



# Gobi Regional Economic Growth Initiative

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## Year Four – 2nd Quarter Report April 08, 2007 - July 07, 2007 Cooperative Agreement # 438-A-00-04-00002-00

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By



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## **GOBI INITIATIVE PHASE II – YEAR FOUR - SECOND QUARTER REPORT**

### **INTRODUCTION:**

The Gobi Regional Economic Growth Initiative - Phase II (Gobi II) project began on January 08, 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 the production and sale of marketable animal products and crops;
- 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;
- Improving the supply of critical inputs for production, including business financing;
- Improving the quality and accessibility of local business development and support services;
- Ensuring a safer supply of food products for Mongolian consumers.

#### **Program Highlights during this reporting period of April 08 to July 07, 2007:**

- Total sales for herder businesses in the first half of the year reached MNT 597.5 million (\$512,894) and for non-herder businesses MNT 754.3 million (\$647,441). This gives a 2007 total sales for the first half of the year of MNT 1.35 billion (\$1.16 billion), the sales target for CY2007 for all GI clients is MNT 3.83 billion (\$3.29 billion). During the second quarter the herder and non-herder businesses have created 180 new jobs. The quarter also saw continued provision of a total of 208 trainings and technical assistances by consultants to the clients. The total number of loans accessed by GI clients in the first half of the year reached 162 and the total value of all disbursed loans was up to MNT 495 million (\$424,892). 90 clients received information on equipment and production inputs required for their businesses and the 90 clients purchased equipment and inputs with a total value of MNT 129,041,900 (\$110,765).
- Two market fairs were organized by the aimag offices in partnership with the local governments and other organizations during the quarter. Shiveegovi soum of Govi-Sumber aimag held its first Market Day of the year on the 25th May. This event was co-organized by Mercy Corps, Soum Government and the Aimag Department of Agriculture. A total of 30 local businesses participated in this event and sold products with a value of more than MNT 5 million (\$4,290). Seven MC clients participated and generated sales totaling MNT 1.4 million (\$1,200). It is estimated that approximately 2,500 people attended the market day. A Handicrafts trade fair was held in Harhorin soum, Uvurhangai Aimag from June 2nd-3rd, 2007. The trade fair was co-organized by Mercy Corps, Harhorin soum governor's office, Chamber of Commerce and Industry, Youth Association in Harhorin soum and the Enterprise Mongolia project. A total of 60 local businesses participated in this event and sold products with a value of MNT 9,816,200 (\$7,790). Ten MC clients participated, generating sales totaling MNT 200,000 (\$172). It is estimated that approximately 150 people attended the market day.

- In order to introduce new crop production technology to the vegetable growing herder clients, Mercy Corps has established in partnership with herder business clients appropriate technology trials on drip irrigation technology, greenhouse horticulture and utilization of quality vegetable seeds in Umnugobi, Dundgobi, Uvurhangai and Bayanhongor Aimags. A Total of 18 clients and 4 aimag-based trainers have been involved in the training and establishment of the trails.
- A total of four trainings for young herders (herders under the age of 30 years) was organized in Govi-Altai, Uvurhangai, Umnugovi and Govi-Sumber aimags. The aimag-based representative offices, taking training modules developed by the USDA funded Rural Agribusiness Support Program as a basis, have organized these trainings involving a total of 62 young businessmen and women. Of the 62 participants a total of 16 participants developed drafts of their first business plan after the training and 7 trainees of these participants have started to implement their business plans receiving further assistance from the program.
- Mercy Corps held a conference on, "Government Participation and Support of Rural Business Development" on June 5th-6th in Ulaanbaatar. The conference involved local government and business representatives from eleven GI and RASP Aimags (Hovd, Zavhan, Arhangai, Gobi-Altai, Bayanhongor, Uvurhangai, Gobi-Sumber, Suhbaatar, Dundgobi, Umnugobi and Dornogobi). The conference was attended by a total of 168 people including; eleven Aimag Governors and Aimag Khural Chairmen, representatives from National Government and the Presidents office, representatives from NGOs, the business sector, donor organizations and the media. The participants discussed activities implemented by the government, NGOs and donors to support the development of rural business, and identified the main obstacles to business development. Mercy Corps will develop recommendations from the conference and submit them to the Chairmen of Aimag Hurals, Aimag Governors and national Government
- A training workshop for consultants in soum master plan development and local government employee training was held in Arvaiheer, Uvurhangai Aimag. The training was jointly organized by GI Ulaanbaatar officers, "Spiritual Mirror" Training & Research Center and the Faculty of Law of Administration and Technology School of University of Defense. A total of 14 Aimag-based consultants (7 for soum's master plan development and 7 for local government capacity training) participated in the training workshop. As a result of the training and the work of the consultants a total of three soum master plans have been developed and approved by the soum citizens representative khural in three soums of two Aimags: Delger soum of Gobi-Altai aimag and Yesunzuil and Bayangol soums of Uvurhangai aimag.

Comment from Mr. Gansuh, Chairman of Citizen's Representative Hural, Govi-Sumber after the training on soum master plan development in Arvaiheer, Uvurhangai Aimag,  
*"We appreciate your program (Gobi Initiative) because your activities are in line with the government policy of business support and supports the local development. Aimag leadership will provide comprehensive support and assistance to this activity".*

- A study tour of 21 bakers from 6 Aimags was held in Ulaanbaatar on 20-21st June. The main goal of this tour was to help GI clients learn from the best and most experienced bakeries in Ulaanbaatar and to link rural bakeries to package producers and equipment sellers. The study tour participants visited the office of TV Channel 5 and took part in the daily TV show "Let's Develop Mongolia". Two lecturers from the Business Center of TV Channel 5 also conducted a short lecture on "Current and Future Trends in Management and Marketing" and they had an open discussion with the local businesses.

