option illustrated in Figure 3 was proffered to manage EDAF. This alternative option is to establish EDAF through Ulaanbaatar Investment Management Company (UBIM). Under this option, it is proposed that UBIM replaces AMC DBM and the rest of the original structure for FIL component remains intact. To do this, the MOF and MUB establish subsidiary loan agreement for the GCF loan proceeds (MON 8348) for direct investment from Municipality of Ulaanbaatar to EDAF.

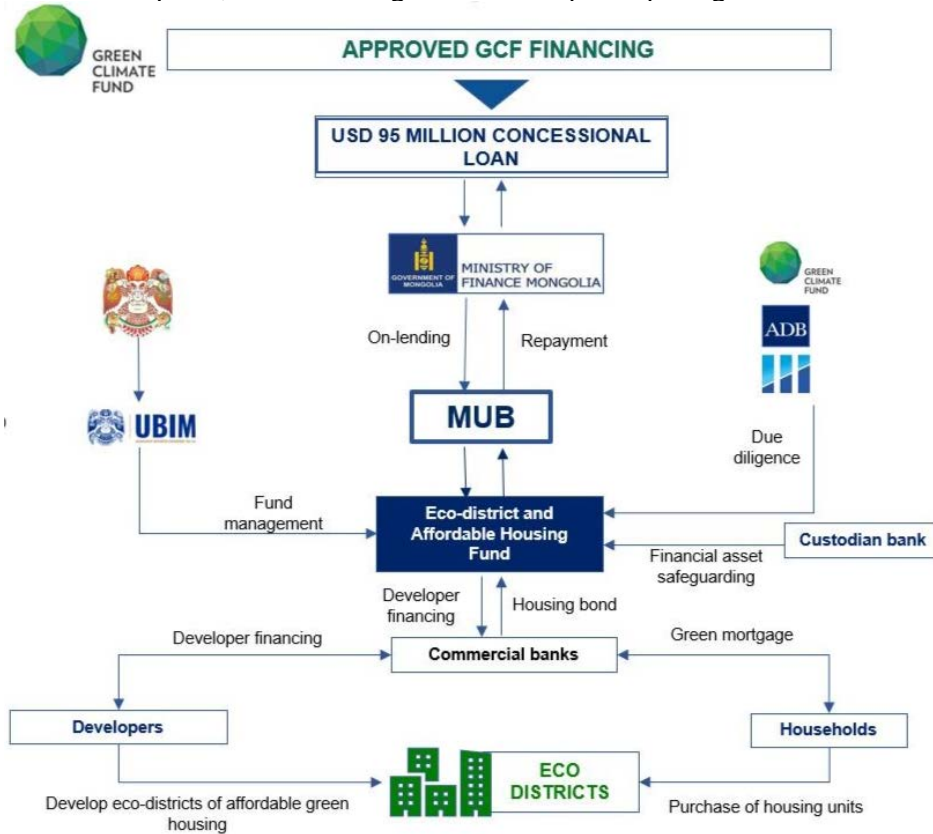
In 2023 DBM AMC initiated action “EDAF II”, a sister fund designed to attract private capital, focusing on financing affordable housing expansion. Integrating EDAF II with AHURP allows for financing developer finance initiatives. Another significant task assigned to DBM AMC is to enhance green financing capacity by developing a Sustainable Green Investment Brand for Mongolia and establishing the Mongolian Green Development Fund. Simultaneously, DBM AMC actively pursued sectoral development initiatives in collaboration with external partners.



In October 2023, DBM AMC formalized an agreement with Delphos International, marking the beginning of the establishment of EDAF II, emphasizing a commercial focus and a capital of USD 100 million, alongside the Green Development Fund with a capital of USD 50 million.

The reporting period also saw the formulation of a fund teaser and potential sub-projects for financing, distributed to 15 Development Finance Institutions, with feedback anticipated in early 2024 Q1.

Figure 3. Alternative option, EDAF through UBIM and participating banks



PMO and MUB discussed a third institutional option for managing EDAF, if UBIM does not pass the due diligence requirements of ADB. Under this third option, MOF and MUB will establish a subsidiary loan agreement for the GCF loan proceeds (Loan 8348 MON) for direct investment from MUB in EDAF. AMC DBM will establish EDAF and carry out the management of the Fund. Under this option, except for the on-lending between MOF and MUB, no changes are required in the original structure. However, this option is subject to clearance from MOF as the AMC DBM is a DBM/MOF owned entity. An additional project cost of an interest fee for on-lending loan proceeds, plus a fund management fee, will be charged by DBM AMC. Notwithstanding the additional fees, the expected transfer of DBM from MOF to the Ministry of Economic Development (MED), presents a substantial risk to the restructuring of both DBM, and its Asset Management Company (DBM AMC)

During Q1 2024 the following decisions and additional analysis are sought if the 'alternative Option' – the preferred option of MUB<sup>5</sup> - is to move forward. If ADB and GCF are to proceed they will need to process a minor change in scope. To do this the following actions are required by the stakeholders listed below by Q1 2024 as follows:

<sup>5</sup> Subject to satisfactory results of the due diligence this is also the preferred approach between ADB, MUB, and the IA and EA.

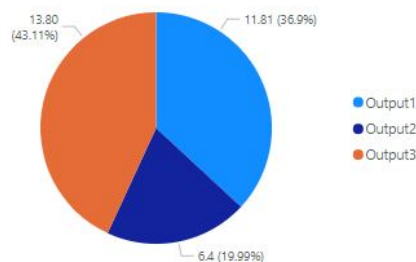
- (i) ADB, need to finalise their financial due diligence which began in December 2023. Additional integrity analysis of UBIM is being made by ADB with the intention to complete the second part of this due diligence by Q1 2024. Upon satisfactory result of the due diligence process, ADB, will issue a no objection letter to proceed with a ‘minor change’ of scope. The minor change will reflect the new institutional model. The agreement to disburse 100% of loan proceeds to EDAF-UBIM will be made as a result to the decision to proceed with changes. (ii) ADB, MOF and MUB revise the loan and onlending agreements; (iii) ADB and DBM to terminate the project agreement by March 2024; (iv) ADB and MUB to amend the project agreement to reflect the changes by March 2024.
- (ii) MOF – will need to establish on-lending agreement with MUB and agree to transfer PIU to MUB. MOF and MUB to bring required additional expertise to UBIM for Output 2 by March 2024; and (vi) MUB to restructure the consultancy service contract with Castalia along with adjustments in the existing terms of reference (TOR) for the Sustainable Green Finance Support Consultancy Service by March 2024.
- (iii) MUB – If the due diligence from ADB provides satisfactory results, MUB will need to invest 100% of its loan proceeds to EDAF. Then, MUB will need to establish PIU at MUB and appoint UBIM as manager of EDAF. Further, a restructure of the existing SGFS contract or alternatively recruitment of SGFS consultancy under UBIM will have to be considered.
- (iv) UBIM – Decided to establish a private investment fund at the meeting of the Board of Directors Register the fund with the Financial Regulatory Commission.
- (v) AMC-DBM - A handover from DBM AMC to MUB is needed (as referenced above), as the future PIU will be embedded in MUB under UBIM. Subject to agreement and approval by MOF and MUB, DBM AMC will provide an on-the- job training by co-managing the fund for a short period of time to be agreed between the MUB and DBM AMC. Effectively, MUB will become both IA and EA and this will have to be carefully managed. The outcome of the transition from AMC-DBM will determine the future contract with Castalia (SGFS).

### 4.3 AHURP Implementation Plans and Progress (2023)

The project is approximately 32% into the overall planned implementation timeframe, as indicated in Figure 4. Project Implementation Progress as of December 31 2023 Figure 4.

Figure 4. Project Implementation Progress as of December 31 2023

Output1, Output2 and Output3



**32.01**  
Overall Project Progress (%)

The focus during the year was to deliver on Output 1, with the construction of 220 housing units for the pilot project in both Bayankhoshuu and Sharkhad sites. Construction works were initiated for 110 units on the Bayankhoshuu site and 110 units in Sharkhad and their associated facilities. The completion of the detailed engineering design (DED) for all output 1 housing units was another priority. By the end of the year, the progress for Output 1 reached 39.37%.

For Output 2, all necessary internal documentation for EDAF establishment and operation was finalised based on the original structure of the project. The most significant achievement relating to EDAF was delinking Output 2 conditions – as stipulated from the loan agreements from the social housing component (Output 1) and policy reform (Output 3) components. This minor change of scope has redefined the project to allow procurement of physical works to commence. Secondly, MOF issued an official letter confirming their no-objection to on-lend the GCF loan proceeds to MUB for it to establish EDAF under UBIM. As discussed and validated in November 2023 SRM, a due diligence review on UBIM was initiated in December. Based on the result of the due diligence review, further actions are expected to take place in 2024 (see actions listed in Section 4.2 above). Due to these pending matters, the performance rate for Output 2 has reached 16% only.

As for Output 3, key activities completed during the last quarter include capacity building on green building standards, development of the guideline on technical requirements for green buildings, and the continued development of green building designs. In Q4, EFDP developed a detailed plan for sector policy reform and capacity building to be carried out during the project duration. Progress on Output 3 was at 46 % as of the end of 2023.

The Project implementation status is updated in Annex 1

#### **4.4 Project Performance Management System**

A cloud-based platform, called SharePoint was established during the project setup in 2021 to provide a common working platform, as well as a communications vehicle. It was also intended to track progress and reporting on the project for all key stakeholders. In 2023 SharePoint has been updated and is fully operational. Within SharePoint a tracking tool (Power BI) has been created with the intention to build more visibility into the project progress, including reporting on key activities for each Output (this includes weighted rate for each assignment under the agreed annual workplan), performance on the workplan and implementation of the Social Gender Action Plan (SGAP). The PPMS will be applied to the DMF later in 2024 (see below).

#### **4.5 DMF Results Status**

The Impact, Outcome and Output indicators and targets utilised in the DMF are such that no results are yet to be achieved. Although no indicators specified in the DMF (except SGAP targets), have been met yet, significant activity to reach these target indicators were implemented in 2023 and all activities and concepts are being developed, consistent with the DMF indicators. AHURP will begin to break down and report on incremental progress towards achieving those results as soon as initial portions are achieved. The PPMS (referenced above) will be one tool to break down activities and progress.

Numerous output level changes in the original DMF were proposed during the ADB Special Review Mission 2023 and Table 5 demonstrates the proposed changes in the DMF, which are subject to management approval at ADB. Upon the approval of changes in the DMF, the project results will be tracked against the revised DMF.

Table 5 Updated DMF (2023)

<b>49169-002-AHURP- Refined/Updated Design and Monitoring Framework</b>				
<b>Project Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Refined/Updated Performance Indicators</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<b>Outcome</b> Access to low-carbon and climate-resilient eco-districts and green affordable housing in Ulaanbaatar ger areas increased	<b>By 2028</b>	<b>By 2028</b>		<b>Assumptions</b>
	a. At least 7,000 households, of which 30% are headed by women, relocated into, or have ownership and/or rental titles for social and affordable housing units in the 100 ha of eco- districts in ger areas (2017 baseline: 0)	a. At least 2,000 households, relocated into, or have ownership and/or rental titles for social and affordable housing units in the eco-districts in ger areas, of which 30% of women-headed households who applied to participate in the project are approved (2017 baseline: 0)	a. MUB annual report on urban construction and district records	Continued tight fiscal conditions and changed government priorities shift resources away from affordable housing programs.
	b. Energy consumption per housing unit built in targeted areas reduced to 150 kWh/m2/year (2017 baseline: 395 kWh/m2/year)	b. Energy consumption per housing unit built in targeted areas reduced to 150 kWh/m2/year (2017 baseline: 395 kWh/m2/year)	b. MUB and NOSK annual report on urban construction and social housing	
	c. 200,000 tons of carbon dioxide emission per year avoided (2017 baseline: 0)	c. 45,000 tons of carbon dioxide emission per year avoided (2017 baseline: 0)	c.–d. MUB record on urban construction, and eco-districts' records on business and employment	
	d. 6,000 person-months per year of employment opportunities for operation and maintenance of facilities and infrastructure created, of which 40% are filled by women (2017 baseline: 0)	d. 3,000 person-months of employment opportunities for operation and maintenance of facilities and infrastructure created, of which 30% are filled by women (2017 baseline: 0)		
<b>Outputs</b>	<b>By 2026</b>	<b>By 2027</b>		<b>Assumptions</b>
1. Resilient urban infrastructure, public facilities, and social housing units in	1a. 1,500 social housing units constructed (2017 baseline: 0)	1a. 800 social housing units constructed (2017 baseline: 0)	1a.–g. MUB and eco-districts' annual report on urban construction	Changed government and/or MUB leadership leads to lower support for the project. Rising world prices of energy

ger areas constructed (public sector component)				and construction materials significantly increase the project's investment and operation and maintenance costs.
	1b. 13.7 km of road, 5.5 km of water supply pipes, 6.1 km of sewerage network, 5.5 km of district heating pipes, and 450 low-consumption street lights constructed (2017 baselines: 0)	1b. 2.4 km of road, 2.7 km of water supply pipes, 1.9 km of sewerage network, 2.6 km of district heating pipes, 3 pieces of 2x630kVa 10/0.4kV, 1 piece of 2x400kVa 10/0.4kV, 1 piece of 2x800kVa 10/0.4kV distribution substations, 10kV enclosed indoor switchgears, 21.8km of 10kV cable lines, 4.9 km 110mm PVC conduits and 1.8 km of 6-48 cores of fiber optic cables, and 450 pieces of 6m and 3m heights of low-consumption street lights are constructed (2017 baselines: 0).	1h. Contractors annual employment records	Rising world prices of energy and construction materials significantly increase the project's investment and operation and maintenance costs.
	1c. 15 ha of public space and green areas, and 36,000 m2 of public facilities constructed (2017 baselines: 0)	1c. 2.3 ha of public space and green areas, and 3,200 m2 of public commercial facilities constructed (2017 baselines: 0)		
	1d. 72,000 m2 of photovoltaic solar panels installed (2017 baseline: 0)	1d. 3,800 m2 of photovoltaic solar panels along with building energy performance sensors are installed (2017 baseline: 0)		
	1e. 100% of constructed buildings equipped with energy-efficient insulation, utility metering, and heating regulation systems (2017 baseline: 0)	1e. 100% of constructed buildings equipped with energy-efficient insulation, supporting heat reduction strategies, utility metering, and heating regulation systems (2017 baseline: 0)		
	1f. 2,000 m2 of greenhouses in targeted areas built (2017 baseline: 0)	1f. 1,220 m2 of greenhouses (with different types including three-season, attached) in targeted areas built (2017 baseline: 0)		

	1g. Smart monitoring system and sensors for building performance and renewable energy control installed, including energy storage pilot of 0.5-megawatt capacity (2017 baseline:0)	1g. Central Smart Building Performance and Renewable Energy Monitoring and Control Center (SCADA Center) is built and operationalized.		
	1h. 100,000 person-months of employment opportunities during project construction created, of which 30% are filled by women (2017 baseline: 0)	1h. 15,000 person-months of employment opportunities during project construction created, of which 20% are filled by women (2017 baseline: 0)		
2. Long-term financing to developers for low-carbon affordable housing, market-rate housing, and economic facilities in <i>ger</i> areas and to households for green mortgages increased (financial intermediation loan component)	<b>By 2026</b>	<b>By 2027</b>		<b>Assumptions</b>
	2a. At least 20 developer subloans approved and released by EDAF (2017 baseline: 0) These subloans will produce: (i) 5,500 affordable housing and 3,000 market-rate housing units built (2017 baseline: 0) (ii) 204,000 m2 of commercial facilities, shops, and parking; and 22 km of pedestrian and bike lanes built (2017 baseline: 0) (iii) 79,000 m2 of greenhouses installed (2017 baseline: 0) (iv) 100% of constructed buildings equipped with energy efficient insulation, utility metering, and heating regulation systems (2017 baseline: 0)	2a. Up to 10 developer subloans approved and released by EDAF (2017 baseline: 0) These subloans will produce: (i) 2,200 affordable and market-rate housing units built (2017 baseline: 0) (ii) 23,000 m2 of commercial facilities, shops, and parking; and 17 km of pedestrian and bike lanes built (2017 baseline: 0) (iii) 1,800 m2 of greenhouses installed (2017 baseline: 0) (iv) 100% of constructed buildings equipped with energy efficient insulation, supporting heat reduction strategies, utility metering, and heating regulation systems (2017 baseline: 0) (v) 5,600 m2 of photovoltaic solar panels along with building energy performance sensors are installed (2017 baseline: 0)	2a. EDAF and commercial banks' financial records 2a.(i)–(iv) MUB and eco-districts' annual report on business development and urban construction	Unexpected labor and materials price escalations  Implementation of land acquisition and resettlement plans faces unforeseen delays and cost escalation

	2b. At least 5,500 green mortgages approved and released, with at least 30% of households headed by women provided with access to affordable housing units (2017 baseline: 0)	2b. More than 1,000 green mortgages or equivalent housing finance provided, and women are at least 25% of those approved as principal/co-lender (2017 baseline: 0)	2b. Commercial banks' mortgage records	
	2c. At least 40% of businesses located in the commercial facilities in the eco-districts are led by women (2017 baseline: 0)	2c. At least 40% of businesses located in the commercial facilities in the eco-districts are led by women	2c–2d. MUB and eco-districts' annual report on business development and urban construction	
	2d. 200,000 person-months of employment opportunities during project construction created, of which 30% are filled by women (2017 baseline: 0)	2d. 60,000 person-months of employment opportunities during project construction created, of which 20% are filled by women (2017 baseline: 0)		
3. Sector policy reforms implemented and capacity strengthened	<b>Project implementation and management</b> 3.1 a. By 2019, gender disaggregated project performance and management system established (2017 baseline: 0)	<b>Project implementation and management</b> 3.1 a. By 2021, gender-disaggregated project performance and management system established (2017 baseline: 0)	3.1a. PMO monitoring report	Unexpected labor and materials price escalations  Implementation of land acquisition and resettlement plans faces unforeseen delays and cost escalation
	<b>Eco-district feasibility and development</b> 3.2 a. By 2020, a green building and eco-district norm and standards are in place (2017 baseline: 0)	<b>Eco-district feasibility and development</b> 3.2 a. By 2025, a green building and eco-district norm and standards are in place (2017 baseline: 0)	3.2a.–d. Policy and regulation orders from related agency or ministry (Ministry of Construction and Urban Development, Ministry of Energy, Energy Regulation Commission, MUB)	Unexpected labor and materials price escalations  Implementation of land acquisition and resettlement plans faces unforeseen delays and cost escalation
	3.2b. By 2021, regulations for grid-connected electricity generation from small-scale renewable sources are in place (2017 baseline: 0)	3.2b. By 2022, regulations for grid-connected electricity generation from small-scale renewable sources are in place (2017 baseline: 0)		
	3.2c. By 2020, regulation to enable viability gap funding of subprojects through eco-district utilities tariff cross-subsidy mechanism approved	3.2c. By 2025, recommendations to enable viability gap funding of subprojects through eco-district utilities tariff cross-subsidy submitted to relevant authorities (2017 baseline: 0)		

	<p>3.2 d. By 2026, 40% of the overall jobs created within the perimeter of each eco-district benefit local communities, at least 40% of job-holders are women, and 15% vulnerable people (2017 baseline: 0)</p>	<p>3.2 d. By 2027, 40% of the overall businesses located in the eco-district are supported with capacity-building training/ livelihood program, with at least 40% of the businesses run by women and 15% by vulnerable people (2017 baseline: 0)</p>		
	<p><b>Sustainable green housing finance</b> 3.3 a. By 2020, the EDAF is established and structured in accordance with the applicable Mongolian law and requirements (2017 baseline: 0)</p>	<p><b>Sustainable green housing finance</b> 3.3 a. By 2025, the EDAF is established and structured in accordance with the applicable Mongolian law and requirements (2017 baseline: 0)</p>	<p>3.3a. Policy and regulation orders from the MOF and the Financial Regulation Commission</p>	



#### **4.6 AHURP Implementation Plan and Annual Work Plan**

The reference point for planned activities is the Overall Project Implementation Plan included in the original Project Administration Manual (PAM) prepared by ADB during pre-feasibility. Agreed project results are presented in the PAM in the Design and Monitoring Framework (DMF) which forms part of the ADB-GOM loan/grant agreements.

During the Project's Inception Phase (2021), the PAM was reviewed and a revised Implementation Work Plan prepared reflecting the updated on-the-ground situation, expanding, and adjusting activities and their timelines to follow the actually required implementation sequence. This began with adjustment of dates to reflect the project's delayed starting date.

This year, the ADB Special Review Mission held in November 2023 provided an opportunity to discuss all the changes required in the project scope to reflect the constraints outlined in Section 2. Once the changes are processed with all due administrative steps, the consolidated Implementation Work Plan will be revised by PIMS when official approvals to the project are agreed. The revised Project Implementation Plan will reflect all changes.

In addition to the overall implementation plan referenced above (Annex 1), an annual work plan is developed each year and approved by the PSC. The 2023 Annual Work Plan was implemented with a rate of 92.5 %. Most activities except from procurement of certain Output 1 housing packages and Output 2 activities, have been fully implemented. The draft workplan for 2024 was developed by the project team in December 2023 and is waiting to be reviewed and approved by the PSC early 2024. The Draft annual workplan 2024 is attached in Annex 2.

#### **4.7 Project Coordination**

The complexity of the project, with numerous entities involved in implementation, (including three separate consulting teams), necessitates coordination between teams and the IA and EA. Management and coordination activities continued throughout the year and the structure of coordination included the following:

- Weekly team meetings (PMO, PIMS, EFDP) were held within each team to ensure effective communication and coordination for the project implementation.
- Management Meetings (virtual and in person) with recorded minutes of meetings where relevant were held regularly.
- Various combinations of ADB-PMO-PIMS-SGFS-EFDP coordination meetings were held as required.
- Sector Sub-Groups continued to gather to bring together respective sector experts from all entities (PMO, PIMS and EFDP).
- Working meetings have been organized with GADIP and other relevant agencies to utilise investment already made in the outlying ger areas, and to enhance sectoral collaboration and coordination.

#### **4.8 International In-Country Visits**

- PIMS Team Leader travelled to Mongolia twice 2023 in March-April and in October-November for a minimum period of one month on each occasion in 2023. The EFDP Team leader made three visits during 2023 with a minimum period of four weeks for each mission.
- PIMS international resettlement specialist made several visits in 2023.
- SSJV's Project Coordinator made numerous visits in-country.

- EFDP's international team, which includes their architect, real estate expert, urban planner all provided at least one country visit in 2023.

#### **4.9 ADB Mission April 2023**

The ADB's third project coordination and review mission held in Ulaanbaatar during April 2023 brought together ADB, EA (MUB/PMO), IA (PIU) and the three supporting consulting entities. Members of Capital City Housing Policy Agency (CCHPA) attended throughout the week, and NOSK was provided with relevant updates in regards with its role towards the project activities and structure.

Presentations by PMO, PIU and each of the consulting team were held in the AHURP office through a combination of in-person and virtual attendance. All key discussion points, recommendations of the development partner and agreed changes were captured and formalized in a MOU signed by ADB, MOF, MUB, and AMC-DBM.

During the mission in April 2023, ADB requested MOF to confirm its position in regards to the EDAF being legally established. Two possible scenarios were discussed, which are legally compliant with GoM and ADB exist if EDAF is not established as originally intended:

- MOF on-lend the GCF loan (USD75.7m) to commercial banks; or
- MUB's international finance facility, known as Ulaanbaatar's Investment Management Company (UBIM) manages EDAF – lending to developers and provide mortgages.

Both options required additional due diligence by MUB in 2023. Furthermore, in 2023 PMO/PIMS needed to conduct their own review of these two options, given the absence of an affordable housing specialist within SSJV's consulting team.

The MOU from ADB April 2023 Mission was signed by the Ministry of Finance which enacted the delink of Output 2 - EDAF - from the remaining loan conditions. The condition to establish an alternative version of EDAF, which reduces MOF exposure to risk is required and was outstanding in Q4 2023.

#### **4.10 ADB and GCF Special Review Mission (SRM), November 2023**

A joint ADB and GCF Special Review Mission (SRM) took place in November 2023. Whilst the scope for the pilot project and Phase One were agreed during the April 2023 ADB mission, the timeline within the PAM and the scope for the wider project (beyond what was initially termed Phases 2-5), needed to be revised to reflect initial delays.

For GCF, an update is pertinent, as several indicators used to achieve the GCF metrics on which the loan is based, need to be updated or replaced as design options, and technologies have evolved.<sup>6</sup>

It was formally agreed from the signed MOU that a combination of factors (cost increases for materials, devaluation of the Mongolian Tugrik, the Consumer price inflation (CPI) doubling from what was estimated in the PAM) required the project targets to be adjusted to reflect these market realities as follows:

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<sup>6</sup> These indicators will need to be reflected in the DMF. The project team will take the necessary steps to achieve the required updates as part of the Q4 work in the PAM and DMF.

**Output 1:** The SRM formalised discussions made during previous ADB Missions, that a rescope of Output 1 Project is required to reflect the current market and economic situation. The mission members, PMO and EA discussed and agreed to the following: (i) utilize the vacated NOSK land slots in BKH and Sharkhad; (ii) plan, design and build 800 Social Housing Units for rental and/or purchase and swap under Output 1. Rational for the reduction in the Output 1 scope includes the following reasons: (i) the delay in establishment of EDAF; (ii) the need to expedite delivery of housing over the final 3 years of the current project implementation schedule; (iii) the need to test / validate the potential of the VLSP for Outputs 1 & 2; and (iv) demonstrate viability of Eco-District design, encouraging the participation of private developers. It was agreed during the mission that the above-proposed use of Output 1 funding is used for the construction of social housing that can be rented, swapped or purchased, which is subject to the approval of the ADB and GCF management.

**Output 2:** The project has been facing difficulties in establishing EDAF since its beginning in 2020. Following the agreement reached during the review mission in April 2023, MOF provided an official letter addressed to MUB on 19 October 2023, confirming their no-objection to on-lend GCF loan proceeds (MON 8348) to MUB for establishing EDAF under the Ulaanbaatar Investment Management Company (UBIM). The mission met with the management of UBIM, NOSK and the DBM AMC PIU.

The options for the new institutional home of EDAF (as discussed in Section 4.6) will also require revisiting certain aspects, such as determining the demand of developers and commercial banks, given the hiatus to establish the EDAF. Furthermore, ADB initiated due diligence on Ulaanbaatar Investment Management Company (UBIM) for EDAF establishment and operations. Subject to the results of these due diligence exercises, the likelihood of EDAF being operational would be pushed back to mid-2024 at the earliest or realistically by the end of 2024, 2 years before project closure. For the option above, additional financial and technical stress will be placed on MUB, and capacity and resources will need to be invested. This is ambitious. Transitional support from DBM-AMC is needed, but an assessment of what support and for how long will need to come out of any due diligence findings. PMO and PIMS will wait for further instruction from ADB and observe how discussions with MoF and MUB proceed.

**Output 3:** There are no changes expected under this output.

Ultimately, the SRM provided an opportunity for the project team to express the changes in material costs since the last mission which will affect the scale of the project. Given the above-mentioned construction costs increased by 300%, the target number of housing units will need to be reduced proportionally from 10,000 to 3,000. These significant increases in cost escalation were recognised by all stakeholders. The ADB SRM redefined the project to reflect these new realities as follows:

Table 6. Project target revisions

AHURP Minor Change of Scope Recommendations (November 2023)			
	Outputs	Appraisal (2018)	SRM (November 2023)
1	Output 1. Social Housing	1500	800
2	Output 2. Affordable/Market Housing	8500	2,200
3	Output 3. Policy Reform	Policy Reform	Policy Reform

4	<b>Total Housing Units</b>	10,000	3,000
	<b>Overall Project Financing</b>		
5	Output 1	71.66	\$71.69m
6	Output 2	106	\$119.05m
7	Output 3	28.17	\$24.08m
8	<b>Total</b>	205.83	\$214.8m available
	<b>Output 1 (ADB)</b>		
9	Solar PV area	72,000m <sup>2</sup>	3,836 m <sup>2</sup>
10	Energy Efficiency Grant	\$4.22m	\$6.7m
11	Greenhouse (type)	1 season	3 seasons
12	Greenhouse (Area)	2,000 m <sup>2</sup>	1,230 m <sup>2</sup>
13	Greenhouse (Grant)	\$200,000 Output 1 (summer greenhouse)	\$800,000 ((3-season greenhouse) & reallocate \$750,000 from GCF grant for output 2 greenhouse)
14	Coverage for Housing	Social (Income Decile 1-3)	Social (Income decile 1-3) & Affordable (decile 4-7)
	<b>Output 2. Green Components (GCF)</b>		
15	Solar PV area	72,000 m <sup>2</sup>	5,692 m <sup>2</sup>
16	Energy Efficiency ' <i>approach</i> ' to achieve 150 kW hr/m <sup>2</sup> target	Passive strategies only	Passive & active strategies
17	Energy Efficiency ' <i>Grants</i> ' to achieve 150 kW hr/m <sup>2</sup> target	Passive strategies only	Passive & active strategies
18	Greenhouse (type)	1 season (\$117 sqm)	3 seasons (\$640 sqm)
19	Greenhouse (Area)	79,000 m <sup>2</sup> / 10% coverage of eco district	1300 m <sup>2</sup> / 1% coverage of eco district
20	Greenhouse (Grant)	\$9.3m	\$1.25m
21	Costs to add energy efficient components to construction of buildings ( <i>building, electrical, telecomms, HVAC, Waters</i> )	Not estimated	13% of total building construction cost m <sup>2</sup>
22	Performance Based Funding: <i>Payment terms to developers and contractors to achieve EDGE certification</i>	1 year after completion of EDGE (45% Design phase; 45% construction phase, 10% operations phase)	60% payment on receipt of Design Certification and 40% payment on receipt of Construction Certification
	<b>Output 2. Reallocation of Funds (GCF Loan &amp; Grant)</b>		
23	(a) GCF loan	\$15.58m for solar PV	\$15.58m for EDAF fund
24	(b) GCF Grant	\$5.34m (for solar PV)	\$5.34m (for solar PV)
25	(c) MUB contribution	\$4.62m (cash and tax exemption)	\$0.54 (tax exemption)
26	(d) GCF grant	\$7.3m (greenhouse)	\$7.3m (EE grant)
	<b>Output 2. EDAF (GCF)</b>		
27	FIL Total Amount	\$75.7m (EDAF)	\$91.28 (Reallocation of GCF loan \$15.58m from solar PV)
28a	Investment Mechanism	MoF to EDAF, established by DBM AMC	MoF on-lend to MUB and EDAF through UBIM
28b		DBM AMC manage EDAF	UBIM manage EDAF
28c		Participant banks provide developer loans (EDAF 35%, Commercial bank 35%, Developers 30%)	Participant banks provide developer loans (EDAF 35%, Commercial bank 35%, Developers 30%)

28d		Participant banks issue green mortgages	Participant banks issue green mortgages
28e		Participant banks issue MBS to EDAF	Participant banks issue MBS to EDAF
	<b>Output 1 and 2 Definitions (ADB and GCF Loan)</b>		
29a	Project financing of Social and Affordable Housing	Social (Decile 1-3)	Social (Decile 1-3) and Affordable (decile 4-7)
29b		Monthly Rental (Decile 1-3)	Monthly Rental (Decile 1-3)
29c		Rent-to-own (NOSK scheme) (Decile 1-3)	Rent-to-own (NOSK scheme) (Decile 1-3)
29d		Swap land and assets for apartment units or purchase (Decile 4-7)	Swap land and assets for apartment units or purchase (decile 1-3) & (decile 4-7)
30a	Minimum Apartment size	35 m2	35 m2
30b		35 m2 guaranteed without mortgage	35 m2 guaranteed with possible mortgage (Decile 4-7) or rent-to-own scheme (Decile 1-3)
31	Land acquisition mechanism	Voluntary Land Swapping (VLS)	VLS (subject to pilot Q3 2024) + Willing Seller

#### 4.11 Consultant Restructuring Proposal

During 2023 EFDP and PMO found consensus on the restructuring of the consulting organization. Throughout this transition the project progressed without delay on Output 1 deliverable. SSJV's establishment of a permanent establishment (PE) provides for effective direction and supervision of the 'in house' core team. The new structure allows SSJV to contract multiple engineering firms with fixed fee assignments including detailed design and design supervision activities.

