



Gobi Regional Economic Growth Initiative

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Year Three - Second Quarter Report
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By



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GOBI INITIATIVE PHASE II – YEAR THREE - SECOND QUARTER REPORT

INTRODUCTION

The Gobi Regional Economic Growth Initiative-Phase II (Gobi II) project began on January 8, 2004, funded under Cooperative Agreement #438-A-00-04-00002-00. The project is being implemented by Mercy Corps in partnership with Pact, Inc.

Gobi II has the following goal, objectives and overall focus:

Program Goal:

- To develop and strengthen rural business in the Gobi region

Program Objectives:

- An increase in the number of new and strengthened productive Gobi businesses
- An increase in availability, access to and use of business information by Gobi entrepreneurs

Program Focus:

- Supporting herder groups that are expanding and/or diversifying their business activities
- Supporting the development of herder cooperatives
- Supporting businesses that add value to herder products and link those products to markets
- Promoting rural business linkages to the financial services sector
- Improving the quality and accessibility of local business development and support services

Program Highlights during this reporting period of April 8 to July 7, 2006, include:

- With the arrival of spring the quarter has been busy with 194 training and technical assistance courses provided to GI clients, government employees and other herders and businesses. In total, during the first six months, 221 training and technical assistance courses have been provided to herder clients. Herder client sales in the first six months of the year totaled MNT 296,367,340 (USD 247,000). Forecasted sales for the herder clients for the CY2006 are MNT 1,413,258,067 (USD 1,177,715). Through the loan guarantee program, 54 herder groups/cooperatives have received loans totaling MNT 147,566,000 (USD 123,000) and 35 non-herder businesses received loans totaling MNT 164,830,000 (USD 137,300) during the quarter. Mercy Corps has provided a total of MNT 148,040,400 (USD 123,300) as cash collateral through the loan guarantee fund. The main lenders were Khaan Bank, Xac Bank and Post Bank.
- The Deputy Chief of Party represented Gobi Initiative at the USAID Learning Conference "Microenterprise Development in a Globalizing World" in Washington DC from 14th-16th June. For more details see www.microlinks.org.
- The Gobi Initiative (GI) and The Rural Agribusiness Support Program (RASP) held a joint mid-year planning meeting from 26th-30th June, a total of 60 staff from the aimags and UB programs participated. The meeting provided an opportunity to review the first six months of 2006 and the lessons learnt, and to plan the program activities for the second half of the year.
- Although rain has been plentiful this month in Ulaanbaatar, in most of the Gobi region, especially Dundgobi, Umnugobi and Govi-Sumber have been adversely hit by drought and lack of rain resulting in hundreds of herders moving to the central aimags of the country (parts of Tuv, Hentii and Uvurhangai aimags), in search of pasture for their livestock. For those herders unable to move mainly due to economic factors, animals, in particular the new offspring, have started to die. A number of the Gobi Initiative herder clients with business plans for dairy, meat, vegetable and felt production, are facing difficulties in implementing their plans as the families have moved with the livestock. Gobi Initiative program officers are working with the affected herder clients to develop contingency plans and to revise the business plans.
- Aimag veterinary laboratories in Uvurhangai, Bayanhongor, Dundgobi and Umnugovi have now received all the equipment purchased under the Gobi Initiative program and a consultant has completed the installation and provided training to the veterinary laboratory staff on use of the

equipment. The laboratories in these aimags are now fully operational, having been renovated, equipped and the staff trained. Opening ceremonies attended by aimag government officials, laboratory staff, media and Gobi Initiative representatives were held in Bayanhongor and Uvurhangai in late April and Umnugovi in May.

- Under the Gobi Initiative a subgrant has been issued to a national NGO, Mongolian Alternatives Center to implement their Ger To Ger Tourism Project (www.gertoger.org) in Dundgobi Aimag. The subgrant focuses on herder business diversification in the specific business area of tourism and complements existing herder business diversification activities in the region. The project is being implemented amongst the famous rock formations of Ikh Gazariin Chuluut and the neighboring soums. Achievements during the quarter include the establishment of a Ger to Ger Route in the Ih Gazriin Chuluut area; the route involves five herder families and their relatives. In addition to this route, three community-managed travel routes in Saihaan Ovoo, Olziit and Bulgan soums have also been established. These routes involve a total of eleven herder families and their relatives. Linked to these travel routes four rural ticketing/travel information service centers have also been established.
- A catalogue was developed incorporating GI's best clients from all six Aimags in addition to one RASP Aimag (Arhangai). There will be a separate catalogue for each Aimag and a collated version for Ulaanbaatar. The aim of these is to increase awareness both within and between the Aimags of available products and services. The catalogues will be in print for dissemination at the provincial market fairs in August and September.
- Eight Mercy Corps/Gobi Initiative herder clients and selected staff attended the UNDP Community Development Naadam organized on 16th-18th June. It was an excellent opportunity for them to share experience with and learn from the other participants as well as display and sell their produce (felt souvenirs, barley, camel wool yarn). The participants sold goods worth MNT 180,000.
- Twenty six young cooperative leaders from GI herder clients traveled to Ulaanbaatar to attend the UNDP Community Development Naadam and participated in a cooperative development training held at the event. In addition, the young leaders traveled to Gobi-Sumber to visit the Mandal Sansar cooperative, a successful GI herder client who has diversified their business into vegetable and hay production and established a children's summer camp.
- In six Gobi aimags, MC staff have conducted a survey among over 330 local businesses and entrepreneurs to identify, "Local Government Constraints to Private Sector Development in Rural Mongolia." The survey is currently being analyzed and a report will be written that clearly lays out 1) what the constraints are in rural Mongolia to private sector development and 2) will suggest actionable recommendations on what can be done to relieve the identified constraints. Respondents named the Professional Inspection Agency, Tax office, Aimag/Soum Governor's Office as the most bureaucratic organizations at the Aimag level. The most cited constraints included; a) unfriendly and unhelpful communication and behavior from government employees; b) a misunderstanding of civil servants as to their role to assist and provide advice to citizens and businesses; and, c) inspection officials only inspect, fine and threaten to close businesses down, rather than provide advice or information on how to meet government standards and regulations
- Mr. Jay Angerer from Texas A&M University joined the Gobi Forage team for four weeks to conduct further field work to verify the forage forecasting model, to develop the first maps forecasting the forage growth in 2006 and to continue development of the website that will be used to disseminate the forage forecasting information. Jay will also provide training on the development and use of the computer simulation model PHYGROW and ARCGIS to the Gobi Forage team and Mongolian scientists from a number of institutions and Universities. Meetings have been held with a number of organizations involved in rangeland management and remote sensing to discuss the current status of the forage forecasting work, and the science behind the project.
- RBN / Pact organized a first-of-its-kind radio call-in show in all six target aimags. The radio call-in shows were organized in cooperation with the private Aimag radio stations. The shows picked up important issues that hinder rural business development and provided a live forum for the public on radio. The programs raised land tenure issues, and debated how businesses can engage with and apply for the relevant health and safety certificates from the professional inspection agency. There was active engagement from the general public during the programs, with a number of suggestions

on how local government should change to better serve the business community and support economic development in the aimags.

- Pact has begun the preproduction and scripting process for the follow-up TV drama series which will be set in a soum center and allow for dramatic educational interaction between herders, vets, non-herding businesses, banks, and the soum government. Stories will follow several characters living and working in the soum centre and the countryside.

INTERMEDIATE RESULT 1.3-1 Increase in Number of New and Strengthened Businesses

Activity One: Business Plan Development and Implementation

Effect of Drought

Following a relatively warm and snowless winter, Gobi Initiative has increasingly been receiving reports from its field staff concerning widespread drought conditions in Umnugovi, Dundgovi and Gobi-Sumber as well as the southern parts of Uvurhangai, Bayanhongor and Gobi-Altai. These reports are backed up by Gobi Forage maps. The drought, combined with unseasonably harsh sandstorms has vastly reduced forage availability to 60% of its historical average, see annex 1. As a result, the majority of larger herders have already moved to neighboring Aimags, leaving smaller herders behind who could not afford to move. Of these, many are experiencing animal morbidity and mortality and cannot move as their animals are too weak.

Whilst the majority of GI clients' activities are not weather dependent, there may yet be a decrease in their sales generated as more of their customers move out from the areas to find grazing. In addition, those involved in vegetable, dairy or meat production in these areas are experiencing a loss of income as a direct result of the drought which has reduced animal productivity and forced them to move further from their markets.

This scenario has prompted GI to:

- Plan to conduct a rapid assessment of the situation and its likely effects on the implementation of the business plans of current GI clients;
- Plan to conduct a rapid assessment to examine ways of providing emergency assistance for those who are at most risk;
- Incorporate risk management into future business plans, and;
- Examine new business plans with a greater awareness to potential drought impacts.

Vegetable & Forage Production

41 of 42 clients have planted their vegetable and forage crops a little later than planned due to sand storms and a dry spring season. One client in Uvurhangai has been forced to withdraw its implementation of its business plan to produce vegetables as 5000 head of livestock from another soum have moved onto their land as a result of the drought. This brings the total number of business plans to be implemented in 2006 to 170 and the forecasted sales projection for the vegetable sector to MNT 230,724,780.

Dairy Production

All dairy producers have managed to commence their business activities, but many have suffered drought related losses of productivity and market access.

Veterinary Businesses: Effects of Withdrawal of Government Support and Drought Conditions

Veterinary clinics in general in the Gobi Aimags, and in particular the 25 GI supported veterinary clinics have faced significant challenges this spring, not least of which has been the partial withdrawal of government subsidies for preventative services such as dipping for ectoparasite control. This decision has been made on an Aimag by Aimag basis depending on funding available in the Aimag budget. Veterinarians have planned to make up the deficit in parasite coverage by purchasing drugs and dipping solution out of pocket and passing along the cost directly to their herding clients. Although the Ministry of Food and Agriculture, Veterinary Department has reiterated its commitment to supplying necessary

vaccines, the Aimag budgets responsible for funding these initiatives have fallen short this spring resulting in decreased vaccine coverage for some diseases in some Aimags.

Vet Business Drought Resilience

"DG Ireedui" is in its first year of cooperation with the Gobi Initiative. The veterinary clinic has taken a MNT 2,500,000 loan for needed upgrades to the clinic and veterinary equipment. The owners of the clinic have identified a plant toxicity (taana toxicity) in their region and have developed a focused business plan to treat this local condition in livestock.

This spring, DG Ireedui and other veterinary clinics, has made arrangements for business continuation in the face of adverse weather and lack of government support. They have made contracts with herders in adjacent baghs and soums to provide veterinary services thus increasing their available client base. They have also built a contingency cost into their business plan expenditures that will enable them to purchase drugs out of pocket and maintain the integrity of the business plan until income can be recovered from herders.

Furthermore, the drought conditions in the Gobi this spring have resulted in herder movement out of veterinary practice coverage areas. This loss of client base will result in underproduction for some veterinary businesses when measured against goals. These business plans will be adjusted as necessary during the course of their implementation. There are no indications from veterinary clients in this quarter that the drought will prevent loan repayment. However, given the likelihood of similar impediments arising in future years, recommendations have been made for veterinarians, including: improved marketing techniques for selling previously subsidized services to herders, willingness to move with herding client base, tools for immediate income collection, and alternative pricing and delivery strategies for serving herder's at greater distance.

Veterinary Business Plan Template

The business plan template developed for veterinary clinics in year two has been used effectively by current veterinary clients. Although veterinarians have had only one cycle to plan, develop and implement the new format, the usefulness of the template has been evidenced by improved expenditure, production and pharmacy inventory needs estimates over previous years. With the new template, we expect to see follow on benefits to veterinary business profitability and independence from government support as veterinarians adopt concepts such as elective service pricing schedules that account for the professional's time, drug/equipment and fuel expenses. When the herder business plan template is finalized in the third quarter, it will be merged with the new veterinary specific tables to achieve consistency across all GI business plan formats.

Felt Production

Felt production commenced in June, but will take off in the next quarter with the start of the shearing season. Two clients have purchased and installed equipment. Some felt has been produced already, and sales of felt products and souvenirs have been made in Gobi-Altai and Uvurhangai.

Meat Production

Meat prices are relatively good, and some cooperatives have taken advantage of this with sales during this quarter. However many businesses, particularly in UG, DG & GS, have been affected by poor pasture availability due to the drought, necessitating movements to more distant pastures in neighboring Aimags. For example the five Meat Cooperatives in Dundgobi are comprised of 33 households; 31 of these have moved out of the Aimag.

Tourism

Seven of the nine tourism businesses are performing according to their business plans. However, Avrah Partnership, located in Umnugovi Aimag has seen some of its herder members migrate outside the Aimag, and although their business plan is operating it is behind schedule and may not achieve its sales target. Also Gegeet Govi from Umnugovi Aimag have not yet fully commenced activities as the number of customers in their area is lower than expected.