Comment from one participant Galuut soum-based "Hongoryn Tushig" cooperative's bakery technologist B. Erdenetsetseg, *"The study tour is a good business supportive activity. We have visited 6 big bakeries and packaging companies during just few days in Ulaanbaatar. Particularly, we were impressed by the experience of "Bambuush" LLC and learned a lot about latest technology and equipment.. In addition the visit to "OB Plastic" LLC allowed us to purchase packaging materials for our bakery products and sign a contract for future production of packaging material. The new and improved packaging materials will undeniably benefit our business".*

- A "Training of Trainers" on Financial Management was organized between May 11-14. The training was conducted by 3 lecturers from Faculty of Finance and Economics of the University of Agriculture and a total of 22 local aimag-based consultants, including the MC Admin and Finance Officers from 11 aimags participated. During the training the following topics were covered: Basics of managerial accounting, analysis of financial statements, tax reporting, Working capital and cash flow management, investment project analysis and risk and return analysis. According to the pre and post test results, the participants knowledge increased by 27.5% in average from 50.45% to 77.95%. After the training the participants requested MC to assist with: 1. The development of a comprehensive and basic Financial Accounting Handout and 2. To organize training on tax reporting by senior officials from the General Taxation office in Ulaanbaatar for both local aimag-based consultants, aimag tax officers and clients due to high level of misunderstanding at aimag level of the exact regulations and requirements
- First tourism conference of Umnugovi aimag was held in Dalanzadgad between May 8-10, 2007. The conference was co-organized by Mercy Corps and Umnugovi aimag Governor's office. The goal of the conference was to discuss and develop a "Tourism Master Plan" for Umnugovi aimag to be submitted to the aimag Khural. A total of 110 people participated in the conference including; government employees from Selenge, Dundgovi, Govi-Sumber and Umnugovi aimags and representatives of tourism businesses and ger camps. Following the tourism conference a Tourism Trade Fair was organized to enhance cooperation between the central region tourism stakeholders, enable the participants to exchange experiences and make new contracts. A total of 23 tourism businesses and souvenir producers participated, of which 7 were MC clients. Total sales generated during the fair reached MNT 483,000 (\$415), and the participants concluded 17 contracts. Ger camps in Umnugobi and Dundgobi concluded contracts to exchange tourists, while the souvenir / hand craft producers made contracts to supply products to the ger camps for sale in their shops
- The Gobi Initiative (GI) and the Rural Agribusiness Support Program (RASP) held a joint mid-term planning meeting from 7th to 9th June of 2007. The planning meeting provided an opportunity to review the first five months and the lessons learnt, and to plan and discuss the program activities for the remaining period of Year Four. The meeting was an important team building and information sharing exercise for the staff. During the planning meeting, in accordance with staff development plan for 2007, two trainings were organized, one for program officers on improving training skills, and another for program representatives on how to facilitate meetings.
- The Gobi Forage project during the quarter started to develop and distribute the following products: forage maps were distributed to 120 soums across the six target aimags on a monthly basis and weekly radio programs on the Gobi Forage and the rangeland conditions were aired using the information from the computer models as a basis for the programs. Training on the usage and interpretation of the Gobi Forage maps and products were held in 35 soums involving 175 local government officials and 350 herders. The Gobi Forage products are also available at the following website: <http://glews.tamu.edu/mongolia/>
- Rural Business News Magazine went to print with edition number 54. This edition sees a change of format to magazine size and better quality paper. The magazine now has 48 pages. The new editors planning and feedback cycle is having impact and the magazine has matured into a product comparable to international agricultural and farming publications. Increased level of effort has resulted in 500 new subscriptions being placed through Mongol Post Office. Income from advertising was trebled in the last quarter and involves contractual agreements for twelve months of advertising.
- Mongol National Radio has conducted its seasonal audience survey and RBN products rated quantitatively at 13<sup>th</sup> place on a scale of 60 products. Past products in general received positive qualitative feedback about the usefulness of the content.

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

#### Activity One: Business Plan Development and Implementation

**Targets:**

- 246 herder businesses implement business plans in 2007 with total sales of MNT 1,9 billion, by January 05, 2008;
- 75 non-herder businesses implement their business plans in 2007 with total sales of MNT 1,8 billion.

Indicators	Progress during reporting period	Progress to date
Number of new applications	6 (DG 4, UG 2)	13 (GA 9, UH 4, DG 4, UG 2)
Number of participants in BP development training	0	32
Number of BPs developed	16 (GA 9, UH 3, DG 2, UG 2)	338
Average time spent for BP development	Draft - 3 days	
Number of BPs implemented	64	304
Value of sales MNT	842,679,807	1,351,790,408
Total profit		
Number of new job places created	180 (DG 32, BH 16, UH 41, UG 31, GA 51, GS 9)	257 (DG 41, GA 65, UG 51, BH 26, UH 53, GS 21)
Value of fixed assets / Net worth of clients business		
Number of graduates and drop-outs	1	9

**Table #01. Total Business Plan Implementation During Second Quarter**

Aimags	# of clients	# of clients who started implementing BP
Umnugovi	49	49
Dundgovi	58	47
Uvurhangai	64	63
Govi-Altai	58	56
Bayanhongor	64	64
Govi-Sumber	25	25
<b>TOTAL</b>	<b>318</b>	<b>304</b>

By June 30, 95.6% of the clients have started to implement their business plans for 2007. However, 14 groups/cooperatives, including 11 from Dundgovi, 1 from Uvurhangai (that awaits haymaking season) and 2 from Gobi-Altai have not started implementing their business plans yet, this is primarily due to the weather conditions and drought that is affecting large parts of the Gobi aimags.

**Table #02. Herder Business Sales by Aimags (MNT)**

Aimags	# of Client	Total Planned Sales	Planned Sales for 1st Six Months	1st Quarter Sales	2nd Quarter Sales			Cumulative Total Sales	%	
					April	May	June		Half Year	Year
Bayanhongor	50	413,858,520	136,509,278	56,812,500	20,130,800	32,023,000	41,961,700	150,928,000	111%	36%
Dundgovi	49	292,584,160	77,633,375	14,117,730	14,128,200	17,824,750	20,791,600	66,862,280	86%	23%
Govi-Altai	43	351,348,699	100,758,300	17,816,250	9,209,110	27,040,950	34,595,150	88,661,460	88%	25%
Govi-Sumber	17	215,643,200	66,787,750	21,181,213	11,987,500	18,590,500	18,106,600	69,865,813	105%	32%
Umnugovi	35	170,100,100	50,245,000	18,220,988	9,517,722	10,114,080	8,681,450	46,534,240	93%	27%
Uvurhangai	50	545,172,462	194,767,677	70,051,230	26,527,950	32,054,900	46,035,480	174,669,560	90%	32%
<b>TOTAL</b>	<b>244</b>	<b>1,988,707,14</b>	<b>626,701,381</b>	<b>198,199,91</b>	<b>91,501,28</b>	<b>137,648,181</b>	<b>170,171,981</b>	<b>597,521,35</b>	<b>95%</b>	<b>30%</b>