Procurement of two, or more, standing offer contracts in 2024 will finalize the restructuring providing the national expertise required to implement Phase 1 construction and support Output 2 initiatives in the future.

#### 4.12 Stakeholder Communication

Implementation of stakeholder communication tools including the Stakeholder Communication Strategy (SCS) and the Consultation and Participation Plan (CPP) was successfully carried out during the reporting period under the guidance of the AHURP Social-Gender and Communications teams. **Section 5** presents a review of activities. These activities will be undertaken continuously through various stages of Eco-District planning and development ensuring as much collaborative and participatory approach as possible.

#### 4.13 Training and Capacity Building

Stakeholder Needs Assessment is on-going and will continue through 2024. The focus is to expand the capacity building activities to external stakeholders. A comprehensive plan for the capacity building activities in 2024 has been developed under the coordination of PIMS.

A second EDGE training & capacity building workshop will be organized to strengthen knowledge of the AHURP project main stakeholders in green building technology, standard

with an objective to build the capacity of trusted EDGE expert to design and construct green building in the future.

Training and Capacity Building Details with notes from all sessions filed in the on-line AHURP SharePoint Library. Table 7 summarises training activities conducted throughout 2023.

Table 7. Training and Capacity Building (2023)  
CAPACITY BUILDING PLAN FOR AHURP STAKEHOLDERS 2023

№	Capacity need areas (tbc)	Date	Owner	Type (tbc)	Target	Number of participants			Note
						Total	Male	Female	
<b>Institutional</b>									
1	Training on PPMS and M&E	20th December 2023	PIMS TL and DTL	Training by a contractor	Relevant PMO specialist	25	10	15	A training was organized for the project staffs on the project progress tracking and reporting tools and systems in ADB context and how AHURP translated it into its operations.
2	Study tour on housing and urban development	9th-15th May 2023	PIMS DTL	Study tour	MUB officials	7	6	1	The project facilitated the process for a group of MUB official to attend annual conference of international social housing organizations.
3	Training on the filing system	8th September 2023	PIMS TL, PIMS DTL, PIMS admin	Training	Project team members	22	9	13	During the training teams decided who will organize the current folders and who will be responsible for updating the data and informing the respected members of the projects
4	Capacity building training for Green Building and Eco-District	4th December 2023	EFDP Energy efficiency engineer	Training	Government officials and private sector	54	22	32	The workshop organized and attended by a variety of government departments and private sector developers. The workshop consists of 3 main sessions focusing on architectural and urban planning of eco-districts, sustainable design principles, and gender equality in the construction sector and workplace.
5	International best practices and standards on Green Building and Eco-District	4th December 2023	EFDP Energy efficiency engineer	Workshop	Government officials and private sector	54	22	32	As a introduction session for the Capacity building training for Green Building and Eco-District, the international best practices of eco-district and eco-community was delivered to the attendees.
<b>Engineering</b>									
1	Construction workplace safety	29th July 2023, 1st August 2023	EFDP Occupational health and safety engineer	Training	Men, women, youth, and vulnerable groups from the project site	100	47	53	The safety awareness meetings were held for the nearby residents of the Sharkhad S27/5 site and Bayankhosuu B15 sites where construction work of 220 housing units of the eco-district began.
2	Vocational training	23rd August 2023	EFDP/ PIMS/ GIZ	Training	Contractors /Construction company/	16	11	5	As per the MOU on Cooperation between the AHURP project and GIZ Global Project Education- Build4Skills in Mongolia, in order to promote the work-based training measure a total of 16 engineers and specialists from the construction companies participated in the "In-company instructor" training in August 2023
3	EDGE expert	Dec 5-6, 2023	EFDP/PMO	Training	Government officials and private sector	30	13	17	The two day EDGE expert training is part of the Capacity building activity to strengthen knowledge of the AHURP project stakeholders in green building technology, standard with an objective to build the capacity of trusted EDGE expert to design and construct green building in the future.

4	MRV system introduction	n/a	EFDP/PMO	Workshop	Government officials and private sector	0	0	0	The MRV system introduction workshop postponed to 2024, due to the absence of SCADA engineer. The qualified SCADA engineer recently joined the team and mobilization process started on Jan 11, 2024.
5	Innovative construction study	8th September 2023	EFDP Deputy team leader	Training	EFDP, PMO	22	8	14	A training was organized for the project staffs on the energy efficient construction materials and technologies of the green building mainly focused on enhancing knowledge of cellular glass.
6	Construction supervision	18th July 2023	EFDP local experts and international experts	Training & workshop	New NOSK engineers	8	5	3	The capacity-building meeting on the legal environment of the client supervision was organized for the specialists of the Client Supervision Division of the NOSK. During the meeting, Construction Performance Form was delivered to the construction engineer of the NOSK.
<b>Environment and Climate change</b>									
1	ADB environmental safeguard policy refreshment	18-19th May 2023	PIMS environmental expert	Workshop	PIMS environmental expert	1	0	1	PIMS Environmental safeguard specialist attended ADB Environmental Safeguard Policy Statement refreshment training.
2	ADB environmental safeguard requirements	N/A	PIMS environmental expert	Workshop	External environmental monitoring company	0	0	0	ADB environmental safeguards training for External environmental monitoring (EEM) consultancy team was not provided due to the selection of the company not completed in 2023. The selection was postponed due to the re-advertisement of the procurement since the project scope was reduced and ToR of EEM was updated. This training was planned in 2024.
3	Environmental Management Plan and implementation requirements	13th September 2023	PIMS environmental expert	Workshop	Construction Contractors at B15 and S27-5 sites	9	8	1	A safeguard reporting workshop was held at the AHURP office; 9 participants attended from contractors Tsamkhag LLC, Sodon Nomin LLC, Citylandmark LLC, Happy Building LLC, San LLC, and Nutgiin Buyan LLC and received information on reporting requirements, and environmental and social safeguards.
4	ADB and GOM environmental safeguard policy	8th September 2023	PIMS environmental expert	Workshop	New employees of PMO and the project teams	22	9	13	ADB and GOM environmental safeguard policy was introduced to the project team during the capacity building workshop for PMO, PIMS and EFDP team members.
5	Waste Management workshop	19th December 2023	PIMS environmental expert	Workshop	Project teams (PMO, PIMS and EFDP)	25	10	15	A training was organized for the project staffs on "zero" waste management in cooperation with the waste management NGO "Eco Soum". A total of 25 experts from the project teams of PMO, PIMS and EFDP participated in the training.
<b>Social, Gender and Community Engagement</b>									
1	Safeguard policy training	16th August 2023	PIMS social and gender team	Workshop	PMO and the project teams	25	12	13	SGAP implementation and gender-responsive design features workshop was at AHURP office and virtually by international expert Kathleen among all project team members. Participants and newly joined staffs received information on SGAP updates, gender-responsive design features and safeguard policy related documents.



2	Social & gender trainings to stakeholders	04th December 2023	PIMS social and gender team	Workshop	Construction Contractors at B15 and S27-5 sites	6	4	2	"Gender equality and gender respinsive hiring" training was held at Ulaanbaatar Innovation Center; 6 participants attended from contractors Tsamkhag LLC, Sodon Nomin LLC, Citylandmark LLC, Happy Buidling LLC, San LLC, and Nutgiin Buyan LLC and received information on how to promote gender equality and hiring process in their companies. The training was led by trainers from National Gender Committee and Women for Change NGO.
3	Participative monitoring	30th September 2023	PIMS social and gender specialist	Workshop	Newly established monitoring group members in BKH, SKH sites	16	7	9	A training was organized among newly selected 16 monitoring group members from Bayankhoshuu and Shardkhad sites as preparation for the first construction monitoring process. The training was conducted by specialists of EFD and PIMS. Participants and received information on AHURP project update, GRM, Eco-district design features and data collection, reporting requirements and form filling
<b>Resettlement</b>									
1	Safeguard policy training	30th June 2023	PIMS	Workshop	New employees of AHURP project teams	29	13	16	The main objective of the training was to ensure uniform understanding among all project team members regarding the environmental and social safeguards, active laws, regulations, standards, and norms related to the construction work.
2	External monitoring of resettlement and social safeguards	6th July 2023	PIMS international resettlement expert	Workshop	Project teams' social safeguards staff and consultants	8	3	5	To increase the knowledge and understanding of the NOSK Staff on ADB Safeguard Policy Statement and to provide up to date information about AHURP's social safeguard and resettlement issues
3	ADB SPS training	4th July 2023	PIMS international resettlement expert	Workshop	NOSK employees	8	3	5	To increase the knowledge and understanding of the NOSK Staff on ADB Safeguard Policy Statement and to provide up to date information about AHURP's social safeguard and resettlement issues
<b>Procurement</b>									

## 5. Communications and Community Engagement

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### 5.1 Stakeholder Communication

In pursuit of transparency and effective stakeholder engagement, our communication strategy prioritized the dissemination of project updates and pertinent information through various channels. Community workshops, information boards, and local media outlets served as key conduits for keeping stakeholders informed and fostering a sense of ownership and awareness within the affected communities. The enhanced communication approach involved proactive engagement with the communities, providing regular updates on project progress and revised construction schedules.

Utilizing our website and social media channels, we extended our reach to both the local community and the wider public, delivering consistent updates on project milestones, safety measures, and potential disruptions. This two-way communication not only ensured that local residents were well-informed and engaged but also provided them with a platform to voice concerns and suggestions. Complementing these efforts, community feedback surveys were conducted to gather valuable insights, contributing to continuous improvement in project implementation and a better understanding of the community's needs and expectations.

### 5.2 Information Campaign on Project Participation:

The project team organized three targeted outreach campaigns in partnership with Khoroo and a local media agency to spread awareness about women's asset ownership and related legal education. These campaigns included two in-person events and one virtual campaign. In the 2 project sites Bayankhoshuu and Sharkhad, we conducted awareness-raising activities involving 45 individuals, with 30 of them being women. Information sessions mainly focused on rights to own assets and lands and related regulations and laws, and what risks women might face related to these aspects. To broaden our impact, we implemented an online campaign in collaboration with a communication agency. This comprehensive effort involved creating an information package with message sheets and posters, along with strategic promotions on social media platforms. This ensured the widespread dissemination of crucial information about women's asset ownership and introduced key features of the AHURP project, including the design aspects of the eco-districts.

### 5.3 Consultations on Proposed Designs

The Gender and Community Engagement Team, in their ongoing efforts to inform Bayankhoshuu and Sharkhad residents about the design process, organized a public consultation event in March 2023 for the construction of 110 housing units at the Sharkhad site. The event was held at the citizen's meeting hall of the khoroo office and organized by PIMS with support from the 19th khoroo of Bayanzurkh district. It aimed at ensuring wide participation through information dissemination via khoroo's boards, Facebook groups, and direct calls by kheseq leaders. An information package, including AHURP's Grievance Redress Mechanism details, was distributed, and a questionnaire sheet allowed participants to express concerns. The project team introduced AHURP and its design and planning concept, and further discussed environmental safeguards and public safety, aligning with the overall objective of empowering residents to submit concerns during construction. Large maps and figures of the Sharkhad site perimeters were presented to enhance understanding of the project.

### 5.4 Construction Related Consultations 2023

### **Kick-off meeting with construction companies**

In July 2023, a kick-off meeting with construction companies for the Sharkhad S27/5 and Bayankhoshuu B15 sites was organized. The meeting aimed to get the project team and successful construction companies on the same page before the construction work began. During the meeting, the Technical team of AHURP introduced urban planning, landscape, and architectural gender-inclusive design indicators of the eco-district and construction supervision checklist. Additionally, the ADB safeguard policy was presented to the construction companies as well as the gender policy and action plans of the project. Consultants highlighted the responsibilities and measures to be implemented regarding gender equality and human rights at the workplace under the Construction Work Contract. Out of the 37 participants in the meeting, 16 (43%) were women.

### **Safeguard and gender activities guidance meeting for construction companies**

In September 2023, EFDP and PIMS Safeguard and Social team collaborated to host a Safeguard and Gender Guidance meeting for environmental and gender specialists from construction companies. The meeting aimed to provide guidance on safeguard and gender activities in line with the terms specified in the Construction Work Contract. Notably, the contractors were mandated to submit quarterly progress reports on the implementation of gender-related activities.

During the meeting, construction companies expressed their endorsement of the idea of quarterly progress reports, acknowledging their value in facilitating transparent tracking of the work. The companies conveyed their enthusiasm for continued engagement in such meetings, recognizing the benefits of mutual understanding and collaboration.

To support the implementation of this initiative, the EFDP team developed the report format and distributed it to the contractors. Additionally, the team demonstrated how to effectively fill out the form. The social team complemented this effort by providing detailed instructions on the implementation of gender-related activities and the proper development of the report. Out of the 13 participants in the meeting, 4 (30%) were women, highlighting a commitment to inclusivity in these crucial discussions.

### **'In-company instructor' training for construction companies' engineers**

As per the MOU on Cooperation between the AHURP project and GIZ Global Project Education- Build4Skills in Mongolia, in order to promote the work-based training measure a total of 16 engineers and specialists from the construction companies participated in the "In-company instructor" training in August 2023. Of the 16 participants in the training 5 were women (31%).

### **HIV and gender equality training for construction company workers**

In September 2023, training in HIV and Sexually Transmitted Diseases (STD) Prevention was organized for construction companies' employees at the Bayankhoshuu B15 sites. The training focused on disseminating general knowledge about diseases, ways to prevent and treatments to be taken in case of STDs. A total of 60 employees participated of which 7 were women (12%).

### **Gender training for relevant stakeholders**

In December 2023, gender training for all relevant stakeholders from public and private sectors in the construction sector was held and participants gained knowledge on sector gender policy and its implementation assessment from the Senior specialist Ms.Buyanaa from the National

Committee of Gender Equality Secretariat. Additionally, the Gender and development specialist Ms. Zolzaya conducted training on workplace gender equality. Because the construction sector is the men's dominant sector, understanding gender equality in the workplace and addressing issues of harassment, discrimination, and promoting a more inclusive workplace culture are crucial for retaining and attracting female talent. Of the 54 participants in the training, 59% were women (22 male and 32 female).

## **5.5 Resident Consultations 2023**

### **Kick-off meeting for residents**

Before each kick-off meeting, our communication team proactively informed the residents about the upcoming meetings through social media platforms and through the leaders of the respective Khoroo. Simultaneously, we made efforts to reach out to the members of Youth Asia to encourage their participation.

On the 29th of July and 1st of August 2023, safety awareness meetings were held for nearby residents of the Sharkhad S27/5 site and Bayankhoshuu B15 sites, where construction work on 220 housing units of the eco-district began. Of the 100 participants in the meetings, 53% were women. During these sessions, information regarding safety precautions was disseminated to the local residents near the construction site. Additionally, detailed information about the successful contractors involved in the project was presented to the participants.

In an endeavor to foster collaboration, invitations were extended to the members of Youth for Asia through the Facebook group, urging them to join discussions at the project office in August 2023. Regrettably, only one member attended the meeting. Despite continuous efforts during each consultation with the residents, where we consistently informed Youth for Asia's members and extended invitations, they did not exhibit much interest in participating in these kick-off meetings with the residents.

### **Participatory monitoring**

A Participatory Monitoring Group (PMG) was established with the purpose of monitoring construction work to prevent any environmental and social hazardous measures taking place during the construction phases. There are a total of two groups consisting of 20 community members from Bayankhoshuu and Sharkhad sites, who are citizens living in the project affected areas, involving 10 members (ensuring 50 percent are women, 30 percent are from vulnerable households) from each site. In September 2023, the training to enhance the capacity to monitor and evaluate of the PMG was organized focusing on national law, regulations, and ADB policy on safeguarding and other related issues. During the meeting, a checklist for monitoring was provided to the PMG member with detailed guidance to fill out.

On October 14th and 15th, 2023 the Participatory monitoring of the construction work was conducted at the Sharkhad S27/5 site and Bayankhoshuu B15 site where construction work of the 220 housing units of green apartments of the project started in July 2023. A total of 13 members of 20 of the Participatory monitoring group carried out the documenting safety during the construction work.

### **Support to the public consultations by NOSK**

From August 29, 2023, to September 14, 2023, NOSK organized a total of seven meetings with the residents of BKH and Selbe sub-centers. The objective of these meetings was to disseminate information about the redevelopment project in Bayankhoshuu and Selbe sub-centers to the local residents. The AHURP team collaborated in facilitating these sessions,

delivering comprehensive details on the primary objectives, significance, and characteristics of the eco-district and green building concepts to the participants. Approximately 900 residents from the ger area actively participated in these informative sessions.

### **Consultations with MSMEs**

On November 24, 2023, and December 09, 2023, the Social and Gender Team orchestrated an introductory workshop event. This initiative marked the inaugural step toward establishing a robust foundation for partnerships and eliciting maximum support from the districts engaged in the ongoing pilot project. In a meeting with Micro, Small, and Medium Enterprises (MSMEs) owners and providers, the consulting team disseminated information to entrepreneurs regarding spatial planning and opportunities supporting micro, small, and medium enterprises. These opportunities are reflected in the planning of the eco-neighborhood being developed in Sharkhad and Bayankhoshuu sites.

A total of 44 MSME representatives, comprising 25 women and 18 men participated in the workshop. Challenges faced by MSMEs were discussed, including limited access to finance, making it challenging to secure funding for expansion, working capital, or equipment upgrades. These challenges are exacerbated by difficulties in meeting government loan or grant requirements. Additionally, obstacles such as limited market access, skills and training deficiencies, intense market competition from larger businesses, climatic and environmental factors affecting sustainability, and restricted access to information and networking opportunities were identified as significant hurdles.

Furthermore, existing laws on private land ownership were recognized as constraints, restricting the ability to operate businesses on one's own land. A change in ownership structure was suggested as a necessary step forward to address this limitation.

### **5.6 AHURP Communication channels management**

We conducted a comprehensive redesign of the website, focusing on improving both content and the fundamental layout. This involved the completion of translations in both English and Mongolian, ensuring accessibility for all stakeholders and audiences.

Throughout 2023, we consistently provided updates on the website and Facebook page, emphasizing crucial project aspects such as social considerations, community engagement, environmental initiatives, procurement announcements, job opportunities, and other related components.

This strategic approach not only heightened transparency but also cultivated an ongoing, well-informed engagement with stakeholders. Remarkably, our efforts on Facebook this year reached a total of 13.7 thousand individuals, signifying a substantial 58.5% increase in content interaction compared to the previous year. This underscores our commitment to expanding outreach and enhancing communication effectiveness.

Additionally, we developed a Public Relations (PR) and communication plan for our project and are poised to implement this plan in 2024.

Below is the list of key tasks to be implemented in 2024 in terms of community engagement and consultations:

- Organize a meeting with the residents to disclose the price of apartments within the Voluntary Land Swapping plan
- Collaborate on communication events with PIU/EDAF, including private sector engagement.

- Develop HR policy for the project as an annex to the Stakeholder Communication Strategy (SCS) plan
- Coordinate the 'Project Inquiry and Response Log'.
- Create and disseminate communication tools through AHURP's website and social media to raise awareness on women's asset ownership rights.
- Elevate stakeholder engagement in Bayankhoshuu and Sharkhad by updating social media and setting up information points at construction sites. Develop promotional materials, presentations, and videos for effective program dissemination and promotion.

## 6. Social Safeguards and Gender

### 6.1 Progress on actions and targets

AHURP's Social and Gender Action Plan (SGAP) includes key activities under each project output to promote gender equality, gender mainstreaming, social inclusion, and ensure women and vulnerable groups' meaningful participation in the project. The activities include increasing women's participation in decision-making in urban planning and households scale, reducing women's time poverty and workload through gender-responsive urban design features, and contributing to women's economic empowerment through access to housing finance and new livelihood opportunities. The project will benefit women-headed households that will have increased access to social and affordable housing. AHURP also provides opportunities to increase housing access and affordability for vulnerable groups within the project context such as households headed by persons with disabilities, households living in poverty, and elderly populations.

#### Output

17:

**Universal and Gender-Sensitive Features in Design:** Aligning with construction contractor design guidelines, our process ensures a project that embraces diverse perspectives. Collaborative efforts with the technical and procurement teams during 2023 were made to refine construction contracts, by embodying gender sensitivity and inclusivity principles. The finalized contracts are in validation phase. Alternative approaches involved unveiling final designs at a community meeting in October 2023, engaging over 600 citizens in Bayankhoshuu. The final design of the units was for Sharkhad and Bayankhoshuu 220 housing constructions occurred in July and August involving over 150 citizens.

**Vulnerability criteria:** The vulnerability criteria which is used as criteria to select the members of the participatory monitoring group to ensure 30 percent vulnerable. The criteria were refined and updated in 2023, to reflect the Minimum Subsistence Level of Income. This is in alignment with the most recent government documents. The update reflects the minor change in the level of income that was updated to 313,400MNT per person per month<sup>8</sup>. This ensures applying accurate criteria to target community needs.

Table 8. AHURP Vulnerable Group Indicators (updated 2023)

No	AHURP Vulnerable Groups Indicators	Notes
1	Poor households based on the Government's regulations	Minimum subsistence level of income: 313,400MNT per person per month, resolution No. A/23 23 January 2023 from NSO
2	Single woman-headed households with dependents	Dependent: Children and elderly under one's care
3	Households headed by an elderly person with no other means of support apart from pension	Elderly: 55 years of age and over for women, and 60 years of age and over for men
4	Households headed by children	Children: Under 18 years of age

<sup>7</sup> Resilient urban infrastructure, public facilities, and social housing units in ger areas constructed (public sector component).

<sup>8</sup> Resolution No. A/23 23 January 2023 from NSO

5	Households headed by a person with a disability	Disability needs to be assessed
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**Participatory Monitoring of Construction Works:** During the recent operational phase, two community groups actively engaged in monitoring 220 housing construction workers in Bayankhoshuu and Sharkhad sites. The project team conducted specialized training sessions, ensuring a representation of 30% vulnerable individuals and 50% females in the monitoring groups.

The strategic incorporation of a clause in construction contracts emphasizes ongoing participatory construction monitoring for sustained transparency and community engagement.

**Gender-Inclusive Employment Opportunities:** Construction contractors reported that 27.3% of person/months in employment opportunities are filled by women. Clause on gender-responsive hiring, along with capacity-building training sessions, ensured contractors' commitment to gender equality. Equal pay for work of equal value is systematically ensured across procurement-related contracts.

**Social-Inclusive and Gender-Sensitive Awareness Campaigns:** Three targeted outreach campaigns in collaboration with local government workers and a media agency raised awareness on women's asset ownership through in-person and virtual events, engaging 45 individuals, including 30 women. Online campaigns further disseminated information on women's asset ownership.

### Output 3: Sector Policy Reform and Capacity Strengthened

#### Gender disaggregated project performance (project team) (Output 3 indicator)

Out of total 11 PMO employees, 6 are women which makes up a female representation of 54.5 % against the minimum target of 40%. During this period, the procurement specialist (female) resigned. The PMO welcomed a new Social, Gender, and Communication specialist in October 2023, strengthening capabilities in addressing social and gender considerations. All PMO staff received gender and SGAP monitoring training through in-person and virtual workshops.

PIU is operating with limited involvement on the project with 3 members out of total 6 positions. Two of them are female and the remaining member is male which makes up 66.6% of female representation. Once a decision is made on the entity that will be responsible for EDAF component, PIU will either recruit missing staff members or will be restructured.

PIMS national Social and Gender specialist, national Community Engagement and Communication Specialist, and EFDP Social Coordinator have been supporting PMO in implementing SGAP and consultations and communications activities.

**Community-Based Recycling Program Preparation:** A training session on zero waste management engaged 25 experts from PMO, PIMS, and EFDP teams. This initiative equipped team members with knowledge, skills, and inspirations to develop a community-based recycling program inside the eco-districts.

**“Improved Livelihoods through Cooperatives or Enterprises”:** a Greenhouse Development Working Group was re-established to ensure this SGAP indicator was met. The working group conducted a survey, and incorporated provisions for a tree nursery and community garden space as part of the design guidelines.



Data on MSMEs were compiled, and efforts are ongoing to identify their needs in terms of capacity building. The needs identified during workshops and training organized among total 47 MSME owners from Bayankhoshuu and Sharkhad sites, are being incorporated into the next year's action plan.

## 6.2 SGAP implementation and updates to SGAP:

The project is categorized as effective gender mainstreaming (EGM). Social and Gender Action Plan of the project has 17 actions and 28 indicators that are under implementation. Both PMO and PIMS have their respective social and gender specialist who coordinates implementation and reports on the progress of implementation of the SGAP. Out of total 28 SGAP indicators, 18 are in progress, 6 are on hold (related to the overall implementation of the Output 2 of the project) and 4 have not yet started.

Although there have not been any updates in the SGAP since the Mid-Term Review Mission, SGAP related changes have been proposed in the DMF during the Special Review Mission in November 2023. Below are the proposed revisions, and actual revisions are subject to ADB management approval.

Table 9. SGAP proposed change in the DMF:

Existing DMF (indicators)	Recommendation (revised 2023)	Rationale
d. 6,000 person-months per year of employment opportunities for operation and maintenance of facilities and infrastructure created, of which 40% are filled by women (2017 baseline: 0)	d. 3,000 person-months of employment opportunities for operation and maintenance of facilities and infrastructure created of which 30% are filled by women (2017 baseline: 0)	A total of 3,312 person-month employment opportunities to be created during the operation and maintenance phase of the project, if we expect 48 positions available for the 800 housing units between 2025 and 2028, and 132 people would be employed for the 2,200 housing units between 2027 and 2028.
Output 1 (1H) 100,000 person-months of employment opportunities during project construction created, of which 30% are filled by women (2017 baseline: 0)	15,000 person-months of employment opportunities during project construction created, of which 20% are filled by women (2017 baseline: 0)	Currently, 152 people are employed at the construction site for the 220-green housing project with a total of 456 person-month employment opportunities created between September to November 2023. The expected total number of employees for 2024 is 213. Nearly 15500 person-month employment opportunities would be created during the construction phase of the 800 green housing units between 2024-2026.
Output 2 (2D) 200,000 person-months of employment opportunities during project construction created, of which 30% are filled by women (2017 baseline: 0)	60,000 person-months of employment opportunities during project construction created, of which 20% are filled by women (2017 baseline: 0)	For the 2200-housing units, around 63900 person-month employment opportunities would be created if we expect a total of 213 people would be employed between 2024-2027.
Output 3 (3.2D) by 2026, 40% of the overall jobs created within the perimeter of each eco-district benefit local communities, at	by 2027, 40% of the overall businesses located in the eco-district are supported with capacity-building training/livelihood programs, with at	A total of 4 residents have been employed at the construction site from September to November 2023, indicating only 2.6% of currently created jobs (152) benefit residents. The SME survey from the current project sites shows that a total of

least 40% of job-holders are women, and 15% vulnerable people (2017 baseline: 0)	least 40% of the businesses run by women and 15% by vulnerable people (2017 baseline: 0)	147 SMEs operating and almost 40% are led by women. According to the survey, 94% of participants needed investment and loan support and this gap could be filled with livelihood programs and capacity-building training from the project.
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### 6.3 Household Survey (Selbe sub-centre)

The MUB is planning to build 20,000 housing units in Selbe district of Ulaanbaatar. The momentum to extend the AHURP eco-district concept into Selbe was initiated by the Governor of Ulaanbaatar in 2023<sup>9</sup>. The request from MUB was to introduce the AHURP concept with ger residents from Selbe, discuss housing and land compensation options<sup>10</sup> with them; collate data on residents' initial response and feedback these findings to MUB City Council Meeting in 2024. The project team, guided by MUB, surveyed households at the Selbe sub-centre to determine residents' interest in the housing and resettlement options available through AHURP's redevelopment process.