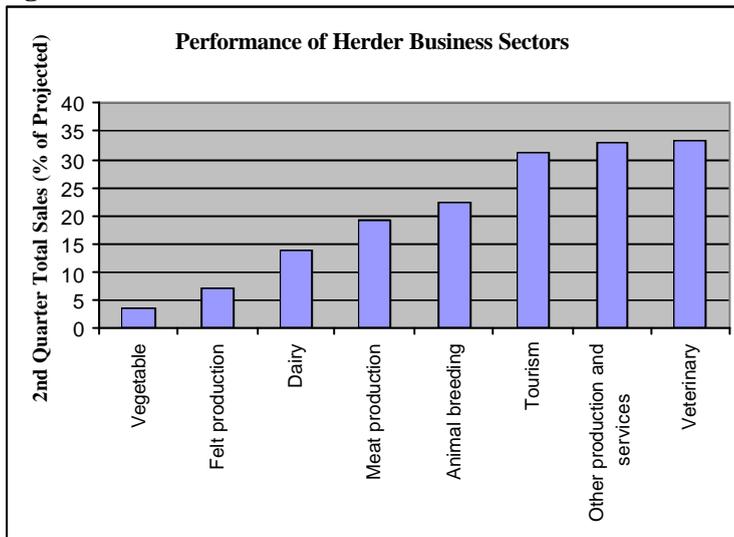
Animal Breeding

The animal breeding cooperatives have all had reasonable-good spring birthing seasons. "Sor Manlai" coop in Gobi-Altai successfully crossbred local ewes with 3 Suffolk rams and produced 37 offspring which they will use to breed from in 2007.

Table 1: Performance of GI business sectors

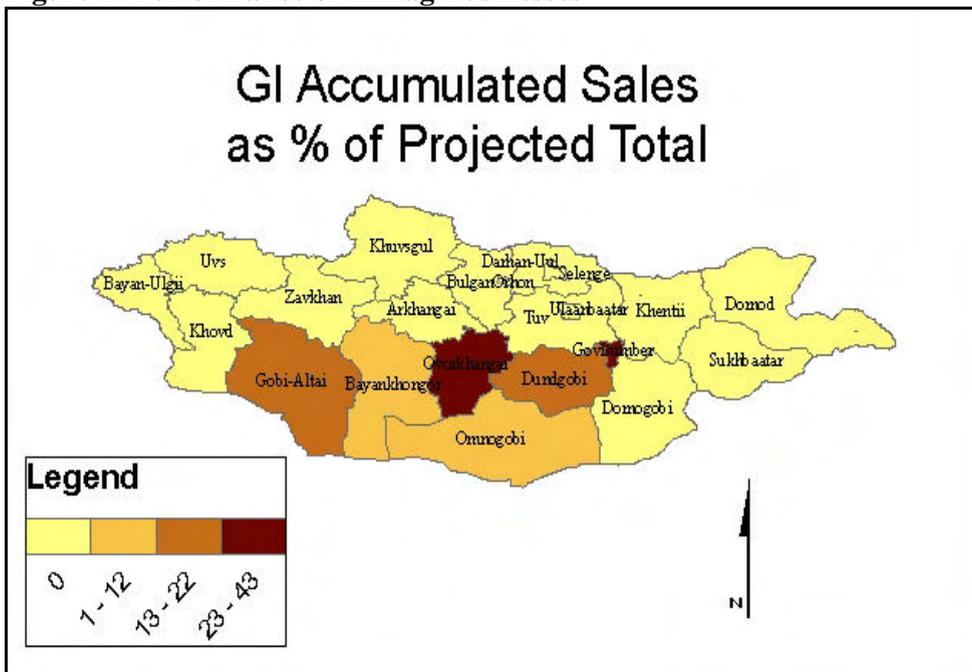
	# of clients	Total Planned Annual Sales MNT	Sales income in reporting period Jan - June 2006 MNT	% of total projected sales
Vegetable	41	230,724,780	8,620,500	4
Felt production	21	112,586,400	7,946,900	7
Dairy	35	213,677,149	29,178,055	14
Meat production	18	223,779,220	43,251,800	19
Animal breeding	4	11,305,000	2,532,400	22
Tourism	9	62,914,000	19,592,500	31
Other production and services	17	361,732,350	119,703,700	33
Veterinary	25	196,539,168	65,541,485	33
	170	1,413,258,067	296,367,340	21

Figure 1:



The tourism and veterinary sectors are performing well, achieving over 30% of forecasted sales to date; vets are traditionally busiest during the spring as they provide vaccinations and deworming to their customers. Vegetable, felt and dairy production are highly seasonal and GI expects them to achieve the majority of their sales the next quarter. However, as iterated above, the ongoing drought may impact on these sensitive businesses.

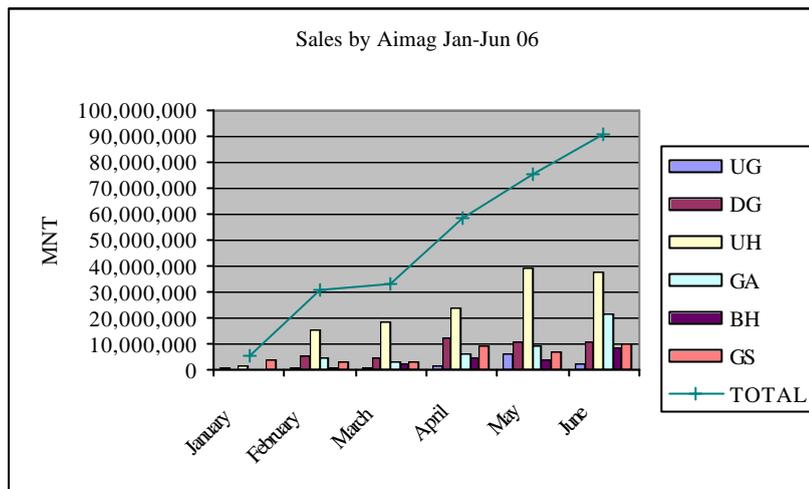
Figure 2: Performance of Aimag Businesses



Clients in Uvurhangai and Gobi-Sumber are performing well (See Figure 2 Above), achieving up to 43% of their sales target in the first half of the year (43% and 31% respectively). Overall, GI clients have reached

21% of the projected total sales figure, but with the busiest quarter from July-September, GI is still cautiously confident of reaching its sales target despite the drought.

Figure 3:



Sales have risen steadily since January, achieving the largest growth during the second quarter. UH was the largest contributor to growth during the second quarter, with Gobi-Altai in second place.

A detailed breakdown of sales generated by each herder client is attached in Annex 2.

Activity Two: Cooperative Formation and Development

GI stipulates that all clients become registered entities within ten months of commencement of business activities and, moreover, supports them to do so. By the end of the second quarter 47% of new herder groups have formally registered, and 86% of all GI herder clients have registered as a legal entity.

Table 2: Total Numbers of Herder Groups and Cooperatives/Registered Businesses

	Bayanhongor	Dundgobi	Gobi-Altai	Gobi-Sumber	Umnugovi	Uvurhangai	Jan 2006	Mar 2006	June 2006
Total	34	31	31	12	28	35	171	171	170
Number of Co-ops / Registered Businesses	34	24	31	12	16	30	134	134	147
Number of Herder Groups	0	7	0	0	12	5	37	37	23

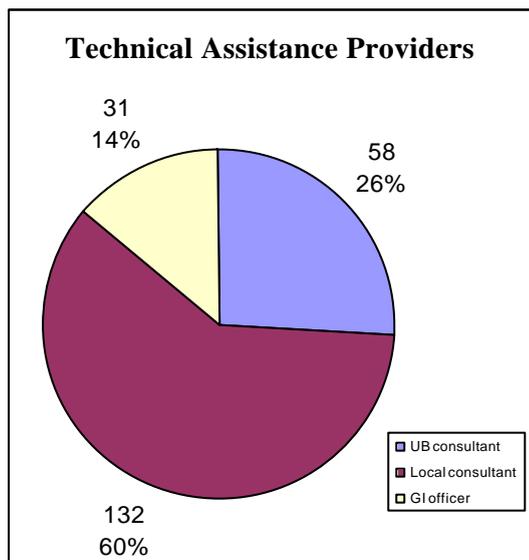
Other key cooperative development achievements were:

- Printing and dissemination of herder business record books to all GI client groups and cooperatives;
- 13 GI officers from six Gobi Aimags were engaged in the cooperative training acquiring basic cooperative training skills;
- Engagement of GI's administration and finance staff in training to build their skills in cooperative finance and therefore enable them to provide training to GI clients;
- A survey of the cooperative legal environment was conducted among over 40 government employees as well as NGOs and associations of Gobi-Sumber and Bayanhongor Aimags. The findings from the survey included: local government employees lack the skills technical capacity related to cooperative development in order to be able to support herders wishing to form cooperatives, poor knowledge of the Mongolian cooperative laws and regulations amongst local government employees and lack of support from local government towards herder cooperatives with regard to registration and compliance with tax reporting, and;
- 25 young people involved in the young cooperative leadership training traveled to Ulaanbaatar to attend the UNDP Community Development Naadam and participated in a cooperative development training held at the event. In addition, the young leaders traveled to Gobi-Sumber to visit the Mandal Sansar cooperative, a successful GI herder client who has diversified their business into vegetable and hay production and established a children's summer camp.

In early May, David Birbeck a VSO volunteer, arrived in country on a short term placement to work alongside the Cooperative Development Officer until September. Unfortunately he had to leave in late June due to personal reasons. However, during this short time he was able to work alongside GI's Cooperative Development Officer to help identify significant areas for strengthening cooperative development and recommend future program interventions. Although David has returned to the UK, he will continue to provide support to the program via email, this will include; assistance to develop a training needs assessment tool for the herder cooperatives to assess their organizational and management capacity needs, development of a training curriculum on 'managing your cooperative members to the benefit of the cooperative' and development of a training curriculum on ways to improve the marketing of rural cooperatives and how to conduct a market assessment.

Activity Three: Training and Technical Assistance for Herder Businesses

Figure: 4



During the first six months of the year a total of 221 training and technical assistance interventions were provided to herder clients. Aimag-based consultants provided 56% of all training and technical assistance. Aimag-based consultants continue to take greater responsibility for providing technical advice, particularly in the areas of animal breeding, vegetable and forage production, and cooperative development. Local technical assistance provision will be an important and significant legacy of Gobi Initiative, allowing businesses to access appropriate advice and training easily and at an affordable cost.

Ulaanbaatar-based consultants still continue to provide the majority of technical assistance on subjects related to tourism, sales and marketing, management, wool technology, chicken and pig farming and dairy processing.

GI will continue to find ways of supporting Aimag-based consultants to build their capacity in these subjects. Business plan development and financial management training is still largely provided by Aimag-based program staff.

Table 3: Summary of Training and Technical Assistance provided during the 1st half of the year

General classification of TA		Number of TA provided in 1st half-year 2006	UB consultant	Local consultant	GI officer
1	Financial management - accounting, record keeping and banking	24	4	6	14
2	Tourism operations - guest services, client / customer satisfaction	4	4		
3	Sales and marketing - market identification, pricing, product packaging and promotion	4	4		
4	General management - budgeting, human resource management, legal and tax issues	3	3		
5	Animal breeding - selection, breed characteristics, herd/flock record keeping, artificial insemination technology	3		3	
6	Dairy milk processing - types of milk products, processing technology, use and maintenance of equipment	13	10	3	
7	Vegetable/crop production - soil preparation, seed certification, planting methods, diseases and pests, harvesting, storage and processing	60	1	55	4

8	Felt making technology	8	5	3	
9	Fodder/forage production - soil preparation, selection of suitable crops, diseases and pests, harvesting, processing, storage (hay/silage)	2		2	
10	Cooperative development - management, structure, leadership, operations, marketing, record keeping and reporting, and regulatory compliance	68	7	52	9
11	Business start-up training - basic financial management, market research, sales methods, staff management, legal and tax issues	3	1	1	1
12	Specialized technical assistance - compressed fuel blocks, well repair, fuel operations, etc	5	4	1	
13	Bakery/food processing - equipment identification, sourcing and maintenance, new product development	7	4	2	1
14	"Buryat" boot/felt boot making - design, use of new materials, stitching, decoration	2	1	1	
15	Semi-settled livestock production - livestock intensification under Gobi conditions, design of livestock barns, supplemental feeding, grazing rotations for fenced pasture.	5	3	2	
16	Meat processing technology				
17	Business plan development	3		1	2
18	Camel wool and goat cashmere sorting, combing, spinning and knitting technology	1	1		
19	Chicken and pig farming	6	6		
	Total	221	58	132	31

Veterinary Training for Herders

The six-module Veterinary Training for Herders curriculum continues to be taught at the Aimag level by Aimag-based consultants to herders on a partial cost share basis. Although Aimag-based consultants in all Aimag have been trained by the GI Program Officer for Veterinary and Livestock Businesses, only one (GA) has been officially certified. The others will be certified in the third quarter. During this quarter, eight veterinary trainings were conducted with a total of 82 participant herders trained as follows:

Table 4: Summary of veterinary trainings during the quarter

Aimag	Number of Trainings	Participants Trained
BH	2	32
UH	1	7
DG	3	30
UG	2	13
GS	0	0
GA	0	0
TOTAL	8	82

Aimag Veterinary Laboratory Trainings for GI Veterinary Clients

Newly equipped and operational Aimag veterinary laboratories (AVL) in Uvurhangai, Bayanhongor, Dundgobi, and Umnugobi have begun planning to conduct trainings for GI veterinary clients in the third quarter. The trainings will be conducted over one or two days at the Aimag veterinary laboratories by AVL staff, and will serve several purposes: introduction of the newly upgraded facility to soum veterinarians; improvement of communication along intended communication chains (herder—soum veterinarian—AVL—SCVL); practical skills training for veterinarians. Topics covered will include: meat and dairy product safety testing; and clinical signs, sampling, and preliminary diagnosis of common animal infectious diseases.

Although the AVL in Gobi Altai was not part of the renovation project (previous donor funding secured), this aimag will organize a similar training in the third quarter. The veterinary clients from Gobisumber will

join the Dundgobi training. It is anticipated that all 25 veterinary clients supported by GI this year will attend and participate in the trainings.