**Table #03. Herder Business Sales by Sector (MNT)**

	Business Sector	# of Clients	Total Planned Sales	Planned Sales for First 6 Months	1st Quarter Sales	2nd Quarter Sales	Cumulative Total Sales	Percentage	
								Half Year	Year
1.	Animal breeding	9	31,669,700	15,879,300	0	10,424,300	10,424,300	66%	33%
2.	Dairy	59	342,212,640	69,869,245	46,052,413	34,834,650	80,887,063	116%	24%
3.	Felt	31	188,468,600	39,126,000	9,919,800	18,638,800	28,558,600	73%	15%
4.	Meat	14	131,038,355	35,056,855	13,141,000	34,211,000	47,352,000	135%	36%
5.	Other production	28	471,988,660	215,187,478	93,301,400	91,588,100	184,889,500	86%	39%
6.	Tourism	6	35,979,000	14,055,000	4,726,400	7,850,500	12,576,900	89%	35%
7.	Vegetable/fodder	57	328,351,754	15,307,000	9,632,000	12,967,500	22,599,500	148%	7%
8.	Veterinary	40	458,998,430	222,220,502	21,426,898	188,806,592	210,233,490	95%	46%
	<b>TOTAL</b>	<b>24</b>	<b>1,988,707,131</b>	<b>626,701,381</b>	<b>198,199,911</b>	<b>399,321,441</b>	<b>597,521,351</b>	<b>95%</b>	<b>30%</b>

**Table #04. Non-Herder Business Sales by Aimag (MNT)**

Aimag	# of Client	Total Planned Sales	Planned Sales for First 6 Months	1st Quarter Sales	April Sales	May Sales	June Sales	Cumulative Total Sales	Percentage	
									Half Year	Year
Bayanhongor	14	692,444,069	303,919,837	129,197,990	44,438,750	55,570,000	65,299,000	294,505,740	97%	43%
Dundgovi	9	205,001,000	75,653,500	19,911,800	14,367,100	18,663,500	6,016,300	58,958,700	78%	29%
Govi-Altai	15	222,470,000	96,464,900	16,355,400	4,651,500	31,132,000	25,580,600	77,719,500	81%	35%
Govi-Sumber	8	138,574,968	84,131,883	23,705,150	12,943,275	13,707,500	15,877,950	66,233,875	79%	48%
Umnugovi	14	314,654,500	165,299,500	67,311,750	26,021,750	26,140,000	29,898,600	149,372,100	90%	47%
Uvurhangai	14	270,672,750	110,777,470	54,428,600	14,719,700	18,140,640	20,190,200	107,479,140	97%	40%
<b>TOTAL</b>	<b>71</b>	<b>1,843,817,281</b>	<b>836,247,091</b>	<b>310,910,690</b>	<b>117,142,071</b>	<b>163,353,641</b>	<b>162,862,651</b>	<b>754,269,051</b>	<b>90%</b>	<b>41%</b>

**Table #05. Total client sales for the first half of the year by Aimag (MNT)**

Aimag	# of Client	Total Planned Sales	Planned Sales for First 6 months	1st Quarter Sales	2nd Quarter Sales	Total Sales	Percentage	
							Half Year	Year
Bayankhongor	64	1,106,302,589	440,429,115	186,010,490	259,423,250	445,433,740	101%	40%
Dundgovi	58	497,585,160	153,286,875	34,029,530	91,791,450	125,820,980	82%	25%
Govi-Altai	58	573,818,699	197,223,200	34,171,650	132,209,310	166,380,960	84%	29%
Govi-Sumber	25	354,218,168	150,919,633	44,886,363	91,213,325	136,099,688	90%	38%
Umnugovi	49	484,754,600	215,544,500	85,532,738	110,373,602	195,906,340	91%	40%
Uvurhangai	64	815,845,212	305,545,147	124,479,830	157,668,870	282,148,700	92%	35%
<b>TOTAL</b>	<b>318</b>	<b>3,832,524,421</b>	<b>1,462,948,471</b>	<b>509,110,601</b>	<b>842,679,801</b>	<b>1,351,790,401</b>	<b>92%</b>	<b>35%</b>

**Table #06. Summary of Sales Comparing 2007 with 2006**

Period	# of Clients	Sales Amount, MNT		
		Total	HB	NHB
Year 2007 (2nd Quarter)	318	1,351,790,408	399,321,442	754,269,055
Year 2006 (2nd Quarter)	241	491,434,070	224,916,190	266,517,880

Despite dry conditions in the Gobi aimags, the herder businesses are making their best efforts to reach the business targets and sales figures as set out in their business plans. As a result, the herder businesses have achieved 95% and non-herder businesses have achieved 90% of projected sales over the first half-year of

2007. As shown in Table #06 which compares key indicators measuring impact of GI program activities over the past two years, the number of MC clients has increased by 1.3 times compared to the previous year and their sales income by 2.75 times compared to the first half of the year. The average client income / sales generated has reached MNT 4,251,000 (\$3,648) which is 2.1 times higher compared to the same period last year.

Gobi Initiative has increasingly been receiving reports from its field staff concerning widespread drought conditions in Dundgovi, Gobi-Altai, Bayanhongor and Gobi-Sumber. These reports are backed up by Gobi Forage maps (see Annex 1). The drought, combined with unseasonably harsh sandstorms has vastly reduced forage availability to 60% of its historical average. As a result, the majority of larger herders have already moved to neighboring Aimags, leaving smaller herders behind who could not afford to move. 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. As a direct result over 80% of herders in Gobi-Sumber aimag have moved to Hentii and Tuv aimags and 5 dairy clients and 6 felt making groups/cooperatives in Dundgovi aimag have not started to implement their business plans. In Gobi-Altai the herders with business plans for vegetable production have reduced the size of their planned plantation plots due to insufficient water supply and a lack of rain.

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.