In collaboration with NOSK, GADIP and the Capital City Housing Policy Agency, the survey team interviewed 1722 households residing across 158 hectares of Selbe subcentre. The survey team assessed household interest in AHURP with the following results:<sup>11</sup>

- 8.82% of the surveyed residents expressed interest in swapping their land in Selbe for apartments in Selbe.
- 19.6% of Selbe residents are willing to swap their land and assets for an apartment at the market rate in another sub centre (not Selbe)
- 20.9% are undecided.
- 0.35 percent indicated no interest,
- 14.40 percent preferred other approaches.
- 35.2% of residents (the majority of surveyed residents) expressed a preference for receiving cash in exchange for their land.

The results of survey demonstrate a very low interest in the VLS method and contrastingly, a high preference for cash compensation – currently unavailable as a method as the project is written. This would therefore require a change on the resettlement approach – to reflect the approach governed in project Resettlement Framework. Below is the list of key tasks to be implemented in 2024 in terms of community engagement and consultations:

- Ensure inclusive design, community monitoring and employment, MSE opportunities in the target communities collaborating with stakeholders and construction contractors to effectively implement SGAP under the construction of social housing
- Contribute to the EDAF implementation ensuring SGAP implementation and monitoring
- Ensure active operation of the GRM for effectiveness of the project
- Enhancing and contributing the capacity of policy reform in gender equality, human resources development within the project, stakeholders and private sectors

<sup>9</sup> Selbe was in the prefeasibility studies but was later removed due to concerns over flooding. Instead the pilot projects of Bayanhoushou and Sharkad were the favoured location for phase 1.

<sup>10</sup> Options refer here to land and housing acquisition and how this would be legally enacted with residents permission. A range of options were discussed which include: voluntary land swap, to cash compensation. Similar to N4, the redevelopment of Selbe will (also) determine whether the notion of VLS is viable or not. If not cash compensation will require a change in land acquisition law, and the need for expropriation.

<sup>11</sup> Surveys took place from 9th – 11th November 2023

## 7. Resettlement

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### 7.1 Involuntary Resettlement - Sharkhad

According to the approved detailed design drawings for Sharkhad, one household will be affected by the construction work of the Electrical Sub-station (10kW electricity distribution) intended to supply 338 housing units. Consultation and negotiations with the affected household took place from June to August 2023. An agreement was successfully reached with the affected household. A tripartite agreement for involuntary resettlement with compensation was signed on August 31, 2023, between the Land Management Agency, AHURP PMO and the household.

As the Electrical Sub-station is outside of the eco-district, this Land Acquisition a Resettlement Plan (LARP) has been prepared to govern land acquisition and resettlement in compliance with the updated Resettlement Framework (RF) (July 2022) and ADB's safeguard policies.

The final revised version of LARP was submitted to ADB on November 15, 2023, and approved in accordance with ADB SPS (2009) and AHURP Resettlement Framework (July 2022).

The entitlements specified in the LARP were provided to the affected household on November 20, 2023, and the household self-relocated within the period specified in the tri-partite agreement.

Additionally, on September 29, 2023, a tripartite agreement for involuntary resettlement with compensation was signed with four households from two plots residing on NOSK vacated site in Sharkhad sub-center. The LARP was prepared in accordance with ADB SPS (2009) and AHURP Resettlement Framework (July 2022) and submitted to the ADB on December 06, 2023. The LARP is currently under ADB review.

### 7.2 Voluntary Resettlement

During the year, AHURP has been planning to organize public consultations with Bayankhoshuu N4 residents to disclose the price of housing units and negotiate with N4 residents as a last step of the VLS process. However, the swapping price of housing units has yet to be officially established by MUB. Consequently, public consultation is delayed to the first half of 2024. Significant efforts were made to establish the swapping price of the housing units that are being constructed in Bayankhoshuu. For instance, on October 27, 2023, key stakeholders from NOSK, Capital City Housing Policy Agency, and the Finance and Treasury Department of the Mayor's Office of Ulaanbaatar city convened a meeting to reach a consensus on the price of housing units under construction. During the meeting, the financial calculations based on a housing market survey within the Detailed Feasibility Study (DFS) for Phase 1 of the project were presented by the EFDP team. Consequently, it was agreed that NOSK would be the primary entity responsible for establishing the swapping price of the housing units.

Given the uncertainty of viability of VLSP and the nature of housing units under construction (social housing only), the project team sought the possibility of introducing alternative resettlement approaches during the ADB SRM in November 2023. It was agreed that the project will test VSLP with Bayankhoshuu N4 residents within the Q1 2024. Depending on the outcome of the VLSP testing on Bayankhoshuu N4 site, VLSP might be reconsidered and an alternative land acquisition measure might be sought. Therefore, it is crucial to determine the swapping price of housing units and disclose the price of consultations with Bayankhoshuu N4 residents as quickly as possible.

### 7.3. Capacity building on Land Acquisition and Resettlement.

PIMS international resettlement consultant conducted a 3-day training session on the Asian Development Bank's (ADB) Safeguard and Resettlement Policy for specialists and officials of the NOSK, in Mongolia from July 4, 2023. The training was attended by a total of 8 specialists, comprising 3 women and 5 men.

### 7.4. Resettlement external monitoring

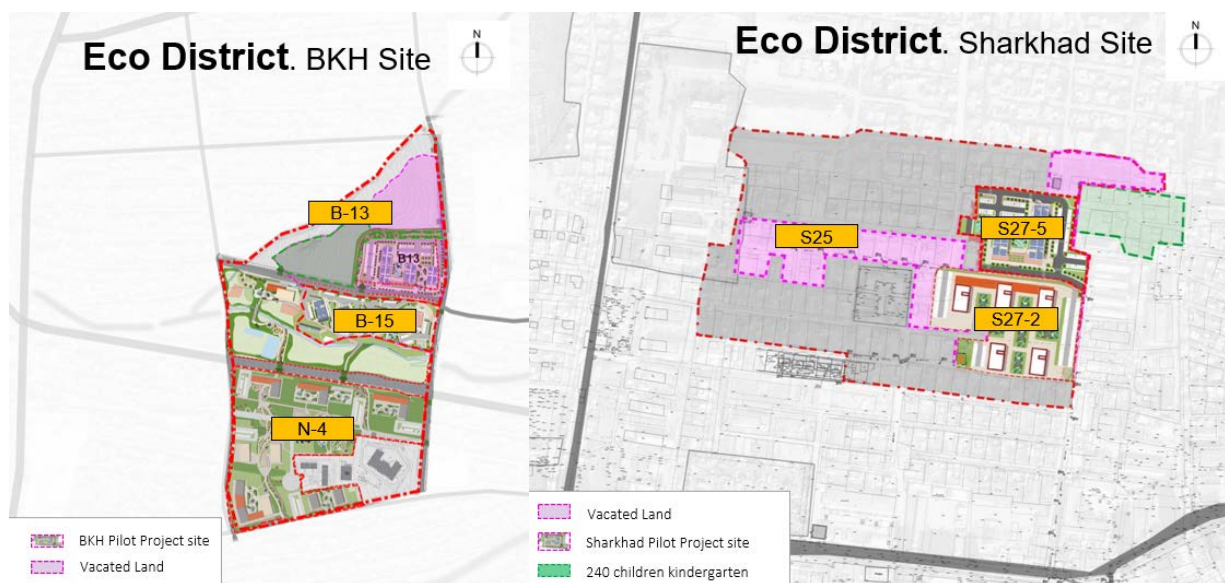
AHURP's external resettlement monitoring is carried out by 'Land Owner LLC' as per the "REXM" contract signed on April 10, 2023. A total of 6 people including 3 from Land Owner LLC, 2 from PIMS and 1 from PMO, attended a technical guidance session carried out by PIMS international resettlement expert. The technical discussion session enabled revision and finalization of the outline for the REXM Inception report.

The revised Inception report of the external resettlement monitoring team was received on August 22, 2023, and subsequently reviewed by PMO, PIMS, and ADB. After providing comments for improvement, the revised Inception report was approved by ADB on October 17, 2023. The semi-annual external monitoring report for the second half of 2023 will be submitted to ADB in March 2024.

## 8. Environmental Safeguards

AHURP complies with ADB Safeguard Policy Statement (SPS) 2009 and the environmental regulations of the Government of Mongolia (GOM). The project was classified as category B by ADB, and an Initial Environmental Examination (IEE) was prepared in 2018 for the project sites in Bayankhoshuu and Selbe. The IEE was updated in 2023 and submitted to ADB and pending approval.

Figure 5. Details of Bayankhoshuu and Sharkhad sites



In 2023, the construction works were conducted for Bayankhoshuu North (B15) and Sharkhad (S27-5) sites and the following environmental activities were carried out as required by the Project's environmental safeguards.

## **8.1 Compliance with GOM environmental requirements**

According to this legal framework of GOM, Environmental Baseline Assessment (EBA) and Detailed Environmental Impact Assessment (DEIA) must be undertaken for project sites. The Environmental Management Plan (EMP) must be approved by the Ministry of Environment and Tourism (MET) or the Environmental Department of MUB (UBED) and implemented by construction contractors through their Contractor Environmental Management Plan (CEMP).

### **8.1.1 Environmental Baseline Assessment (EBA)**

For the Sharkhad S27-5 site, an Environmental Baseline Assessment (EBA) was conducted by a licensed company – “Unet Baigali” LLC - between February and May 2023. Based on the EBA, the Environmental Department of MUB issued a General Environmental Impact Assessment (GEIA) conclusion (02/1497) on 20<sup>th</sup> June 2023, stating that a Detailed Environmental Impact Assessment (DEIA) was not required for the Sharkhad S27-5 site and Environmental Management Plan (EMP) must be developed.

The EBA of S27-2 was conducted by “Unet Baigali” LLC in Q4 2023 which will be submitted to the Environmental Department of MUB Q1 2024. The TOR for EBA B13 site was prepared, and procurement of an environmental assessment licensed company by SSJV will be conducted.

### **8.1.2 Contractor Environmental Management Plan (CEMP)**

The CEMP is based on the project's general EMP and in accordance with Mongolia's environmental laws and regulations. The CEMP identifies (i) required mitigation measures for potential adverse environmental impacts that will be caused by the project's activities, (ii) the implementation period for the Environmental Management Plan and required budget, as well as (iii) the relevant procedures and standards on Environmental Protection. In 2023, a total of 6 Contractors worked at the project sites, including “Citylandmark Construction” LLC and “Happy Building Construction” LLC JV, “Tsamkhag Construction” LLC and “Sodonnomin” LLC JV and “San” LLC at Bayankhoshuu and “Nutgiin Buyan” LLC at Sharkhad. Contractors implemented CEMPs and ensured environmental safeguards at sites. The CEMP implementation reports of including “Citylandmark Construction” LLC and “Happy Building Construction” LLC JV, “Tsamkhag Construction” LLC and “Sodonnomin” LLC JV and “San” LLC were approved by the Environmental Department of MUB and received by the Project. “Nutgiin Buyan” LLC submitted their CEMP implementation report to the Environmental Department of MUB, but the report was not approved, and they were requested to review it and re-submit it. However, at the time of writing, “Nutgiin Buyan” LLC did not fulfil this requirement.

## **8.2 Compliance with ADB environmental safeguard requirements**

According to ADB Safeguard Policy Statement (SPS), the environmental safeguard documents of a Rapid Environmental Assessment (REA) and Initial Environmental Examination (IEE) were revised and submitted to ADB in 2023. EMP was implemented by the Contractors at Bayankhoshuu and Sharkhad sites and monitoring was conducted by the environmental team. Public consultation and workshops were conducted, GRM channels were introduced to the local communities and grievances related to the environmental safeguard were received, registered and corrective measures were undertaken.

### **8.2.1 Rapid Environmental Assessment (REA)**

A Rapid Environmental Assessment (REA), including Bayankhoshuu North, Sharkhad and Selbe sites was conducted in 2023 and submitted to ADB in December 2023. The REA confirmed that a category B for these sites according to ABD safeguards classification. Thus, the IEE is required according to the SPS 2009.

### **8.2.2 Initial Environmental Examination (IEE) and Environmental Assessment and Review Framework (EARF) Progress**

The update of an IEE and EMP, including Bayankhoshuu North and Sharkhad required conducting a public consultation at the Sharkhad subcenter. An environmental safeguard public consultation was held with potentially affected households and neighboring households of the 19th khoroo Bayanzurkh district in March 2023. The updated IEE was submitted to ADB in December 2023. The EARF was revised and is expected to be submitted to ADB in Q1 2024.

### **8.2.3 Environmental monitoring**

#### *Internal monitoring*

Prior to commencement of construction work, environmental monitoring identified the need to clear and remove waste at the project sites of Bayankhoshuu and Sharkhad, because the sites were unfenced and became waste dumping points. Thus, environmental team contacted khoroo Governors and requested waste clearing in cooperation with the project. Site waste clearing was conducted at Sharkhad and Bayankhoshuu, both on July 2nd.

The Project environmental team conducted regular site monitoring at Bayankhoshuu and Sharkhad sites since the start of construction works in July 2023. Prior to construction works, temporary fencing of the B15 site was erected by contractors (“Tsamkhag” LLC,” Sodon Nomin” LLC, “City Landmark” LLC and” San” LLC) and Temporary fencing for S27-5 site (area 1.1 ha) was erected by “Nutgiin Buyan” LLC in July 2023.

From July to November 2023, regular internal environmental monitoring was conducted at Bayankhoshuu and Sharkhad project sites, to monitor construction works. Monitoring identified issues of dust, waste management, heavy truck movements, and road damage. Environmental mitigation and corrective measures were put in place by Contractors at project sites. Semi-annual environmental monitoring reports were prepared and submitted to ADB.

Internal monitoring identified the need to remove and transfer existing trees at the Sharkhad site. To this purpose, meetings were held with D. Batzorig and A. Sukhbat, Senior Specialists from MUB Governor’s office. The two specialists advised that sites are not considered as public land (as the land was purchased from households, including trees). Therefore, as the landowner is MUB and has the authority on the sites, including the trees transfer, it was decided to transfer the young aspen trees to Bayanzurkh International Garden, while elm trees will be replanted in the National Amusement Park in spring 2024. Tree counting and mapping were conducted by the “Unet Baigali” LLC during the environmental baseline assessment of S27-2 site.

#### *External monitoring*

An External Environmental Monitoring (EEM) consultancy company will be contracted to conduct independent periodical environmental monitoring and assessment of the Project’s compliance with ADB and GoM’s environmental safeguards requirements. The EEM contractor will also ensure that EMP implementation is in accordance with the Project’s environmental safeguards. The package for EEM consultancy services was re-advertised and EOIs were

received from 4 companies out of 12 companies that previously submitted EOIs. Evaluation of EOIs was undertaken and selected an environmental audit company BOAD and request to conduct agreement with the company was sent to ADB in November 2023. A contract with a selected company is expected to be finalized in Q1 2024, followed by commencement of external monitoring work.

#### **8.2.4 Semi-Annual Environmental Monitoring Report (EMR)**

Semi-annual EMRs were timely prepared and submitted to ADB for their review. The 5<sup>th</sup> Environmental Monitoring Reports (EMR) covering January - July 2023 (<https://www.adb.org/projects/documents/mon-49169-002-emr-5>) was approved by ADB and disclosed on the ADB website and July - December 2023 were prepared to be submitted to ADB. Two (2) complaints were received via the GRM during the reporting periods.

#### **8.2.5 Environmental stakeholders' engagement**

To satisfy ADB's requirements on stakeholders' engagement, the project environmental team conducted public consultations, monitoring, meetings, and discussions with the following stakeholders.

**Consultations with community members:** A public consultation for Sharkhad was conducted at the Citizens' meeting hall on 25th March 2023 with 61 participants attending from the 19th khoroo of Bayanzurkh District. During the consultation, information on the Project's environmental safeguard requirements, GRM and public safety was provided, as well as environmental safeguard brochures, including information on AHURP's Grievance Redress Mechanism (GRM), were distributed to participants. A questionnaire was shared with 50 residents and their responses were analysed and included in the public consultation report for Sharkhad.

As required by AHURP's Social and Gender Action Plan (SGAP), community based participatory monitoring was held at the Bayankhoshuu B15 site on 15 October 2023, with a total of 6 monitoring group members. Group members conducted a field visit at the construction site, as well a review of the documentation required by contractors (namely "Tsamkhag" LLC/ "Sodon Nomin" LLC JV, "City Landmark" LLC/ "Happy Building" LLC and "San" LLC). During monitoring, incomplete documentation on safety requirements was identified for contractor San LLC. Therefore, San LLC's safety officer was reminded of the need to prepare the required documents, while EFDP/NOSK Safety officers were tasked to follow up to ensure compliance. Participatory monitoring was also held at the Sharkhad S27-5 site on 14 October 2023, with a total of 7 monitoring group members. Group members conducted a field visit at the construction site and checked required documentation by contractor "Nutgiin Buyan" LLC. During monitoring, it was found that a manhole cover was broken due to truck movement on the road connecting the project site to the main road. A meeting was held with the "Nutgiin Buyan" LLC discuss about related safeguards concerns, and, as a result, the contractor replaced the manhole cover and ensured road safety measures.

**Consultations with ADB, GoM and Contractors:** As a key environmental stakeholder, ADB's Environmental team was engaged regularly on providing guidance and advice to the environmental team, reviewing reports and assessment, and disclosing them on ADB website. In addition, regular communications with Environmental Department of MUB were held regarding the project EMP approval, general environmental impact assessments for the project sites, and approval for EMP reporting. The project team collaborated with 19th khoroo of Bayanzurkh district for Sharkhad site and 9th khoroo of Songinokhairkhan district to resolve environmental safeguards-related complaints and organize public consultations at the project

sites. Moreover, variety of meetings and regular communications regarding environmental site monitoring and CEMP implementations were held with construction companies of “City Landmark” LLC, “Happy Building” LLC, “Tsamkhag” LLC, “Sodon Nomin” LLC, and “San” LLC at Bayankhoshuu site, and “Nutgiin Buyan” LLC at Sharkhad.

### **8.2.6 Grievance Redress Mechanism (GRM)**

As required by ADB SPS (2009), AHURP has established a Grievance Redress Mechanism (GRM), that has been in place since the beginning of project implementation. The environmental team received and registered the first complaint regarding the spill of earth materials and rocks causing dust generation and road damage at Bayankhoshuu site on 11<sup>th</sup> August 2023. The complaint was submitted by the Byambadorj.L, Governor of 9<sup>th</sup> khoroo of Songinokhairkhan district. To address the issue, AHURP’s environmental team and project engineers held a meeting with contractors at Bayankhoshuu site to evaluate the problem and provide recommendations. PMO issued warning letters to the contractor “Tsamkhag” LLC and NOSK (the latter in charge of construction supervision) on 15<sup>th</sup> August 2023. In addition, a meeting was held on 17<sup>th</sup> August 2023 with all contractors at Bayankhoshuu site with PMO and EFDP Engineers and Mr. Byambadorj. The contractors agreed to appoint two people to clean the road, and this was completed by the end of the same day. Following this, no other complaints were received. The second complaint (#2) from the Leader of 19<sup>th</sup> khoroo of Bayanzurkh district (Mrs. Oyungerel, Kheseg leader) was received on 14<sup>th</sup> November 2023 during the participatory monitoring, regarding a damaged manhole cover at Sharkhad site due to the heavy truck movement. As a corrective measure, the PMO Project Manager of Sharkhad site and the environmental team notified the contractor “Nutgiin Buyan” LLC on 16<sup>th</sup> October 2023. The contractor fixed the manhole and replaced the cover on 20<sup>th</sup> October, while another manhole was repaired on 31<sup>st</sup> October 2023.

### **8.3 Capacity development and training**

Training and capacity building activities related to environmental safeguards were formulated and included in the PIMS Capacity Development plan for 2023. This includes training on the implementation of ADB’s environmental safeguards policies for PMO, EEM and contractors. A safety awareness activity for students of 76<sup>th</sup> school was organized based on the requests of residents of 9<sup>th</sup> khoroo, Songinokhairkhan district during the public environmental consultation at Bayankhoshuu subcenter. The school is located 400m from the project site and children walk next to the project site when going to school. Therefore, a safety awareness workshop was conducted at Bayankhoshuu Business Incubator center for students of 76<sup>th</sup> school on 9<sup>th</sup> June 2023. The school actively supported the activity, and a total of 75 students participated in the event. During the workshop, brief information of the project, recommendations on how to ensure the safety for children during the construction works at project site, and how to submit safety concerns and grievances were provided by PIMS Environmental Specialist and EFDP Safety Specialist. Information brochures were prepared and distributed to participants including safety aspects on the future construction site, and whom to contact in case of risks and dangers arising from construction activities.

On 13<sup>th</sup> September 2023, a safeguard reporting workshop was held at the AHURP office; 9 participants attended from contractors and received information on environmental reporting requirements, and environmental and social safeguards. During the workshop, safety training was provided by the consultant Chinzorig to the participants regarding occupational health and safety (OHS) aspects during constructions.

On 30<sup>th</sup> September 2023, a participatory monitoring workshop on safeguards monitoring by community groups was held at the Bayankhoshuu Business Incubator center with 12



participants from Bayankhoshuu and Sharkhad sites. Environmental safeguards concerns and GRM were presented during the capacity training workshop.

On 28th September 2023, the construction contractors of Bayankhoshuu, “City Landmark” LLC, “Happy Building” LLC, “Sodon Nomin” LLC, and “Tsamhag” LLC, held a meeting with HSE experts to reflect and pay attention to the report of environmental protection activities and provided recommendations on activities to be concerned.

On 19th December 2023, a Project’s staff training on "zero" waste management was organised in cooperation with the waste management NGO "Eco Soum". A total of 25 experts from the project teams of PMO, PIMS and EFDP participated in the training.

## 8.4 Environment and Social Management System

The Sustainable Green Finance Support (SGFS) Team prepared an initial draft for Environmental and Social Management System (ESMS) for EDAF in 2020. The creation of the EDAF ESMS is intended to facilitate EDAF's compliance with ADB Safeguards as set out in the ADB SPS 2009 as a Financial Intermediary (FI). As noted in the Project Administration Manual (PAM), the Government, through the MUB and DBM-AMC, will require each Qualified Commercial Bank to submit semi-annual ESMS monitoring reports to DBM-AMC for compilation and timely submission to ADB. During the reporting period, EDAF ESMS was revised reflecting comments received from ADB safeguard team and approved by the ADB to be disclosed on ADB website on 31<sup>st</sup> August 2023 (<https://www.adb.org/projects/documents/mon-49169-002-esms>).

## 9. Technical Progress Summary on Eco-district Development

### 9.1 EFDP Team Review and Restructuring:

The EFDP went through a restructuring with a new TL, and DTL. Both EFDP TL and DTL undertook a full team resource review identifying gaps, new resources needed and suggested replacements. Work was on-going at the end of the reporting period to resolve all EFDP resource issues. It is planned that the final restructuring process will be ready and accepted by PMO by the end of Q1 2024.

### 9.2 DFS

#### Business Case for Phase 1

The MoF requested the DFS to be updated, based on the Pre-Feasibility Study prepared in 2018. Whilst the Phase 1 Pilot project is aiming to verify the viability of the project, the request to provide updated calculations was made by MoF to provide reassurance. The focus during the Q3 2023 was the completion of DED for Pilot Project, and selection of additional subprojects in Bayankhoshuu and Sharkhad.

The Phase 1 DFS (Mongolian version) was presented to PMO, NOSK and MUB officials. The document was reviewed by third party contract consultants prior to making final amendments. On Oct 20<sup>th</sup> 2023, a draft final version of the DFS was formally submitted for approval. An English Executive Summary is planned to be completed in Q1 2024.

#### DFS for Distributed Photovoltaic System

On March 15, 2023, Contract No. 2023-0306 was executed with "Electro Engineering" LLC to undertake the development of solar PV feasibility study. This study pertains to the construction of a total of 1,000 household rooftop distributed solar power generators in B13, B15, N4 of Bayankhoshuu sub-center, and S27-2 and S27-5 of Sharkhad sub-center as part of the Phase 1 project. The Solar PV feasibility study was discussed and approved by the meeting of the Science and Technology Council, Ministry of Energy (MoE) on June 30, 2023.

Revisions, based on comments received were completed in July 2023 and the draft final PV DFS was submitted to PMO on September 6, 2023

The solar PV feasibility study was discussed at the ADB SRM in November. As outlined in the signed MOU, it is decided that Phase 1 will develop a 2.4MW solar system incorporating

approximately 9,400 square meters of PV panels funded under the GCF grant for PV components of the project.

### 9.3 Construction

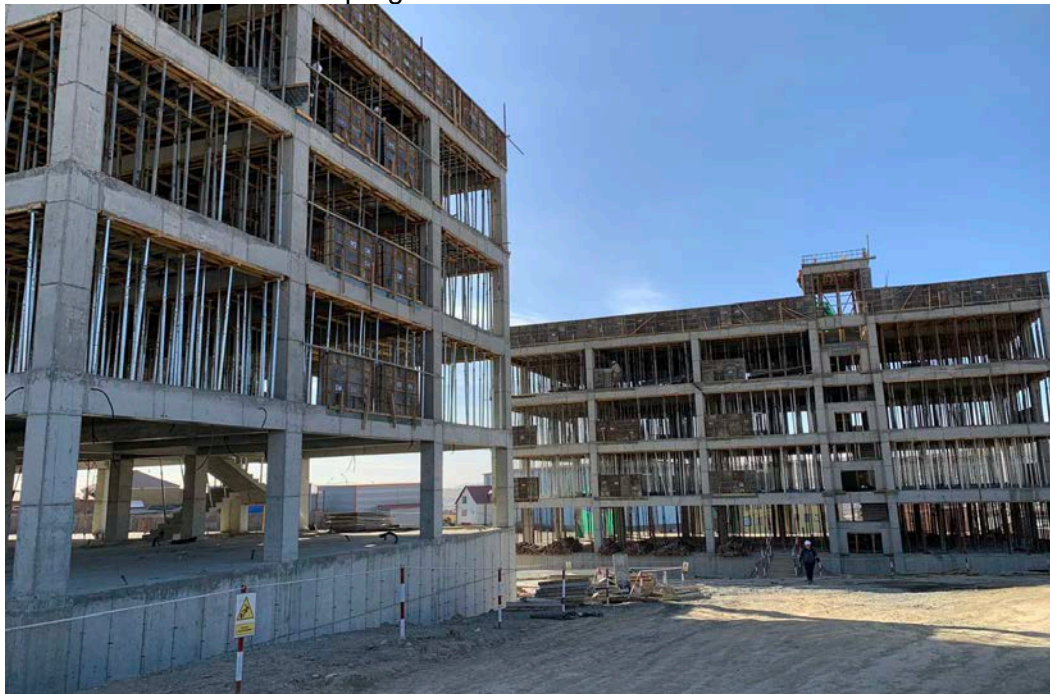
#### Bayankhoshuu Site Planning:

Major milestones reached during the reporting period include:

*110 housing units on the B15 site in Bayankhoshuu*

Construction on the B-15 site of the Bayankhoshuu sub-center began in July 2023 continuing until late November 2023 when it ceased due to cold weather. During the construction process, the design engineers, "Tatakh Khuch" LLC responded to two technical clarifications by conducting 20 inspections at each stage. Client supervision is being provided by NOSK. Of note, there are 4 separate contractors working on the 4 buildings on the B15 site.

Figure 6 BKH B15 Construction progress



*110 housing units on the SR27-5 site in Sharkhad*

Construction work on the Sharkhad S27-5 site of the began in July 2023. The design supervision covenant was signed with the 'Urban Planning and Research Institute'. Construction activities continued throughout the summer, ending in late November due to cold weather. During the construction process, the 'Urban Planning and Research Institute' LLC (the design engineers) conducted 20 reviews of each phase of the work and responded to two technical clarifications.

Figure 7 SKH Construction progress



## 9.4 Infrastructure Planning

### Bayankhoshuu Infrastructure Planning:

EFDP has assessed existing infrastructure networks and capacities available to service the BKH site and undertook conceptual design of both off-site connections and on-site servicing for roads, drainage, heat, water supply and sanitation. The BKH sites are serviced with existing municipal infrastructure which will mean the B13 and B15 sites will require secondary infrastructure to connect to existing facilities. All sites are well serviced with roads and only onsite road and parking will be needed. Cost calculations for BKH have been prepared and are being finalised at the time of writing.

#### *Summary of services planned for BKH*

- Power and electricity will be delivered from the primary electrical substation located on N5. A local substation will be needed and designed to provide power for both B13 & 15.
- Telecom will be provided from the communications building on N4

- Space heat and hot water supply for B15 is from HDS 7 while B13 will be supplied via HDS6 and N4 serviced from HDS 5.
- Potable water supply system will be connected to the water mains adjacent to the property. Internal construction can be extended to provide looping the regional system and therefore a more secure supply for residents in the area.
- Regional sewage collector trunks will service all sites.

## 9.5 Detailed Design Activities

**Bayankhoshuu B13-1:** The detail design drawing of 150 housing units which will be constructed on the 1.2 hectares of the B13-1 site of the Bayankhoshuu sub-center. The design sketchbook was developed and approved by the Chief Architect of Ulaanbaatar city, on July 28, 2023. The detail design drawings for 4 buildings with 150 housing units have been reviewed and approved by the National Emergency Management Agency and the Capital city Health Safety Department and handed over to the Construction Development Center and expertised on December 28, 2023.

**Bayankhoshuu B13-2:** The detail design drawings of 76 housing units which will be constructed on the 1.1 hectares of the B13-2 site of the Bayankhoshuu sub-center the design sketchbook was developed and approved by the Chief Architect of the capital, Ulaanbaatar, on August 17, 2023. The final detail design drawings expertized by Construction Development Center on December 28, 2023 to be submitted to the Clients for procurement in 2024.