Activity Four: Acquiring Critical Inputs

Input Facilitation

To date, 87 herder businesses (51%) have received assistance in obtaining inputs such as soil cultivation equipment, small tractors, seeds and fertilizers, veterinary medicines and equipment, dairy milk processing equipment (including milk separators and ice cream machines), and construction materials for animal shelters and greenhouses. The total value of inputs purchased with GI assistance was MNT 63,215,230 (USD 52,675).

Aimag State Veterinary Laboratories

Following on the arrival and installation of veterinary laboratory equipment in the first quarter, the laboratories in Uvurhangai, Bayanhongor, Dundgobi, and Umnugovi have been functioning at near full capacity in the second quarter. The laboratories were all officially opened in the second quarter with representatives from the AVLS, Aimag Governor's office and Mercy Corps present. Several key planned items that did not arrive or arrived incorrectly are in the process of being resourced with anticipated delivery in the second half of the year.

Loan Facilitation

As part of the program's technical assistance component, the aimag-based program officers have provided loan facilitation assistance to those herder groups/cooperatives with approved business plans. During the quarter, 54 herder groups/cooperatives have received loans totaling MNT 147,566,000 (USD 123,000) and 35 non-herder businesses received loans totaling MNT 164,830,000 (USD 137,300). Mercy Corps has provided a total of MNT 148,040,400 (USD 123,300) as cash collateral through the loan guarantee fund. Of the 141 clients that have taken loans this year, 4 have taken loans from Post bank, 48 from Khaan bank and 89 from Xac bank. In addition, the program herder clients that are applying for their second or third loan from the banks are increasing their share of the collateral. Increased client collateral is a result of increased business assets as well as developing a credit history with the banks.

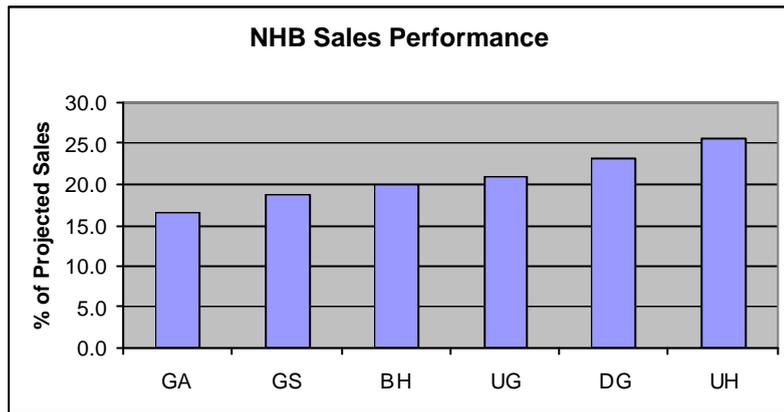
Since the beginning of Gobi II, Mercy Corps has assisted 327 businesses in obtaining commercial financing of MNT 1,006,325,000 (USD 839,000), of which MNT 639,356,000 (USD 532,750) has been guaranteed through the USDA-funded "Rural Agribusiness Support Program". Of these 327 businesses, 169 have fully repaid their loans, the total value of the repaid loans was MNT 397,939,000 (USD 331,600).

Activity Five: Technical Assistance and Training for Non-herder Businesses

Technical Assistance Provided to Long-Term Clients

New Guidelines on selection and cooperation with non-herder businesses were developed in Ulaanbaatar incorporating the recommendations and suggestions made by the Aimag staff. The guidelines made the non-herding clientele selection process clearer for both long term business clients and short term business clients and at the same time made the selection process transparent and set expectations for the potential business clients. Utilizing the new guidelines, 21 businesses have been selected this year. This brings the total number of long term clients up to 48 as of the end of the quarter, doubling the number of clients from 2005. The total projected sales figure for these businesses is MNT 1.4 billion (USD 1.16 million), and the total loan amount of these businesses is approximately MNT 100,000,000 (USD 83,300). The businesses will create approximately 50 seasonal and full-time jobs for local residents by the end of the year. By the end of the second quarter the non-herder businesses had generated sales income of MNT 306,668,828 (USD 255,500) (see figure 5).

Figure 5



The UB and Aimag staff recently evaluated the implementation of the business plans of the non-herder business clients, 42 out of the 48 clients engaged in the program have carried out their activities as planned in their respective business plans. However, present drought conditions in the territory of Umnugovi, Dundgobi and Gobi-Sumber aimags has resulted in partial implementation of three milk processing business plans and three tourism clients. The drought conditions have affected these businesses in Umnugovi with a reduction in the amount of fresh milk available and also fewer tourists traveling to the Gobi region. 43 of the businesses have received loans from the banks and used the proceeds to purchase necessary equipment, the remaining 5 clients are in the process of applying for their loans.

With regard to the loan repayment, most clients started paying back the interest to the respective banks on a monthly basis. Some of the clients have also started paying back the principal. For example Goviin Jiguur LLC (milk processing) in Umnugovi, obtained a loan of MNT 4.8 million from XAC bank in May 2006, and used the funds to purchase a milk pasteurizing machine, containers, yogurt packing machine and labeling material (see pictures below). The sales income of the company is increasing with the start of the summer season, to date they have generated sales of MNT 1.8 million and have started paying back both the interest and principal to the bank. In addition the company was registered as a legal entity in April.



Newly bought milk pasteurizer



Yoghurt



Pasteurized camel milk



Selected products

During the quarter the program has provided 37 technical assistance interventions to the clients, the majority of the technical assistance has been focused on improved technology and production systems. The cost of long-term technical assistance is shared between Mercy Corps and the client, and the cost share by the clients has increased to 45% of the total consulting fee.

Table 5: Long-term Technical Assistance

No	Aimag	Client Name & Consultancy Topic	Consultants			Client Payment (MNT)
			UB	Local	GI Officer	
April						
1	GA	"Han Daitis" LLC - BP development			G. Batbold	N/A
2	GA	"Airgiin Had" LLC - BP development				N/A
3	UH	"Och Naran" LLC - Organization management and human resource	Ch. Myagmarjav			30,000
4	UH	"Temka Co" LLC - Management organization	Ch. Myagmarjav			15,000

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5	GS	"Goviin Tuyaa" partnership -Tailoring practice	"Gobi" factory			The client covered meal and lodging expenses in UB.
6	DG	"Itgel Zutgel Hugjil" cooperative - 14-day training on western clothes sewing and pattern cutting	M. Batkhuyag			The client covered meal and lodging expenses in UB.
7	BH	Undrah Erdene" pastry workshop,	B. Tserenchimed			15,000
8	DG	"Zotol Haan Trade" LLC - BP development			L. Daanii	N/A
9	BH	"Hongor Han - Ih Uul" LLC - Business management consultancy	B. Tserenchimed		D. Byambasuren	15,000
May						
1	BH	"Hongor Han - Ih Uul" LLC - Meat production technology	"Huns Complex" LLC D. Tumur-Ayush		D. Byambasuren	60,000
2	BH	"Uguumur" car repair service - Dent removal, puttying technology	P. Purevbat		D. Byambasuren	45,000
3	BH	"Munhiin Huch" cooperative - Woodwork making technology	L. Delgertsogt		D. Byambasuren	45,000
4	GA	"Airgiin Had" LLC - Metal product making technology	"Gurgervaa" LLC B. Sanj		G. Batbold	60,000
5	GA	"Bayart Olon" LLC - Noodle making technology	"Huns Complex" LLC D. Tumur-Ayush		G. Batbold	22,500
6	UG	"Han Daits" Financial management consultancy	MNUiversity N. Munhbaatar		B. Oyunbat	30,000
7	UG	"Gal Munkh" LLC Panel production technology	B. Erdenechimeg		B. Oyunbat	30,000
8	UG	"Bat Hana" Panel production technology	B. Erdenechimeg		B. Oyunbat	30,000
9	UG	"Umniin Govi" LLC - Modification of business plan			B. Oyunbat	30,000
10	UH	"Itgel" LLC - Financial book keeping			E. Tegshbayar	N/A
11	UH	"Tsarshangai" LLC - Financial book keeping			E. Tegshbayar	N/A
12	UH	"Avtokom" LLC - Financial book keeping			E. Tegshbayar	N/A
13	UH	Bogd Tavan Naran" cooperatives - Compressed fuel equipment research	Ch. Bolormaa		E. Tegshbayar	15,000
14	DG	"Uugandalai" LLC - Bread and pastry making technology		Sh. Oyun	L. Daanii	15,000
15	GS	"Barsmoriton" LLC Bakery technology training	Urantsetseg		Mendbayar	30,000
16	GS	"Emeliin Hishig Hond" partnership Agricultural training		Soyolmaa	Tuvshinbayar	30,000
June						
1	BH	"Nomin Huh" Bakery and pastry making technology	Sh. Oyun		D. Byambasuren	40,000
2	DG	"Zambagyn Tal" LLC Pastry/cake making technology	Sh. Oyun			15,000
3	DG	"Undrah Erdene" bakery shop Pastry/cake making technology	Sh. Oyun			15,000
4	DG	"Ulzii Dundgovi" LLC 2 staff participated Umnugovi's tourism demo training	M. Narangerel			Clients covered lodging and meal
5	DG	"Ulzii Dundgovi" LC Consultancy on tourist camp standards	M. Narangerel			22,500
6	GA	"Altai Tan" LLC Maintenance of small agricultural equipment	Ts. Ulziibaatar		G. Batbold	45,000
7	GA	"Airgiin Had" LLC Construction block making technology		D. Bat-tsagaan	G. Batbold	15,000
8	UH	"Bogd Tavan Naran" cooperative Yak hair/down processing training	Enkhjargal		E. Tegshbayar	30,000
9	UH	"Bogd Tavan Naran" cooperative Handicraft training	Altantuya		E. Tegshbayar	30,000
10	UH	"Och Naran" LLC Restaurant service management	Gankhuyag		E. Tegshbayar	30,000
11	UH	"Temka-Co" Raw material stock management	Dovchin		E. Tegshbayar	30,000
12	UG	"MonDaats" LLC Semi-processed food processing technology	Tumur-Ayush		B. Oyunbat	30,000

Technical Assistance Provided to Short-Term Clients

Under the GI program, short term technical assistance was provided to 13 businesses that had identified a specific need. Technical assistance focused primarily on food and catering technology, service management, production management, dairy farm management/dairy processing and ice cream making technology. The cost of short-term technical assistance is also shared between Mercy Corps and the client; for these clients the cost share rate is fixed at MNT 15,000 per day.

Table 6: Short-term Technical Assistance

No	Aimag	Client Name & Consultancy Topic	Consultants			Client Payment (MNT)
			UB	Local	GI Officer	
April						
1	GS	"Uguuj" cafe - Public food catering technology	Mongolian Cook Association B. Selenge			30,000
2	GS	"Amtat Buuz" cafeterias - Public food catering technology	Mongolian Cook Association B. Selenge			30,000
3	BH	"Ganbogd" LLC - Business administration	L. Tserenchimed		D. Byambasuren	15,000
4	BH	"Maihan Tsahir" LLC - Business administration	L. Tserenchimed		D. Byambasuren	15,000
5	UG	"Govi Jargalan" LLC - Ice-cream making technology	Ts. Chimgee	Ulambayar	D. Enkhtuya	30,000
6	UG	"Tost Govi" LLC - Ice-cream making technology	Ts. Chimgee		D. Enkhtuya	22,500
7	UG	"Goviin Orgil" cooperative - Ice-cream making technology	Ts. Chimgee		D. Enkhtuya	30,000
May						
1	GS	"Buyan" kindergarten - Bakery technology	Urantsetseg			15,000
2	UG	Noyon soum's business operators - Finance & accounting training		D. Zayasuren	B. Oyunbat	45,000
June						
1	DG	"Burhant Shashir" LLC - Business plan consultancy			L. Daanii	N/A
2	GA	"Tulga Altai" LC - Consultancy on upgrading cooking skills	Selenge from Mongolian Chef's Association		G. Batbold	80,000
3	UH	Patent holder Bandi - Restaurant service management	Gankhuyag		E. Tegshbayar	15,000
4	UH	Patent holder Batchimeg - Restaurant service management	Gankhuyag		E. Tegshbayar	15,000

Activity Six: Local Capacity Building for Training and Technical Assistance

To date there are a total of 34 certified Herder Business Aimag-based consultants of which 6 achieved the grade of 'Excellent.' 5 Aimag-based consultants; 2 dairy milk processing experts, 1 vegetable cultivation expert and 2 advanced cooperative development experts have been certified so far in 2006.

A two-day meeting of Agricultural Officers, local consultants and herders from Umnugovi, Gobi-Sumber and Dundgobi was held in Umnugovi in May. At the forum the objectives set by Mercy Corps for the implementation of agricultural business plans in 2006 were introduced, followed by discussion of the activities carried out by the representative offices for the spring planting season as well as other pending issues. The event was attended by three Agricultural Officers and 4 local consultants, and herders from 4 cooperatives attended the second day of the event.

In May, all six Marketing and information officers attended a three-day workshop in Ulaanbaatar on product marketing and the use of Adobe Page Maker and Photo Shop. Having learned these new skills, the participants were able to go back to their Aimags and develop catalogue pages for their best client's

products. These will be included in the forthcoming Aimag level and Program level catalogues. Also, in May all six Administration and Finance officers from the aimags attended a five-day workshop in Ulaanbaatar on financial record keeping and accounting for cooperatives. The training included guidance on completing and maintaining the cooperative financial record keeping books published by the program in the first quarter and delivered to all herder clients. The Admin and Finance officers will now be replicating the training to all herder clients and herder cooperatives, in order to improve the financial record keeping and tax reporting of the herder clients.