### Activity Two: Cooperative Formation and Development

**Targets:**

- More than 92% of total herder clients register as legal entities within 10 months after BP implementation, contribute to local tax revenue & distribute dividends to members.

Indicators	Progress during reporting period	Progress to date
Number of groups registered within 10 months of BP implementation	27	51
Number of clients keeping formal records & tax returns (meeting minutes & financial)	318/77	318/263
Growth in dividend per member	22.2%	22.2%
Number of cooperatives that have active management	36	96
Number of active members involved in cooperative activities	542	972
Number of young members involved in cooperative activities	869	869

**Table #07. Total Numbers of Herder Groups and Cooperatives/Registered Businesses**

	Total	BH	DG	GA	GS	UG	UH	April	May	June
Number of Coops / Registered Businesses	244	53	34	48	16	38	55	217	240	244

Number of Formed Coops waiting for registration	11	3	4	0	1	2	1	3	9	11
Number of Herder Groups (Unregistered)	63	8	20	10	8	9	8	98	69	63
<b>TOTAL</b>	<b>318</b>	<b>64</b>	<b>58</b>	<b>58</b>	<b>25</b>	<b>49</b>	<b>64</b>	<b>318</b>	<b>318</b>	<b>318</b>

By the end of the second quarter a total of 244 herder clients had registered as a cooperative or legal entity out of a total of 318 herder clients. At the start of the year there were a total of 135 herder clients that were not registered as a legal entity. During the first six months of the year a total of 51 herder clients have registered as cooperatives and legal entities and specifically during this reporting period 27 herder clients have registered as cooperatives and legal entities. The establishment of the cooperatives and legally registered entities during the quarter are as a direct result of the 35 cooperative formation and development trainings and technical assistance provided during the second quarter. 90% of these trainings and consultancies were conducted by the local aimag-based consultants.

As part of the programs efforts to monitor and evaluate the activities and organizational capacity of the herder cooperatives, a survey tool was designed and was completed by 102 cooperatives and 26 partnerships. The survey tool is attached as Annex 2. The program officers have compiled the results and analyzed the data gathered and identified the following results:

- Respondent entities have paid taxes with a value of MNT 17 million (\$14,592) in total to the aimag budgets in late 2006 and the first two quarters of 2007, on average each client that completed the survey has paid MNT 106,000 (\$90) in taxes;
- Dividends distributed to the members increased by 22.2%, with a maximum of MNT 540,000 (\$463) and a minimum of MNT 5,000 (\$4) of dividends allocated to the members;
- The cooperatives involved in the survey have 829 young members of which 474 are directly responsible for their businesses, and 355 hold leadership positions within their cooperatives; and
- A total of 56 entities hire employees, generating employment opportunities for a total of 242 people.

An international consultant Mr. Dennis Sheehy visited Bayanhongor aimag with program staff as part of the ongoing process of establishing a herder alliance. A one-day training was organized involving 13 people from 7 herder coops in 3 soums and several trainers. The training introduced the Herder Alliance concept and took the idea forward to the next phase of development. The consultant and staff also traveled to the soums (Bayan-Undur, Baatsagaan and Galuut) and held stakeholder meetings with soum government officials, herders and business operators in order to present the concept and garner support. To date 21 cooperatives, 22 groups and 25 herder households have joined the Herder Alliance Cooperative, In total, over 300 households and nearly 1300 people working in agricultural production sector have become members. On the 29th and 30th of May a meeting of all members of the Alliance was organized and 40 representatives were selected by the members. During the meeting, a management committee comprising of 9 members was elected, a constitution approved and a general manager selected. In the next quarter the general manager will develop an action plan for the alliance. The purpose of the herder alliance is to develop in the private sector the supporting infrastructure (i.e., company or cooperative) that gives livestock and crop producers access to quality production inputs (veterinary medicines, fertilizer, machinery and equipment, animal feeds, etc.), provides and organizes services that will improve product quality or improve producer capacity to engage in commercial agricultural production in the Mongolian environment (wool and cashmere grading, mechanical shearing, petroleum, spare parts, veterinary medicines, etc.), acts as an agent to market crop and livestock off-take products for members of the cooperative, and assists herders and farmers to mitigate financial and environmental risk associated with agricultural production by disseminating information provided by Gobi Forage, RBN news etc. The Gobi Initiative program officers will provide technical advice and training to the cooperative as it begins to finalize the action plan and begins activities.

Main activities for the second half of the year:

- Improve management and financial record keeping of newly established cooperatives and facilitate the increased participation of young members;

- Continue to provide technical assistance to those herder clients that have not registered as a legal entity; and
- To conduct the cooperative survey again at the end of the year and compare the results with the mid year results. This will enable the program to monitor and evaluate the impact and benefits of forming a cooperative for the herder clients that are working with the program.

### Activity Three: Training and Technical Assistance for Herder Businesses

**Targets:**

- 124 new herder clients will receive at least 319 trainings & consultancies in 2007;
- 122 existing herder clients will receive at least 231 trainings & consultancies in 2007 with a 15% cost share on consultant fee;
- Total number of HB TA & consultancy will be at least 550 in 2007.

Indicators	Progress during reporting period	Progress to date
No trainings & consultancies conducted	208	289
# of clients participated	283	416
Length of training	1.8	1.9
Number of participants	1179	1715
Quality of training (Average form 1 score)	88%	88%
% of increase in participants' knowledge	31.5%	31.5%
% of female participants	65%	51%
% of local consultant provision (including staff)	77%	80%
% of cost recovery (eligible trainings)	15%	15%

Training activities continued during the second quarter, in total 208 trainings were delivered to 1,179 participants of whom 65% were women. Herder businesses receiving training or technical assistance continue to contribute a cost-share to the consultant fee of 15% on average. The cost share was collected by the consultant from existing old herder business clients that have participated in the program in previous years or those who have already received three technical assistance (TA) interventions. 77% of TAs were delivered by aimag-based consultants (see Table 08), with the most popular TAs being; cooperative development, vegetable cultivation, dairy milk processing, felt/wool technology, sales and marketing and veterinary training.