**Sharkhad SR27-2:** The detail design drawings of 228 housing units to be constructed on 1.7 hectares within the S27-2 site of the Sharkhad sub-center. The design sketchbook was developed and approved by the Chief Architect of Ulaanbaatar, Ulaanbaatar, on October 30, 2023. The detail design drawings for 6 buildings have been approved by the National Emergency Management Agency and are now being reviewed by the Capital City Health Safety Department prior to submitted for expertizing.

**Sharkhad SR27-2 Off-Site Infrastructure:** The majority of detailed engineering design drawings have been completed for the SR27-2 location. Two consultants were responsible for design preparation, neither of them contracted directly by PMO. BBSMO consultants were contracted earlier by MUB to design water and heat servicing for an adjacent school. MUB agreed to expand their contract to include servicing for AHURP SR27-5 and SR21-2 sites.

GADIP previously completed the necessary detailed designs for electrical and telecommunication servicing to the site. Procurement of off-site services will be the responsibility of PMO.

The Sharkhad site has a number of off-site servicing issues needing to be resolved. To address this, EFDP is in the process of procuring engineering studies, or designs, for stormwater management, sewage upgrade and secondary roads so that the SR27-2 site can fully support the expansion of 228 housing units.

### 9.6.1 Completed Studies

The BKH Topographic and Geotechnical Surveys is complete. For Sharkhad, the sketchbook for Sharkhad North illustrating the architectural design and site planning is complete and were approved by Urban Development Agency of the MUB. The urban design principles have been produced to generate housing development at an appropriate scale i.e. 2 - 5 story residential buildings interconnected with commercial and retail space. Site development will include

parking, green corridors, bike paths to neighbouring school, as well as rooftop PV panels and greenhouses.

- Sketchbook for Sharkhad North has been approved.
- Other technical studies or designs in progress include:
  - Geotechnical Investigation – *complete*
  - Topographical Survey – *complete*
  - Hydrogeologic (ground water) investigation – *complete*
  - Storm water management study – *Preparation of TOR complete*
  - Off-site Infrastructure preliminary design – *complete*
  - DED development for Sharkhad North – *90% complete, procurement early in Q1 2023.*

### 9.6.2 Ongoing Studies

During 2023 EFDP prepared the terms of reference for a number of studies related to Output 1 deliverables. These include:

1. SCADA Study: of the need for individual buildings and a centralized data collection centre to monitor 'smart' components of the eco district. The results of the study will be used to carryout detailed designs in 2024.
2. Storm water management study in Sharkhad to provide guidance and recommendations related to both overland flow of storm water and the short-term and long-term impact of groundwater on the construction, operation and maintenance of apartment buildings in Sharkhad.

### 9.7 Social Housing Design:

Replicable Social Housing units for BKH have been designed. A sketchbook - required document for GOM (Urban Development Agency (UDA)) to review and approve – has been completed.

### 9.8 Output 3 activities and achievements for 2023 - Capacity Building

**Eco District Design Guideline Workshop:** EDFP team presented their draft Eco-district Design Guidelines developed to provide general guidance on urban planning, architecture, landscaping and energy efficiency for eco-communities. On December 4<sup>th</sup>, 2023, EFDP organized a workshop, attended by a variety of government departments and private sector developers, to review the guidelines and introduce AHURP's green building features.

The workshop consisted of three sessions focusing on the architectural and urban planning components of eco-districts, sustainable design principles and gender equality in the construction sector and workplace.

A total of 54 participants (22 male and 32 female) from various sectors of the construction field such as the Ministry of Construction and Urban Development, the Construction Development Center, the Energy Regulatory Commission, MUB relevant agencies, and three professional associations, construction companies were registered at the event.

**EDGE Training & Workshop:** In December 2023, EFDP presented a two-day EDGE training workshop. A third-party consultant, Sintali, conducted the workshop virtually. Approximately 30 individuals representing 13 institutions registered for the workshop. There was an

overwhelming positive response to the training, so much so that a second training session will be held in January 2024. Registration for the 2024 training is almost full.

## 10. Financial and Risk Management

### 10.1 Financial Progress

#### Incremental PMO and PIU Administration cost:

PMO and PIU administrative costs of **USD204,285.70** were spent for the period of January to December 2023 which included the following costs.

#### **PMO operating expenses**

Salary and social insurance contributions	167,536.82
Rental fee	26,956.13
Stationery	1,082.26
Communication fee	662.19
Utilization fee	1,657.06
Fees and charges for work and service performed by other	6,391.24

<b>PMO operating expense total</b>	<b>204,285.70</b>
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#### **PIU operating expenses**

Salary and social insurance contributions	-
<b>PIU operating expense total</b>	<b>-</b>

#### Consultancy fee payments

A cumulative amount of **USD3,575,390** including VAT was spent on consulting fees as of December 31, 2023, which included the the payment of USD86,564 for Sunjin Engineering & Architecture Co. Ltd for the reporting period. The following is the overview of each consultancy service financial performance from the commencement till the end of 2023.

**Project Implementation and Management Support (PIMS)** The consulting contract commenced on June 10, 2020, and will be active for 6 years. The incurred fee for the consultancy service is estimated to be 65% of the accumulative amount as of December 2023 within 2.5 years since the commenced date.

**Detailed Design and Supervision Support and Eco District Feasibility Development and Policy Reform Support (EFDP)** The contract was commenced on July 24, 2020, and the contract performance will be achieved by 50% at the end of the year.

**Sustainable Green Finance Support (SGF)** The contract commenced on April 10, 2020. As of Q4 2023, expenditure of USD 502.8 thousand have been paid for the activities conducted under SGFS.

**Resettlement External Monitoring (REXM)**- This contract was awarded in 2023. An initial payment equalling 10% of the contract amount was paid in 2023.



Table 10. Consultancy fee payments as of December 31, 2023

Consultant Name	Contract Description	Contract commenced date	Contract amount	Actual transferred	VAT exempted	Total cost	Per %
AARC Ltd	Project Implementation and Management Support	10-Jun-20	4,731,854	1,433,449	143,345	1,576,794	33%
Sunjin Engineering & Architecture Co.Ltd	Eco-district feasibility development and Policy reform support	24-Jul-20	5,797,000	1,625,865	86,564	1,712,428	30%
Castalia Limited	Sustainable green finance support	11-Apr-20	2,127,782	516,076	-	516,076	24%
Land Owner LLC	Resettlement external monitoring	10-Apr-23	131,591	-	-	-	0%
<b>Total</b>			<b>12,788,226</b>	<b>3,575,390</b>	<b>229,909</b>	<b>3,805,299</b>	<b>30%</b>

## 10.2 Expenditures and Disbursements to Date

There were six withdrawal applications issued for the payment of EFDP, civil work contractors and Incremental PMO/PIU administration for the reporting period of 2023.

### Loan and Grant summary as of December 31, 2023

Table 11. Loan and Grant summary as of December 31, 2023

Agreement No.	Total Allocated Amount	Withdrawal Applications	Financial Charges	Total Disbursements	Undisbursed amount
L3695	20,000,000	1,558,494	58,413	1,616,907	18,383,093
L8348	95,000,000	-	850,000	850,000	94,150,000
L3694	60,000,000	1,426,111	479,302	1,905,413	58,094,587
G0594	50,000,000	2,361,765	-	2,361,765	47,638,235
G0595	3,000,000	-	-	-	3,000,000
<b>Total</b>	<b>228,000,000</b>	<b>5,346,370</b>	<b>1,387,715</b>	<b>6,734,085</b>	<b>221,265,915</b>

## Statement of Budget vs Actual Expenditure to 31 Dec. 2023

Table 12 presents the statement of budget versus actual Expenditures through to 31 December 2023.

Table 12. Statement of Budget vs Actual Expenditure to 31 Dec. 2023

#	Category code	Type of expenses	Total amount allocated for (Revised)	Total expenditure cumulative to 31 December 2023	Disbursement %
<b>ADB FINANCING</b>					
<b>MON-3695 (COL)</b>					
1	0301	Works (Green and Resilient Design and Supervision)	7,500,000	0	0.0%
2	0302	Land Acquisition and Resettlement Cost	5,150,000		0.0%
3	2101	Consulting Service	4,690,000	807,660	17.2%
4	6901	Interest Charge	1,370,000	58,413	4.3%
5	6301	Unallocated	1,290,000		0.0%
6	9901	Advance account		750,834	
<b>TOTAL MON-3695 (COL) AMOUNT</b>			<b>20,000,000</b>	<b>1,616,907</b>	<b>8.1%</b>
<b>MON-8348 (GCF)</b>					
1	3101	Works (Photovoltaic solar panels)	15,580,000	-	0.0%
2	6601	Service charge and Commitment Charge	850,000	850,000	100.0%
3	8101	Contingencies	2,870,000	-	0.0%
4	?	Financial intermediary	75,700,000	-	0.0%
<b>TOTAL MON-8348 (GCF) AMOUNT</b>			<b>95,000,000</b>	<b>850,000</b>	<b>0.9%</b>
<b>MON-3694 (OCR)</b>					
1	0301	All Works (Except Green and Resilient Social Housing)	15,297,530	-	0.0%
2	0302	Works (Green and Resilient Social Housing)	36,812,470	408,526	1.1%
3	2701	Incremental PMO/PIU Administration	3,600,000		0.0%
4	6601	Interest and Commitment Charge	4,290,000	479,302	11.2%
5	9301	Unallocated	-	-	
6	9901	Advance account		1,017,585	
<b>TOTAL MON-3694 (OCR) AMOUNT</b>			<b>60,000,000</b>	<b>1,905,413</b>	<b>3.2%</b>
<b>MON-0594 Grant (GCF)</b>					
1	3201	All Works (Except Photovoltaic Solar Panels)	6,560,000	-	0.0%
2	3202	Works (Photovoltaic Solar Panels)	5,340,000	-	0.0%
3	3101	Consulting Service	5,290,000	1,405,865	26.6%
4	4901	Unallocated	2,510,000	-	0.0%
5	4801	Performance-based grants for eco-district climate change	30,300,000	-	0.0%
6	9901	Advance account		955,900	
<b>TOTAL MON-0594 Grant (GCF) AMOUNT</b>			<b>50,000,000</b>	<b>2,361,765</b>	<b>4.7%</b>
<b>MON-0595 Grant (HLTF)</b>					
1	3201	Works for SMART Monitoring	3,000,000	-	0.0%
<b>TOTAL MON-0595 Grant (HLTF) AMOUNT</b>			<b>3,000,000</b>	<b>-</b>	<b>0.0%</b>
<b>TOTAL ALLOCATION -ADB</b>			<b>228,000,000</b>	<b>6,734,085</b>	<b>3.0%</b>

#	Category code	Type of expenses	Total amount allocated for (Revised)	Total expenditure cumulative to 31 December 2023	Disbursement %
<b>MUB FINANCING</b>					
<b>MON-3695 (COL)</b>					
1		Works (Green and Resilient Design and Supervision)	750,825	-	0.0%
2		Consulting Service	429,472	143,345	33.4%
<b>TOTAL MON-3695 (COL) AMOUNT</b>			<b>1,180,297</b>	<b>143,345</b>	<b>6.0%</b>
<b>MON-8348 (GCF)</b>					
1		Works (Photovoltaic solar panels)	4,623,346	-	
<b>TOTAL MON-8348 (GCF) AMOUNT</b>			<b>4,623,346</b>	<b>-</b>	<b>0.0%</b>
<b>MON-3694 (OCR)</b>					
1		All works (Except Green and Resilient Social Housing)	1,666,068		0.0%
2		Works (Green and Resilient Social Housing)	4,009,279	9,213	0.2%
3		Incremental PMO/PIU Administration	360,396	81,125	22.5%
<b>TOTAL MON-3694 (OCR) AMOUNT</b>			<b>6,035,743</b>	<b>90,338</b>	<b>0.5%</b>
<b>MON-0594 Grant (GCF)</b>					
1		All works (Except Photovoltaic Solar Panels)	656,722		0.0%
3		Consulting Service	529,582	86,564	16.3%
<b>TOTAL MON-0594 Grant (GCF) AMOUNT</b>			<b>1,186,304</b>	<b>86,564</b>	<b>7.3%</b>
<b>MON-0595 Grant (HLTF)</b>					
1		Works for SMART Monitoring	300,330	-	0.0%
<b>TOTAL MON-0595 Grant (HLTF) AMOUNT</b>			<b>300,330</b>	<b>-</b>	<b>0.0%</b>
<b>Operating and maintenance &amp; Contingencies</b>					
1		Operation and maintenance (Public sector)	1,840,000	-	0.0%
2		Contengencies	7,740,000		0.0%
<b>TOTAL</b>			<b>9,580,000</b>	<b>-</b>	<b>0.0%</b>
<b>TOTAL ALLOCATION-MUNICIPALITY OF ULAANBAATAR</b>			<b>22,906,019</b>	<b>320,246</b>	<b>1.4%</b>

Table 13. Cumulative Disbursements to 31 December 2023

AGENCY	No.	WA No.	DATE	GRANT/LOAN No.	TYPE OF DISBURSEMENT	PURPOSE OF ADVANCE	APPLICATION AMOUNT
MUB	1	00001	2020-07-23	MON(OCR) 3694	Initial Advance	Salary payment for PMO/PIU staff	\$ 467,485.71
MUB	2	00002	2022-09-27	MON(OCR) 3694	Replenishment	Salary payment for PMO/PIU staff	\$ 437,949.21
MUB	3	00002	2023-08-30	MON(OCR) 3694	Replenishment	Salary payment for PMO/PIU staff	\$ 112,150.49
MUB	3	00001	2020-07-23	MON(COL) 3695	Initial Advance	Project management and implementation support consulting fee	\$ 750,834.00
MUB	4	00002	2022-12-06	MON(COL) 3695	Direct payment	Project management and implementation support consulting fee payment for the period of 01 Jul 2021-30 Jun 2022	\$ 807,659.90
MUB	5	00002	2020-12-10	MON(EF) 0594	Direct payment	Deposit payment for Eco District Feasibility Development, Detailed Design, and Supervision and Policy Reform Support (EFDP)	\$ 313,186.86
MUB	6	00004	2021-12-14	MON(EF) 0594	Direct payment	Consultancy service fee for the period from Oct 2020-Sep 2021 for EFDP	\$ 230,306.20
MUB	7	00003	2022-09-14	MON(EF) 0594	Initial Advance	Advance for Eco District Feasibility Development, Detailed Design, and Supervision and Policy Reform Support (EFDP)	\$ 220,000.00
MUB	8	00005	2023-02-17	MON(EF) 0594	Direct payment	Consultancy service fee for the period from Apr-Sep 2022 for EFDP	\$ 360,944.32
MUB	9	00006	2023-07-17	MON(EF) 0594	Direct payment	Consultancy service fee for the period from Oct 2022-Mar 2023 for EFDP	\$ 276,123.20
MUB	10	00004	2023-12-11	MON(OCR) 3694	Direct payment	Interim payment /Nutgiin Buyan LLC/	\$ 117,900.38
MUB	11	00007	2023-12-11	MON(OCR) 3694	Direct payment	Interim payment /Tsamkhag Construction LLC/	\$ 117,091.51
MUB	12	00006	2023-12-11	MON(OCR) 3694	Direct payment	Interim payment /City Landmark LLC/	\$ 175,637.26
MUB	13	00007	2023-10-20	MON(EF) 0594	Direct payment	Consultancy service fee for the period from Mar-Jun 2023 for EFDP	\$ 225,303.99
DBM-AMC	1	00001	2020-05-05	MON(EF) 0594	Initial Advance	Advance for Sustainable Green Finance Support	\$ 735,900.38
<b>Total received in disbursement as of December 31, 2023</b>							<b>\$ 5,348,473.41</b>

### 10.3 Accounting Software

All transactions for 2020-2022 are imported into the system and formalization and customization for the audited financial statements of the ADB and MOF for 2020-2021 and other required reports are completed in the system. The accounting software is now to be operationalized. Training was also provided in 2023.

### 10.4 Implementation of Financial Management Plan (2023)

Table 14. Status of Financial Management requirements, by responsible party

Action Plan	Responsible Party	Deadline	Status as of Reporting Date
<b>Implementing Entity</b> Reporting of suspected fraud, waste	MOF, MUB	At the end of each financial year	Financial and reconciliation reports are prepared and submitted within due dates to MOF and MUB.
<b>Funds Flow</b> Deficiencies and misinterpretation of ADB guidelines	ADB, MOF, MUB, PMO	Upon need	Due to fiscal year performance of the State budget, MOF was not able to process full payments invoiced by contractors (consultancy service, civil work) in November and December. PMO had been undertaking timely communication with ADB and MOF to resolve any occurring issue. Only partial payments were made to the civil work contractors and remaining payables will be paid in the first two months of 2024.
<b>Staffing</b> Adequacy of staff at the MUB Finance and Treasury Department and lack of training on ADB procedures	ADB, MUB, PMO	Upon need	PMO has 11 staff members out of 17 as approved by MOF. The selection procedure for 2 staff members whose contracts will be signed in January 2024 (legal advisor and environment specialist) was completed in December. PMO has an adequate number of qualified staff who participate in training. MUB has 2 officers designated for AHURP portfolio and support activities.
<b>Accounting</b> Adherence to accounting policies and procedures	ADB, MUB, PMO	During implementation the	Accounting policies and procedures are adhered to in preparing financial reports.

<p><b>Budgeting</b> Preparation of physical and financial targets, and variations from budget</p>	ADB, MOF, MUB, PMO	During implementation	the	Budget for year 2024 is prepared and approved by MOF. Projection for 2024-2026 was prepared and submitted. The quarterly budget for PMO administration cost is prepared and approved by MUB and MOF timely manner. No significant deviation from the budget.
<p><b>Payments</b> Compliance with procedural requirements for direct disbursements and maintenance of advance accounts</p>	ADB	During implementation	the	Six withdrawal applications (direct payment-5; replenishment-1) are successfully processed in accordance with ADB requirements.
<p><b>External Audit</b> Timely audit process and availability of audited financial statements</p>	PMO, ADB, PMO	At the end of each financial year		The USD Financial statement for 2023 is audited and disclosed on the ADB website. MNT financial statement is audited and submitted to the National Audit Department, MUB and MOF. The Consultant's Service Agreement is concluded with external audit firm for MNT and USD financial statements for the year 2023.
<p><b>Reporting and Monitoring Audited</b> financial reports are produced based on project disbursement records and in accordance with the government and donor requirements</p>	ADB, MOF, MUB Finance and Treasury Department, PMO	During implementation		Financial reports are produced based on project disbursement records and in accordance with the government and donor requirements.
<p><b>Information Systems Inclusion of</b> appropriate safeguards to confidentiality of the management of information system</p>	MOF, MUB, PMO	During implementation		All transactions for 2020-2022 are imported into the system and formalization and customization for the audited financial statements of the ADB and MOF for 2020-2021 and other required reports are completed in the system. Set-up progress is 85%

## 10.5 Financial Management Issues

**Foreign exchange currency loss:** In accordance with local legislation, any transactions in the territory of Mongolia must be made in local currency. Due to the requirement, the realized foreign exchange loss was recognized by both parties of PMO and Sunjin Engineering and Architecture Co. Ltd to make transactions from the Treasury Bank account at the Ministry of Finance to the Contractor's bank account in Mongolia even though the contract was denominated in US dollars. As discussed by both parties, the realized exchange gain and loss will be solved by making a reconciliation after the actual payment and the required reimbursement will be settled when the contract evaluation takes place.

**Payment delays:** Due to performance of the State budget in 2023 fiscal year, MOF held the invoiced projected payments (October-December) for the civil works and consultant services. This was despite PMO budgeted payments for Q4 2023 and had submitted to ADB and MOF. The delay of payment was informed to ADB during the SRM in November. After consultation with MOF, only partial payments were made to civil work contractors and the remaining balance was delayed until mid of January 2024. The situation was also explained to contractors. This situation negatively impacted the overall budget performance of the AHURP for 2023.

## 11. Project Procurement activities

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### 11.1 Procurement and Contract Awards – 2023

Table 15 presents a summary of projected contract awards in 2023. The projected contract award amount totals in US\$ 22,087,320 as per the procurement plan 2023 (last updated in November 2023 during the ADB SRM). Out of this amount, ADB contribution equals to US\$ 20,902,644. The actual contract award amount in the reporting year was US\$ 13,404,200.

Table 15. Projected Contract Awards/Procurement Plan 2023

No	Source	Package No.	General Description	BUDGET	REVISED BUDGET (Nov 2023)	ADB total	MUB total	ADB %	MUB %	Contract Award
<b>WORKS AND GOODS</b>										
1	L3694 G0594	BYW.CW1	Construction of 110 Social Housing in Bayankhoshuu (4 blocks)	7,500,000	6,562,500 937,500	5,965,313 852,188	597,188 85,313	90.9% 90.9%	9.1% 9.1%	Q2, 2023
2	L3694 G0594	SHD.CW1	Construction of 110 Social Housing in Sharkhad Subcenter (4 blocks)	5,670,000	4,961,250 708,750	4,341,094 620,156	451,474 64,496	90.9% 90.9%	9.1% 9.1%	Q2, 2023
3	L3694 G0594	SBE.CW1	Construction of Temporary Resettlement Buildings and Social Housing in Selbe Subcenter (56 social housing or 2 blocks)	2,543,320	3,062,500 437,500	2,679,688 382,813	278,688 39,813	90.9% 90.9%	9.1% 9.1%	
4	L3694	BYW.CW2-001	Urban facilities, Secondary networks at Bayankhoshuu	824,000	824,000	749,016	74,984	90.9%	9.1%	Q2, 2023
5	L3694	BYW.CW2-002	Secondary and Tertiary Roads and Landscaping at Bayankhoshuu	700,000	700,000	636,300	63,700	90.9%	9.1%	
7	L3694	SHD.CW2-001	SHD.CW2: Urban Facilities, Secondary Networks in SHARKHAD sub-center	1,450,000	718,000	652,662	65,338	90.9%	9.1%	
8	L3694	SHD.CW2-002	SHD.CW2: Secondary and Tertiary Roads and Landscaping in SHARKHAD sub-center		732,000	665,388	66,612	90.9%	9.1%	
9	L3694	SBE.CW2	Urban Facilities, Secondary and Tertiary Roads, Networks, and Parks in Selbe Subcenter	-	490,000	445,410	44,590	90.9%	9.1%	
10	G0595	SMCC	Works for SMART Monitoring -LOT1	3,000,000	600,000	540,000	54,000	90.0%	10.0%	
11	L8348 G0594	SPV.CW1	Detailed engineering design and construction of solar power generator for BAYANKHOSHUU and SHARKHAD sub-centers		500,000	305,000		61.0%		
						104,500		20.9%		
12	L8348 G0594	SHDCW4	Power supply work for 1st circuit in SHARKHAD sub-center		1,750,000	1,067,500		61.0%		
						365,750		20.9%		
							316,750		18.1%	
13	G0594	GRE.CW1	Construction of GREEN HOUSES in BAYANKHOSHUU and SHARKHAD sub-center	-	250,000	227,250	22,750	90.9%	9.1%	
<b>CONSULTING SERVICE</b>										
14	L3695	ENVI.EXM	Environmental external monitoring	200,000	200,000	181,818	18,181.82	100.0%	10.0%	
15	L3695	REXM	Resettlement external monitoring	200,000	120,820	120,820	12,081.98	100.0%	10.0%	Q2, 2023
			<b>sub total</b>	<b>22,087,320</b>	<b>23,554,820</b>	<b>20,902,664</b>	<b>2,346,458</b>			



As indicated in Table 15, the project planned to procure 15 packages in 2023. Out of these 15 packages, contracts were awarded for 5 packages, and 5 packages were advertised in 2023 and are still under evaluation. The remaining 5 packages were not advertised as the technical process such as DED approval was ongoing at the time of writing. The contracts awarded in 2023 are shown in Table 16.

Table 16. Contract awarded packages

No	Package number	Package name	Contractor	Contract award date
<b>CIVIL WORKS</b>				
1	BYW.CW1-001	Construction of 110 Social Housing in Bayankhoshuu Subcenter-LOT 1	Joint venture of Tsamkhag construction and Sodon Nomin Construction	27-JUL-2023
2	BYW.CW2-002	Construction of 110 Social Housing in Bayankhoshuu Subcenter-LOT 2	Joint venture of City landmark and Happy building LLC	27-JUL-2023
3	BYW.CW2-001	Urban facilities and Secondary networks in Bayankhoshuu Subcenter.	SAN LLC	21-JUL-2023
4	SHD.CW1	Construction of 110 Social Housing in Sharkhad Subcenter	NUTGIIN BUYAN LLC	28-JUL-2023
<b>CONSULTING SERVICE</b>				
5	REXM	Resettlement external monitoring	LAND OWNER LLC	10-APR-2023

## 11.2 Ongoing Procurement Packages

Project has 5 packages that are currently under evaluation process, including 4 work packages, one consulting service package. The evaluation of the package SHD.CW2-001 was undertaken in December and the package was unsuccessful due to the non-qualified bidder. Consequently, ADB recommended the project to revisit the qualifications of bidding documents to make some requirements less stringent so that more bidders would show interest and meet the requirements.

Table 17. Ongoing procurement packages as of 31 Dec 2023

Package number	Contract General Description	Contract nature	Estimated Value, November-2023	ADVERTISEMENT DATE	STATUS
<b>PUBLIC PROCUREMENT</b>					
SHD.CW2-001	SHD.CW2: Urban Facilities, Secondary Networks in SHARKHAD sub-center	Civil works	1,070,000	2023/09/04	Bid was opened on 5 Oct 2023, only one bidder submitted a bid. The evaluation committee convened and identified that the bidder was not

					qualified to perform the subject contract. NO OBJECTION TO READVISE the package was guaranteed by ADB.
SHD.CW2-002	SHD.CW2: Secondary and Tertiary Roads and Landscaping in SHARKHAD sub-center	Civil works	650,000	2023/12/11	Bid opening will be held on 11 Jan 2024.
BYW.CW2-002	Secondary and Tertiary Roads and Landscaping in BAYANKHOSHUU SUBCENTER	Civil works	750,000	2023/12/11	Bid opening will be held on 12 Jan 2024.
SHD.CW5	Power supply work for 1st circuit in SHARKHAD sub-center	Civil works	1,800,000	2023/09/11	Bid was opened on 11 Oct 2023; two bidders submitted their bid. Evaluation committee decided to get clarification on the construction experience, two bidders issued their responses which are being reviewed.
<b>CONSULTING SERVICE</b>					
ENVI.EXM	External environmental consulting service	Consulting service	200,000	2023/08/22	Submission 1 form submitted to ADB 13 Dec 2023, PMO issued SRFP to the first ranked firm by 18 Dec 2023.

Following procurement and contract management activities are planned for the next reporting period:

1. Update current procurement plan reflecting the minor changes on each relevant package.
2. Award contracts of all packages including those that were planned for 2023 and for 2024 within Q2 and Q3 2024 in accordance with State Austerity Law<sup>12</sup> and PSC Ordinance.
3. Set up and operationalize a contract management module as part of the accounting software system.
4. Put the contract management plan in place for tracking contract administration processes and contract closure.

<sup>12</sup> The article 13.1.1. of State Austerity Law of Mongolia (2022) stipulates that all procurement activities of the planned activities for the year shall be fully completed by 31 May of that year.

## 12. Legal activities, Compliance with Loan Covenants and Risk Management

### 12.1. Compliance Background Overview

ADB and GCF signed the Funded Activity Agreement (FAA) on 28 September 2018 regarding the co-financing of AHURP, validating the Funding Proposal for AHURP (FP077). Consequently, two project agreements (project agreement between ADB and MUB, and a project agreement between ADB and DBM) and five separate funding agreements for grant and loan modalities were established. Table 18 provides the list of loan and grant agreements established between ADB and MOF.

Table 18. AHURP funding agreements

No	Agreement name	Funding source	Amount	Signing Date	Effective
1	Grant 0594-MON	Green Climate Fund	US\$ 50.00 million	20 Dec 2018	22 Oct 2019
2	Grant 0595-MON	High Level Technology Fund	US\$ 3.00million	20 Dec 2018	
3	Loan 3694-MON	ADB- Ordinary capital resources	US\$ 60.00 million	26 Dec 2018	
4	Loan 3695-MON	ADB- concessional ordinary capital resources lending	US\$ 20.00 million	26 Dec 2018	
5	Loan 8348-MON:	Green Climate Fund	US\$ 95.00 million	03 Apr 2019	

All funding agreements contain the same general conditions, but the loan agreement L3695-MON (ADB- Ordinary Capital Resources) contains specific technical and safeguard conditions. More specifically, it has 10 conditions related to the Output 2 component which have to be met prior to the disbursement of loan or grant advances for Goods and Works by ADB.

Although the project team developed and submitted final drafts of all required documents for review by ADB's General Counsel, it was clear that the 10 conditions could not be fulfilled without actual establishment of EDAF. Therefore, following the ADB April 2023 Mission, the Outputs 1 & 3 were delinked from Output 2 conditions through a minor change, thus enabling the initiation of civil works under Output 1.<sup>13</sup>

An overview of compliance with loan and grant agreements are presented in Annex 5.

### 12.2. Legal Activities under the Project Implementation

Draft versions of Housing Arrangement Agreements established between the titled households/non-titled households and the Project, were developed in 2022. Although it was planned to introduce the drafts to the Bayankhoshuu N4 residents within 2023, the draft agreements could not be introduced to the residents due to the postponement of public consultations as explained in Section 7 (Resettlement).

<sup>13</sup> For a detailed explanation of the delinking process see ADB Quarterly report 3 2023, which details why and how the delinking took place to enable procurement to go ahead for construction in Output 1.

A draft agreement between MUB, NOSK and AHURP PMO on management of social housing and other public facilities has been developed. The draft will be circulated among relevant stakeholders including Legal Department of the Capital City Governor's Office, CCHPA and NOSK, and finalized within the next reporting period.

PIMS legal expert has been continuously providing necessary legal support to the various project teams in procuring and contracting design and civil work contractors and in discussing legal matters with the contractors.

During the consultations with MSMEs in Sharkhad held in December 2023, legal information and advice on asset ownership and management has been provided.