Activity Seven: Market Development

In cooperation with the USDA-funded RASP dairy project officer, two business plans (one for the market facility and one for the milk testing laboratory) that, when combined, provide a coordinated framework for the development of an improved 'milk market' in Bayanhongor and Uvurhangai have been finalized. The two business plans for each market cover the dairy-market facility and the other the milk testing operation. The development of the plans involved substantial consultation with all stakeholders, including the soum government, the local professional inspection agency, the local department of food and agriculture, the two private enterprises, and the MC office. Small grants for infrastructure improvement and procurement of milk-testing equipment were disbursed (USDA-funded), and it is expected that the first sales through the new facility will begin early in the next quarter, just before the peak milk sales period.

Market fairs

During the quarter, preparatory activities for the upcoming Aimag Market Fairs have been taking place in the Gobi Aimags. Gobi Initiative's main roles have been to, facilitate the organization of the events with local Government and to promote and market the events to as many people and stakeholders as possible. The Gobi Aimag offices have now finalized the dates for the market fairs (see table 7 below). However, Dundgobi Aimag will not be holding a fair this year because the Aimag Government has decided to organize a big market event in Ulaanbaatar instead of in Mandalgovi. Dundgobi staff will, though, be assisting in the efforts of other Aimags in organizing their market events and Dundgobi clients will also participate in the Gobi-Sumber market fair.

Table 7: Planned Gobi Initiative Market Fairs

Aimags	Event	Date	Co-organizers	Estimated sales amount MNT	Cultural events, training etc.
GA	Altai Partnership (Demonstration training of Green Revolution program) in Altai	Aug 20-21	Government, Chamber of Commerce & Industry	30,000,000	Art and sport events, business forum, public lecture
UG	Gobi Festival - 2006 in Dalanzadgad	Aug 27-28	Government, Chamber of Commerce & Industry, Food & Agriculture Office, Extension Center	40,000,000	Concerts, sports competition, livestock trade fair
GS	Central Regional Trade Fair in Choir	Sep 04-05	Aimag government	15,000,000	Cultural and sport events, trainings, elite animal fair
UH	Uvurhangai Partnership - 2006 in Arvaiheer	Sep 15-16	Government, Chamber of Commerce & Industry, World Vision	90,000,000	Sports events, trainings, promotion of government services
DG	Dundgovi Days in Ulaanbaatar	Sep 20-22	Government, Bayangol District, Countrymen Association, MC	30,000,000	Arts festival, business forum
BH	Hangai Region Trade Fair in Bayanhongor	Sep 22-23	Government, Chamber of Commerce & Industry, businesses	25,000,000	Cultural and sport events, trainings, business promotion
TOTAL Forecasted Sales				230,000,000 MNT	

In Uvurhangai, a "Craftsmen of Uvurhangai Aimag" fair was held on 12th-13th May, organized in cooperation with the Governor's Office and Chamber of Commerce and Industry. The event was attended by craftsmen and entrepreneurs from all soums of the Aimag, including a number of Gobi clients. "Uduu" LLC, a GI client from Harhorin, won the second best product award and "Suun Dalai Travel" LLC, another GI client, was awarded with the prize for best packaging.

Contacts arranged through the USAID funded EPRC project led to several meetings with a cashmere retailer (Amartuvshin, CEO Amare Cachemire) based out of the United States. Within the context of these three party talks, discussions were held regarding a mechanism for sourcing fine cashmere fiber (less than 14 micron) at a premium from GI herding cooperatives. A total of 6 kilograms of raw cashmere from 2 herding groups in BH were purchased by Mercy Corps on behalf of the retailer for OFDA (optical fiber density analysis) in Europe. The results did not fall within needed parameters, but were very close. As this fiber was sourced late in the combing season and there was little available, it appears likely that an early start to this process in subsequent years might reveal GI herding clients that can meet specifications and sell their fiber at a premium to this retailer. In this sense, the foundation relationship has been established for future collaboration with this retailer, who has expressed interest paying premiums for up to 5 - 7 metric tons of washed, dehaired cashmere meeting specifications.

Establishing market linkages

GI has developed a range of product catalogues. These will represent the best clients and their most marketable products to a larger number of potential customers. Aimag specific catalogues will be available at the forthcoming market fairs and raise awareness of products available locally. In addition, a collated GI catalogue will present GI client's products in UB and possibly abroad. The final catalogues will be published early in the next quarter and distributed at both Aimag and national level.

Activity Eight: Local Government Support for Business

The highlights of the local government support work in April, May and June were:

- The development and completion of a survey among 330 local businesses to identify the government-related constraints to local business development;
- Organization of round table meetings between the government and businesses in the Gobi Aimags, and;
- The continued training interventions targeted to strengthen specific technical skills of government employees.

Comments from business owners surveyed:

Tax officers are weak at explaining the tax related laws and regulations. They don't provide enough information on taxation. They sometimes explain the VAT regulations incorrectly. (A Dundgovi business)

I have been through three government officials to make an application for obtaining a land use permit. It's taken me one whole year now. I have not got my paper yet. They tell you 'come in a while' or 'come back later'. (A Govi-Sumber small business owner)

Professional inspectors come and take away some of your products stating that a laboratory test is needed. But they never get back to us informing of the result if they did indeed conduct a laboratory test. Or much later they would say that your goods have been destroyed. (A Bayanhongor trader)

The pressures from inspectors are fierce. They don't treat us fairly and openly. They threaten us under the name of rules and regulations which we are unknown to us. (A Govi-Altai business woman)

Key business survey findings

In six Gobi Aimags, the Program Staff conducted a survey among over 330 local businesses and entrepreneurs to identify the barriers and constraints that they meet at the local government level. Best efforts were made to include all levels and types of businesses in the survey including large companies, medium sized ones, herder cooperatives and patent holders. GI oftentimes learns from the business community about difficulties in obtaining licenses and permits etc, and also lack of government support for business start-ups. Moreover, their comments highlight the need for tax incentives, the unsupportive attitude of professional inspectors, and cumbersome land regulations. The purpose of the survey was for GI to better understand the constraints and obstacles hindering business development and to identify potential

interventions that could be developed and implemented.

Respondents named the Professional Inspection Agency, Tax office, and Aimag/Soum Governor's Office as the most bureaucratic organizations. The commonly cited problems and issues included:

- Unfriendly and unhelpful communications and behavior from public officials;
- Lack of understanding of their role to serve citizens and businesses;
- People simply don't know the functions and roles of many of the government agencies and are thus unaware of where to go or whom to contact;
- Government employees only inspect, fine and threaten to close businesses, rather than disseminate information on the relevant laws and regulations that the businesses should be aware of;
- Too much paper work;
- Over-bureaucratic officials and the expectation to be bribed, and;
- Slow service delivery.

Many businesses said that the local governments require them to make financial contributions for Naadam and other celebrations. Some paid up to MNT 300,000 for the celebration of just one event. If they don't contribute, they may receive fines or unfair treatment.

What would you expect from government and regulatory agencies in order for you to run your business successfully and smoothly?

1. Fast, efficient service and an understanding of their role to serve the community;
2. A Professional Inspection Agency that helps us to prevent problems, not to fine us;
3. Open and transparent policy for business support, loans and grants;
4. Tax holidays for new, start-up businesses;
5. Good communication skills and well-mannered behavior from officials;
6. A government that promotes and informs their citizens of services and procedures;
7. Government employees that understand business;
8. Government staff that have a strong awareness of laws and regulations, and;
9. No forced donation/contribution for any types of celebrations.

There will be a separate report on the findings from the survey. In summary, however, the program concludes that there is ample opportunity to facilitate the creation of an "enabling environment" for businesses to succeed in our target Aimags. In addition to GIs training workshops, the following should be considered in future interventions:

Success Story: Working with the Tax Department

Gobi Initiative had received concerns from Dundgovi Aimag based "Tugrugiin Itgeltel" cooperative about the tax burden recently placed upon them by the local Tax Department. The cooperative had not paid value-added tax in 2002-2005, and owed MNT 247,000 in the 1st quarter of 2006, with a total outstanding debt of MNT 826,600. In order to help resolve the issue, GI representatives from the Dundgovi office worked closely with the officers of the Tax Department and to agree on a new schedule of tax payments for 2006 and 2007 for the cooperative.

- Offer assistance to government in its efforts to disseminate information on various business-related laws and regulations to the local community;
- Facilitate more of the government and business forum and round table meetings on a regular basis;
- Offer seminars and workshops on general business and communications skills to government employees that deal with SMEs and cooperatives, and;
- Assist in the development of business associations and NGOs in the aimags to facilitate the advocacy activities.

Round table meetings

Round table meetings facilitated by Gobi Initiative were held in Gobi-Altai, Bayanhongor and Uvurhangai. At each of the round table meetings staff from the Aimag government, Tax Department, Professional Inspection Agency, Land affairs Office, Real-estate Registration Agency, local businesses and herders were invited to participate. The local businesses represented different economic sectors including food

production, industry, trade and services, as well as herders. The participants identified priority activities and each meeting generated a list of proposals and actions to be jointly organized by the local government, the program and businesses. There was one successful activity identified and implemented during the quarter: The Professional Inspectors and Tax office staff conducted targeted seminars in the three aimags for businesses. During the workshop the Professional Inspectors and Tax office staff provided information on their services and explained the latest laws and regulations to the participants.

As mentioned above, throughout the quarter, the Gobi Initiative offices have been facilitating training seminars for local government employees. There were a total of 13 seminars arranged for some 321 public servants in the first half of the year (see table 9 below).

Table 9: Summary of training workshops provided to government employees

#	Training Workshops	Dates	Aimags	No of participants
1	Business start-up, the basics of business; generating a business idea, registering a business, basic marketing skills, and several "how to's" - conducting market research and writing business plans	5-6 Jan	Umnugovi	15
2	Business start-up, the basics of business; generating a business idea, registering a business, basic marketing skills, and several "how to's" - conducting market research and writing business plans	9-10 Jan	Umnugovi	20
3	Business start-up, the basics of business; generating a business idea, registering a business, basic marketing skills, and several "how to's" - conducting market research and writing business plans	15-16 Jan	Umnugovi	25
4	Team and time management, what government services are and how best to provide these services, as well as how local government employees can support local business development	14-16 March	Uvurhangai	14
5	Government land use laws and regulations and the implementation of these laws in relation to herder business diversification	25-27 Apr	Govi-Altai	29
6	How does Government support the development of rural businesses and encourage the participation of citizens in Khural meetings and debates.	27-28 Apr	Govi-Sumber	28
7	Project development - design, budget development, monitoring and evaluation	3-4 May	Uvurhangai	13
8	Government land use laws and regulations and the implementation of these laws in relation to herder business diversification	11-12 May	Umnugovi	18
9	How does Government support the development of rural businesses and encourage the participation of citizens in Khural meetings and debates	18-19 May	Dundgovi	72
10	Government procurement regulations and policies, Government tendering processes	23-24 May	Govi-Altai	15
11	Project development - design, budget development, monitoring and evaluation	25-26 May	Bayanhongor	20
12	Project development - design, budget development, monitoring and evaluation	06-07 June	Dundgovi	27
13	Communications skills and ethics	14-16 June	Govi-Altai	25
	TOTAL			321

As part of the milk market improvement activity (See activity 7: market development), the Uvurhangai office in cooperation with the Aimag Health Department and Professional Inspection Agency organized the "Healthy Environment - Safe Food" conference on April 17, 2006, in Arvaiheer. The conference was organized in order to disseminate information related to the safe and hygienic display of foodstuffs, the creation of a healthy environment within the Aimag center market and to lay a foundation for further collaboration with regard to the refurbishment and improvement of the aimag milk market. The conference was attended by a total of 59 people including: food-market owners, milk traders, producers, laboratory testers/doctors, representatives from the relevant government departments and program staff.

INTERMEDIATE RESULT 1.3-2 Increase in Availability, Access to and Use of Information

Activity One: Business Information

CRSP Forage Forecasting.

Gobi Forage has been intensifying efforts to produce appropriate products (maps, information bulletins and radio bulletins) which will inform decision makers and the stakeholders including national and local government personnel, herders and others. The team has developed initial maps and are in the process of verifying the accuracy of the maps and developing the final products. See Annex 1 for the maps. There will be a limited release of a pilot product in Uvurhangai in the early part of the third quarter. The products will be refined after initial discussions in Uvurhangai and further field testing will be conducted in two additional aimags. In late August and early September, the products will be disseminated on a larger scale to include all six target aimags and other stakeholders. However, the larger dissemination will only occur after extensive trials and feedback from potential users and stakeholders.

Mr. Jay Angerer from TAMU, conducted trainings on the Introduction of PHYGROW and Arc GIS for the project team and younger scientists from the Research Institute of Animal Husbandry, Mongolian National Universities, Botanical Institute, Centre for Policy Research and local NGOs. During Mr. Angerer's visit in June 2006, the project team had a chance to present updates and future activities of the Gobi Forage team to the officials of the Ministry of Food and Agriculture and other international development organizations. From June through August 2006, Kathryn Clifton, an intern student from TAMU will work in Mongolia to study the application and use of the Gobi Forage products at different levels and amongst the various stakeholders including: herder alliances, bagh, soum and Aimag governors and other state organizations.

The team conducted three forage sampling trips to Gobi-Altai, Bayanhongor, Uvurhangai and Tuv Aimags during the reporting period, and collected data from 90 monitoring sites. The data is currently being processed and uploaded into the databases. The project is looking forward to involving Mongolian students and young scientists in the project activities during the next quarter. The students and scientists will be provided with the opportunity to learn how the technology works, to learn how to conduct field sampling, to analyze the data and to learn how to read and use the information generated by the computer models.