**Table #08. Summary of Training and Technical Assistance for Herder Clients**

General Classification of TA	Second Quarter				Progress To Date			
	Total	UB	Local	GI	Total	UB	Local	GI
Animal breeding	4	1	2	1	5	1	3	1
Bakery/food processing	3	0	3	0	7	1	6	0
Boot/garment production	4	0	4	0	4	0	4	0
Business training	2	0	1	1	3	1	1	1
Cooperative development	39	3	24	12	88	4	53	31
Dairy/milk processing	11	1	10	0	15	3	12	0
Felt/wool technology	20	15	5	0	20	15	5	0
Financial management	8	0	2	6	17	1	5	11
Fodder/forage production	3	0	1	2	3	0	1	2
General management	0	0	0	0	0	0	0	0

Handicrafts	4	0	4	0	4	0	4	0
Intensified animal production	2	2	0	0	2	2	0	0
Land	0	0	0	0	0	0	0	0
Sales and marketing	11	1	2	8	11	1	2	8
Meat	0	0	0	0	2	2	0	0
Semi-settled livestock production	0	0	0	0	1	1	0	0
Specialized TA	12	2	10	0	19	2	16	1
Study tour	1	0	0	1	1	0	0	1
Tourism operations	3	3	0	0	3	3	0	0
Vegetable/crop production	59	12	45	2	61	12	47	2
Veterinary training	22	8	10	4	23	8	11	4
<b>TOTAL</b>	<b>208</b>	<b>48</b>	<b>123</b>	<b>37</b>	<b>289</b>	<b>57</b>	<b>170</b>	<b>62</b>

A total of four trainings for young herders was organized in Govi-Altai, Uvurhangai, Umnugovi and Govi-Sumber aimags. The aimag-based representative offices, taking training modules developed by the USDA funded Rural Agribusiness Support Program as a basis, have organized these trainings involving a total of 62 young businessmen and women. Of the 62 participants a total of 16 participants developed drafts of their first business plan after the training and 7 trainees of these participants have started to implement their business plans receiving further assistance from the program.

In order to introduce new crop production technology to the vegetable growing herder clients, Mercy Corps has established in partnership with herder business clients appropriate technology trials on drip irrigation technology, greenhouse horticulture and utilization of quality vegetable seeds in Umnugobi, Dundgovi, Uvurhangai and Bayanhongor Aimags. A Total of 18 clients and 4 aimag-based trainers have been involved in the training and establishment of the trails. During the second half of the year a number of field days at the technology trial sites will be organized for other interested herders and vegetable growers. During the field days information brochures on the technology and suppliers of the equipment will be distributed to the participants and training workshops will be organized.

#### Activity Four: Acquiring Critical Inputs

##### Targets:

- 273 loans disbursed with a total value of MNT 781 million, all of which are repaid according to schedule;
- 90% loans will be used for intended purposes;
- Average collateral by herder clients will not exceed 50% and for non-herder 60%;
- All clients receive critical inputs required for BP implementation (subject to plan) and 6 local input suppliers established or strengthened.

Indicators	Progress during reporting period	Progress to date
Number of loans disbursed	66	164
Value of loans disbursed	180,703,000	495,122,000
% of collateral provided by LGM	43%	45%
Number & proportion of loans ≤ 3M MNT	47 & 50%	123 & 54%
% of LGM collateral for loans ≤ 3M MNT	44%	46%
Repayment rates of loans ≤ 3M MNT	Loan with outstanding balance - 1	Loan with outstanding balance - 1
Number of clients that received input facilitation	90	121
Value of equipment purchased	129,041,900	201,889,040

#### Equipment Facilitation

**Table #09. Equipment Facilitation During the Second Quarter**

No	Aimag	Client type		Price of projected equipment	Price of purchased equipment			Price of equipment purchased in 2nd quarter	Cumulative amount
		HB	NHE		April	May	June		
1.	Bayanhongor	25	9	90,844,800	2,675,000	2,812,000	190,000	5,677,000	37,313,000
2.	Govi-Altai	40	9	141,620,000	8,751,500	6,019,900	28,329,500	43,100,900	64,322,900
3.	Govi-Sumber	16	4	104,771,700	13,248,000	5,796,000	3,813,000	22,857,000	28,966,140
4.	Dundgovi	47	7	100,511,300	6,800,000	7,550,000	11,444,000	25,794,000	30,494,000
5.	Umnugovi	28	11	97,106,200	4,000,000	12,166,000	2,171,000	18,337,000	22,182,000
6.	Uvurhangai	27	8	65,132,000	5,941,000	7,035,000	300,000	13,276,000	18,611,000
	<b>TOTAL</b>	<b>183</b>	<b>48</b>	<b>599,986,000</b>	<b>41,415,500</b>	<b>41,378,900</b>	<b>46,247,500</b>	<b>129,041,900</b>	<b>201,889,040</b>

During the second quarter 90 clients purchased production inputs and equipment necessary for their business with a total value of MNT 129,041,900 (\$110,765). The program officers provided clients with the information and contacts of the suppliers of production inputs and equipment and assisted with linking clients directly to the suppliers. Clients are beginning to utilize the Input Supplier's Directory (Developed in 2006) and contact suppliers directly. The second quarter has mostly seen the purchase of seasonal equipment for crop production, milk and dairy processing, felt making and building repair/construction. In an effort to facilitate the establishment and or strengthen existing aimag-based input suppliers, each aimag office has conducted a preliminary study of potential suppliers. 4 aimags, Govi-Altai, Uvurhangai, Dundgovi and Umnugovi, have identified and selected 6 existing equipment suppliers that are based in the aimag centers. The program plans to provide the following assistance to these equipment suppliers in the second half of the year: promotional support and free stands during Market Fairs to advertise their business and the availability of equipment and services; provide to the suppliers specific information on required equipment of the GI clients; and assistance with linking the equipment suppliers to larger providers of equipment and agricultural

suppliers based in Ulaanbaatar and establishing linkages with the herder and non-herder business in the aimags.