### **12.3 Risk Management**

A draft Risk Management Register prepared by PIMS and updated quarterly. This forms the basis of an overall Risk Assessment and Management Plan (RAMP). This is operational as part of the PPMS to ensure close monitoring and management of the risks in all aspects of the project. PIMS update the Risk Management Register quarterly and as the project proceeds and identified new risk.

The risk management register was updated thrice in 2023. Items written in red illustrate updates in Q3 and Q4 of 2023.

Table 19. Risk Management Register (updated as of Dec 31, 2023)

No.	Date Raised	Description	Reason/Cause	Effect	Likelihood	Impact if Occurs	Severity if Occurs	Manager of Risk	Mitigation Actions (reduce risk)	Contingency Actions (if risk happens)	Actions to complete	Date to Complete and responsibility	Status
<b>Internal</b>													
<b>A.1 Project Structure/Team</b>													
A.1.4	Oct. 2020 On-going	Project structure not operationalised in timely manner. (Steering Committee, PIU)	Lack of high level decision making to operationalise components including Project Steering Committee (SC). Lack of institutional resources. Changed government or institutions.	Lack of institutional advocacy from PSC / MoF for the project which causes Project implementation delays. Delays with high level decision making, budget approvals, DMF revisions.	Likely	Significant	Severe	ADB, EA	MUB to: Advocacy from ADB to: 1. Delink Output 2 from Output 1 and 3 to enable procurement to commence. 2. To conduct due diligence on MUB private sector finance initiative. MUB to finalise decision on Output 2 - whether to continue	Postpone Output 2	1. MoF submit formal letter to Delink output 2 (MoF/PMO) 2. ADB to delink. 3. MUB to decide on whether to onlend to commercial bank or within their own institution	1. June 2023 (MoF) 2. June (ADB) 3. Q3 (MUB).	On-going concern.
A.1.15	On-going since Q3 2020	Delay in decision making by responsible stakeholder agencies	Lack of agency capacity. Changed government, institutional structures Political interference.	Delays project progress. Potential waste of project resources if work is reversed.			Manageable	GOM, EA	Ensure project clarity from the beginning of approval requirements for all steps of the project. Maintain realistic Work Plans. Ensure full project engagement by key decision makers.	ADB intervention to reinforce loan agreement, PAM requirements and project objectives to MoF	Maintain more open dialogue with MoF to update them on the project. Commence formal updates on a bimonthly basis.	bi-monthly update to MoF	On-going concern.
A.1.18	On-going since about Q3 2020.	Interference in procurement processes.	Political attempt to alter or control procurement selections and divert resources.	Project delays. Potential withdraw of project funding. Potential corruption investigations.				EA, ADB	Ensure clear understanding by stakeholders of ADB project procedural requirements. Training and capacity building. Regular ADB, PIMS monitoring, reporting and follow-up discussions.	ADB action to rectify misunderstandings and reinforce ADB procedures and the terms of the loan agreement(s).	PIMS monitoring and advising PMO of ADB-required procedures.		Ok
A.1.19	Feb. 2022	Interference in implementation of ADB Safeguards	Political attempt to change safeguard requirements to reduce government costs and/or shorten implementation timelines.	Project delays. Potential withdraw of project funding.				EA, ADB	Ensure clear understanding by stakeholders of ADB project procedural requirements. Training and capacity building. Regular ADB, PIMS monitoring, reporting and follow-up discussions.	ADB action to rectify misunderstandings and reinforce ADB procedures and the terms of the loan agreement(s).	PIMS monitoring and advising PMO of ADB-required CAP, resettlement, LAV, VLSP compensation procedures.	1) Eba SHK S27-5 and IEE update. 2) N4 Consultation on LAV needed to disclose price of land and assets for potential swap	progressing
A.1.25	Q3 2020	Cost estimating and/or scheduling errors in original project design.	Lack of complete project understanding. Inaccurate initial information or analyses. Global inflationary increases since Covid19.	Require project adjustments: timelines and/or budget allocations.	Moderate	Moderate	Low	ADB, EA	Ensure comprehensive project understanding by those preparing original cost estimates and schedules.	Review budget and timeline implications. Redesign as needed.	1. PIMS update PAM implementation schedule. 2. Cost estimates revised, due to situational changes over time, not original errors. Original 10,000 hh target revised downwards to > 1000 households. 3. Revise DMF, SGAP and other ADB linked documents with ADB, GOM, EA concurrence	1. Q3 or Before Special Review Mission in October 2023. 2. Cost figures revised for social housing. Affordable and market housing not revised. 3. Q3 (as #1 above)	In progress.

No.	Date Raised	Description	Reason/Cause	Effect	Likelihood	Impact if Occurs	Severity if Occurs	Manager of Risk	Mitigation Actions (reduce risk)	Contingency Actions (if risk happens)	Actions to complete	Date to Complete and responsibility	Status
<b>Project Context</b>													
A.2.1	No issue to date.	Lack of political support.	Change of government and/or political priorities within MUB or central government	Project may not proceed as designed. Project funding is withdrawn.	Possible.	Significant	Potentially severe.	ADB	Maintain high-level communications with incumbent and in-coming new government. Develop "institutionalised" policies and agreements that survive changes in government.	Re-design project. Terminate project.	1. Inform MoF of minor rescope - # units reduced and delinking of Output 2 2. Rescope project in agreement with MoF and ADB	1.Q2 2023 2.Q3 2023	Delay
A.2.3	Q3 2020	Lack of investor interest.	Commercially unviable project due to poor project design or lack of private sector consultation.	Project will not proceed as designed.	Possible.	Significant	Severe	EA	Ensure full and transparent investor engagement with full disclosure of all available project information. Maintain open and on-going formal dialogue to enable incorporation of investor inputs to project design.	Re-design project as required. Terminate project.	1. Minor rescope 2. Major rescope	1. Q2 2023 2. SRM Q4	Output 2 Paused
A.2.6	Jun-23	Withdraw of funding by ADB, GCF, HTF.	GOM failure to continue project support. GOM failure to comply with loan covenants. ADB, GCF withdraw of support.	Project cancelled.	Possible.	Significant	Severe	ADB, EA	Establish and maintain strong dialogue with GOM and EA to ensure implementation issues do not arise that may threaten funding.	ADB-GOM negotiations.	1. Delink Output 2. 2. Confirmation of loan funding from GCF 3. Confirmation of grant funding from GCF for greenhouses	1. Q2 2023 2. Q2 2023 3. Q2 2023	On-going concern
	August. 2022	The 10 Loan conditions not met	GOM failure to enact EDAF and further establish on-lending agreements	Project cancelled.	Possible.	Significant		GOM, EA	Establish and maintain strong dialogue with GOM and EA to ensure implementation issues do not arise that may threaten funding.	ADB-GOM negotiations.	1. Delink all output 2 conditions from loan covenants. 2. Confirmation of who and where Output 2 components will be managed 3. MUB consider there is no need for establishing the subsidiary loan agreement in the immediate future until the final owner of the solar PV facility is defined and repayment liability is discussed with this entity. This may give rise to separate DFS for solarPV in addition to DFS on Phase 1.	1. Q2 2023 2. Q2 2023 3. Q2 2023	On-going concern

August 2022	The 10 Loan conditions not met	GOM failure to enact EDAF and further establish on-lending agreements	Project cancelled.	Possible.	Significant		GOM, EA	Establish and maintain strong dialogue with GOM and EA to ensure implementation issues do not arise that may threaten funding.	ADB-GOM negotiations.	1. Delink all output 2 conditions from loan covenants. 2. Confirmation of who and where Output 2 components will be managed 3. MUB consider there is no need for establishing the subsidiary loan agreement in the immediate future until the final owner of the solar PV facility is defined and repayment liability is discussed with this entity. This may give rise to separate DFS for solarPV in addition to DFS on Phase 1.	1. Q2 2023 2. Q2 2023 3. Q2 2023	On-going concern
August 2022	Failure to establish EDAF	GOM failure to enact EDAF and further establish on-lending agreements	Project cancelled.		Significant		GOM, EA, PIU	Establish and maintain strong dialogue with GOM and EA to ensure implementation issues do not arise that may threaten funding.	ADB-GOM negotiations.	(i) MOF investment terms have not been negotiated and the investment agreement is not in place.	1. Q2 2023 2. Q2 2023 3. Q2 2023	On-going concern
August 2022	Commercial Banks not identified to support EDAF	EDAF has yet to be established	Project may not proceed as designed.	Possible			EA to lead in absence of PIU	Establish and maintain strong dialogue with GOM and EA to ensure implementation issues do not arise that may threaten funding.	ADB-GOM negotiations. Select candidate commercial banks that will co-finance developers with EDAF for the core subprojects, and pre-select real estate developers. This was due May 2022.	1. Decision by MUB to Establish Output 2 Funds within MUB or onlend to commercial banks 2. Do not establish Output 2. 3. Determine finance available from GCF	1. Q2 2023 2. Q2 2023 3. Q2 2023	Ongoing concern
August 2022	No real estate developers identified	Failure to issue DED and DFS to justify the project's commercial and technical credentials	Project may not proceed as designed.	Possible			EA to lead in absence of PIU			Selection process of real estate developer paused since June 2022.		
August 2022	Significant delays to initiate Phase 1, stall the project commencement.	Restructuring of EFDP. Desired resources and team composition unavailable.	Project may not proceed as designed.	Possible			EFDP, EA	1. Delink Output 2 to enable procurement to commence	PIMS support. Alternative consultancy	Complete DED for SHK.	Q4	Manageable

## 13. Key Implementation Issues and Solutions

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During 2023 the following project implementation issues emerged that require attention during 2024, to avoid significant project delays. Many of the issues below need to be addressed in Q1 2024.

The first two issues are instrumental to the original design of AHURP, their severity is reflected in the loan agreements and the PAM. Therefore, 2024 will be the year to determine how and whether these components are truly workable or not.

- 1. EDAF:** Clearly, the establishment of EDAF is critical to both the concept of AHURP and the opportunity this presents to Mongolia of trialing alternative housing finance models to beget affordable housing solutions provided by the private sector. Whilst shareholder prudence contributed to the delay to establish EDAF, an agreement was reached in February 2023 to establish EDAF. By the time of the SRM, the proposal from PMO was identify alternative institutional arrangement and financing models for the fund. The recommendations and next steps for each institutional actor is captured in Section 4.6.
- 2. EDAF / PIU:** ADB is currently conducting a due diligence process on the financial management capacity of the MUB's Asset Management entity, considering it as a potential candidate for establishing and overseeing EDAF. As part of the transition, DBM AMC should transfer all the documents developed under the Sustainable Green Finance Support, along with the associated budget.
- 3. VLS process:** The viability of the VLS as a mechanism to obtain land in exchange for housing units remains to be tested. The hesitation throughout 2023 to share final prices of land and assets – to determine the viability of swapping with residents for housing units to be built in an 8.3 ha site the project acquired from NOSK, with entitlements differing depending on whether the residents are land holders, non-land holders, renters, and/or vulnerable households was delayed. With no disclosure of price of assets, there is no confirmed willingness to participate from N4 residents on how to use the BKH 110 housing units<sup>14</sup>.

The remaining steps to be undertaken for the test of VLS is the consultation with N4 residents on the land and asset valuation and the price of apartments to be offered, followed by signing of pre-agreements and establishment of cut-off date, and then finalization of agreements, updating of the VLS plan, and implementation of VLS.

A working group to the test of VLS will be established by MUB. Consultations will be held with N4 residents between Q1 and Q2 2024. A final decision will be made in Q3 by MUB in discussion with ADB on whether it is possible to proceed with VLS. If the approach is determined as not viable by the deadline of Q3 2024, then the project will follow the approach described in the agreed updated project Resettlement Framework (July 2022) to acquire any land needed for project activities. Relevant project documents will then be revised to reflect this change.

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<sup>14</sup>Concerns over the viability of VLS approach were discussed during the SRM. The delays are primarily caused by the high cost of apartment buildings relative to the purchasing power of N4 residents, which may result in either (i) not enough residents agreeing to participate; or (ii) enough residents agreeing to participate but then requiring mortgages that low-income residents may find difficult to qualify for.



**4. EFDP (SSJV) Management:** The restructuring of SSJV continued from 2022 through all of 2023. A revised restructuring plan was accepted by PMO in late 2023. However, technical gaps remain in the team's expertise. Procurement of two (or more) standing offer contracts in 2024 will finalize the restructuring, providing the national expertise required to implement Phase 1 construction and support future Output 2 initiatives.

**5. Off-Site Infrastructure:** The majority of detailed engineering design drawings have been completed for the SR27-2. GADIP completed the detailed designs for electrical and telecommunication servicing to the site. Procurement of these off-site services will be the responsibility of PMO. The sharkhad site has a number of off-site servicing issues which need to be resolved.

To address this, EFDP is in the process of procureing engineering studies, or designs, for stormwater management, sewage upgrade and secondary roads so that the SR27-2 site can fully support the expansion of 228 huosing units.

**6. Output 3:** whilst not technically a physical implementation issue, PMO and PIMS will need to turn their attention Output 3 deliverables given that 46% of time has been spent on this component. Full agreement from PMO-PIMS on each of the deliverables is needed based on EFDP's proposal and budget.

## 14. Actions Required by Each Party for 2024

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### 14.1 Project Steering Committee

The project steering committee needs to convene a follow-up meeting in February to provide guidance on the following matters:

- Approval of AHURP Annual Work Plan 2024
- Approval of AHURP Financial Plan 2024
- Approval of AHURP Procurement Plan 2024
- Selbe development approach and expropriation considerations
- Guidance on EDAF arrangements
- Developer selection process review and approval

### 14.2 Executing Agency/ PMO

- Progress procurement for Output 1 activities
- Continue support of the restructure of EFDP consultants' contract.
- Coordination of Eco-District development: engineering, resettlement, social, and eco-design perspectives.
- Oversee progress of activities and ensure overall coordination of AHURP team.
- Organize the PSC meeting when needed.
- Work with ADB, MUB, and PIMS on the project structure if the IA/PIU in its current guise is disbanded.
- Review, comment on, share with ADB and approve all project documentation prepared and submitted by the consultants.
- Establish a monthly project team meeting (ADB, PMO, PIU, PIMS, EFDP, SGF) arrangement to ensure enhanced coordination and information sharing among the project stakeholders
- Coordinate with PIU (whether AMC-DBM or MUB) for the implementation of output 2 activities

### 14.3 Implementing Agency / PIU

- Continue asset management agreement negotiations with MOF / MUB
- Support MUB/MOF in their decision with EDAF
- Work with ADB on existing contract held with PIU
- Dependent on the outcome of ADB's financial due diligence, support MUB in establishing PIU at UBIM.

Based on the outcome of the due diligence the PIU will need to lead on:

- Lead the selection process of real estate developer(s) for the pilot areas.
- Enter into participating agreement with qualified commercial banks.
- Develop and procure necessary fund management software and hardware to operationalize the fund.
- Continue AMC capacity development program under the SGFS.

### 14.4 PIMS

- Continue operationalization and refinement of the Project Performance Management System (PPMS) with regular updates and monitoring.
- Update AHURP Implementation Work Plan
- Operationalise the Financial Management software which was established in Q4 2023

- Continue to provide technical and coordination support on procurement activities.
- Continue providing management guidance to PMO
- Provide on-going guidance to EFDP as it proceeds through various stages of planning, procurement, design and implementation.
- Initiate plans to extend the time frame for the project beyond 2026 and plan accordingly.
- Continue Training and Capacity Building program
- Continue support to safeguard baseline and monitoring.

#### 14.5 EDAF

- If actioned, support pre-qualification of developers as part of the procurement process with PMO, PIU and EFDP.
- Support in the consultation and willingness to participate surveys prior to civil works in the project sites
- Prior to the end of Q3 2024, assess VLSP as a viable method of resettlement in ger areas

#### 14.6 EFDP

##### Output 1

- Sign Standing Offer Contracts to hire sub consultancy firms by the end of Q1 2024
- Sign design authors' supervision contracts for 6 buildings in Bayankhoshuu and 6 buildings in Sharkhad and lead construction supervision in Q2 for the construction of 454 housing units to be commenced.
- Expedite construction of a show suite/display suite in B15 and Sharkhad SR 27-5
- Prepare English version of DFS for circulation prior to ADB 2024 review mission
- Acquire EDGE design certification for the 4 buildings on B15 in BKH
- Complete all studies related to Sharkhad Off-site infrastructure
- Complete detailed design for required off-site infrastructure for both Sharkhad and Bayankhoshuu.
- Complete infrastructure study for Selbe 20 hectare site.
- Complete Neighbourhood Outline Plan for 20-hectare AHURP site in Selbe
- Complete SCADA/PV detailed engineering drawings for 220 units in BKH and Sharkhad.
- Complete study, and if approved, complete detailed design of centralized SCADA building in Sharkhad.
- Validate VLSP process with N4 residents, If successful expand SES for other residents in BKH and Sharkhad

##### Output 2

- Support PMO and PIMS with Output 2 related activities
- Review how the private sector can participate in the project: With PIMS, NOSK, and PMO develop a marketing strategy as part of the Pilot project.

##### Output 3

- Initiate Output 3 Policy outcomes and begin identification of Sector Policy Reform topics.
- Finalise BoQ for Sharkhad
- Organize capacity building training for government officials and private sectors on green building standards and architectural planning.
- Complete the tasks on energy efficiency included in the EFDP team's annual work plan.
- Initiate plans to extend the time frame for the project beyond 2026 and plan accordingly

Community engagement: continue the tasks listed under EFDP in the Community Engagement and Stakeholder Communication work plan as development of Bayankhoshuu continues, Sharkhad begins.

Gender and Social: continue the tasks listed under EFDP in the Gender and Social Work Plan as development of Bayankhoshuu continues, Sharkhad begins.

#### **14.7 ADB**

- Conduct due diligence on the MUB proposal to host EDAF at UBIM by Q1 2024
- Liaise with GCF to clarify financial grant and loan amounts and how to apply the grant to social, affordable and market housing sub-projects effectively and equitably.
- With GCF lead in the restructuring process for all ADB matters.
- Provide timely reviews and feedback on all submitted key documents as/when delivered by PMO
- Continue active participation and technical guidance to all AHURP full-team meetings with reference to ADB expectations, protocols, technical requirements, as well as coordination with the expectations of the protocols and technical requirements of the Green Climate Fund (GCF).
- Assist as possible with resolution of GOM issues including the establishment of EDAF.

## 15. Conclusion

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AHURP made good progress during 2023 and reached a significant project milestone: the construction of the pilot project with the first 110 units in Bayankhoshuu underway. After initial delays to the project, the physical development of AHURP is visible to residents - which the project team is keen to galvanise on - to generate local interest, as the project transitions from its pilot phase to the formation of an eco-district.

Engagement at the right time with residents will become critical. The outcome of the consultation with N4 residents in 2024 will determine whether the project moves forward with its unique approach of voluntary resettlement, a cornerstone of the project. Furthermore, the proposed introduction of the government for expropriation will also fundamentally present new considerations for the project. A decision will be made by Q3 2024.

Procurement has scaled up reflecting the construction period which began in Q2. The increasing disbursement which is continuously increasing throughout was possible through a combined team effort to delink Output 2 from Output and 1 and 3 which enabled goods and services to be procured for construction.

The work proceeding the ADB MTR in 2022 enabled logical revisions of AHURP's scope to progress through the intervening months culminating in the presentation and 'policy papers'<sup>15</sup> (See Annex 3 ) presented during November's SRM. The result was to formally 'reset' AHURP and present realistic numbers of both housing units and correspondingly energy efficient targets to comply with GCF indicators - all within the project timeframe. This requires final approval from the loan providers. Hence a restructuring proposal is being prepared by PIMS/PMO/EFDP for both GCF and EFDP in Q1 2024. The team expects this will be signed by March 2024.

Off-site infrastructure linking Sharkhad in 2024 will assess the sites capacity to absorb additional residents and their ensuing water and power demands on the network. Concerns are that the existing infrastructure capacity provided through GADIP to the connecting network may be insufficient. If additional offsite infrastructure is required, the cost will be met by the project. This leaves less finance for social housing.

Capacity building has and will continue to be pertinent in 2024. To achieve compliance of environmental and social safeguard and to provide inclusive gender effective mainstreaming the capacity of contractors will need to be enhanced through regular internal and external of training and with monitoring by third parties.

By operationalising PPMS in 2024 the aim will be utilising data to report on project performance.

EDAF, discussed extensively here in this annual and in previous quarterly reports, remains compliant to all loan covenants, but is yet to be established. Given the options presented by MoF and MUB, 2024 is the year that a final decision must be made on EDAF's future if disbursement of the GCF loan is to be realised. The proposals presented provide options to progress and establish the fund. If EDAF cannot be established in 2024, AHURP will become purely a social housing project. It will not have tested key tenets of its design which is to use the private market to leverage finance to construct energy efficient affordable housing in ger areas.

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<sup>15</sup> The policy papers annexed here in this APR presented the argument for why a change of targets is needed, due to the economic reasons previously cited.

For 2024, agreeing to an alternative deadline is needed as the GCF/ADB formal restructuring proposals due for completion in Q1 2024 require these realistic amendments. If the project can succeed at providing both social and market housing, then the ideals of AHURP raise the opportunity to continue beyond financing this project, as new areas are identified for redevelopment. And it is these ideals that should not be lost.

## Annexes

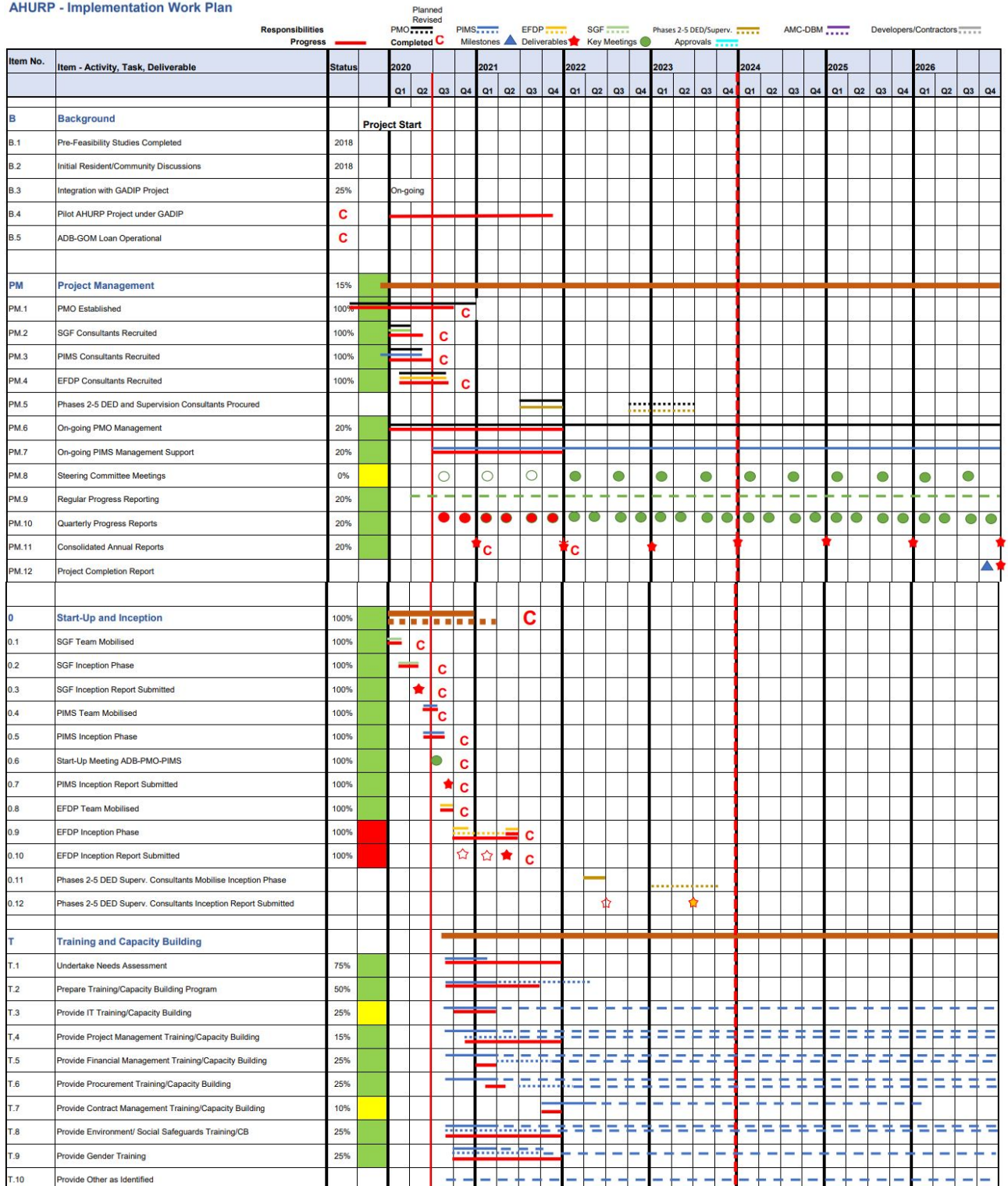
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- Annex 1: AHURP Implementation Work Plan (2020-2026)
- Annex 2: Draft Annual Work Plan for year 2024
- Annex 3: Policy papers, discussed during Special Review Mission (Nov.2023)
- Annex 4: Bayankhoshuu and Sharkhad Site Planning
- Annex 5: Compliance with Loan and Grant Agreement

# Annex 1 AHURP Implementation Work Plan (2020-2026)

Summary of the AHRUP work plan – See previous Annual Report to full Work Plan

## AHURP - Implementation Work Plan













Code	Description	Progress (%)	Start	End	Actual
<b>3-5</b>	<b>Phases 3-5 Sites Development</b>				
<b>3-5.1</b>	<b>Output 1: Feasibility &amp; Construction Phases 3-5</b>	0%			
3-5.1.a	On-going PIMS Management Support	0%			
3-5.1.b	Conduct Consultations/Communication Activities	0%			
3-5.1.c	Incorporate Phase 1, 2, 3 Lessons Learned	0%			
<b>3-5.1.1</b>	<b>Detailed Feasibility Study - Phases 3-5</b>	0%			
3-5.1.1.1	Prepare Long-List of Potential Sites/Select	0%			
3-5.1.1.2	Conduct Stakeholder Consultations	0%			
3-5.1.1.3	Conduct Community Residents' Consultation	0%			
3-5.1.1.4	Complete Demand Analyses - All Housing Types	0%			
3-5.1.1.5	Confirm Site Residents' VLSP Participation	0%			
3-5.1.1.6	Confirm Phases 2 & 3 Sites' Selection	0%			
3-5.1.1.7	Prepare Preliminary Site Planning - All Components	0%			
3-5.1.1.8	Prepare Preliminary Infrastructure Planning	0%			
3-5.1.1.9	Prepare Environmental Assessments, EMP	0%			
3-5.1.1.10	Prepare Gender Action Plan (GAP)	100%			
3-5.1.1.11	Prepare LARPs: On-Site/Off-Site as Required	0%			
3-5.1.1.12	Complete VLSP Agreements	0%			
3-5.1.1.13	Confirm/Prepare Transitional Housing Arrangements	0%			
3-5.1.1.14	Review Costing and Implementation Strategy	0%			
3-5.1.1.15	Prepare/Submit Feasibility Study for Review/Approval	0%			
3-5.1.1.16	Client/Stakeholder Approval Processes	0%			
<b>3-5.1.2</b>	<b>Detailed Engineering/Architectural Design (DED) Phases 3-5</b>				
3-5.1.2.1	On-going PIMS Management Support	0%			
3-5.1.2.2	Prepare DED for Social Housing Unit	0%			
3-5.1.2.3	Prepare DED for Social Housing Infrastructure	0%			
3-5.1.2.4	Prepare DED for Affordable/Market Housing Units	0%			
3-5.1.2.5	Prepare DED for Affordable/Market Housing Infrastructure	0%			
3-5.1.2.6	Prepare DED for all Public Space, Social Facilities	0%			
3-5.1.2.7	Prepare Conceptual Designs for Commercial Facilities	0%			
3-5.1.2.8	Prepare Cost Estimates for All	0%			
3-5.1.2.9	Submit Draft/Final DEDs for Review/Approval	0%			
3-5.1.2.10	Client/Stakeholder Approval Processes	0%			
<b>3-5.1.3</b>	<b>Implementation: Social Housing Phases 3-5</b>				
3-5.1.3.1	On-going PIMS Management Support	0%			
3-5.1.3.2	Prepare Tender Packages for Social Housing Construction	0%			
3-5.1.3.3	Prepare Tender Packages for Infrastructure Construction	0%			
3-5.1.3.4	Prepare Tender Packages for Public Space/Social if Separate	0%			
3-5.1.3.5	Ensure Transitional Housing Arrangements are in Place	0%			
3-5.1.3.6	Tender, Evaluate, Select Contractors	0%			
3-5.1.3.7	Complete Selection of Qualified Residents	0%			
3-5.1.3.8	Construct Social Housing, Infrastructure, Public/Social Facilities	0%			
3-5.1.3.9	Implement Safeguard Policies: GAP, EMP, RAP, etc.	0%			
3-5.1.3.10	Monitor Safeguard Policies: GAP, EMP, RAP, etc.	0%			
3-5.1.3.11	Provide On-going Construction Supervision	0%			



## Annex 2 Draft Annual Work Plan for year 2024

OUTPUT	2024 ACTIVITIES	Indicator	2024 Targets	2024												Collaborating organizations	
				Q1			Q2			Q3			Q4				
				1	2	3	4	5	6	7	8	9	10	11	12		
	Complete construction works of 110 housing units on the site B15 in Bayankhoshuu sub-center	Construction work progress	100 % completion of construction work														Contractors
	Complete construction works of paved roads, bicycle lanes and landscaping inside the eco-district on the site B15 in Bayankhoshuu sub-center	Construction work progress	100 % completion of construction work														Contractors
	Complete construction works of 110 housing units on the site S-27/5 in Sharkhad sub-center	Construction work progress	100 % completion of construction work														Contractors
	Complete the construction works paved roads, bicycle lanes and landscaping inside the eco-district on the site S-27/5 site in Sharkhad sub-center	Construction work progress	100 % completion of construction work														Contractors
	Undertake procurement activities for construction works of 150 housing units on the site B-13/1 Bayankhoshuu sub-center	Selecting the contractor	Signed contract														Contractors
	Carry out construction work of paved roads, bicycle path and landscaping of eco-district on the site B-13/1 Bayankhoshuu sub-center	Construction work progress	50% completion of construction work														EFDP, contractors
	Undertake procurement activities for construction works of 76 housing units on the site B-13/2 in Bayankhoshuu sub-center	Selecting the contractor	Signed contract														Contractors
	Commence the civil works of paved roads, bicycle path and landscaping for 76 housing units on the site B-13/2 in Bayankhoshuu sub-center	Approved DED	50% completion of construction work														EFDP, contractors
	Conduct procurement for construction work of road, bicycle path and landscape of 228-housing unit apartments in the first phase of Sharkhad sub-center S-27/2	Selecting the contractor	Signed contract														PIMS, contractors
	Commence the construction work of paved roads, bicycle lanes and landscaping for 228 housing units on the site S-27/2 in Sharkhad sub-center	Approved DED	50% completion of construction work														Consultant, contractors
	Develop detailed design of Smart monitoring system (SCADA) of green buildings for Social Housing (800units)	Approved DED	Expertised DED														Consultant, contractors
	Develop and implement Environmental management plan in Bayankhoshuu and Sharkhad sites	Performance report	Submitted report to the Ulaanbaatar city Environmental Department														Consultant, contractors
	Implement environmental internal monitoring in Bayankhoshuu and Sharkhad sites	Performance report	Performance report twice a year, Submitted reports to the ADB														Consultant
	Register suggestions and complaints about environmental protection, solve them in a timely manner according to GRM, and take necessary corrective measures	GRM registration	Performance report twice a year, Submitted reports to the ADB														Consultant













## Annex 3 Policy Papers, discussed during Special Review Mission (Nov. 2023)

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### **Ulaanbaatar Green Housing and Resilient Urban Renewal Project (AHURP) Project Number: 49169 Policy Discussion Paper: Energy Efficiency (EE)**

#### **Proposal**

1. Repurpose GCF performance-based grants for additional insulation to achieve targets.
2. Include provision for additional insulation performance-based grant funding during the construction phase.