Production and Dissemination of Rural Business News Mongolian Magazine

During the quarter, RBN produced the quarterly "Rural Business News" (RBN) magazine #50 in Mongolian for publication at the end of the quarter. 7,500 copies of the magazine were printed and distributed nationwide at the end of June; 75% of these went directly to the targeted Gobi Region. The magazine was printed in A3 format with 28 pages. Select color pages contained paid advertisements and illustrated stories of importance.

Distribution of RBN dropped slightly from 7821 to 7388, even though RBN continues to be promoted widely through the Market Watch network, local information networks as well as the postal companies. Pact organized marketing and promotional events for subscription in target Aimags with a cross promotion through Pact affiliate media, radio and TV. For subscription and distribution, Pact cooperated with postal service companies and herder associations and Gobi Initiative Offices assisted with promotion. The number of subscribers was slightly reduced due to different factors including [1] the magazine becoming quarterly, [2] magazine distribution taking a long time to reach some remote herders in soums, [3] diminished communication between target clients and the editorial office, [4] promotional activities taking place for one month in each quarter. Pact will attempt to address these problems in the next quarter in terms of increasing the time span for promotional activities, and improving communication and two way feedback between clients and the editorial team.

"The Gobi Initiative Representative Office has received more requests from local business operators (herding and non herding) for cooperation as a result of information disseminated to local residents through the magazine" - D. Puntsag, Gobi Initiative Representative in Uvurhangai aimag).

According to herder L. Javghanuu of Bayanhongor aimag, "RBN turned into more of a magazine in terms of format and content, which makes herders understand concepts and use of the information. Furthermore with this format users do not expect timely and quick information like the daily newspapers". He advises that the magazine should be promoted more to strengthen the understanding of readers on how to use the information for effective use in their business. He advised to further deliver the magazine just after the promotion and subscription, so that readers get the information when it is "fresh".

During the second quarter, print quality improved and a new look was introduced in response to feedback from the previous issue. RBN has now selected a new printing company with modern news print technology. The look of the magazine has become "magazine like" with more color and graphics. The content has been adapted to be less wordy and RBN has consistently been getting input from MC senior technical staff on new content.

Pact will continue to take steps to improve feedback/communication with the clients. During the quarter extended efforts were taken to identify client needs and convert these into story ideas that truly serve the business growth of the target audience. Pact worked closely with readers and MC aimag staff to determine topics and messages. Further efforts will continue to generate ideas from the readers' local business operators and reflect authentic needs in the key messages delivered by the magazine.

In terms of use of information, RBN received the following from readers and MC aimag staff:

"The RBN issue #49 that was produced in late Quarter One was effective for stimulating new businesses to refer to the GI project for effective collaboration" - D.Puntsag, Uvurhangai

"We learned new tips on marketing products and learn from each other, making viable business decisions on selling produce (Market Watch)"- Tavan Erdene Coop of Umnugovi aimag.

"We have seen tangible increases in herders and businesses willing to work with Gobi Initiative. Fueled by the success of other herders and inspired by the information they receive on business, they now have a vested interest to diversify their businesses"- J.Bayarmagnai, Gobi Initiative Representative in Bayanhongor

Herders and business operators continue to receive key messages and tips providing new ways to effectively manage their business using the information disseminated through RBN. The current issue continued with content that is educational, practical and relevant. Providing local success stories, increasing business knowledge, providing herding tips, and sharing best-practice experiences.

Most of RBN's regular feature stories and corners appeared in issue #50 with a specific focus on the importance of growing fodder in herding businesses as well as the potential for fodder production as a business (Lead Story). The feature encouraged herders and other business operators to seek more innovative ways to grow fodder plants so that their businesses become less reliant on merely the natural availability of pasture. An

Avian Influenza "how to" segment, detailing symptoms and methods of identification and prevention was also published (Herders Tip). Other items featured included the marketing of rural produce (Business Corner), veterinary services and the importance of expert opinions (Interview), tips for cooperative governance, dealing with banks\financial matters (Business Corner), electric fencing methods and car maintenance techniques (Technology Corner).

RBN continued to include content that reflects GI objectives to stimulate growth in the rural economy. The Market Watch and Aimag pages continued providing local price news (with past and future analyses) and local business best practices with real examples and practical tips. The Farmers Tip included information on vegetable watering using the MC Consultant Gary Hickman's report as source. Two additional columns in the current issue featured the lessons learnt in both the vegetable and dairy business (based on Gobi clients' lessons learned) including follow up recommendations. The publication further emphasized the setting up of an Agricultural Cooperative Alliance with the primary goal on providing in-depth knowledge and understanding of the Alliance.

The Business Corner highlighted what business operators should consider in marketing their produce, including tips dealing with finding the target market, understanding the market economy and these broad principles being reiterated. The Aimag Pages' practice-based tips (8 stories) were provided with changes in content, style and design. These pages provided easy to understand rural business success stories and best practices, and techniques and tips about specific aspects of select businesses.

Production and Broadcast of RBN Weekly Radio Programming

During the second quarter, RBN radio continued to serve over 120,000 listeners, airing an average of 200 minutes of radio programs each week via Mongol National Radio. Programs were similar to those produced in the first quarter with some changes and reformatting, continuing the process which began earlier this year.

As reported earlier, the programs shifted from a "single topic-single program" to more of a series based program, with the intention of providing better and more useful information and in-depth tips. Aside from the *most- heard- and- most- used* "Market Watch," "Weather Watch," and "Learning Agribusiness" segments, Pact continued providing other segments like "Managing Business," "New Ideas," "Rural Marketing," "Cooperative Development," "Livestock Health," "Business Guide" and "Interview."

Pact ensured that programs contained balanced opinions and effective use of sound bytes and effects to ensure that programs sounded attractive and continued to provide useful information for rural business. Radio continues to be a highly-effective medium in reaching the rural population in the Gobi region and nationwide. Programs were all produced in the in-house Pact studio.

Pact continued airing programs focusing on different businesses and business aspects including but not limited to herding, farming and dairy production with cross-cutting management and cooperative development issues included in the programming. With the "Cooperative Development" segment, Pact provided more information focused on creating good management structures that are member driven. Livestock health topics were identified based on recommendations from MC veterinarian Dan Schar and his team, and Pact began providing programs for rural veterinarians to assist them to carry out their duties and run businesses more effectively. Rural marketing was a cross cutting radio issue and different business examples were highlighted and specific marketing tips were provided.

Production and Dissemination of Market Watch

"Market Watch" continued to provide demand-driven price information during the second quarter. Pact, using its nationwide "Market Watch" network, continues to gather highly valued commodity price information and disseminates it to GI clients and other herding and non-herding businesses nationwide. As mentioned earlier, the need to broaden the Market Watch service has emerged. With the exception of the "regular" raw materials and products, Pact has begun highlighting some important and seasonal commodities including vet pharmaceuticals (every six months) and agricultural machinery (every six months). Pact has continued the RBN-509 service, an SMS service that delivers price information. Negotiations with MobiCom are underway to assess the viability of an increase of the service to more users, including daily WAP to deliver select commodity prices. The newly established Mongol Content branch of the cell phone operator, is working closely with Pact on this.

Pact also began creating new databases to include agricultural equipment, veterinary drugs, vegetable seeds, vegetables and dairy products. These databases, which will be kept updated, will serve as the basis for a future broadening of the service. Pact is further working in close collaboration with MC Deputy COP to further analyze the Market Watch data and provide some GIS mapping to enhance the usability of the service.

RBN magazine continued providing a "Market Watch" page, which summarized the quarter's prices and highlighted cashmere skins/hides, meat, and other raw material prices. It also included analyses and details on factors influencing price fluctuations and forecasts. Aside from the print media, Pact's RBN TV program "Learning Business" (which is broadcast on commercial station TV-9) also provided price forecasts and monthly trends. There was a heavy focus on cashmere, as it coincided with the season. The twice-monthly Market Watch segment was anchored by RBN journalists.

Overall, "Market Watch" continued providing business operators with information enabling them to make decisions about which markets to access and at what prices to sell their products, thus continuing to meet the crucial objective of eliminating regional price differentials.

New Radio Series following Herder from the Future Radio Drama (26 programs)

Toward the end of the quarter, Pact, with input from the Pact Educational Advisor and the MC Deputy COP, pursued new ideas for the follow-on series. Preliminary discussions have been focused on a series for herders based on the education entertainment format used by the BBC for the radio series, "The Archers." On the air for nearly 50 years, "The Archers" began as a rural education program and continues to pride itself on the quality of its research and its reflection of real rural life. Further meetings with the MC technical team, Pact staff and a scriptwriter from the Voice of Nomads will be held early in the third

quarter to agree on the format and content for the radio series. Once the preproduction and scripting are complete, Pact will produce a 20-25 minute drama to be broadcast twice per week in the final quarter of 2006.

RBN Website

During the quarter Pact updated the RBN website (www.rbn.mn). The website continues to pull together all the rural business news reported elsewhere as part of RBN services and products, targeting primarily rural business people who have access to the internet. Through the website, Pact has received several queries including a request for information about potential suppliers of milk and partners in the dairy business. These requests are then forwarded to relevant GI offices.

Production and Broadcast of RBN TV Programming and 26-part TV drama series

In the second quarter RBN produced seven prime-time television programs which were all broadcast bi-monthly on TV-9 on Mondays. Business operators and cooperatives that were featured in the programs included Gobi clients, and the RBN team traveled to various locations to shoot the programs which were then edited in the Pact studio. TV programs were produced from Uvurhangai, Dundgobi and Umnugovi aimags, mainly from the herder clients of Gobi Initiative. The clients and dates were selected based on a recommendation from the GI Representative Offices to avoid redundancy in topics as well as inappropriate timing (e.g. highlighting tourism business in June or July, not in March or April etc). Some of these programs were further syndicated in Gobi aimags and broadcast on local TV, these included Uvurhangai, Dundgobi, and Umnugovi.

Pact has been requested by some viewers to take further measures to ensure greater coverage. This has been achieved by including organizing regular meetings with viewers (often done during TV production trips) and announcing the program dates (RBN magazine). Viewers have also requested repeating the programs through local TV stations if possible. Some viewers also asked Pact to re-consider the broadcast time as during spring many herders have an excessive work load related to the birthing season.

Discussions around broadcasting on Mongolian National Public TV (MNPTV) continued throughout the quarter and it seems that MNPTV will accommodate price requests for broadcasting which were made late last year. MNPTV's organization, structure and programming style and format are still being decided.

In the middle of the quarter (mid-April), Pact finished broadcasting the 26-episode TV drama series "Endless Labyrinth" on MNPTV (as per the contract signed last year). The 26-part educational TV drama followed the efforts of a rural family to develop and operate a small rural business, and tracked the activities of the family researching the local market, securing financing, producing a quality product, managing a business, and dealing with risk-associated issues. Being unique, the series differs from the other soap opera series widely broadcast in Mongolia, i.e., being educational, based in the Mongolian countryside, using a local cast, looking into business practices in a Mongolian context and being Mongolian business-driven (based on rural needs).

A follow-up monitoring survey on its impact was carried out by trained Pact staff during the quarter. Results are reported as Annex 3 from the survey:

- 65% reported info to be "useful and practical"
- 67.5% selected "planning is essential" and "researching your potential market is essential" as lessons learnt from the program
- 66.3% said the series had taught them that "good financial management is essential"
- 53.6% said that the series had taught them about ethics
- 50% said that they had decided "to make changes in their business using info from the series"
- 54% said that the program had helped them to improve household income

Pact will be delivering the tapes of "Endless Labyrinth" to local TV stations willing to broadcast the series pro-bono with restrictions as outlined in USAID rules and regulations to ensure it reaches an expanded audience.

Pact started the planning of the next TV soap-opera series in consultation with the MC Deputy COP, his team and the Pact Educational Advisor. The focus of the series will be on a soum centre as a location demonstrating interaction between herders, vets, non-herding businesses, banks, and the soum government, etc. The series will be centered on a veterinarian and her husband.

Production and Use of Video Training Materials

A video has been produced and finalized for distribution to compliment the Veterinary Training for Herders curriculum. Changes have been made according to herder feedback. The video now includes the full scope of normal and abnormal signs in the major domestic species, as well as sections on the importance and need for professional veterinary services and emphasis on preventative health care. Local trainers will use the video as a component of the ongoing training. In response to herder trainee requests, the video has been duplicated for all GI herding clients; 230 copies of the video on VCD format were distributed through the GI Aimag offices.

Activity Two: Local Capacity for Information Dissemination and Communication

During this reporting period, a significant activity was implemented towards building local capacity for information dissemination and communication. Pact organized public forums and radio call in shows in all six target Aimags. The first radio call-in shows were organized in Dundgobi, Umnugovi and Gobi-Sumber Aimags in April; follow on shows in Gobi-Altai, Bayanhongor and Uvurhangai were organized in May. Each program was 60-90 minutes in duration. The shows picked up important issues that hinder rural business development and provided a live forum for the public on radio. The programs raised land tenure issues, accessing bank loans and debated how businesses can comply with the relevant health and safety standards set by the professional inspection agency. There was active engagement from the general public during the programs, with a number of suggestions on how local government should change to better serve the business community and support rural economic development.