### Loan Facilitation

**Table #10. Loan Disbursement and Borrowers' Collateral In Second Quarter by Aimag**

Aimag	# of borrowers	Loan size, MNT	Average % of collateral provided by borrower
Bayanhongor	9	14,400,000	51%
Dundgovi	18	42,915,000	55%
Govi-Altai	12	50,258,000	60%
Govi-Sumber	6	17,700,000	65%
Umnugobi	12	38,380,000	55%
Uvurhangai	7	17,050,000	52%
<b>TOTAL</b>	<b>64</b>	<b>180,703,000</b>	<b>57%</b>

**Table #11. Total Number and Size of Loans Disbursed in 2007**

Month	# of loans			Size of loans, MNT		
	Total	HB	NHB	Total	HB	NHB
2007 projection	271			803,286,800		
January	43	30	13	149,735,000	89,885,000	59,850,000
February	27	19	8	75,630,000	51,830,000	23,800,000
March	28	23	5	89,054,000	74,654,000	14,400,000
April	33	24	9	105,438,000	55,461,000	49,977,000
May	17	15	2	40,595,000	28,595,000	12,000,000
June	14	14	0	34,670,000	34,670,000	0
<b>TOTAL</b>	<b>162</b>	<b>125</b>	<b>37</b>	<b>495,122,000</b>	<b>335,095,000</b>	<b>160,027,000</b>
Percentage	60%			62%		

The total number of loans accessed by GI clients in the first half of the year is 162 and the total value of all disbursed loans was up to MNT 495 million (\$424,892), with the average loan size for the year at MNT 3 million (\$2,575). Mercy Corps under the loan guarantee mechanism has provided a total of MNT 225 million (\$193,130) as collateral. Which constitutes 43 % of collateral as compared to a 84% at the start of the program in May 2004.

Since the beginning of Gobi II, Mercy Corps has assisted 513 businesses in obtaining commercial financing of MNT 1.5 billion (\$1.3 million), of which MNT 898 million (\$770 thousand) has been guaranteed through the USDA-funded "Rural Agribusiness Support Program". Of these 513 businesses, 329 have fully repaid their loans, the total value of the repaid loans was MNT 953 million (\$818,000).

During the first half of the year the number of loans taken by clients was in fact fewer than the initial plans from the start of the year. This has been due to a couple of main issues; firstly the price of cashmere this year has been very high with an average price of MNT 45,000 (\$40), so a number of herder clients generated sufficient income from the sale of their cashmere that they therefore did not need to apply for a loan; secondly a number of the herder clients had existing loans and have not repaid these loans. The issue of double loans is becoming more of a problem in rural Mongolia and the banks are aware of this, the challenge that faces the banks is the need to agree to share information on current borrowers. There has been discussion held between the central bank and the commercial banks on establishing an independent credit bureau to help regulate this issue and to enable organizations to get information on businesses and their credit history. The program has been working hard to ensure that clients with existing loans, did not apply for loans under the guarantee mechanism. The main reason for the caution is the program is concerned that clients with an existing loan are potentially more at risk of defaulting on their repayments if they were to have a second loan. Clients that have an existing loan and were to taken a second loan would have greater

debt and some clients may use the proceeds of the second loan to pay off existing loans rather than investing in their businesses as stated in the plan.

Of the existing 184 current clients that have outstanding loans, three clients are having difficulties making their payments and are at least one month behind on their repayments. Table 12 provides details on the three clients.

**Table #12 Details of the borrowers in Dundgovi, Umnugovi and Bayankhongor aimags that are having difficulties repaying their loan:**

Name	Business activity	Details
"Hangain Tushig Undur" DG	Felt production	The business was unable to make good sales and generate sufficient income to cover their costs and repay the loan. The loan has been declared defaulted by the bank and the case will be resolved by the court.
"Altan Goviin Shiree" UG	Tourism	Due to fewer numbers of tourists than planned and as a result a reduced income the cooperative has been late with their loan repayments. However, the UG aimag office believes that the cooperative is able to fully repay the outstanding loan balance in July.
"Ih Uul" BH	Noodle production	The cooperative took a loan to produce noodles. The business was successful and they repaid MNT 2 million of their loan on time. However, they then decided to go and dig gold and used all available funds to buy gold digging equipment. This new business was a failure and they now have no sufficient funds to run the noodle production business and repay their loans. BH representative office is working on this problem to have this loan reimbursed as early as possible.

**Activity Five: Technical Assistance and Training for Non-Herder Businesses**

**Targets:**

- 75 long-term clients and 17 short-term clients receive no less than 167 trainings & consultancies in 2007 with 45% of consultant fee covered by long-term clients;
- 70% of total clients produce a new product & service & increase quality of product & service.

Indicators	Progress during reporting period	Progress to date
Number of trainings & consultancies conducted (LTTA & STTA)	82	115
# of clients attended (LTTA & STTA)	122	166
Quality of trainings & consultancies	92%	93%
% of local consultant and MC staff provision	43 (52%)	57 (50%)
% of cost share	45%	45%
New product & service produced as a result of received trainings & consultancies*	11	11

**Training and Technical Assistance Provided to Long-Term Non-Herder Businesses**

During the quarter a total 82 training and technical assistance interventions were provided to 467 participants from a total of 122 non-herder clients. The 82 activities covered 25 different subjects as requested by the clients, and the quality of the training and technical assistance was 94% on average, as evaluated by the participants through the completion of post-training tests and feedback from the aimag-based program officers. Table 13 provides details of the training and technical assistance provided.

A study tour of 21 bakers from 6 Aimags was held in Ulaanbaatar on 20-21st June. The main goal of this tour was to help GI clients learn from the best and most experienced bakeries in Ulaanbaatar and to link rural bakeries to package producers and equipment sellers. The study tour participants visited the office of TV Channel 5 and took part in the daily TV show "Let's Develop Mongolia". Two lecturers from the Business Center of TV Channel 5 also conducted a short lecture on "Current and Future Trends in Management and Marketing" and they had an open discussion with the local businesses. The participants also visited the Business Information Center at the Mongolian National Chamber of Commerce and Industry where they were able to gather information and business contacts of other larger bakeries and suppliers of bakery equipment in Mongolia.

As a direct result of receiving technical training in the latest bakery technologies, "Munhiin Huch" and "Nomin Huh" cooperatives in Bayankhongor aimag have learned how to make 8 new types of bakery products, and have started selling the new products in Buutsagaan and Hureemarl soums. Buutsagaan soum-based "Munhiin Huch" bakery has hired 4 new workers since the start of their business plan.