#### **Background**

3. Green buildings are more expensive than traditional construction methods used in Mongolia. The additional costs conflicts with the affordability tenets of AHURP. To address this mismatch GCF provided \$4 million (Output 1) and \$21 million (Output 2) in performance-based grant finance.
4. The concept of AHURP project is to reduce greenhouse gas emissions from the use of buildings. By replacing 1m<sup>2</sup> of ger housing which consumes 395 kWh/m<sup>2</sup>/year of energy for heating for 8 months, with 1m<sup>2</sup> of an apartment which consumes 25% less energy than the Mongolian standard for heating, for every 1m<sup>2</sup> of the building to be built under the project, 245 kWh/m<sup>2</sup>/year (395-150=245) energy will be saved and greenhouse gas emissions will be avoided in order to produce this energy.
5. AHURP Preliminary feasibility study determined the green building parameters of the project. The energy consumption of non-standard housing in the ger area was estimated to be 395 kWh/m<sup>2</sup>/year. The target for annual amount of heat energy used for heating the newly constructed building was calculated as 151kWh/m<sup>2</sup>/year.<sup>16</sup> AHURP building target is to therefore achieve 25% less energy consumption than the average Mongolian building.
6. Additional costs for to achieve 25% less energy is provided from the GCF 'non-refundable performance-based grant.

#### **Energy Efficiency Objectives for AHURP**

- to create a green building that consumes 25% less thermal energy than the average building of the Mongolian national standard,
- to control the energy consumption during the use of the buildings to 150 kWh/m<sup>2</sup>/year,
- to calculate/ report greenhouse gas emissions reduction from energy.

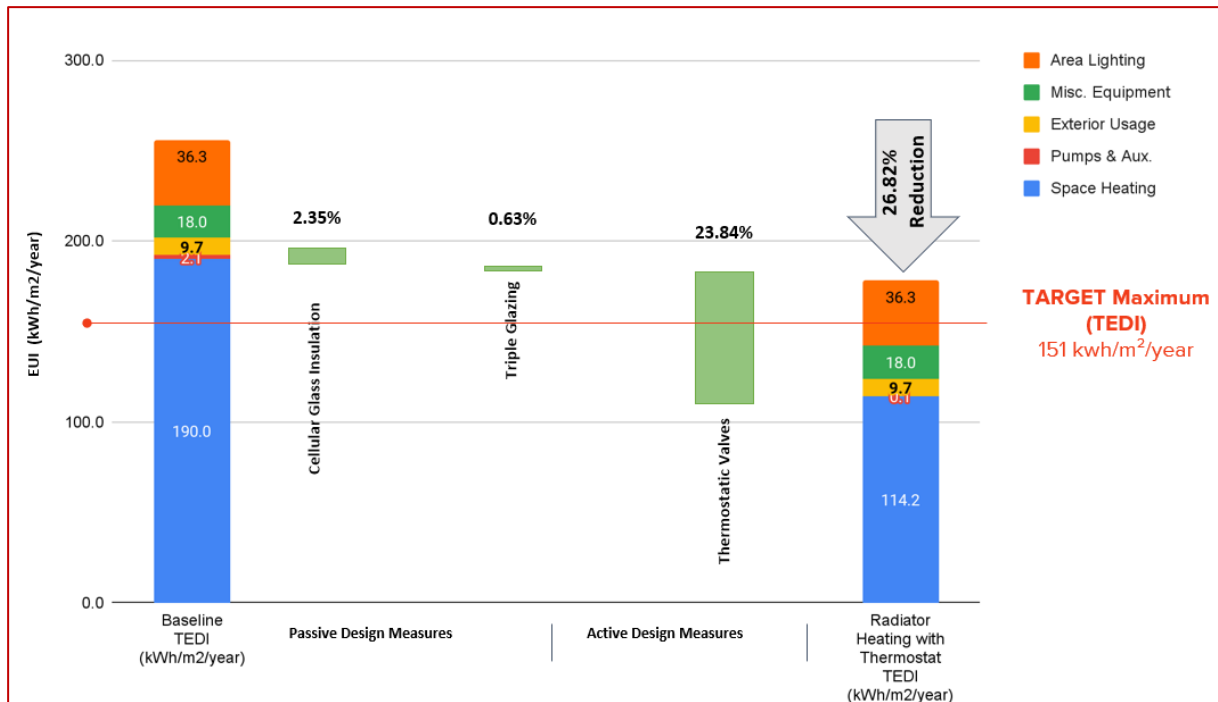
#### **Findings from the Pilot project**

7. To achieve the GCF target of 150 kWh/m<sup>2</sup>/year for buildings a range of passive and active energy saving strategies are needed in Output 1 & 2. Therefore, financing of active (e.g Thermostatic valve for the heating radiator, HRV system etc), and passive measures (e.g windows, external door etc) that were not indicated in the project documents (PAM, GCF FP) must be covered by grant. See Figure-1

Figure-1: Energy saving of active and passive measures

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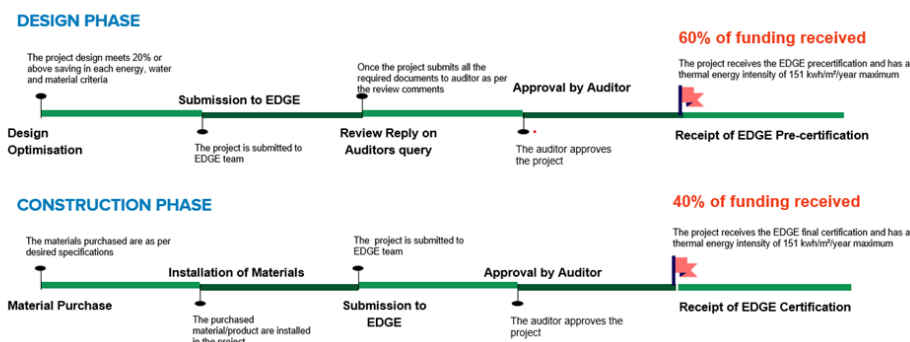
<sup>16</sup> In the PAM and GCF FP, this parameter was rounded up and included as 150kWh/m<sup>2</sup>/year



**GCF Grant disbursement versus Construction finance**

8. Based on the approved cost estimate, the costs related to energy saving measures are equal to 13% of the total estimated budget of construction.
9. The 13% cost must be funded from GCF performance-based grants. Developers and contractors participated in the survey responded that they will not participate in the tender on the condition they receive 13% of the project's funding after 1 year of the building being operational. This creates a risk that the selection of the project's CAA and project developer will be unsuccessful.
10. It is necessary to create a system to pre-verify the performance of energy-saving measures to organize the selection process of the project's CAA and project developer. See Figure 2. Proposed disbursement period

Figure 2. Proposed Disbursement periods



11. Since EDGE (“Excellence in Design for Greater Efficiencies”) certification takes place in 2 stages: (1) design and (2) post-construction, project can use it as pre-verification system.

12. To comply with local construction regulation AHURP will use “Building energy certificate” system (local building energy performance verification system according BNbD 25-01-20) as project performance verification system as well.

#### Greenhouse gas emission reduction target and performance

13. The AHURP performance of energy efficiency and GHG reduction per sqm of building exceeded from target. As EDGE is chosen as the project's pre-verification system, the two additional GHG reductions that can be measured, verified, and reported to ADB and GCF.
14. A reduction in overall project scope due to increased construction costs reducing to the annual and lifetime reduction of GHG in the project's target.

Table-1: GHG and Energy saving estimation

Target	2018	2023	Result
Thermal energy demand intensity (TEDI)	151kWh/m <sup>2</sup> year	151kWh/m <sup>2</sup> year	114kWh/m <sup>2</sup> year <b>Exceeds target</b>
Ger area Baseline TEDI that need to be improved by AHURP	395kWh/m <sup>2</sup> year	395kWh/m <sup>2</sup> year	395kWh/m <sup>2</sup> year
Energy saving per square meter of building	244kWh/m <sup>2</sup> year (395-151=244-E section of GCF FP)	244kWh/m <sup>2</sup> year (395-151=244-E section of GCF FP)	281kWh/m <sup>2</sup> year <b>Exceeds target</b> (395-114=281) - 29m <sup>3</sup> Water saving per household (EDGE calc) Finding -270 kgCO <sub>e</sub> /m <sup>2</sup> Embodied carbon saving per m <sup>2</sup> <b>Finding</b>
Carbon emission reduction per square meter of building	0.199 tCO <sub>2</sub> /m <sup>2</sup> per year. (E section of GCF FP)	0.199 tCO <sub>2</sub> /m <sup>2</sup> per year (E section of GCF FP)	0.22 tCO <sub>2</sub> /m <sup>2</sup> per year. <b>Exceeds target</b> GHG reduction from water saving 0.4 kgCO <sub>2</sub> /m <sup>3</sup> (International average factor) GHG reduction from embodied energy saving 311,4 tCO <sub>2e</sub> /building
Total Heated area sqm AHURP will build	940,312 m <sup>2</sup>	940,312 m <sup>2</sup>	204340m <sup>2</sup> <b>Proportionally achieved</b> (82 building)
Carbon reduction per year	187,149tCO <sub>2e</sub> /y (940,312 x 0.199)	187,149tCO <sub>2e</sub> /y (940,312 x 0.199)	41967tCO <sub>2e</sub> /y <b>Proportionally achieved</b> (204,340 x 0.22) Water saving: 34tCO <sub>2e</sub> /y <b>proposed to add as performance</b> <b>(29x3000x0.4)</b> <b>Embodied carbon reduction: 25535 tCO<sub>2e</sub>/y proposed to add as performance</b> <b>(311.4x82)</b>
Lifetime carbon reduction for 40 year	7,485,955 tCO <sub>2e</sub> . (187149 x 40)	7,485,955 tCO <sub>2e</sub> . (187149 x 40)	1,842,200tCO <sub>2e</sub> <b>Proportionally achieved</b> (46,055 x 40)

#### Recommendation

15. Agree with ADB and GCF to use additional insulation grants for additional insulation and other passive and active energy-saving technologies used for achieving targeted energy saving. Make appropriate changes to PAM.
16. Agree with ADB and GCF to include provisions for additional insulation performance-based grant funding during construction phase based on pre-verification system certification.
17. Agree with ADB and GCF to change the name of GCF grant funding for additional insulation to "non-reimbursable grants for energy saving measures for the building envelope and heating and ventilation system" and energy efficient external light.
18. Agree with ADB and GCF to pre-verify the performance of energy-saving measures to select the project's CAA and project developer.



## Ulaanbaatar Green Housing and Resilient Urban Renewal Project (AHURP)

**Project Number: 49169**

### Policy Discussion Paper: Grant financing of the Solar PV and Building Energy Performance Monitoring (BEPM)

#### Proposal

14. PMO propose to use 100% Green Climate Fund (GCF) grant of US\$5.34m to finance 90.9% of the Solar PV and BEPM cost.
15. Reduce DMF target for Solar PV proportionally from 72,000 m<sup>2</sup> to 9,528 m<sup>2</sup> to reflect proposed rescope of AHURP (from 10,000 - 3000 housing units)
16. Separate the DMF target of solar PV (9,528 m<sup>2</sup>) by Output 1 (3,836m<sup>2</sup>) and Output 2 (5,692m<sup>2</sup>).

Table 1. PAM and rescope summary of targets for Solar PV

Output	Original target (2019)		Proposed change (2023)	
	Output 1	Output 2	Output 1	Output 2
PV coverage	72 000 m <sup>2</sup>	-	3836 m <sup>2</sup>	5692 m <sup>2</sup>
<b>Total</b>	<b>72,000 m<sup>2</sup></b>		<b>9,528 m<sup>2</sup></b>	

17. Reallocate USD\$15.58m of GCF's loan<sup>17</sup> (the 61% allocation of the US\$95m loan) for housing unit construction for Output 2 .

PAM (2019)	Proposed (2023)
GCF loan fund US\$15.58m (61%),	GCF loan to Output 2 housing units
GCF grant US\$5.34m (20.9%),	GCF grant US\$5.34m (90.9%),
MUB contribution US\$4.62m (18.1%)	MUB contribution US\$0.54m (9.1%)
<b>Total: US\$25.54m</b>	<b>Total: US\$5.88m</b>

#### Background:

18. Under existing loan agreements AHURP can access US\$25.54m for Solar PV financing. GCF loan's of US\$15.58m (61% of the total GCF loan) for solar is supported by a GCF grant of US\$5.34m (20.9% of the total GCF loan). Furthermore, the MUB contribution of US\$4.62m (18.1%) is also available for solar PV. Although the funding is allocated under Output 1 (Social housing), it was originally intended for both Outputs 1 & Output 2 (affordable and market based housing).
19. The funding allocated under Output 1 was to deliver 72,000 m<sup>2</sup> of photovoltaic panels covering 18% of the building's footprint.

<sup>17</sup> GCF loan 8348

**20. As per TA-9030-MON<sup>18</sup> energy monitoring be a part of the AHURP Renewable Energy systems. Therefore, the solar PV and Building Energy Performance Monitoring (BEPM) will be funded by the solar PV system GCF grant.**

**The purpose of the proposal:**

21. To confer that the reduction of housing units (from 10,000 units to 3,000 housing units) will reduce need for solar PV installations.

22. To achieve positive financial result on investment of solar PV installation the allocation of funding needs to be modified.<sup>19</sup>

Table 2. Financial analysis of PV Feasibility study (1000units) which approved by Ministry of Energy (GCF loan (61%), GCF grant (20.9%), MUB contribution (18.1%) financial structure resulted negative IRR and NPV

№	Contents	B13-1 + B13-2	B-15	N4 / Tolgoit	S27-2	S27-5	TOTAL
		thous USD	thous USD	thous USD	thous USD	thous USD	thous USD
<b>Basic estimation. Investment: Loan 61% + Grant 20.9% + MUB 18.1%, Sales revenue 100%</b>							
1	Initial investment	569,769.41	389,940.43	383,164.70	579,609.18	410,041.04	<b>2,332,524.75</b>
	- GCF Loan	347,559.34	237,863.66	233,730.47	353,561.60	250,125.04	<b>1,422,840.10</b>
	- GCF grant	119,081.81	81,497.55	80,081.42	121,138.32	85,698.58	<b>487,497.67</b>
	- MUB grant	103,128.26	70,579.22	69,352.81	104,909.26	74,217.43	<b>422,186.98</b>
2	Total income	341.53	233.09	227.07	332.15	253.63	<b>1,387.47</b>
3	Total expense	447.86	308.57	298.25	448.57	332.21	<b>1,835.46</b>
	- Fixed O&M	104.92	72.36	69.93	104.92	77.79	<b>429.92</b>
	- Salary	67.73	46.71	45.14	67.73	50.21	<b>277.53</b>
	- Petrol cost	4.91	3.38	3.27	4.91	3.64	<b>20.10</b>
	- Stationery costs	4.91	3.38	3.27	4.91	3.64	<b>20.10</b>
	- Others	4.91	3.38	3.27	4.91	3.64	<b>20.10</b>
	- Depreciation expense	194.27	133.92	129.15	194.95	144.53	<b>796.82</b>
	- Loan interest payment	66.22	45.60	44.22	66.45	48.79	<b>271.28</b>
	- Profit tax	-	0.16	-	0.21	0.03	<b>0.39</b>
4	Loan principal	347.56	237.86	233.73	353.56	250.13	<b>1,422.84</b>
5	Internal Rate of Return (IRR)	<b>-170.43%</b>	<b>-166.17%</b>	<b>-170.61%</b>	<b>-156.07%</b>	<b>-176.66%</b>	<b>-167.99%</b>
6	Net Present Value (NPV)	<b>-750.88</b>	<b>-530.69</b>	<b>-521.45</b>	<b>-773.28</b>	<b>-550.21</b>	<b>-625.30</b>

Table 3. Financial analysis based on the PV Feasibility study (1000units) which approved by Ministry of Energy Initial investment of the solar PV system by each site

№	Contents	B13-1	B-15	N4 / Tolgoit	S27-2	S27-5	TOTAL
		thous.USD	thous.USD	thous.USD	thous.USD	thous.USD	thous.USD
1	Engineering drawing/approval	11,744.07	8,095.69	7,807.34	11,785.56	8,737.17	<b>48,169.82</b>
2	PV module	84,969.62	58,573.19	56,486.95	85,269.83	63,214.42	<b>348,514.01</b>
3	Inverter	70,220.03	48,405.66	46,681.57	70,468.13	52,241.24	<b>288,016.64</b>
4	Monitoring BEPM system	216,000.00	144,000.00	144,000.00	216,000.00	144,000.00	<b>864,000.00</b>
5	Mounting structure	58,161.58	40,093.26	38,665.23	58,367.07	43,270.17	<b>238,557.31</b>
6	Electrical connection equipment	53,559.34	36,920.74	35,605.71	53,748.57	39,846.27	<b>219,680.62</b>
7	Installation cost	51,136.73	35,250.73	33,995.19	51,317.41	38,043.93	<b>209,743.99</b>
8	Testing	2,840.93	1,958.37	1,888.62	2,850.97	2,113.55	<b>11,652.44</b>
9	Spare parts	5,338.21	3,679.86	3,548.79	5,357.07	3,971.44	<b>21,895.37</b>
10	Land cost /20%/	15,798.89	12,962.93	14,485.31	24,444.57	14,602.86	<b>82,294.57</b>
	<b>Total</b>	<b>569,769.41</b>	<b>389,940.43</b>	<b>383,164.70</b>	<b>579,609.18</b>	<b>410,041.06</b>	<b>2,332,524.77</b>

23. To recommend the GCF grant US\$5.34m is sufficient for the solar PV capacity 2.4MWdc with BEPM system for the 3000 housing units.

**Re-Scope of the Solar PV (2023-2026)**

24. The rescope of AHURP planned during the Special Review Mission suggests that rooftop solar panels for AHURP (based on a revised figure of approximately 3000

<sup>18</sup> TA-9030-MON, Draft Final Report / Main Report – Vol II, A.3.1.6 Building Energy Performance Monitoring

<sup>19</sup> Funding from 100% GCF grant of US\$5.34m to finance 90.9% of the Solar PV. The results from an independent analysis (2023) illustrated an investment rate of return (IRR) and Net Present Value (NPV) is negative. Which means loan repayment for the Solar PV will be stressed. See table 2 for result of financial analysis using the original loan proposal (GCF loan (61%), GCF grant (20.9%), MUB contribution (18.1%).

housing units) would create an installed capacity of 2.4MW to generate 2,988MWhr energy and reduce 3,296tCO<sub>2</sub> at first year.

25. The 72,000 sqm of solar PV referenced in the PAM is reduced to 9 528m<sup>2</sup>. However, the coverage of 18%<sup>20</sup> of the footprint of building and facilities has increased to 22%.

Table.3. Detailed PAM and rescope targets for Solar Pv

	<b>PAM (2019)</b>	<b>Rescope (2023)</b>	<b>GAP</b>
Housing units,	10 000	3000	- 7 424
PV capacity, MW	11	2.4	- 8.6
PV area, m <sup>2</sup>	72 000	9 528	-62 472
PV footprint coverage, %	18	27	+ 4
Power supply, MWh/y	15 649	2 988	- 12 661
CO <sub>2</sub> Emission (factor 1.103 tCO <sub>2</sub> /MWh)	17 261	3 296	-13 965

### Financial Implications

26. The estimated cost of the Solar PV system with BEPM for the Output 1 and 2 is US\$5.8m. We are requesting access to GCF grant US\$5.34m (90.9%), and MUB contribution US\$0.54m (9.1%).

Table .4 Cost estimation of Solar PV with BEPM system

<b>Output 1</b>	<b>Sites</b>	<b>Building units</b>	<b>PV with BEPM Total cost</b>
Stage 1	B15	4 units	390 000\$
	S27-5	4 units	410 000\$
Stage 2	B13	6 units	570 000\$
Stage 3	S27-2	6 units	580 000\$
Stage 4	Tolgoit	4 units	384 000\$
<b>Output 2</b>	Selbe	46 units	3 468 000\$
<b>TOTAL</b>	<b>4 sites</b>	<b>71 building</b>	<b>5 800 000\$</b>

### Legal Implications

27. Modify the DMF targets as originally defined and as indicated below.

	Original target (2019)		Proposed change (2023)	
	Output 1	Output 2	Output 1	Output 2
PV coverage	72 000 m <sup>2</sup>	-	3834 m <sup>2</sup>	5692m <sup>2</sup>
Total	72 000 m <sup>2</sup>		9 528 m <sup>2</sup>	

28. Modify loan agreements AHURP for the Solar PV access to GCF grant US\$5.34m (90.9%), and MUB contribution US\$0.54m (9.1%) for the approximately 3000 housing units with installed capacity of solar PV 2.4MW. And reallocate GCF loan fund

<sup>20</sup> GCF Funding Proposal, Eco-district design parameters, page 14

US\$15.58m funds to other construction activities associated with the sustainable green objectives of the project.

### Recommendations

29. Agree to adjust the existing loan agreement funding for the AHURP Solar PV to achieve approximately 3000 housing units from:

<b>PAM (2019)</b>	<b>Proposed (2023)</b>
GCF loan fund US\$15.58m (61%),	GCF loan fund (0%)
GCF grant US\$5.34m (20.9%),	GCF grant US\$5.34m (90.9%),
MUB contribution US\$4.62m (18.1%)	MUB contribution US\$0.54m (9.1%)

30. Agree to reduce DMF target proportionally from 72,000 m<sup>2</sup> to 9,528m<sup>2</sup>
31. Agree to reallocate remaining funds to other construction activities.

## Ulaanbaatar Green Housing and Resilient Urban Renewal Project (AHURP)

**Project Number: 49169**

### Policy Discussion Paper: Rescoping of number of housing units

#### Proposal

1. PMO propose to reduce the number of housing units under Output 1 from 1,500 to 800.
2. PMO propose to reduce the number of housing units under Output 2 from 8,500 to 2,200.
3. Rescope the project and all its relevant components accordingly.

#### Rationale for decreasing numbers of housing units:

1. **Currency devaluation.** The actual local currency devaluation is 44% compared to 2018 USD exchange rate and it is 20.5% higher than the estimated devaluation of 23.5% as stipulated in PAM (p.33, para 54, table 3). It results in the increased cost of imported materials, namely construction materials.

Table-1: Currency devaluation after 2017

Currency	2018 (April)	Estimated (2023)	Actual (2023)
USD/MNT	₮ 2,400	₮ 2,964	<b>₮ 3,450</b>

2. **Consumer price inflation.** The price inflation rate was estimated at 7.0 (PAM, p.33, para 54, table 3) for each year of project duration. However, the actual consumer price inflation rate fluctuated as shown in the table below. The inflation rate continues to remain high in the post-epidemic years of economic recovery.

#### 32. Table-2: Annual consumer price inflation rate (variation) after 2017

ANNUAL INFLATION LEVEL (CONSUMER PRICE INDEX)		
Year	Mongolia	Ulaanbaatar
2017	6.4	4.6
2018	8.1	7.7
2019	5.2	5.0
<b>*2020</b>	<b>2.3</b>	<b>1.9</b>
2021	13.4	14.8
2022	13.2	12.9
2023-09	10.2	10.2

*\*Due to the government intervention and border closures, the inflation rate in 2020 was forcefully stabilized.*

It results in drastic increases in (i) labor cost, and (ii) consumer good prices.

- i. The decree No 217 of Minister of Construction and Urban Development, dated 30 December 2019, increased the benchmark wage by 30% for construction workers<sup>21</sup>.
- ii. The table below shows the price increase of essential commodity goods such as fuel, flour, and beef over the course of last 6 years between 2018 and 2023<sup>22</sup>.

<sup>21</sup> Order No 217 of Minister of Construction and Urban Development that sets the benchmark wage for construction sector workers: <https://legalinfo.mn/mn/detail?lawId=14930>.

<sup>22</sup> Comparative price of fuel AI 92: [https://nso.mn/mn/statistic/statcate/573063/table-view/DT\\_NSO\\_0600\\_001V4](https://nso.mn/mn/statistic/statcate/573063/table-view/DT_NSO_0600_001V4)

Table-3: Price increase of essential commodity goods

Commodity goods	2018 (MNT)	2023 (MNT)
Fuel AI 92 (1l)	1,730	2,390
Flour (1kg)	1,345	2,751
Beef (1kg)	8,525	15,414

3. **Cost escalation in the construction sector in Mongolia.** Compared to the project estimation of 2017, the residential building construction unit cost increased 2.56 times in 2022. Current official index of the unit cost for residential building construction is 1.81 times higher than the index of 2016<sup>23</sup>.

Table-4: Comparative price of unit construction cost for residential building

Currency	Estimated unit cost (*PPTA 9030, 2017)	Official unit cost (*MCUD index 2022)	AHURP State expertised unit cost (Bayankhoshuu *DED, 2022)
MNT	862,500 (minimum)	2,209,320 (minimum)	2,506,710 (minimum)
USD	250 (minimum)	640 (minimum)	727 (minimum)

Exchange rate: 1USD =3450MNT

\*PPTA: Project Pre-feasibility Study

\*MCUD: Ministry of Construction and Urban Development

\*DED: Detailed Engineering Design

4. Increase of land and asset cost. The table below shows the comparative land and asset valuation cost for 2 similar areas in Bayankhoshuu sub-center. The cost of resettlement has been significantly increased for a period of 2 years.

Year	Land size (ha)	Number of plots	Resettlement cost	Location
2020	5.6	94	MNT 5.6 billion	B15 (vacated by NOSK)
2022	5.4	71	MNT 8.4 billion	N4 (under VLSP principle of AHURP)

## Financial Implications

5. Budget allocation.

Table-5. Number of housing units and financing source

Outputs	Financing source	Budget (USD)	Housing units (including infrastructure, landscaping, and resettlement)
Output 1	MON 3694 (ADB OCR)	M 46	800
	MON 3695 (ADB COL)	M 5.1	
	MON 0594 (GCF grant)	M 2.0	
Output 2	MON 8348 (GCF COL)	M 95	2,200
	MON 0594 (GCF Grant)	M 22.8	
<b>TOTAL</b>			<b>3,000</b>

## Legal Implications

6. Modify the DMF targets as originally defined and as indicated below.

Table-6. Number of housing units

<sup>23</sup> Order No 74 of March 31, 2022 by Ministry of Urban development and Construction

Output	Original target (2018)		Proposed change (2023)	
	Output 1	Output 2	Output 1	Output 2
Housing units	1,500	8,500	800	2,200
Total	10,000		3,000	

## **Draft Discussion Paper Green Climate Fund (Grant Finance): Greenhouses**

### **Proposal**

- 1 Decrease the sqm of greenhouse allocation in Output 1 and 2 as originally stated in the PAM.
- 2 Increase available grant finance to Output 1 to construct 'three-season' greenhouses and subsequently decrease grant finance for Output 2. This requires transferring additional funding for Output 1 from Output 2 finance.
- 3 Access the GCF grant for Greenhouses and other low-carbon adaptive investments related to community open space, and amenities.

### **Background to Grant Financing for Greenhouses**

- 4 ADB LA MON-3695<sup>24</sup>, states at least 10% of an eco-district subprojects should be covered with greenhouses.
- 5 GCF will provide US\$9.5m of grant finance for the inclusion of greenhouses in eco-district developments. Based on ADB loan, the plan is to:
  - 5.1 Invest US\$200,000 for greenhouses associated with social housing (Output 1) and
  - 5.2 \$9.3m for affordable and market housing. (Output 2)
- 6 The two original targets under DMF for Greenhouse (devised in 2019):
  - Construct 2,000<sup>m2</sup> greenhouse for social housing (output 1)
  - Construct 79,000 <sup>m2</sup> greenhouse for affordable housing (output 2)
- 7 AHURP aims to provide mixed-income neighborhoods which could include social, affordable and market housing in the same building.