The local NGOs and independent radio stations, Gobi Sky NGO and radio station in Dundgobi, Gobi Wave Public Information Center and Women for Social Progress NGOs in Umnugovi and Davkhar Delgest Cooperative radio station in Gobi-Sumber produced the shows in cooperation with, and under Pact's technical assistance

Through negotiations, Pact and the partners agreed that the rural radio stations/ NGOs will attempt to broadcast similar shows at least once a quarter with the aim of bringing together local government and business operators at a round-table table via the airwaves. The impact anticipated is that there will be more close links between the government and local businesses in terms discussing rural business development needs and challenges. During the second half of the year rural CSOs will be encouraged to facilitate this public forum on specific topics on the radio. Through these regular radio call in shows it is hoped that there will be an increase in government transparency in their decision making and a platform being provided for businesses to be heard by local government

COLLABORATION WITH GOVERNMENT OF MONGOLIA AND OTHER PROJECTS

Community Development Naadam

In order to support local initiatives to help understand problems faced by rural communities, UNDP held a "Community Development Naadam" between 16-18 June in Ulaanbaatar. GI staff were part of the organizational task force and UB officers Tsolmon and Tsend-Auysh were responsible for all organizing activities for participating GI clients. More than 90 best partnerships and cooperatives from all over Mongolia took part in the Naadam, and eight GI clients participated (See table 10 below), selling MNT 180,000 worth of products. The goals of the Naadam were: i) To celebrate the successes of community-led initiatives and solutions taken to address existing community development challenges; ii) to share knowledge and best practices among local communities by promoting, demonstrating and displaying their products, innovations and technologies, and to facilitate cooperation; and, iii) to contribute to local and central policy and decision making by bringing community solutions, achievements, new initiatives and innovations to the attention of government officials.

Table 10: Details of the GI clients that participated in the Community Development Naadam

#	Name of client	Aimag, soum	Activity and products	Products, initiatives and technologies of Naadam
1.	"Altai Swiss Fund"	Gobi-Altai, Yesunbulag soum	Barley and barley flour products	1. Barley cookies and barley flour 2. Information boards and albums. 3. Tasting and sold products of 100,000 MNT.
2.	"Tsagaan Temee" herder group	Gobi-Altai, Sharga soum	Camel wool yarn	1. Information boards and albums 2. Camel wool yarn 3. Introductions 4. Tasting and sold products of 10,000 MNT
3.	"Bishrelt Sumber"	Gobi-Sumber, Sumber soum	Dairy products	1. 27 types of products 2. Information board and albums 3. Information board, album 4. Tasting
4.	"Dundgobi-Youth" NGO	Dundgobi, Saintsagaan	Support youth, increase their incomes, organize training, deliver information	1. Information board, video and albums 2. Newspapers 3. Introductions
5.	"Ouyt" Herder group	Umnugovi, Hanhongor	Dairy products, felt products, tourism	1. Information board and albums 2. Introductions
6.	"Hongor Hairhan" Herder group	Umnugovi, Hanhongor	Dairy products, felt products, paintings	1. Information board and albums 2. Felt products 3. Introductions 4. Sold products of 70,000 MNT
7.	"Zuun Bogdyn Uguuj" partnership	Uvurhangai, Bogd	Livestock, vegetable growing, nature protection and felt production	1. Information board, video and album 2. Introductions
8.	"Bayandulguun" cooperative	Uvurhangai, Yesunzuil soum	Nature protection and tourism	1. Information board, video and album 2. Introductions 3. 3-lattice small ger

Cooperation with Ivanhoe Mines

Gobi Initiative facilitated a meeting for local businesses and Ivanhoe Mines in late June, during which the participants discussed various business opportunities. Gobi clients have sold vegetables in the past to the mine, and the plan is to deliver selected products this fall too. Procurement lists containing the types and volume of fresh vegetables required on a monthly basis are currently being finalized and the agriculture officers in Umnugovi, Dundgobi, and Uvurhangai have consolidated the vegetable production plans by the herder groups in these aimags. Formal agreements for vegetable supply to Ivanhoe Mines will be negotiated during the next quarter. In addition to vegetables, the mine has agreed to buy dairy products, including bottled camel airag, from a local producer on a pilot basis.

The program has successfully established a business linkage between Ivanhoe Mines and "Umniin Govi LLC", an Umnugovi-based transport company. During the quarter the company has concluded a contract with Ivanhoe Mines to provide the transportation of employees between Dalanzadgad and Hanbogd. The company received Gobi Initiative's technical assistance to develop a business plan and MC guaranteed a loan of MNT 45 million to enable the company to purchase a new bus.

Collaboration with Swiss Development Cooperation

Gobi Initiative and Swiss Development Cooperation (SDC) have agreed to cooperate in marketing and promoting Camelact, a brand of cosmetic products made out of camel milk with support from SDC and Mon Crem LLC¹, a local manufacturer. Dundgobi camel herders are now selling camel milk to MonCrem,

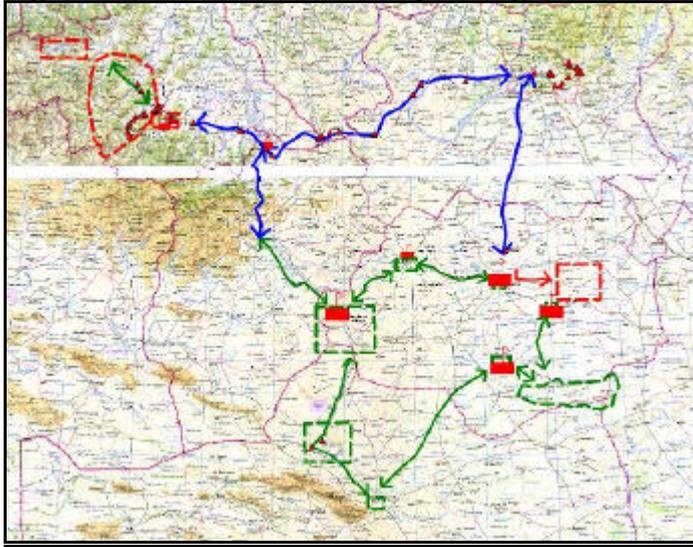
¹ Mon Crem is currently making eight types of products under the name of "Camelact" using camel milk such as: hand cream, cleansing and face lotion, day and night cream, shair and body shampoo, and hair cream. The company having

the second biggest cosmetic producer in Mongolia, based in UB. SDC has recently approached GI for help in developing a business plan for Mon Crem. In order to assess the potential market for the camel cosmetics, the program, in collaboration with the company and SDC, is conducting a feasibility study. Based on the results of the study the program will assist in developing a business plan for Mon Crem LLC. The business plan will expand the current production and explore the opportunities to link GI camel herders producing camel milk with the company.

Collaboration with Mongolian Alternatives Centre, Ger to Ger Project

Ger to Ger began their GI related activities in Dundgobi in April. During the quarter, the Ger to Ger project has been engaged in the establishment and development of rural-based tourism businesses. Some notable achievements include the establishment of a Ger to Ger Route in the Ih Gazriin Chuluut area. The route involves five herder families and their relatives. In addition to this route, three community-managed travel routes in Saihaan Ovoo, Olziit and Bulgan soums have also been established. These routes involve a total of eleven herder families and their relatives.

Figure 6: Location of community-managed travel routes



Linked to these travel routes, four rural ticketing/travel information service centers have also been established. These Centers, maintained by rural businesses and personnel, allow local drivers, artisans and cooperatives, ger camps, and guides, etc., to post their services and products and have them resold locally by the centers' officers. These information centers are sustained through commission fees on sales.

The establishment of the travel routes and rural ticketing/travel information service centers has been achieved through field trips to the areas to meet with the stakeholders and entrepreneurs, and the organization of four training workshops. So far the established tourist businesses have generated MNT 856,290 in ticket sales and the local drivers have generated MNT 373,100 through providing transportation services for tourists to reach the locations. It is expected that business will increase in the months ahead with the Naadam festival and the increase in numbers of tourists visiting Mongolia during the peak summer season.

A detailed report from Mongolian Alternatives Center is attached as annex 4.

PROGRAM/FINANCIAL MANAGEMENT

At the end of the second quarter the Director of Programs will be taking a leave of absence to participate in a ten month fellowship program sponsored by the Humphrey Fellowship and the US Embassy in Mongolia.

been engaged in the cosmetic industry for a decade, showed an interest to expand the production into the nationwide market and create a successful domestic brand.

With the departure of the Director of Programs, the team will be restructuring the reporting lines and staff supervisory roles within the team.

Spending through June 30, 2006 has not yet been completely finalized, but preliminary figures indicate cumulative expenses of \$ 4,255,071. This amount is composed of the following:

UB Project Management	\$ 1,083,631
UB Program Delivery	\$ 836,794
Aimag Program Delivery	\$ 1,044,992
PACT/RBN	\$ 842,819
Indirect Cost	\$ 446,835

TOTAL	\$ 4,255,071

The reallocation of Program Delivery expenses into "target group" results in the following:

UB Project Management	\$ 1,083,631
Herder Businesses	\$ 1,199,466
Non-Herder Businesses	\$ 488,254
Local Government/Other (market events, etc)	\$ 194,065
PACT/RBN	\$ 842,819
Indirect Cost	\$ 446,835

TOTAL	\$ 4,255,071

CONCLUSIONS AND RECOMMENDATIONS

The second quarter has been a very busy period with business plan implementation well underway for the 170 herder clients. The majority of these clients have received the planned training and technical assistance, with a total of 194 interventions implemented during the reporting period. As part of regular program monitoring, the UB-based program officers have visited most of the herder clients in all aimags and it is clear that there is still a need for additional technical assistance for some of the herder clients. The main sectors needing additional technical assistance include fodder/vegetable and dairy production; specifically, there is a continued need to provide advice on appropriate irrigation systems for the vegetable production and improved packaging for the dairy products. The need for the additional technical assistance is directly tied to the production cycle with the summer months being the busiest season for these specific sectors.

Parts of the Gobi are experiencing drought conditions with the southern Gobi the worst affected. The aimag governments are reporting that many herders and their livestock have migrated to neighboring aimags in search of better pasture conditions. The drought and poor pasture conditions have impacted the ability of some of the GI herder clients to fully implement their business plans. Some members of the groups have moved in search of better pasture with their livestock, leaving others (primarily elders and children) behind to maintain the other activities and businesses. Aimag program officers have been assisting those herder clients affected by the drought to develop contingency plans for their business activities and to find alternative sources of feed and fodder for their livestock.

GI continues to use sales generated by the program clients as an indicator of success. Herder client sales in the first six months of the year totaled MNT 296,367,340 (USD 247,000). Forecasted sales for the herder clients for the CY2006 are MNT 1,413,258,067 (USD 1,177,715). As the year progresses, the project will continue to provide herder clients with technical assistance to improve the marketability of their products, and will also assist with creating linkages to local as well as regional (or even national) markets. The sales generated by the program clients are tracked on a monthly basis and the information is maintained in the program's database. The majority of sales will be realized in the second half of the year, concurrent with

production cycles. The annual trade fairs that will take place in September will also provide a good opportunity for many of the GI clients to sell and promote their products.

The Mercy Corps loan guarantee mechanism continues to be a crucial component of the program and remains instrumental in linking rural businesses (particularly herder businesses) to the financial services sector. In this second quarter, 54 herder groups/cooperatives have received loans totaling MNT 147,566,000 (USD 123,000) and 35 non-herder businesses received loans totaling MNT 830,000 (USD 137,300). Mercy Corps has provided a total of MNT 148,040,400 (USD 123,300) as cash collateral through the loan guarantee fund.

The Gobi Forage component has completed the final verification of the PHYGROW computer model and the first forage maps are being produced on a biweekly basis. The next steps will involve close interaction with a limited number of potential stakeholders including local government officials and herders to design and modify the content and labeling of the forage maps for use in the Mongolian context. The team will gather feedback and look for and discuss (among other things) any implications with respect to possible herder movements. In addition, the team will begin the development of radio bulletins for herders based on the information generated by the computer models and the feedback gathered from potential users. The main tasks for the following quarter will include, the development of the final products in appropriate formats for the various users and to develop training packages that explain the products and provide guidance on how to use the information presented. Once the products (maps and radio bulletins) are finalized, the team will look to develop a distribution network for the products. The maps will only be distributed to government officials, herders and other stakeholders will be able to access information via the radio bulletins. This will be an ongoing process and will involve close cooperation with the USAID Mongolia mission.

During the quarter a sub grant agreement was finalized with Mongolian Alternatives Center, to implement their Ger to Ger project in Dundgobi aimag. The project has successfully started activities and four community-managed travel routes have been established, four rural ticketing/travel information service centers have also been established. With the next quarter being the main tourist season and a significant number of tourists and travelers expected to visit Mongolia, the number of tourists visiting the travel routes is expected to increase and revenues generated for the local communities should significantly increase. The addition of this rural tourism component is an interesting new activity that provides the Gobi Initiative program with the opportunity to look at the impact on rural economic development of tourism. The concept developed by the Mongolian Alternatives Center is an interesting model that incorporates the rural herder and provides an alternative and new business diversification strategy beyond the more formal businesses (e.g. dairy, vegetables, felt etc.) to date assisted under the program. The additional benefit of this project is the integrated establishment of the community-managed travel routes (training and infrastructure) with a marketing and branding component that links the product to the customers.

At this point in time, Mercy Corps and Pact have no recommendations for any material changes to the GI Phase II program.

This concludes the Year Three Second Quarter Report.