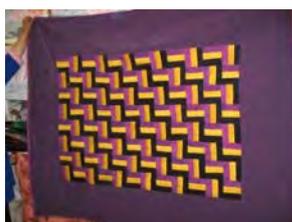
**Table #13. Training and Technical Assistance Provided to Long-Term Non-Herder Businesses**

Aimag	Client	Consultancy Topic	Consultant type
<b>April</b>			
BH	"Munhiin Huch", "Nomin Huh"	Bakery technology	UB
GA	"Mon Tsulhir" and others (5)	Marketing	GI
GA	"Bayandalai"	Finance and accounting	GI
GA	"Achit Eh"	Legal entity formation	GI
GA	Baasansuren	Carpentry technology	Local
GS	"Borjigon Tumen" LLC	Ger camp management	UB
GS	"Altan Tahia" patent holder	Legal entity formation	GI
DG	"Jalbuu"	Food technology	Local
DG	"Goviin Zun" cooperative	Greenhouse vegetable plantation	UB
DG	"Undrah Erdene" and others (3)	Legal entity formation	GI
UG	"Uilchin Mandal" cooperative	Patching sewing technology	UB
UG	"Tusgats" patent holder	Small tractor operation	UB
UG	"Goviin Jiguur" LLC, "Gal Munh"	Finance and tax	Local
UG	"Hatagtai" patent holder	Medicinal cosmetics	UB
UH	"Suun Dalai" LLC	Pastry technology	Local
<b>May</b>			
BH	"Shargaljuut" LLC	Public catering technology	UB
GA	"Mon Tsulhir"	Public catering technology	UB
GA	"Chuluundens"	Shoes design, technology	Local
GA	"Hishig Altai"	Well repair	Local
GA	"DOBU VEGI"	Vegetable cultivation	UB
GS	"Lucky Dent" LLC	Hospital staff ethics	UB
GS	"Borjigon Tumen" LLC	Tourism conference (UG)	GI
DG	"Burhant Shashir"	Tourism conference (UG)	GI
DG	7 clients	Marketing	Local
UG	"Han Bayasgalant"	Pavement plate making technology	UB
UG	"Mon Daats"	Pavement plate technology	UB
UH	"Suun Dalai" LLC	Construction design budget consultancy	UB
UH	"Arts Govi"	Hotel management	UB
UH	"Och Naran" LLC	Service management, technology	Local
GA	"Airgiin Had"	Brick production technology practice in UB	UB
<b>June</b>			

<b>BH</b>	"Baruun Shand" LLC, "Buyant Tavan Bural"	Business management	UB
<b>GA</b>	Davaadorj	Cultivation consultancy	Local
<b>GA</b>	Chuluundens	Camel wool processing technology	UB
<b>GS</b>	"Goviin Tuya"	Patching sewing technology	UB
<b>DG</b>	"Burhant Shashir", "Zambagyn Tal"	Food technology	Local
<b>DG</b>	"Burhant Shashir"	Ger camp management	UB
<b>UG</b>	"Gal Munh", "Uilchin Mandal"	Marketing	UB
<b>UG</b>	"Gal Munh", "Mon Daats"	Light concrete panel technology	UB
<b>UG</b>	"Goviin Jiguur"	Management	GI
<b>UH</b>	"Tugs Gun"	Marketing consultancy	Local
<b>UH</b>	"Temka" LLC	Accounting	Local
<b>UB</b>	Clients from 6 GI aimags (14 clients)	Bakery and packaging study tour in UB	GI
<b>UG</b>	"Dalan Od" (UG)	Potato demo training in UB	GI

### Success Story:

A short-term non-herder client "Goviin Tuya" partnership in Gobi Sumber aimag received a training on making quilts, bags and other items by recycling and using shredded material that is usually wasted in the sewing workshop. A 2 day training that involved 5 members of the partnership was conducted by UB-based consultant U. Odhuu. The participants learned how to make 8 different items from the waste material including: pillowcases, quilts, bags, cosmetic bags, seat covers etc. The new products use a patching technique as well as embroidery with ornamental patterns.



New patchwork products of "Goviin Tuya" partnership

### Technical Assistance Provided to Short-Term Clients

During the quarter 87 short-term clients received training and technical assistance. The clients paid at least 45% cost share towards the consultants fee. The Gobi-Altai aimag office conducted 4 technical assistance interventions in hotel and restaurant management, food preparation, national costumes and business registration which were provided to 15 clients by Ulaanbaatar-based and aimag-based consultants. For these technical assistance interventions the clients paid 100% of the consultant fees.

**Table #14. Details of Short-Term Technical Assistance Provided by GI**

Aimag	Client	Consultancy Topic	Consultant type
<b>April</b>			
<b>BH</b>	Local businesses (13 people)	Business ethics	UB
<b>UG</b>	"Ih Goviin Tugul" LLC	Greenhouse vegetable cultivation technology	UB
<b>UH</b>	"Puuleg" LLC and others (3)	Business plan development	GI
<b>May</b>			
<b>GA</b>	Local businesses (9 clients)	Hotel and restaurant management, marketing	UB
<b>GA</b>	Munhtsetseg (1 client)	Public catering technology	UB
<b>GA</b>	Local tailors (4 client)	Mongol deel design, pattern	UB
<b>GA</b>	Private sector legal entities (6 client)	Accounting	Local
<b>BH</b>	"Uran Hairhan", "Nachin"	Public catering technology	UB
<b>DG</b>	Erdene Uhaa	Marketing	Local
<b>DG</b>	Erdene Uhaa	Tourism conference	Local

UH	Dorjderem	Production place construction consultancy	UB
UH	"Hobby"	Hotel management	UB
UH	Young business operators (17)	Young businessmen training	Local
<b>June</b>			
GA	Demberelsuren (1 client)	Legal entity formation consultancy	Local
GA	"Az Iveeh"	Business plan development	GI
UG	Goviin Uguuj", "Dal Huudas", "Tuvshin Shanhat"	Ger camp management, service	UB
GS	Local businesses ()	Young herders training	GI
UH	Tserendejid, Dumaa	Felt items, handicraft	UB
UH	Batjargal	Cultivation consultancy	Local
UB	Businesses from 6 GI aimags (5 clients)	Bakery and packaging study tour	GI

Over the first six months of the year the program has started to increase the percentage of cost-share that the clients pay towards the consultant fees. In the second half of the year the program believes that the percentage can continue to be increased for the majority of short and long term non-herder clients. This is due to the fact that the clients are beginning to understand the value of the training or technical assistance and how it can assist them to improve their businesses and ultimately become more profitable, and so they are willing to pay for it. With this situation, the program needs to continue to build the technical skills and abilities of the aimag-based consultants and experts and link them directly to these clients. The objective is to begin to establish a sustainable and economically viable system of technical assistance provision at the aimag level that can continue after the end of the program.