### **The purpose of this paper is:**

- a) Obtain GCF approval for decreasing from 81,000 sqm of greenhouses (Output1 and Output 2) to 3100 sqm.
- b) Confirm the cost of implementing 3 season greenhouses
- c) Obtain GCF approval to increase finance by US\$800,000 for Output 1 for 1220 <sup>m2</sup> of 3 season greenhouses
- d) Obtain GCF approval to decrease finance by US\$8.1m for Output 2. for 1880 <sup>m2</sup> of 3-season greenhouses
- e) obtain GCF approval to fund for other adaptative investments.

### **Reason for Request**

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<sup>24</sup> Schedule 5, para.47



- 8 The objective to construct greenhouses is to increase per capita household income, which is below the 2023 minimum standard of 313,400 MNT<sup>25</sup>
- 9 To integrate AHURP's Eco-district planning and design, one needs to re-consider the grant funding allocation for greenhouses to better reflect the mix of housing types and income levels of residents. The Pilot Project for B15 proposes a mix of stand-alone and attached greenhouses while the S27-5 proposes community gardens with potential for stand-alone greenhouse.
- 10 Options for allocation of greenhouse grants may be better served on a per capita basis where neighborhood density is relative to the amount of grant received.
- 11 Challenges to construct greenhouses exist because of limited available land, expensive nature of land acquisition, and the low economic viability of summer greenhouses.
- 12 A three-season greenhouse model was designed for the eco-district, considering factors such as extended service life (240-256 days per year), excellent economic efficiency, and suitability for fertilization purposes.

### **Why decrease Sqm of Greenhouse Allocation in Output 1 and 2.**

- 13 Due to the failure to establish EDAF and the rise in construction material prices, the total number of apartment housing units planned under Output 2 has been reduced to less than half of its intended quantity.
- 14 Output 1. The livelihood of 7.6% of decile 1-3 allocated for social housing will be supported by three season greenhouses. There is insufficient availability of land purchased from the NOSK site for 2,000 sqm of summer greenhouse required for output 1.
- 15 Output 2. Inadequate area for a 79,000 sqm target required for summer greenhouse. The decrease in number of housing units under Output 2 will lead a reduction of greenhouses.

### **Why an Increase in grant finance is required to construct three season greenhouses**

- 16 Output 1. The total cost for a 1 sqm of 3-season greenhouse (US\$640) is higher than a 1 sqm summer greenhouse (US\$117). A 450% increase in cost.
- 17 Conversely, for Output 2 we need to reduce the available grant finance. The reduction of greenhouses under Output 2 will lead to a decrease in funding.

### **Recommendations**

- 18 Clarify the number of greenhouses eligible for grant funding from GCF.
- 19 GCF/ADB review the funding allocations in both Output 1 and 2 for greenhouses
- 20 ADB and GCF agree that greenhouse grant funding be allocated on a per capita basis rather than on housing type.

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<sup>25</sup> Population minimum standard of living, National Statistic Office, Монгол Улсын Үндэсний статистикийн хорооны даргын 2023 оны А/23 дугаар тушаалаар батлагдсан

- 21 ADB and GCF agree that at least 1% of an eco-district should be covered by greenhouses.

## Annex 4 Bayankhoshuu and Sharkhad Site Planning

### Bayankhoshuu subcenter Eco District



Bayankhoshuu subcenter N4, B15, B13 sites

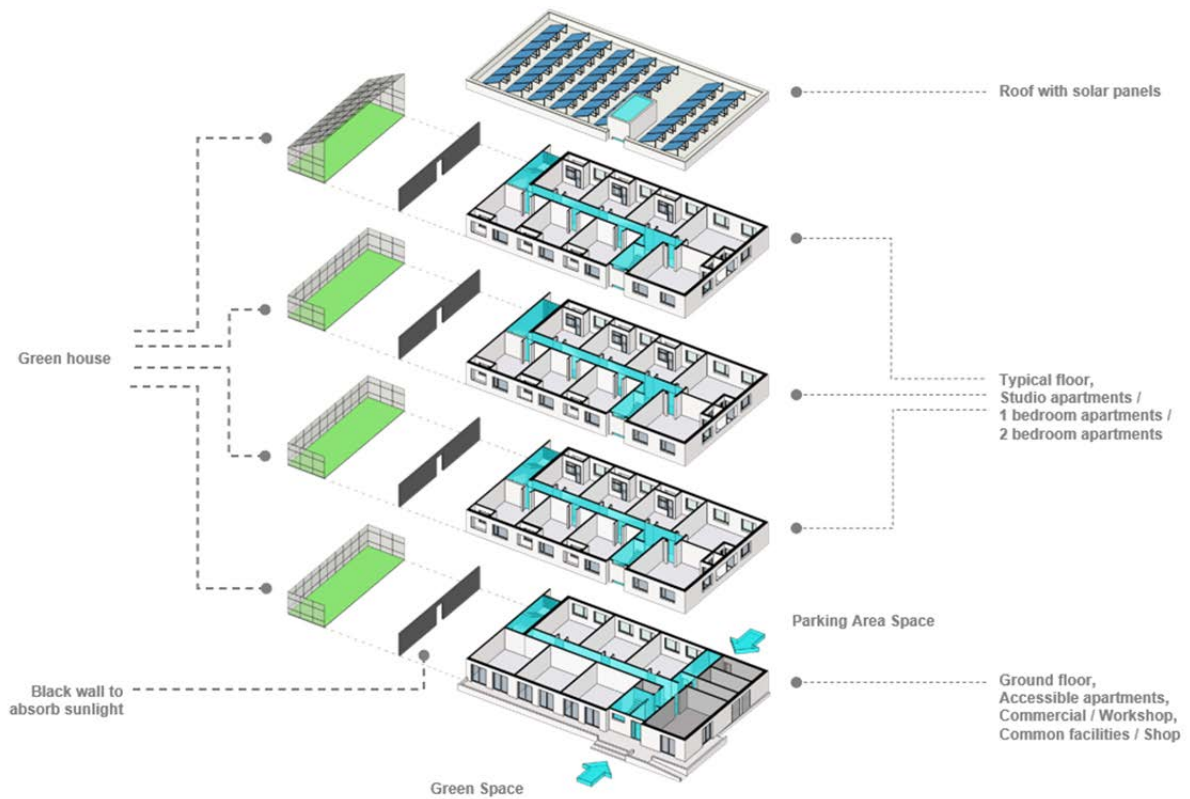
### Bayankhoshuu (B-15) Pilot social housing



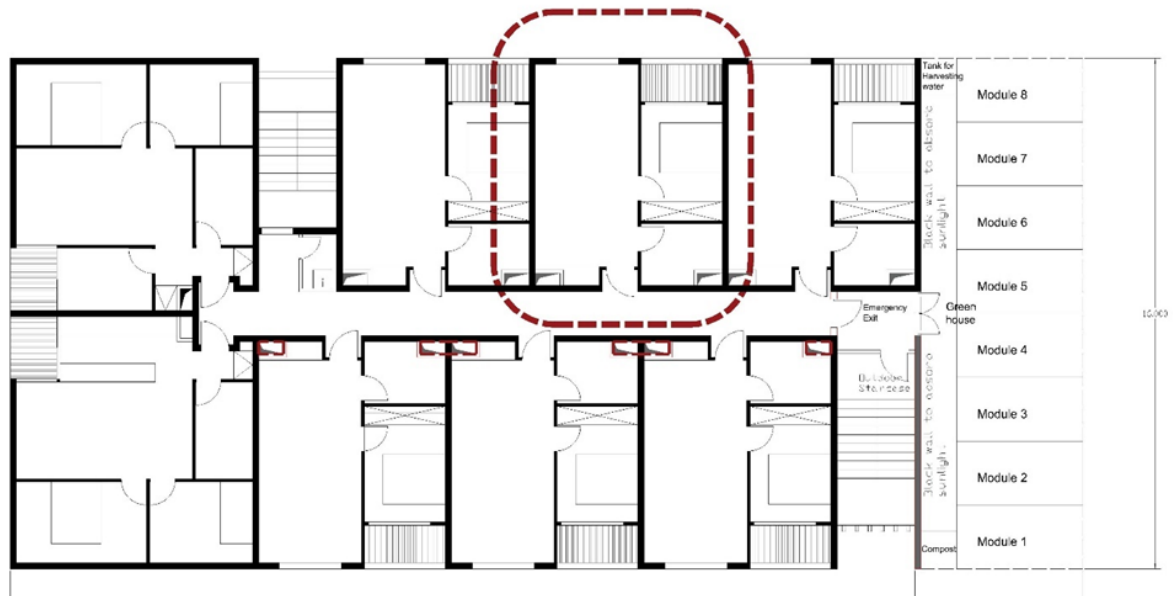
### Bayankhoshuu (B13) Social Housing



# BKH Pilot Social Housing Concept



Axonometric Cross-Setion



Typical Floor Layout with internal





**В БАРИЛГА (B Building)**

- 4 давхар (4 storey)
- 29 айлын сууц (29 units)
- Урд нүүрэнд нарны цахилгаан үүсгүүр суурилуулсан (Solar panel at the south facade)
- 13 авто машины дотор зогсоол (13 indoor car parking lots)

B15 Building B



**С БАРИЛГА (C Building)**

- 4 давхар (4 storey)
- 30 айлын сууц (30 units)
- 13 авто машины дотор зогсоол (13 indoor car parking lots)
- Урд нүүрэнд нарны дулаан хадгалах тромбын хана байрлана (Trombe wall at the South facade)

B 15 Building C



**D БАРИЛГА (D Building)**

- 4 давхар (4 storey)
- 24 айлын сууц (24 unit)
- 1-р давхартаа үйлчилгээний талбай (Commercial area at the ground floor)
- 13 авто машины дотор зогсоол (13 indoor car parking lots)
- Үрд нүүрэнд эко өнгөлгөөний материал байрлана (Eco wall at the south facade)

B15 Building D



**НОГООН КОРИДОРЫН ХАРАГДАХ БАЙДАЛ (Green Corridor)**

Social housing and Green corridor





B13 site view

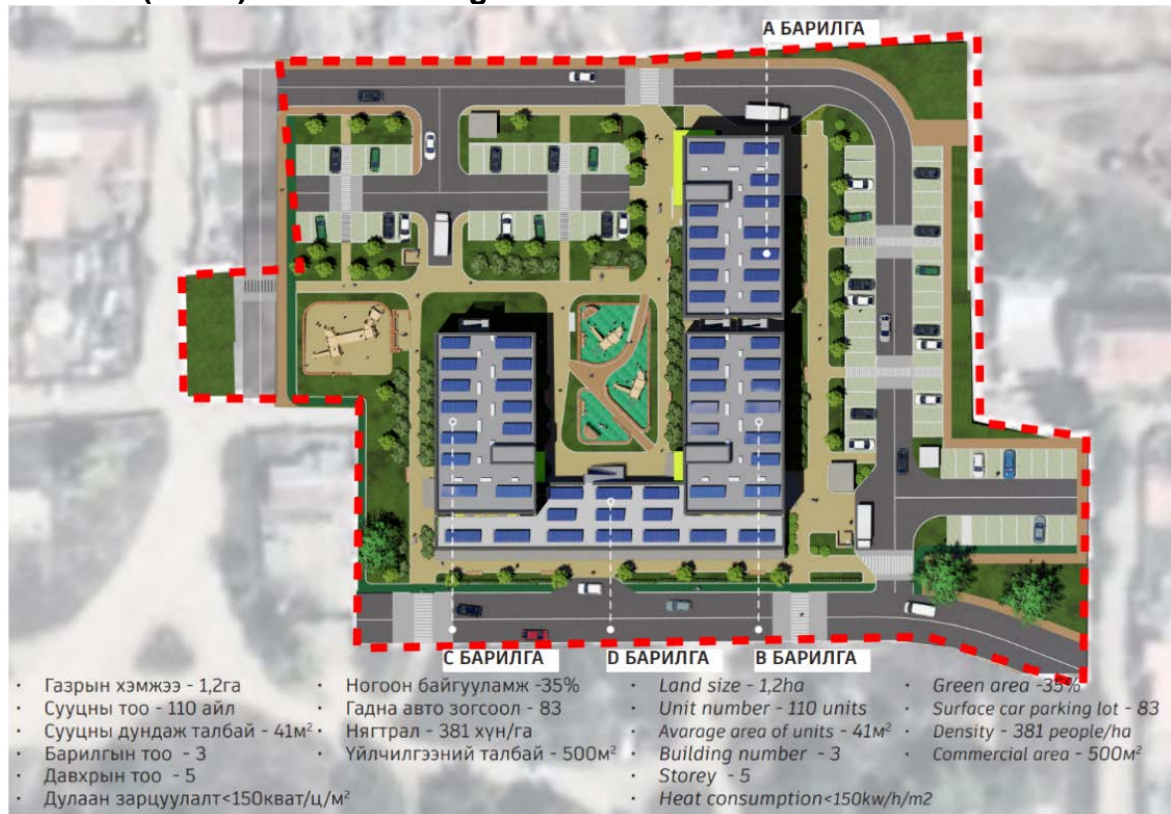
### Sharkhad subcenter Eco District



Sharkhad subcenter S27-5 and S27-2 site



### Sharkhad (S27-5) Social Housing



S27-5 site



S27-5 site view

### **Sharkhad S27-5 Social Housing Building & Immediate Surrounding**



S27-2 site view



S27-2 site view

### Sharkhad (S27-2) Social Housing



Sharkhad S27-2 site

### **Sharkhad Social Housing Building & Immediate Surrounding**



## Annex 5. Compliance with Loan and Grant Agreement

№	Requirement of ADB	Activity	Compliance Status
<b>Loan agreement (OOConcessional) 12.26.2018</b>			
1.	<b>Schedule 4.</b> 1. The procurement of goods, works and consulting services <b>shall be subject to and governed by the procurement guidelines, and the consulting guidelines, respectively.</b>	The procurement is being carried out in accordance with ADB's procurement guidelines and there have been no complaints regarding the procurement	Being complied with on an ongoing basis
2.	<b>Schedule 4.</b> 4a. The Borrower, through the Project Executing Agency and Project Implementing Agency, shall ensure that all Goods and Works procured(including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) <b>do not violate or infringe</b> any industrial property or intellectual property right or claim of any third party. 4b. The Borrower, through the Project Executing Agency and Project Implementing Agency, shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph a of this paragraph.	The procurement is being carried out in accordance with ADB's procurement guidelines and there have been no complaints regarding the procurement	Being complied with on an ongoing basis
3.	<b>Schedule 4.</b> 5. The Borrower, through the Project Executing Agency and Project Implementing Agency, shall ensure that all ADB, financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.	Appropriate clauses are included in the contract with the consultants	Being complied with on an ongoing basis
4.	<b>Schedule 4.</b> 6. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.	Consultants are selected according to ADB's Consultant Selection and Procurement Guide, and the ADB is informed and approved each time.	Being complied with on an ongoing basis

5.	<b>Schedule 4.</b> 7. Goods and works shall be procured on the basis of the procurement methods set forth below: a. International Competitive Bidding; b. National Competitive Bidding; c. Shopping; and d. Community Participation	The procurement is being carried out in accordance with ADB's procurement guidelines and there have been no complaints regarding the procurement	Being complied with on an ongoing basis
6.	<b>Schedule 4.</b> 9. The borrower and ADB shall insure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrowers national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modification and clarifications shall become effective only after approval of such change by the Borrower and ADB.	Procurement is conducted in accordance with ADB and local laws and is being carried out with appropriate ADB approvals.	Being complied with on an ongoing basis
7.	<b>Schedule 4. Conditions for Award of Contract</b> 11. The Borrower, through the Project Agency, shall not award any Works contract under the Project: a. which involves environmental impact until (i) the Ministry of environment and tourism has granted the final approval of the IEE; and (ii) the Project Executing Agency has incorporated the relevant provisions from the EMP into the Works contracts; b. which involves involuntary resettlement impacts, until the Project Executing Agency has prepared and submitted to ADB, the final RP based on the detailed design, and obtained ADB's clearance of such RP; and c. which involves voluntary land swapping until the Project Executing Agency has prepared and submitted to ADB, the final VLSP based on detailed design, and obtained ADB's clearance of such VLSP.	The agreements concluded with the contractors reflect the regulations stipulated in the EMP and the environmental impact assessment of the relevant ADB protection policy.  The Resettlement plan and the Resettlement Framework are being developed and approved by the ADB.	Being complied with on an ongoing basis

8.	<p><b>Consulting Services</b></p> <p>12. Except as set forth in the paragraph below, the Borrower, through the Project Executing Agency, shall apply Quality- and Cost-Based Selection for Consulting Services.</p> <p>13. The Borrower, through the Project Executing Agency, shall apply the following selection method for the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Quality-Based Selection for resettlement external monitoring.</p> <p>14. The Borrower, through the Project Executing Agency, shall recruit the individual consultants as needed in accordance with procedures acceptable to ADB for recruiting individual consultants.</p>	<p>The contractor for resettlement external monitoring is selected and qualified and signed a contract.</p>	<p>Being complied with on an ongoing basis</p>
9.	<p><b>ADB's Review of Procurement Decisions</b></p> <p>15. Contracts procured under (i) international competitive bidding procedures, (ii) first contract procured under national competitive bidding procedures, (iii) contracts procured under community participation and (iv) contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.</p>	<p>Procurement is conducted in accordance with ADB and local laws and is being carried out with appropriate ADB approvals.</p>	<p>Being complied with on an ongoing basis</p>
10.	<p><b>Procurement under Output 2 (EDAF Component):</b></p> <p>16. The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that each Qualified Developer undertakes procurement of Goods and Works with due attention to economy and efficiency in accordance with established private sector or commercial practices acceptable to ADB in accordance with paragraph 3.12 of the Procurement Guidelines.</p> <p>17. The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that the template for the procurement and selection of Qualified Developers based on commercial practices has been developed and approved by ADB and used for each Qualified Subproject.</p>	<p>Developed template for the procurement and selection of Qualified Developers</p>	<p>Will be complied with when due</p>
11.	<p><b>Schedule 5: Implementation Arrangement</b></p> <p>1. The Borrower, the Project Executing Agency and the Project Implementing Agency shall ensure that the Project is implemented <b>in accordance with the detailed arrangements set forth in the PAM</b>. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower, the Project Executing Agency, Project Implementing Agency and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.</p> <p>2. The Borrower shall cause the Project Executing Agency and MUB PMO to have adequate capacity to implement the Project, including providing training on funds flow arrangements and ADB guidelines on Project disbursements, accounting and reporting and ensure that systems they have are more tailored for this Project.</p> <p>3. The Borrower shall cause the Project Executing Agency and the Project Implementing Agency to adequately staff and equip the relevant project management office or project implementing unit.</p>	<p>Providing the necessary training and information</p> <p>Restructuring of DBM and PIU is under discussion</p>	<p>Being complied with on an ongoing basis</p>



	<p>4. The Borrower, through the Project Implementing Agency, shall ensure that the DBM PIU has adequate capacity to implement the Project by</p> <p>(a) assigning or engaging staff who are qualified and experienced in the fields of real estate and property development and housing mortgage finance until there is sufficient capacity created within the DMB PIU; and</p> <p>(b) providing training on ADB's disbursement policies and procedures and administration and accounting capability to manage the EDAF.</p>		
12.	<p><b>Interagency Coordination</b></p> <p>5. The Borrower, through the Project Executing Agency, shall ensure adequate coordination with relevant government agencies, especially the Urban Planning and Master Planning Agency and Land Agency, GADIP project management office, the Capital City Housing Corporation and Urban Planning and Design Institute.</p>	Project Executing Agency cooperate with the relevant organizations of the project	Being complied with on an ongoing basis
13.	<p><b>Counter part Funds</b></p> <p>6. The Borrower shall cause the Project Executing Agency to provide counterpart funds necessary for the Project in a timely manner, including any additional counterpart funds required for any short fall of funds or cost over runs during Project implementation.</p> <p>7. In addition to the foregoing, the Borrower shall cause that the Project Executing Agency to have sufficient funds to satisfy its liabilities from any Works, Goods and/or Consulting Services contract.</p>	This requirement has not yet been created.	Will be complied with when due
14.	<p><b>During Construction Period</b></p> <p>8. The Borrower, through the Project Executing Agency, shall ensure that the Works contractors take necessary actions to avoid interruptions to water supply, heating, and other utility services during the Project construction period.</p>	This requirement has not yet been created.	Will be complied with when due
15.	<p><b>Road Safety and Operation and Maintenance of the Project Facilities</b></p> <p>9. The Borrower, through the Project Executing Agency, shall promote public transport and non-motorized traffic and traffic safety provisions for all roads constructed under the Project, adequate traffic and safety signage, signal lamps, median separators, traffic control, barrier-free facilities allowing access for disabled people, low-energy consumption street lighting and other necessary facilities.</p> <p>10. The Borrower, through the Project Executing Agency, shall ensure that a regular inspection and maintenance programs established and administered by Water Supply and Sewerage Authority of Ulaanbaatar City for the new water supply and sewerage network to mitigate leakage or mass spills.</p>	This requirement has not yet been created.	Will be complied with when due

<p>16.</p>	<p><b>Environment</b></p> <p>11.The Borrower, through the Project Executing Agency, shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and</p> <p>(c) all measures and requirements set forth in the EARF, each IEE, each EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report. The Borrower, through the Project Executing Agency, shall ensure that no activities categorized as Category A under the SPS shall be financed under the Project.</p> <p>12.The Borrower, through the Project Executing Agency, shall ensure that throughout the Project implementation, (a) any changes to the Project design are reviewed that may potentially cause negative environmental impacts; (b) in consultation with ADB, environmental monitoring and mitigation measures are revised as necessary to ensure full environmental compliance; and (c)provide ADB within 60 days justification for any proposed changes to the mitigation measures required during design, construction and operation.</p> <p>13.The Borrower, through the Project Executing Agency, shall cause the Works contractors to (a) obtain permission from Project Executing Agency's Environmental Department on selecting sites for quarries, borrow pits and spoil disposals; (b)select quarries, borrow pits, and spoil disposal sites appropriate to the scale of the required borrow soil and the spoil generated before construction commences; (c) endorse such sites as being consistent with the selection criteria set out in each EMP; and (d) manage the sites in accordance with each EMP prescriptions.</p> <p>14.The Borrower, through the Project Executing Agency, shall ensure that (a) the daily domestic activity of retrieving domestic water from local kiosks will be protected and not disrupted.</p> <p>(b) the ger residents will be able to walk safely and freely near the construction sites while transporting the daily or weekly supply of water; and</p> <p>(c) pedestrian routes will be protected with barriers between construction sites and walkways, or temporary protected routes created.</p>	<p>The contract signed with the construction contractors includes the necessary clauses related to environmental protection and safety, and the implementation of the contract is being monitored.</p>	<p>Being complied with on an ongoing basis</p>
	<p>Additionally, the Borrower shall cause the Project Executing Agency to provide funds and resources necessary for the operation and maintenance of the Project facilities after Project completion.</p>		

<p>18.</p>	<p><b>Involuntary Resettlement (Output1)</b>          15. For Output 1, for areas outside Qualified Subprojects' perimeters, the Borrower, through the Project Executing Agency, shall ensure that all land and all rights-of-way required are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the          16. With out limiting heap plication of the involuntary resettlement safeguards, RF or the relevant RP, the Borrower, through the Project Executing Agency, shall ensure that no physical or economic displacement take place under Output 1 of the Project until:          (a) compensation and other entitlements have been provided to affected people in accordance with the relevant RP; and          (b)a comprehensive in come and livelihood restoration program has been established in accordance with the relevant RP.</p>	<p>This requirement has not yet been created.</p>	<p>Will be complied with when due</p>
<p>19.</p>	<p><b>Voluntary Land Swapping Plan</b>          17. Within Qualified Subprojects' perimeters, the Borrower, through the Project Executing Agency, shall ensure that the voluntary land and asset swap process complies with each VLSP prepared for each Qualified Subproject under the Project, including:          (a) land and asset valuation methodology, including the estimated and agreed value of: (i) the area of the Khashaa; (ii) the permanent constructions (gers excluded); (iii) the garage(s) if applicable; (iv) the fence and gate if applicable; (v) other valuable structures such as holding tanks/cesspits; (vi) plants if productive crops; and (vii) businesses and livelihoods.          (b) eligibility and entitlements of beneficiary households, especially the poor and vulnerable households, through access to social housing, cash grant and livelihood improvement programs.          (c) principles and procedures of voluntary land and/or asset swapping, based on transparency, consistency, and fairness.          (d) meaningful consultation and participation during identification, feasibility, and detailed design to ensure that participation of landowners and non-landowners is based on informed decision, free of intimidation or coercion.          (e) access to affordable and social housing mechanisms.          (f) establishment of a grievance redress mechanism which requires proper documentation of grievances and actions taken to address such grievances; and          (g) engagement of an external monitor to validate the process and procedures set out in each VLSP, specifically the validation of the negotiation process.</p>	<p>Voluntary land Swapping plans have been developed and presented to ADB. if it is necessary to make additional changes, they will be presented to ADB each time.</p>	<p>Being complied with on an ongoing basis</p>

	<p>Involuntary Resettlement Safeguards; and          (c)all measures and requirements set forth in the RF, each RP, and any corrective action set forth in a Safeguards Monitoring Report. The Borrower, through the Project Executing Agency, shall ensure that no activities categorized as Category A under the SPS are financed under the Project.</p> <p>18. Without limiting the application of the relevant VLSP, the Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that no voluntary land swap, physical or economic displacement take place in connection with a Qualified Subproject until:</p> <p>(a) compensation coupons and other entitlements have been provided to the beneficiaries in accordance with the VLSP agreed among ADB, the Project Executing Agency and the Project Implementing Agency.</p> <p>(b) poor non-landowner households with Income Deciles 1-3 have been provided with Social Housing Units where the monthly housing costs (including rent and utilities fees) of the rent and rent-to-own schemes shall not be more than 25% of the monthly income per household.</p> <p>(c) non-landowner households with income equal to or higher than Income Decile 4 have been provided with Social Housing Units where monthly housing costs (including rent and utilities fees) of the rent and rent-to-own schemes shall not be more than 30% of their monthly income or access to Affordable Housing Units;</p> <p>(d) specific measures such as cross-subsidies within each Qualified Subproject have been established for the most vulnerable households to ensure that they will not pay more than what they are currently paying for their rent and/or utilities services; and</p> <p>(e) a comprehensive income and livelihood restoration program has been established in accordance with the VLSP agreed between ADB, the Project Executing Agency and the Project Implementing Agency.</p>		
20.	<p><b>Indigenous Peoples</b></p> <p>19. The Borrower, through the Project Executing Agency, shall ensure that the Project does not have any indigenous peoples impacts, all within the meaning of the SPS. In the event the Project does have any such impact, the Borrower, through the Project Executing Agency, shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB's SPS.</p>		

<p>21.</p>	<p><b>Human and Financial Resources to Implement Social and Safeguards Requirements</b></p> <p>20.The Borrower shall cause the Project Executing Agency to make available necessary budgetary and human resources to fully implement the EARF, EMPs, RF, RPs, VLSPs and SGAP.</p> <p>21.The Borrower, through the Project Executing Agency, shall ensure that (a) the Project implementation consultants are engaged in a timely manner, including safeguards specialists; (b) a licensed environmental monitoring institute is contracted to conduct periodic environmental impact monitoring in accordance with the approved monitoring plan; and (c) the capacity-building program described in the EMPs and the RPs is implemented as planned from the date of engagement of the consultants until Project completion.</p>	<p>Ensure the implementation of this provision.</p>	<p>Being complied with on an ongoing basis</p>
<p>22.</p>	<p><b>Safeguards Related Provisions in Bidding Documents and Works Contracts</b></p> <p>22.The Borrower, through the Project Executing Agency, shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:</p> <p>(a)comply with the measures relevant to the contractor set forth in the relevant IEE, the relevant EMP, the RF and the relevant RP (to the extent they concern impacts on the respective affected people under the SPS during construction) and any corrective or preventative actions set forth in a Safeguards Monitoring Report;</p> <p>(b)make available a budget for all such environmental and social measures;</p> <p>(c)provide the Project Executing Agency with a written notice of any unanticipated environmental or resettlement risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the EARF, the relevant IEE, the relevant EMP, the RF and the relevant RP;</p> <p>(d)adequately record the condition of the pathways, roads, agriculture land and other infrastructure prior to starting to transport materials and construction;</p> <p>(e)provide if needed temporary roads and local infrastructure for servicing the existing and preserved housing units and businesses; and</p> <p>(f)reinstate pathways, roads, other infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.</p>	<p>Bidding Documents and Works Contracts contain the necessary clauses and regularly monitor their implementation.</p>	<p>Being complied with on an ongoing basis</p>

<p>23.</p>	<p><b>Safeguards Monitoring and Reporting</b></p> <p>23.The Borrower, through the Project Executing Agency, shall do the following:          (a)submit semi-annual safeguards monitoring reports to ADS:          (i)in respect of implementation of and compliance with environmental safeguards and of the EARF and EMPs, semi- annually during construction and the implementation of the Project and the EMPs, until the issuance of ADB's Project completion report unless a longer period is agreed in the EMPs;          (ii)in respect of implementation of and compliance with involuntary resettlement safeguards, and of the RF and RPs, semi-annually during the implementation of the Project until the issuance of ADB's Project completion report unless a longer period is agreed in the RPs; and          (iii)disclose relevant information from such reports to the respective affected people under the environmental safeguards and the involuntary resettlement safeguards promptly upon submission.          (b)if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the EARF, the IEEs, the EMPs, RF and the RPs, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan.          (c)not later than 12 months after Loan Effective Date, engage qualified and experienced external social safeguards experts under a selection process and terms of reference acceptable to ADB, to verify information produced through the social safeguards monitoring process, and facilitate the carrying out of any verification activities by such external experts; and          (d)report any actual or potential breach of compliance with the measures and requirements set forth in the EMPs or the RPs promptly after becoming aware of the breach.</p>	<p>Relevant reports are being submitted</p>	<p>Being complied with on an ongoing basis</p>
<p>24.</p>	<p><b>ESMS Monitoring and Reporting:</b></p> <p>24.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall require each Qualified Commercial Bank to do the following:          (a) submit semi-annual ESMS Monitoring Reports to DBM PIU for compilation and timely submission to ADB.          (b) if any unanticipated environmental and/or social risks and impacts arise during implementation of any Qualified Subproject, promptly inform ADB, through the DBM PIU, of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective plan; and          (c) promptly after becoming aware of the breach, report any actual or potential breach of compliance with the measures and requirements set forth in the EMP to ADB, though the DBM PIU.</p>	<p>This requirement has not yet been created.</p>	<p>Will be complied with when due</p>