Attachments to this Report are:

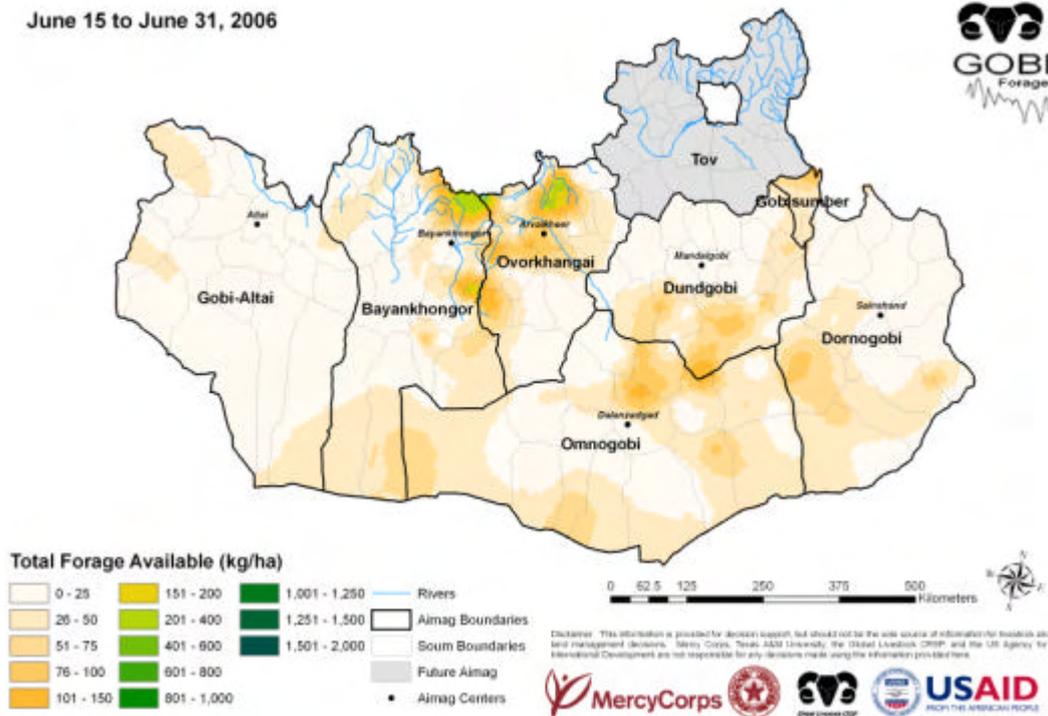
- Appendix 1: Gobi Forage outputs
- Appendix 2: Details of Herder Client Sales in CY2006
- Appendix 3: Endless Labyrinth monitoring and evaluation report
- Appendix 4: Detailed report from Mongolian Alternatives Center - Ger to Ger project

Annex 1: Gobi Forage Outputs

Map 1 shows a very low forage output from the Gobi region, ranging from 0-75 kg/ha of available forage. Map 2 shows that this situation is not normal; in an average year herders could expect there to be considerably more forage available for grazing. As a result of this situation, many Gobi Region herders have moved north to more productive pastures. Those who are left are experiencing reduced productivity and animal losses.

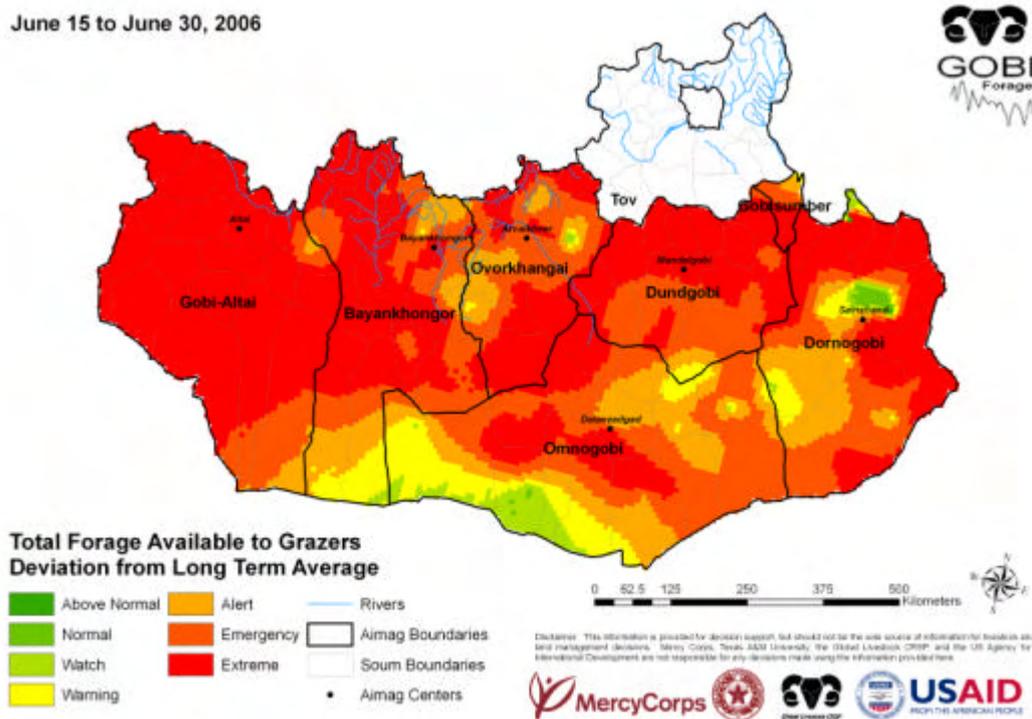
Map 1: Forage Availability, Kg/Ha

June 15 to June 31, 2006



Map 2: Forage Availability, Deviation from Long-term Average

June 15 to June 30, 2006



SALES INCOME OF ALL CLIENTS OF HERDER BUSINESS. Annex # 2

Name	Soum	Loc	Type	Activity	Planned sales in 2006	January	February	March	April	May	June	Apr-Jun	Total	Percentage
Aruin Mend	Bayanhongor	BH	LLC	Veterinary service	2,016,200			43,950	99,860	44,080	44,080	188,020	231,970	11.5
Bayanuul ural	Jargalant	BH	C	P&S / Delicacy stitich	13,825,000				860,000	355,100	195,300	1,410,400	1,410,400	10.2
BNE	Bayan ondor	BH	C	Veterinary service	8,379,325				166,000	524,500	392,000	1,082,500	1,082,500	12.9
Bayanhongor	Erdenetsogt	BH	C	Dairy products	6,260,000						90,000	90,000	90,000	1.4
Eruul Urjihui	Galuut	BH	C	Veterinary service	9,316,700			172,200	142,500	900,000	870,000	1,912,500	2,084,700	22.4
Ih bogd orgon	Bayanqovi	BH	C	P&S / fuel brick	20,000,000				320,000		280,000	600,000	600,000	3.0
Iher qurvan bulag	Gurvanbulag	BH	C	Felt production	5,770,000		176,000	760,000	546,000		591,000	1,137,000	2,073,000	35.9
Jalangar ovoo	Gurvanbulag	BH	C	Dairy products	3,447,000		310,000					0	310,000	9.0
Jargalant sumber	Erdenetsogt	BH	C	Dairy products	6,490,000						37,500	37,500	37,500	0.6
Lkha tenger / Rashaant ural	Bayantsagaan	BH	C	P&S / Shoes and saddle-leather cloth	22,340,000			960,000	950,000	1,050,000	3,460,000	5,460,000	6,420,000	28.7
Mandal baidrag	Jargalant	BH	C	Dairy products	3,565,400			522,000	437,000	48,000	184,000	669,000	1,191,000	33.4
Origiin dolgio	Bogd	BH	C	Felt production	4,040,000				230,000			230,000	230,000	5.7
Botgon sor eermel /Shine sor	Galuut	BH	HG	Fur production	4,907,500				450,000		50,000	500,000	500,000	10.2
Tuin Delgereh	Olziit	BH	C	Veterinary service	4,580,000				608,269	350,000	830,000	1,788,269	1,788,269	39.0
Uutiin ural	Galuut	BH	C	P&S/skin	8,280,000			114,000	145,000	786,000	1,000,000	1,931,000	2,045,000	24.7
Zuulin dol	Galuut	BH	C	Dairy products	6,125,000						154,000	154,000	154,000	2.5
Bayanhongor Total					129,342,125		486,000	2,572,150	4,954,629	4,057,680	8,177,880	17,190,189	20,248,339	15.7
AMGENA	Sumber	GS	P	Veterinary service	7,718,260	0	140,000	213,350	350,000	718,112	261,030	1,329,142	1,682,492	21.8
Bilqeh Sansar	Shiveeqovi	GS	P	Meat production	13,890,000	258,000	230,000	870,000	93,000	670,800	2,340,000	3,103,800	4,461,800	32.1
Bishrelt Sumber	Sumber	GS	C	Dairy products and	14,832,500	300,000	0	0	0	1,330,000	520,050	1,850,050	2,150,050	14.5
Bor Toogot	Sumber	GS	C	Meat production	24,926,500	0	170,000	500,000	4,500,000	1,815,000	3,780,000	10,095,000	10,765,000	43.2
Dert Delgereh /Dulaan beleg	Tsagaandelger	DG	HG	Felt production	10,300,000	430,000	425,000	250,000	374,500	400,000	0	774,500	1,879,500	18.2
Heentsee	Sumber	GS	HG	Dairy products and	14,572,000	1,670,655	222,000	216,000	252,000	210,000	270,000	732,000	2,840,655	19.5
Ikh uul	Bayantal	GS	C	Meat production	20,446,000	190,000	210,000	1,004,000	2,259,800	520,000	2,400,000	5,179,800	6,583,800	32.2
Mandal Sansar	Shiveeqovi	GS	C	Vegetable / Hav	11,734,000	0	1,200,000	200,000	1,200,000	250,000	200,000	1,650,000	3,050,000	26.0
Sumber Tsagaan	Sumber	GS	C	Vegetable / Hav	10,150,000	200,000	450,000	180,000	0	108,000	70,000	178,000	1,008,000	9.9
Tevshiin Haijuu Us	Sumber	GS	C	Dairy products and	9,940,500	500,000	150,000	0	558,000	611,000	0	1,169,000	1,819,000	18.3
Govi-Sumber Total					138,509,760	3,548,655	3,197,000	3,433,350	9,587,300	6,632,912	9,841,080	26,061,292	36,240,297	26.2
Badrah Undarga	Harhorin	UH	HG	Dairy products	10,440,000						980,000	980,000	980,000	9.4
Bayan Dulaun	Esunzui	UH	C	Tourism	5,400,000						850,000	850,000	850,000	15.7
Buqat	Harhorin	UH	HG	Dairy products	5,775,000					1,936,100	780,000	2,716,100	2,716,100	47.0
Bumbat Suvarqa	Nariinteel	UH	P	Veterinary service	7,716,000		160,000	400,000	460,000	1,260,000	1,220,000	2,940,000	3,500,000	45.4
Burgatai	Bayanqol	UH	HG	Dairy products	4,010,000						250,000	250,000	250,000	6.2
Ekh Ongi	Bayanqol	UH	P	Veterinary service	12,893,413			334,975	1,056,155	3,673,364	445,000	5,174,519	5,509,494	42.7
Hiadlin Govi	Burd	UH	C	Felt production	2,070,000						45,000	45,000	45,000	2.2
Himorit Tahilqa	Nariinteel	UH	C	Tourism / Hotel and	18,250,000		2,080,000	1,750,000	1,800,000		4,945,000	6,745,000	10,575,000	57.9
TMZA	Tuqruq	UH	P	Veterinary service	11,832,500		262,320	59,400	1,194,840	2,409,400	2,577,010	6,181,250	6,502,970	55.0
Tsoqdarit	Burd	UH	P	Veterinary service	6,408,000		64,800	423,000	1,149,000	830,000	290,000	2,269,000	2,756,800	43.0
Uquai Chandmani	Tuqruq	UH	C	Dairy products	5,900,600					800,000	910,000	1,710,000	1,710,000	29.0
Uhaa Hudag	Bogd	UH	P	Vegetable	7,106,000	300,000	559,000		484,500	350,000	1,457,000	2,291,500	3,150,500	44.3
Uriliin Huqil	Bayan-Undur	UH	C	Meat production /	8,000,000					1,980,000		1,980,000	1,980,000	24.8
Urnukh Dulaun	ZBU	UH	C	Meat production	12,102,000					4,708,000		4,708,000	4,708,000	38.9
Ushgoq Erdene	BBU	UH	C	P&S / Fuel station	177,100,000		11,250,000	14,738,000	16,278,000	17,106,000	19,420,000	52,804,000	78,792,000	44.5
Uuduu	Harhorin	UH	LLC	Dairy products	7,700,000					1,560,000	1,232,000	2,792,000	2,792,000	35.9
Uv Tan	Arviheer	UH	LLC	Dairy products	5,811,700	450,000	387,000	275,000	316,400	386,150	318,500	1,021,050	2,133,050	36.7
Uzmen Ish	Bogd	UH	P	Veterinary service	8,053,600		280,000	175,000	480,000	1,630,000	980,000	3,090,000	3,545,000	44.0
Yesun Tuquldur	Esunzui	UH	HG	Tourism / Hotel and	7,956,000	541,000	529,000	533,200	707,100	788,500	800,000	2,295,600	3,898,800	49.0
Uvurhanqai Total					324,594,813	1,291,000	15,572,120	18,688,575	23,925,995	39,417,514	37,499,510	100,843,019	136,394,714	42.0
Aduut qovi	Hurmen	UG	C	Vegetable	3,415,000					78,000		78,000	78,000	2.3
Altan govlin shiree	Bulqaan	UG	C	Tourism	3,145,000					90,000	321,600	411,600	411,600	13.1
Ankh san	Bulqaan	UG	C	Tourism	5,300,000	174,000	252,000	168,500	340,000	217,300	396,800	954,100	1,548,600	29.2
Avrakh	Hanhongor	UG	HG	Tourism	4,910,000		30,000	25,000	38,000			38,000	93,000	1.9
Bar qun	Hanhongor	UG	P	Veterinary service	3,280,000			68,000	145,500	756,500	862,500	1,764,500	1,832,500	55.9
Bayan bilqekh	Tsoqt ovoo	UG	HG	Dairy products	2,475,000					1,500,000		1,500,000	1,500,000	60.6
Bayan undur	Hurmen	UG	HG	Dairy products	1,610,000						34,300	34,300	34,300	2.1
Bayanqin qol	Bayandalai	UG	HG	Dairy products	4,080,000	196,000	284,000	80,000	68,000	64,000	48,800	180,800	740,800	18.2
Gegeet qovi	Bayandalai	UG	P	Tourism	1,425,000						44,000	44,000	44,000	3.1
Gobiin buyan	Tsoqt ovoo	UG	C	Animal breeding	4,070,000					1,327,500		1,327,500	1,327,500	32.6
Huren hana	Noyon	UG	HG	Felt products	2,000,000					101,300	178,600	279,900	279,900	14.0
Khan javhant	Hanbogd	UG	C	Veterinary service	5,233,050	20,000	72,000	137,200		1,857,200		1,857,200	2,086,400	39.9
Naran zua melmii	Noyon	UG	P	Veterinary service	3,076,000		110,000	96,000	732,500	36,500	175,500	944,500	1,150,500	37.4
Orqil bulag	Hanhongor	UG	HG	Vegetable	16,215,400						0	0	50,000	0.3
Sarlag	Bayandalai	UG	HG	Animal	2,340,000				74,000	44,000		118,000	118,000	5.0
Ullastai	Hanhongor	UG	HG	Felt products	2,300,000		363,000					0	363,000	15.8
Undraa dalai	Bayandalai	UG	P	Veterinary service	2,566,500			110,000	120,000	119,850	477,750	717,600	827,600	32.2
Umnugovi Total					67,440,950	440,000	1,111,000	684,700	1,596,000	6,114,150	2,539,850	10,250,000	12,485,700	18.5
Alatau-Altai	Esunbulag	GA	LLC	Dairy products /	9,030,000	720,000		660,000	800,000	746,000		1,546,000	2,926,000	32.4
Altain Devshil	Tseel	GA	LLC	P&S / Bakery	9,777,600	250,000				549,500	430,300	979,800	1,229,800	12.6
AMT BAL	Tseel	GA	LLC	Veterinary service	9,845,300				210,000	210,700	3,410,000	3,830,700	3,830,700	38.9
Baatar dan	Chandmana	GA	C	Dairy products/sour	4,880,000	350,000				0		0	350,000	7.2
Baga Murun	Biger	GA	P	Felt production	3,700,000	150,000		119,000	243,000	63,500	102,000	408,500	677,500	18.3
Batbukh	Buqat	GA	C	Veterinary service	9,823,900		109,800	195,500	81,550		2,500,000	2,581,550	2,886,850	29.4
Buraatbulag	Tuqruq	GA	C	Dairy products	3,345,200	150,000			27,500	0	25,000	52,500	202,500	6.1
Deed Uulug	Tseel	GA	C	Veterinary service	8,796,750				221,200	247,000	3,170,000	3,638,200	3,638,200	41.4
Durvun uvulug	Esunbulag	GA	P	Dairy	6,492,199	150,000	425,000			167,500	300,000	467,500	1,042,500	16.1
Emeeltseglin														

Dundgobi Ireedui	Saintsaqaan	DG	LLC	Veterinary service	10,207,700		114,850	118,000	704,500	749,000		1,453,500	1,686,350	16.5
Elbeg Dalai	Erdenedalai	DG	LLC	Veterinary service	13,759,400		623,000	685,000	889,000	890,000	803,000	2,582,000	3,890,000	28.3
Gurvan Tuqruq	Khuld	DG	HG	Dairy products /	3,440,000		220,000	269,150	130,000	100,000	100,000	330,000	819,150	23.8
Halzandalai	Erdenedalai	DG	C	Tourism	4,780,000			49,000		120,000	100,000	220,000	269,000	5.6
Hangain Tushig Undur /Hangain Hishig	Delgerhangai	DG	C	Felt products	7,576,000						300,000	300,000	300,000	4.0
Oldohtin Devjih	Khuld	DG	C	Meat production	3,162,000					2,350,000		2,350,000	2,350,000	74.3
Onqi Bayanteeg	Saihan ovoo	DG	P	P&S / ger	6,690,000						650,000	650,000	650,000	9.7
Salhit	Luus	DG	LLC	Veterinary service	5,241,950		124,600	391,700	804,000	650,000	500,000	1,954,000	2,470,300	47.1
Tuqruqin Itqeltse	Khuld	DG	C	P&S / trade	38,818,750		4,108,000	2,100,000	6,600,000	4,000,000	4,500,000	15,100,000	21,308,000	54.9
Tumennast	Bayanjarqalan	DG	HG	Felt products	3,993,000				288,000	288,000	300,000	876,000	876,000	21.9
Dundqovi Total					125,859,600		5,691,100	4,447,300	12,088,600	10,477,000	10,969,230	33,534,830	43,673,230	34.7
GRAND TOTAL					1,022,960,867	7,839,655	30,536,920	33,074,575	58,390,424	75,767,456	90,758,310	224,916,190	296,367,340	29.0

Annex 3: Monitoring and Evaluation Endless Labyrinth

Endless Labyrinth Focus Group Results 17th May 2006

Background

Focus groups were conducted in 3 aimags - Omnogovi, Dundgovi, Govisumber, and in one peri-urban ger district around Ulaanbaatar, Tolgoot. Each focus group consisted of 20 participants drawn from Gobi Initiative participants in the 3 Gobi areas and CHF project participants in Tolgoot.

74% of the respondents were female, and 26% male. 12.5% were currently unemployed, with 15% operating businesses and 26 % being state employees. 26% of respondents were aged between 31 and 38, with 16% aged between 18 and 25 , and also between 38-45.

52.5% of those involved in the focus groups listed their monthly income at between 50 000 - 99 000 Tugrugs. 31 % stated that their monthly income was between 0 and 49 999 tugrugs.

Findings

When asked how often they watch the series, 52.5% of recipients stated that they watched the program 'sometimes', while 31% said that they watched 'as often as possible'. Ten percent say that they watch every week. 51.3% of the respondents remarked that they found the series to be 'entertaining, informative and useful', and 93% found the characters to be 'realistic and familiar'.

65% of those participating reported that they had found the information provided to have been " [most of the time] useful and practical", with 33.8% stating that information was "sometimes useful and practical". Only 1.3% replied that the information was in no way "useful and practical". Furthermore, a combined total of 81.3% of those responding said that they used the information received from the program, be it 'daily', 'sometimes' or 'occasionally'.

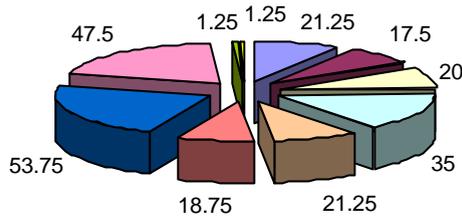
Participants were given a number of options and asked to select as many as were appropriate to them in order to answer the question " Endless Labyrinth has taught me that..." 67.5% of respondents selected "Planning is essential" as well as "Researching your potential market is essential", while 62.5% chose "Time management is essential". 66.3% said that the series had taught them that "Good Financial management is essential."

When asked to choose as many answers as applicable to answer the question "Endless Labyrinth has been useful in teaching me the following skills...", 66.3% of respondents selected "Planning", 56.3% selected "Ethics", and 45% selected "Research". 1.3% responded that they had gained no new skills from the series.

Participants were presented with a number of answers and asked to select those appropriate in order to answer the question "This program has helped me to..." 54% chose " Improve my household income", 42.5% chose "Understand best business practices", and 48.8% chose "Communicate with others." When asked to choose as many answers as were suitable in order to answer the questions " Because of Endless Labyrinth I now...", 53.8% selected "manage my time better", and 47.5% selected "Am more open to advice and suggestions from others in the business field."

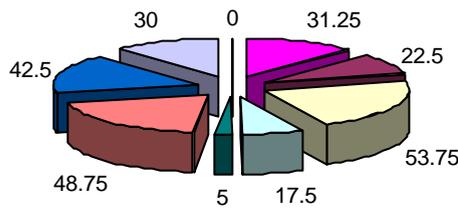
50% of participants stated that they had "decide[ed] to make changes in [their] business using the information gained from Endless Labyrinth", and that "The changes I've made include..." "A growth in my income" (66% of participants), "Realizing that starting a business is possible for everyone" (46%) and "Beginning to understand more clearly the processes involved in the business cycle" (28% of respondents).

Because of Endless Labyrinth I now...



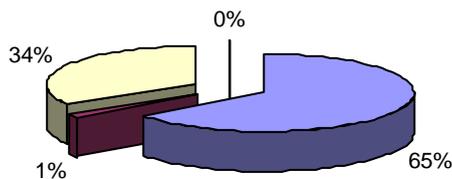
- Research any potential markets properly
- Take better care of my employees
- Develop sound business plans and strategies
- Know where to seek capital for my business
- Know the State laws and regulations applicable to my business
- Better understand best business practices
- Manage my time better
- Am more open to advice and suggestions from others in the business field
- I do nothing different - the program has not changed my business practices in any way.
- No Response

This program has helped me to:



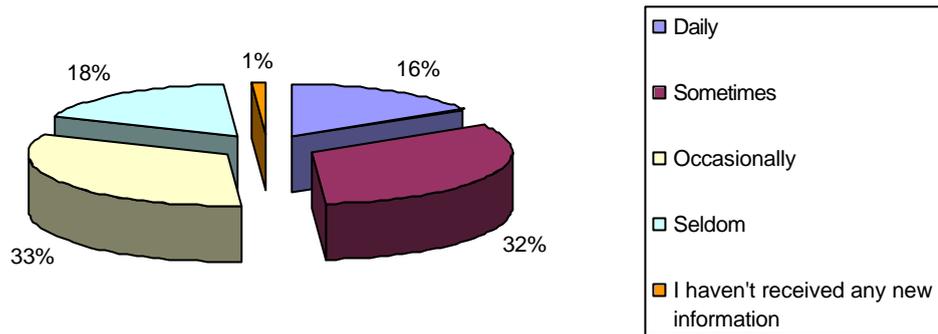
- Start up a business
- Improve my current business operations
- Improve my household income
- Improve my career/work skills
- Improve my herding skills
- Communicate with others
- Understand best business practices
- Understand what is lawful and right in business
- This program hasn't helped me in any way

Do you think that the information provided has been useful and practical?

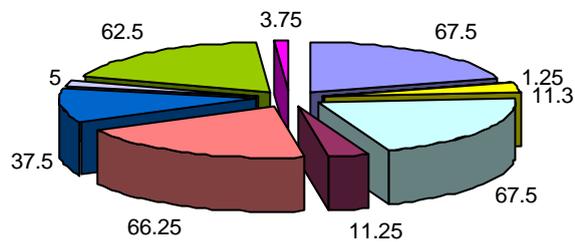


- Yes
- No
- Sometimes
- I don't understand the information

I use the new information I receive from this program...

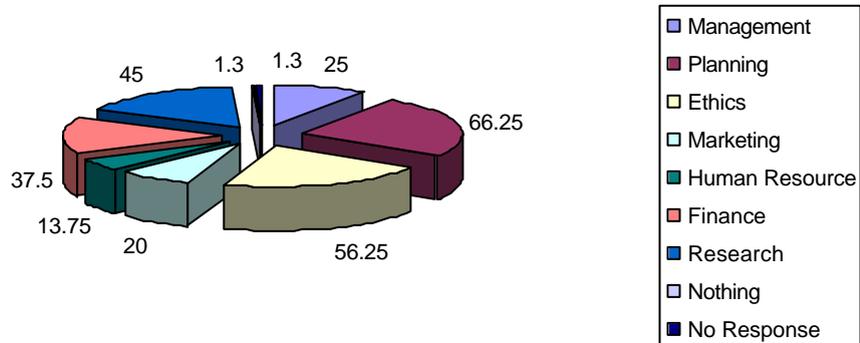


Endless Labyrinth has taught me that...

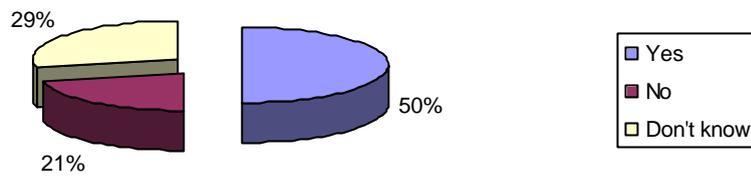


- Planning is essential
- Women are arrogant and pushy
- Bribery is the best way to make things happen
- Researching your potential market is essential
- Herders need to diversify
- Good financial management is essential
- Produce/ sell what people can pay for, not what you can do
- Business ideas don't need to be researched
- Time management is essential
- Nothing new

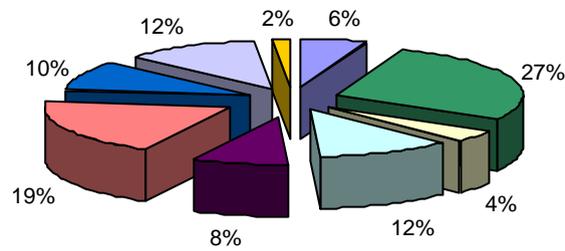
Endless Labyrinth has been useful in teaching me the following skills:



Have you decided to make changes in your business using the information you've gained from EL?



If yes, the changes I've made include:



- Effective management
- A growth in my income
- Developing a positive attitude towards business
- Inspiration to start my own business
- Thinking differently about business
- Realising that starting a business is possible for everyone
- Knowing where to look for capital
- Beginning to understand more clearly the processes involved in the business cycle
- I've made no changes