25.	<p><b>VLSP Monitoring and Reporting</b></p> <p>25. The Borrower, through the Project Executing Agency, shall engage an external monitor to conduct semi-annual external monitoring to validate the process and procedures set out in each VLSP during the implementation of each VLSP and submit each semi-annual external monitoring report to ADB promptly at the end of each input.</p> <p>26. The Borrower, through the Project Executing Agency, shall complete a completion audit upon completion of each VLSP within 3 months of end of land swapping and submit the completion report to ADB.</p> <p>27. The Borrower, through the Project Executing Agency, shall ensure that the template form of Land and Asset Swap Agreement and a template form Housing Arrangement Agreement are used, and the implementation of such agreements are monitored throughout the Project.</p> <p>28. The Borrower, through the Project Executing Agency, shall ensure that the written record of ownership of the apartment unit for landowners as well as housing arrangements contract for non-landowners are issued and their implementation is monitored throughout the Project.</p>	PMO has signed a contract with the monitoring organization.	Being complied with on an ongoing basis
26.	<p><b>VLSP - Related Provisions in Bidding Documents and Works Contracts</b></p> <p>29. The Borrower, through the Project Executing Agency, shall ensure that all relevant bidding documents and contracts for Works contain provisions that require Qualified Developers and any subcontractors to:</p> <p>(a) comply with the relevant measures set forth in the relevant VLSP for the Qualified Subproject; and</p> <p>(b) provide the Project Executing Agency with a written notice of any unanticipated risks or impacts that arise during construction of the Qualified Subproject that were not considered in the relevant VLSP.</p>	Bidding Documents and Works Contracts contain the necessary clauses and regularly monitor their implementation.	Being complied with on an ongoing basis
27.	<p><b>Prohibited List of Investments</b></p> <p>30. The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that no proceeds of the Loan, Ordinary Operations Loan, GCF Loan, GCF Grant and HTLF Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.</p>	Bidding Documents and Works Contracts contain the necessary clauses and regularly monitor their implementation.	Being complied with on an ongoing basis
28.	<p><b>Grievance Redress Mechanisms</b></p> <p>31. Under Output 1 of the Project, the Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that a grievance redress mechanism acceptable to ADB is established at the MUB PMO, in accordance with the provisions of the relevant ESMS, EARF, EMPs, RF and RPs, within the timeframes specified in the relevant ESMS, EARF, EMPs, RF, RPs, to consider and address safeguards complaints.</p> <p>32. The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that a grievance redress mechanism acceptable to ADB is established at the MUB PMO, in accordance with the</p>	Grievance Redress Mechanisms are developed and complaints are resolved within the framework of the document submitted to ADB.	Being complied with on an ongoing basis

	provisions of the VLSPs to consider and address voluntary land swapping complaints under the relevant Qualified Subproject or Qualified Subprojects.		
29.	<b>Social, Poverty and Gender</b> 33.The Borrower, through the Project Executing Agency, shall ensure that (a) the SGAP is implemented within their terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with measures set forth in the SGAP; (c) adequate resources are allocated for the implementation of the SGAP; and (d) progress on implementation of the SGAP, including progress towards achieving key outcomes and output targets, are regularly monitored and reported to ADB.	Monitoring the implementation of SGAP.	Being complied with on an ongoing basis
30.	<b>Labor Standards, Health and Safety</b> 34.The Borrower, through the Project Executing Agency, shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall cause the Project Executing Agency to include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women. The Borrower shall cause the Project Executing Agency to strictly monitor compliance with the requirements set forth above and provide ADB with semi-annual reports.	Bidding Documents and Works Contracts contain the necessary clauses and regularly monitor their implementation.	Being complied with on an ongoing basis
31.	<b>Governance and Anticorruption</b> 35.The Borrower, the Project Executing Agency and the Project Implementing Agency, shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation. 36.The Borrower, the Project Executing Agency and the Project Implementing Agency shall ensure that the anticorruption provisions acceptable to ADB are included in all contracts financed and co-financed by ADB and all	Bidding Documents and Works Contracts contain the necessary clauses and regularly monitor their implementation.	Being complied with on an ongoing basis



	bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.		
32.	<p><b>Anti-Money Laundering and Financing of Terrorism</b></p> <p>37.The Borrower, the Project Executing Agency and the Project Implementing Agency shall comply with applicable laws and regulations of the Borrower and relevant international standards, including the recommendations and special recommendations made by the Financial Action Task Force concerning anti-money laundering and combating financing of terrorism. This includes ensuring that each Qualified Commercial Bank undertakes customer due diligence, report suspicious transactions and maintain internal control and procedures. The Borrower shall also cause the Project Executing Agency, the Project Implementing Agency and each Qualified Commercial Bank to acknowledge that ADB may disclose to any competent national or international authority any information obtained by ADB in relation to the Project Executing Agency, the Project Implementing Agency and such Qualified Commercial Bank's level of compliance with such laws and regulations and international standards.</p>	Bidding Documents and Works Contracts contain the necessary clauses and regularly monitor their implementation.	Being complied with on an ongoing basis
33.	<p><b>Stakeholder Communication Strategy</b></p> <p>38.The Borrower shall cause the Project Executing Agency to undertake public awareness campaigns through information disclosure, education and consultation on the Project and its benefits, including but not limited to information related to the EARF, EMPs, RF, RPs, VLSPs and SGAP.</p> <p>39.The Borrower, through the Project Executing Agency, shall ensure that the stakeholder communication strategy as provided in the PAM is implemented to ensure regular information disclosure and implementation progress and to establish an information sharing mechanism for the relevant Project stakeholders.</p>	Bidding Documents and Works Contracts contain the necessary clauses and regularly monitor their implementation.	Being complied with on an ongoing basis
34.	<p><b>Project Performance Monitoring Systems</b></p> <p>40.Within six months of the Effective Date, the Borrower shall ensure that the Project Executing Agency approves a project performance monitoring system (PPMS) using targets, indicators, assumption and risks from the design monitoring framework and submits regular reports to MOF, Project Executing Agency and ADB.</p>	PPMS was developed and operationalized.	Completed
35.	<p><b>Operation and Maintenance and Tariff Setting</b></p> <p>42.The Borrower, through the Project Executing Agency, shall ensure that the rental payment are collected on a monthly basis on all completed and rented Social Housing Units to contribute to the Project operation and maintenance, as well as ADB debt servicing.</p> <p>43.The Borrower, through the Project Executing Agency, shall ensure rental price of the Social Housing Units are adapted to the income of the very poor households living in the eco-district perimeter by putting in place cross-subsidy mechanisms within each eco-district from the market rate housing and the businesses utilities tariff to the social housing rent towards cost recovery of the Social Housing and the operation and maintenance while guarantying the affordability of the rental price for the lower income level. The Borrower, through the Project Executing Agency, shall also ensure that training and employment program will be provided for the poor households to access to job within the eco-district for operations and maintenance jobs or to work in the commercial areas and offices of the eco-district.</p>	This requirement has not yet been created.	Will be complied with when due

	44. The Borrower, through the Project Executing Agency, shall ensure that the rental revenues from Social Housing will be sufficient for the total operation and maintenance as well as debt servicing requirements of the public investments in the selected eco-district subprojects. For this purpose, the Borrower, through the Project Executing Agency, shall also levy and collect an eco-district environmental charge for market rate housing units and garage units and commercial shops.		
36.	<b>Green Building Facility</b> 45. The Borrower, through the Project Executing Agency, shall ensure that the Green Building Facility meets the following requirements: (a) must be established by the MUB under applicable Mongolian law; (b) make grants to Qualified Developers and contractors participating in the Project, to be used to cover the costs of their green investments such as high insulation system, greenhouses, passive design, heat pump, efficient ventilation system and solar water heaters, plus the costs of feasibility studies for innovative climate technologies; and (c) grants will be disbursed on a cost reimbursement basis after a performance assessment of the relevant Project buildings and/or facilities and provided that the Works performed, conform to the designed technical specifications.	The design of the building is being developed in accordance with the requirements of the project	Being complied with on an ongoing basis
37.	<b>Qualified Subproject Project Eligibility and Selection Criteria</b> 46. For each Qualified Subproject, the Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that the following requirements are met: (a) be located in ger areas and in line with the Ulaanbaatar City Master Plan; (b) 100% of the households within a minimum of 3 hectares have reached a consensus that they will participate; (c) access to main trunk infrastructure must be available at least on one side of the perimeter of the proposed subproject, however, if the estimated cost of connection of the proposed subproject to main trunk infrastructure is below 10% of the cost of internal infrastructure and public facilities, the selection of the proposed subproject can be considered; (d) sufficient public/private land area is made available within the subproject perimeter to ensure the construction of adequate provision of housing units, without impact on the existing permanent constructions, to cover the temporary resettlement of residents living in the subproject perimeter based on subproject detailed design; (e) be economically and financially viable; (f) not involve environmental impacts that would make the Qualified Subproject categorized as Category A within the meaning of the SPS; (g) not involve any involuntary resettlement impacts outside the Qualified Subproject's perimeter that would make such activities categorized as a Category A within the meaning of the SPS; (h) not involve any indigenous peoples impact within the meaning of the SPS; and (i) not involve financing any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.	The design of the building is being developed in accordance with the requirements of the project	Being complied with on an ongoing basis
39.	<b>Qualified Subproject Design and Technical Parameters</b>	The design of the building is being	Being complied with on

	<p>47. The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that each Qualified Subproject enforces the minimum parameters of an eco-district re-development, which means:</p> <p>(a) approximately 30% of land use is public space (including approximately 15% of open space and green areas);</p> <p>(b) the ratio of m<sup>2</sup> of public amenities or facilities, commercial facilities and entertainment areas per person correspond to average international standard;</p> <p>(c) average density of an eco-district should be about 300 person/ha and housing building should comprise low-rise building of a maximum of 6 floors;</p> <p>(d) housing units to be constructed in each eco-district subproject should comprise approximately 15% social, 55% affordable and 30% market rate;</p> <p>(e) each building should reach an energy efficiency performance guaranteeing an energy consumption of 150 kilowatt hour per square meter per year (kWh/m<sup>2</sup>/year) and should comply with Mongolian Norm and Regulation BnDB 23-02-09 "Thermal Performance of Buildings" (as amended from time to time and complemented with the Green Building Regulation);</p> <p>(f) building and facilities should have at least 18% of their footprint covered with solar panels;</p> <p>(g) housing units should be equipped with indoor air filtration system ensuring the well-being of the resident; and</p> <p>(h) at least 10% of an eco-district subproject should be covered with greenhouses.</p>	<p>developed in accordance with the requirements of the project</p>	<p>an ongoing basis</p>
<p>40.</p>	<p><b>Social Housing Units</b></p> <p>48. The Borrower, through the Project Executing Agency, shall ensure that the following requirements are met for social housing units:</p> <p>(a) monthly housing costs (including rent and utilities fees) shall not exceed 25% of the monthly income of Deciles of 1 to 3;</p> <p>(b) reserved to non-land owners living in a Qualified Subproject perimeter and households with monthly income of Deciles 1 to 3;</p> <p>(c) renters or households living with relatives or non-relatives must be a temporary or permanent resident of the Ulaanbaatar City ger areas with priority given to poor and vulnerable groups such as persons with disabilities, senior citizens without caretakers and female-headed households and households affected by the GADIP and other ADS projects implemented in ger areas; and</p> <p>(d) rent-to-own bank conditions comprising 0% down payment, 30-year tenor and 5% interest rate unless otherwise revised by the Borrower and ADB.</p>	<p>The design of the building is being developed in accordance with the requirements of the project</p>	<p>Being complied with on an ongoing basis</p>
<p>41.</p>	<p><b>Affordable Housing Units</b></p> <p>49. The Borrower, through the Project Executing Agency and the Project Implementing Agency shall ensure that the following requirements are met for affordable housing units:</p> <p>(a) reserved to households with monthly Income Deciles of 4 to 7;</p> <p>(b) monthly housing costs (which includes mortgage and utilities fees) shall not exceed 30% of gross monthly income of one household;</p> <p>(c) purchase conditions of 25% down payment, 30-year tenor and approximately 8-10% interest per annum, subject to socioeconomic and market changes;</p>	<p>The design of the building is being developed in accordance with the requirements of the project</p>	<p>Being complied with on an ongoing basis</p>

	(d)swapping condition based on land and asset valuation; and (e)reserved for buyers who are land owners, residents or renters living in Qualified Subproject areas or temporary or permanent residents living in Ulaanbaatar ger areas with priority given to persons with disabilities, senior citizens without caretakers, or vulnerable people, including female-headed households, and households affected by the GADIP and other ADB projects implemented in ger areas.		
42.	<b>Restriction on Sale of Affordable Units</b> 50.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that at least 10 years after its initial purchase, each Affordable Housing Unit cannot be sold at market rate or should remain at a selling price by m2 that is affordable for the households belonging to Deciles 4 to 7.	This requirement has not yet been created.	Will be complied with when due
43.	<b>Community</b> 51.The Borrower, through the Project Executing Agency, shall ensure that each Qualified Subproject establishes a community-based solid waste collection management. 52.The Borrower, through the Project Executing Agency, shall ensure that each Qualified Subproject establishes an urban farming cooperative for the selling of greenhouse vegetable production. 53.The Borrower, through the Project Executing Agency, shall ensure that the eco- district operations and maintenance jobs are prioritized for beneficiaries under the VLSPs and vulnerable people.	This requirement has not yet been created.	Will be complied with when due
44.	<b>EDAF Requirements</b> 54.The Borrower, through the MOF, DBM and DBM PIU, shall ensure that the following conditions are met at all times during the Project for the EDAF: (a)established as a private investment fund under Mongolian law; (b)annual audit opinion from an independent external auditor of the financial condition of the EDAF; (c)risk management policies, operating systems and procedures satisfactory to ADB; (d)compliance with prudential regulations issued by the Financial Regulatory Commission of Mongolia for private investment funds; (e)corporate and financial governance and management practices including among other things, transparent financial disclosure policies and practices acceptable to ADB; (f)sound business objectives and strategy and/or plan; (g)structured and set-up as a revolving fund; (h)autonomy in lending and pricing decisions; and (i)adequate staff, policies, systems, and procedures to assess and monitor the economic, social, and environmental impacts of Qualified Subprojects in accordance with parameters established by ADB for this purpose.	Restructuring of DBM and PIU is under discussion	Will be complied with when due
45.	<b>Eligibility Criteria for DBM</b> 55.The Borrower, through the MOF, shall ensure that the following conditions are met at all times during the Project for DBM: (a)must be compliant with the applicable prudential regulations of the Bank of Mongolia (BOM) including those pertinent to capital adequacy, asset quality;	Restructuring of DBM and PIU is under discussion	Will be complied with when due

	<p>(b) must satisfy ADB's due diligence requirements for integrity, anti-money laundering and counter-financing of terrorism, and have put in place controls and measures to implement such controls;</p> <p>(c) must make budgetary and human resources available to AMC as necessary to provide management, technical, and financial support that would enable AMC to efficiently and effectively manage the EDAF;</p> <p>(d) must ensure that AMC is registered with the Financial Regulatory Commission and strictly enforces Project policies and guidelines affecting the structure and operations of the EDAF and that the operations of EDAF are monitored by the Project Steering Committee promptly, if necessary, in accordance with the Project agreements;</p> <p>(e) must provide the AMC with the necessary staff support at all times during the Project to enable the AMC to conduct financial and integrity due diligence acceptable to ADB on commercial banks expressing interest to participate in the Project and to undertake subproject financial appraisals, monitoring, and evaluation; and</p> <p>(f) must adequately support AMC, technically and financially, on the policy reform aspects of the Project, specifically in formulating and implementing a long-term strategic plan for accelerating green banking and finance as a key component of the Borrower's green growth initiatives.</p>		
46.	<p><b>Eligibility Criteria for Asset Management Company</b></p> <p>56. The Borrower, through the MOF, shall ensure that the following conditions are met at all times during the Project for AMC:</p> <p>(a) must be established in accordance with the Mongolian law governing investment funds and other applicable laws;</p> <p>(b) must have corporate and financial governance structures and systems acceptable to ADB;</p> <p>(c) must be registered with the Financial Regulatory Commission of Mongolia and compliant with all its prudential regulations including its requirements against anti-corruption, anti-money laundering and counter-financing of terrorism;</p> <p>(d) must have adequate staff, policies, systems, and procedures to conduct the relevant financial and integrity due diligence on commercial banks expressing interest to participate in the projects as well as to conduct subproject appraisals acceptable to ADB;</p> <p>(e) must be structured and staffed adequately to manage the EDAF, particularly the formulation and implementation of the lending and relending guidelines governing the project's development loans and green housing mortgages channeled through the participating commercial banks; and</p> <p>(f) must have the capacity to formulate and implement a long-term strategic plan for accelerating green banking and finance as a key component of Mongolia's green growth initiatives.</p>	Restructuring of DBM and PIU is under discussion	Will be complied with when due
47.	<p><b>Covenant on Change of Circumstances/Ownership for DBM and Asset Management Company</b></p> <p>57. The Borrower, through the MOF, shall ensure that no material organizational changes (either financial, operational or structural) to DBM or AMC relevant to the Project shall be approved or implemented without approval of ADB. Material organizational change means an organizational change in DBM or AMC or a merger, amalgamation, acquisition, winding-up or dissolution of DBM or AMC which could hinder or prevent it from performing its respective obligations under the Project.</p>	Restructuring of DBM and PIU is under discussion	Will be complied with when due

<p>48.</p>	<p><b>Eligibility and Selection Criteria of Qualified Commercial Banks</b></p> <p>58.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that each Qualified Commercial Bank meets the following requirements at all times during the Project:</p> <p>(a) must be a duly registered bank in Mongolia under the applicable laws of Mongolia;</p> <p>(b) must have a proven track record of at least five years in financing urban property development including mixed-income housing development as determined by ADB;</p> <p>(c) must have adequate capacity to ensure sufficient production of mortgages for affordable and market-based housing units;</p> <p>(d) must be currently implementing or have plans to implement a financing program for green growth initiatives including carbon finance;</p> <p>(e) have corporate, financial and governance practices that are acceptable to ADB;</p> <p>(f) satisfy ADB's due diligence requirements for integrity, anti-money laundering and counter-financing of terrorism, and put in place controls and measures to implement such controls;</p> <p>(g) have no past due obligations with the BOM or adverse audit findings;</p> <p>(h) have an adequately maintained financial management system including accounting records, procedures, and internal as well as risk management control systems acceptable to ADB;</p> <p>(i) have an established ESMS or be willing to set up in such a manner acceptable to ADB, including appointing qualified staff to manage and implement the system; and</p> <p>U) be willing to designate experienced professional staff who will report progress to, and coordinate relevant activities with the EDAF, DBM and AMC.</p> <p>59. Additionally, each Qualified Commercial Bank shall be compliant with prudential requirements of the BOM such as minimum capital to risk weighted assets ratio, legal and liquidity reserve requirements and general loan loss and provisioning requirements for six consecutive months prior to filing of accreditation application under the Project.</p> <p>60. Each participating commercial bank shall be selected as part of the selection of real estate developers for each planned Qualified Subproject.</p> <p>61. The Borrower, through the AMC, shall select the participating commercial bank and shall prepare a due diligence report in relation to each participating commercial bank, which report will contain, among other things, demonstration that the participating commercial bank satisfies the eligibility criteria! set forth above. The Borrower, through the AMC, shall make any such report available to MUB and ADB upon request.</p> <p>Participation Agreements with Qualified Commercial Banks</p> <p>62. The Borrower, through the DBM and AMC, shall ensure that each Qualified Commercial Bank perform its obligation under the relevant Participation Agreement. Each Participation Agreement shall include, among other things, the following provisions pursuant to which each Qualified Commercial Bank shall:</p> <p>(a) at all times during the term of the relevant Participating Agreement, continue to satisfy the eligibility criteria for a Qualified Commercial Bank set out herein;</p>	<p>Restructuring of DBM and PIU is under discussion</p>	<p>Will be complied with when due</p>
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<p>(b)not extend an EDAF Subloan with the proceeds of the GCF Loan other than to Qualified Developers or Qualified Homebuyers for a Qualified Subproject;</p> <p>(c)make necessary budgetary and human resources available to fully implement the ESMS and cause each Qualified Developer to whom it extends an EDAF Subloan to make available necessary budget and human resources to fully implement the ESMS or any respective EMP, as applicable;</p> <p>(d)cause each Qualified Developer to whom it extends an EDAF Subloan to construct, implement and operate a Qualified Subproject in compliance with applicable laws and regulations of the Borrower relating to health and safety, and the core labor standards, as set out in the relevant conventions of the International Labor Organization, on</p> <p>(i) prohibition of child labor; (ii) nondiscrimination against workers;</p> <p>(iii) elimination of forced labor; and (iv) freedom of association and recognition of right to collective bargaining;</p> <p>(e)cause each Qualified Developer to whom it extends an EDAF Subloan to implement the relevant provisions of the SGAP;</p> <p>(f)establish and maintain sound operational policies and procedures for supervision and monitoring of EDAF Loans and EDAF Subloans as to ensure achievement of the Project objectives;</p> <p>(g)provide to AMC, (i) annual statement of utilization of funds for the EDAF Loans and EDAF Subloans which have been converted to mortgages to individual homebuyers in accordance with accounting principles acceptable to ADB; (ii) have such statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the statements and the use of the EDAF Loans and EDAF Subloans, and a management letter (which sets out the deficiencies in the internal control of the Qualified Subprojects that were identified in the course of the audit, if any); and (iv) furnish to AMC, no later than 3 months after the close of the fiscal year to which they relate, copies of such audited statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as AMC shall from time to time reasonably request;</p> <p>(h)(i) provide to AMC, its annual financial statements, prepared in accordance with financial reporting standards acceptable to ADB;</p> <p>(ii) have its financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iii) as part of each such audit, have the auditors prepare the auditors' opinion(s) on the financial statements; and (iv) furnish to AMC, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and auditors' opinion(s), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request;</p> <p>(i)enable representatives of DBM, AMC and ADB, upon their request, to discuss the statements of utilization of funds for the EDAF Loans and EDAF Subloans and its financial statements and its financial affairs where they relate to the EDAF Loans and EDAF Subloans with the relevant auditors, as well as any other relevant records and documents; and</p>		
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	<p>U) ensure that no material organizations changes (either financial, operational or structural), will be approved or implemented by the Qualified Commercial Bank without approval of DBM (material organizational change means an organization change in the Qualified Commercial Bank or a merger, amalgamation, acquisition, winding-up or dissolution of the relevant Qualified Commercial Bank which could hinder or prevent the Qualified Commercial Bank from performing its obligations under the participating agreement).</p> <p>The Borrower shall ensure that the AMC shall submit to ADB a copy of each Participation Agreement within one month of execution.</p>		
49.	<p><b>EDAF Loans to Qualified Commercial Banks</b></p> <p>63.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that each EDAF Loan to a Qualified Commercial Bank:</p> <p>(a)is used for a Qualified Subproject that meets the technical, financial, economic, governance, safeguards and social development criteria of ADB;</p> <p>(b)is backed up by a comprehensive financial and integrity due diligence of the Qualified Commercial Bank in a manner acceptable to ADB;</p> <p>(c)is denominated in MNT; and</p> <p>(d)has an interest rate that is reflective of the cheaper cost of the blended finance plus other reasonable administration costs and fees of the EDAF.</p> <p>The EDAF bears the unguaranteed credit risk associated with each EDAF Loan made by it to a Qualified Commercial Bank.</p>	Restructuring of DBM and PIU is under discussion	Will be complied with when due
50.	<p><b>Eligibility and Selection Criteria of Qualified Developers</b></p> <p>64.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that each Qualified Developer meets the following requirements:</p> <p>(a)must meet ADB's qualification criteria, including legal, financial and technical requirements detailed in the PAM;</p> <p>(b)must partner with one of the Qualified Commercial Banks;</p> <p>(c)must ensure that approximately 65% of the units built by the Qualified Developer are Affordable Housing Units under a Qualified Subproject;</p> <p>(d)must meet the parameters of Affordable Housing Units as set forth in paragraph 49 above;</p> <p>(e)must make a reasonable equity contribution to be agreed with a Qualified Commercial Bank, as determined by the competitive bidding process;</p> <p>(f)must comply with detailed infrastructure and architectural design developed for each Qualified Subproject and other construction process, requirements and timeline detailed in the PAM; and</p> <p>(g)must comply with VLSP requirements for each Qualified Subproject</p>	Restructuring of DBM and PIU is under discussion	Will be complied with when due
51.	<p><b>EDAF Sub-Loans to Qualified Developers</b></p> <p>65.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that each EDAF Subloan to a Qualified Developer meets the following requirements:</p> <p>(a)tenor of approximately five years, including a maximum grace period of 3 years, at a rate that would facilitate an aggregate benchmark lending rate that would ensure that about 65% of the units built by a Qualified Developer</p>	Restructuring of DBM and PIU is under discussion	Will be complied with when due



	<p>are Affordable Housing Units under a Qualified Subproject, and estimated at 15% per annum, subject to socioeconomic and market changes;and          (b)carry an interest rate that is market-based but also reflective of the cheaper cost of the blended finance plus other reasonable administration costs and fees of the Qualified Commercial Bank.          Qualified Subprojects under EDAF Component (Screening, Categorization and Environmental and Social Assessment and Planning)          66.Before a proposed subproject is approved under the EDAF component, the Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure:          (a)each Qualified Commercial Bank has appointed adequate number of qualified staff for the relevant subproject implementation particularly for financial management, reporting and evaluation;          (b)that the ESMS prepared and submitted by a Qualified Commercial Bank pursuant to the requirements set forth in the SPS and cleared by ADB, is used to screen and categorize the significance of potential environmental or social impacts associated with such subproject; and          (c)an EMP, if necessary, are prepared for the proposed subproject as required pursuant to the ESMS.</p>		
52.	<p><b>Reporting, Auditing and Monitoring under EDAF Component</b>          67.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that separate accounting, reporting and monitoring systems are established for EDAF, including for the operation, administration and financial condition of EDAF, and provide annual reports to ADB, as provided in the DBM Project Agreement.          68.The Borrower, through the Project Executing Agency, shall cause the Project Implementing Agency and AMC to provide to ADB, annual audited statement of utilization of funds for EDAF Loans and EDAF Subloans which have been converted to mortgages to individual homebuyers to show that the funds have been used for the purpose of the Project and audited financial statements of DBM, AMC and Qualified Commercial Banks, as provided in the DBM Project Agreement.</p>	Restructuring of DBM and PIU is under discussion	Will be complied with when due
53.	<p><b>GCF Covenant</b>          69.The Borrower, through the Project Executing Agency and the Project Implementing Agency, shall ensure that the GCF Loan concessionality is passed downstream to the Qualified Developers and Qualified Homebuyers; and at the timing of signing of each subloan agreement with a Qualified Developer or a mortgage agreement with a Qualified Homebuyer, ensure that the (a) borrowing terms are more favorable than the applicable market rates and (b) applicable mortgage payments are affordable based on the relevant Qualified Homebuyer's income and asset.</p>	This requirement has not yet been created.	Will be complied with when due
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54.	<b>SCHEDULE 2: Execution of Project</b> 1.The Recipient acknowledges and agrees that the Recipient has no right of action, whether in contract, tort or under statute to the extent permitted by law, against GCF in respect of the ADB Green Climate Fund, the Project or any loss or damage arising out of ADB's acts or omissions, or the acts of omissions of its officers, employees, agents or consultants under, or in connection with, this Grant Agreement.	Within the framework of international EDGE requirements, criteria for green housing are defined	Being complied with on an ongoing basis
55.	2.The Recipient, through the Project Executing Agency and the Project Implementing Agency, shall fully cooperate with ADB regarding any reviews, ad hoc checks, verifications or evaluations by GCF, subject to advance notice.	Ensure the implementation of this provision.	Being complied with on an ongoing basis
56.	3.The Recipient, through the Project Executing Agency and the Project Implementing Agency, acknowledges and agrees that ADB has the right to conduct financial audits of the Project, by an external auditor selected by ADB, if GCF has a concern as to the manner in which the Grant proceeds have been used; and shall cooperate with such audit. The Recipient shall bear the reasonable cost of such audit, if the audit finds that the Grant proceeds have not been used according to this Grant Agreement.	This requirement has not yet been created.	Will be complied with when due
	4.The Recipient, through the Project Executing Agency and the Project Implementing Agency, shall ensure that all necessary and applicable licenses, approvals and consents, including those relating to intellectual property, to implement and carry out the Project are valid for the duration of the Project.	Ensure the implementation of this provision.	Being complied with on an ongoing basis
57.	5.The Recipient, through the Project Executing Agency and the Project Implementing Agency, shall ensure that the activities related to the Project are implemented in compliance with the laws of the Recipient and other laws applicable to it, including but not limited to intellectual property law, if and to the extent any such laws may be applicable to it.	Ensure the implementation of this provision.	Being complied with on an ongoing basis
58.	6.The Recipient shall endeavor to acknowledge the visual identity of GCF in funding the Project (e.g., through use of the GCF logo, in accordance with GCF's branding guidelines, and appropriate references in reports, publications, information given to beneficiaries and news media, related publicity materials and any other forms of public information and the displaying of the GCF logo on the site of any infrastructure works). Any branding activities in support of GCF shall comply with GCF's branding guidelines and be reviewed by the GCF Secretariat.	Ensure the implementation of this provision.	Being complied with on an ongoing basis