#### Activity Six: Local Capacity Building for Training and Technical Assistance

##### Targets:

- All aimag-based consultants who conducted no less than 5 trainings & consultancies will be certified;
- More than 70% of total trainings & consultancies will be conducted by aimag-based consultants.

Indicators	Progress during reporting period	Progress to date
Number of local consultants	123	148
Number of aimag-based consultants certified	1	1
Number of local consultants who provided more than 5 trainings	10	14
% of local consultants with more than 5 trainings	8.1	9.4
Number of capacity building training activities	1	6
% of trainings & consultancies provided by local consultants	71%	72%
% of UB consultancies accompanied by a local consultant counterpart	15	18

#### Consultant Certification

There was one consultant certified in the 2nd quarter. The Bayanhongor aimag-based veterinary consultant Gaamaa organized a Basic veterinary training for "Maihan" herder group in May and during this training was certified by the program officers.

Besides promoting the use of private consultants, the project during the first half of the year has fostered and developed links with institutional training providers located within the aimags. Examples of such providers include Agricultural Extension Centers, aimag Labor Offices, local NGOs, Chambers of Commerce and Industry, vocational training schools, and Institutes of Higher Education. During the quarter, Gobi-Altai, Govi-Sumber, Uvurhangai, Bayanhongor and Umnugovi aimags have selected one institutional training provider to initially cooperate with during the second half of the year. Gobi-Altai have selected the Vocational Training Center, Uvurhangai selected the Agricultural Extension Center in Arvaiheer soum, Bayanhongor selected the Herders and Entrepreneurs Association, Umnugovi selected the "Formula of

Success" NGO and Gobi-Sumber selected the "Tahil Togoot" NGO and "Business Operators Development" cooperative. During the next quarter the Aimag based program officers will intensify efforts to develop the outreach and communication skills of these selected institutional training providers to engage with the general public and the commercial sector, and to enhance their technical skills so that they can become a source of advice and expertise to the commercial herding and non-herding sectors.

### **Capacity Building**

Four capacity building exercises for Aimag-based technical assistance providers were organized during the quarter.

A "Training of Trainers" on Financial Management was organized between May 11-14. The training was conducted by 3 lecturers from Faculty of Finance and Economics of the University of Agriculture and a total of 22 local aimag-based consultants, including the MC Admin and Finance Officers from 11 aimags participated. During the training the following topics were covered: basics of managerial accounting, analysis of financial statements, tax reporting, working capital and cash flow management, investment project analysis and risk and return analysis. According to the pre and post test results, the participants knowledge increased by 27.5% in average from 50.45% to 77.95%. After the training the participants requested Mercy Corps to assist with: i) The development of a comprehensive and basic 'Financial Accounting Handout' and ii) To organize training on tax reporting by senior officials from the General Taxation office in Ulaanbaatar for both local aimag-based consultants, aimag tax officers and clients due to the high level of misunderstanding at aimag level of the exact regulations and requirements.

In order to build the skills and technical knowledge of the Bayanhongor aimag-based vegetable and crop consultant G. Jigjidsuren, the program sent him to Uvs and Hovd aimags in April, where he studied vegetable and crop cultivation at the Uvs aimag 'Farming Testing and Research Institute'. G. Jigjidsuren also learnt about seedling cultivation techniques for 'Astila' variety potatoes, fruits and berries, sea buckthorn and blueberry cultivation in the western region. The consultant G. Jigjidsuren will share his learning and knowledge through 'training of trainer' courses organized for herder clients and other aimag-based consultants that are engaged with the GI program.

Local aimag-based consultant Ts. Poli from Umnugovi aimag was involved in a greenhouse vegetable cultivation training in Ulaanbaatar and local aimag-based consultants B. Gaitav from Gobi-Altai and S. Soyolmaa from Gobi-Sumber participated in the demonstration training organized by the SDC funded 'Revitalization of Mongolia's Seed Potato Sector project'.

A 'Training of trainers' in deep well repair was provided in Dundgovi aimag by Mercy Corps and aimag Department of Agriculture. Five UB-based consultants organized this training attended by 30 agricultural specialists from the aimag and soum centers.

In the first half of the year a total of 404 training and technical assistance interventions have been organized and provided to the Gobi Initiative herder and non-herder clients. Out of this 404 activities a total of 290 (72%) were provided by aimag-based consultants. Over the second half of the year, the program will continue to focus efforts to enhance the skills and marketability of the aimag-based consultants and technical assistance providers. The long-term goal is the establishment of a cadre of qualified local aimag-based providers, and an ability to directly source essential consulting and technical services, whether locally, regionally or nationally. The availability of these professionals at the aimag level is key to ensuring some degree of sustainable business development services (BDS) in the future years.

## Activity Seven: Market Development

### Targets:

- 130,000 people attend 18 market events in 6 aimags with sales of over 400 million MNT in 2007 (UB-1, aimags-4, regional -2, Saturday-11);
- 13 market researches on local leading products will be conducted;
- Feasibility study into organic production certification conducted;
- Sales from new markets exceeds 20mln MNT.

Indicators	Progress during reporting period	Progress to date
Number of market days organized	3	5
Number of exhibitors	91	290
Attendance of market day events	2,750	24,500
Sales at market day events (incl. contracts and facilitation)	14,885,523	193,768,373
Ratio of sales & costs	3.2 MNT per one MNT of cost	9.6 MNT per one MNT of cost
Number of contracts made during the events	25	25
Amount & value of products sold at regional markets through facilitation & contracts	44,000	57,915,700

### Market Fairs

In the second quarter of 2007, three trade fairs were organized - Handicraft Trade Fair of Central Region in Umnugovi aimag, "Every Household is Producer" fair of locally produced goods in Govi-Sumber, Shiveevoo soum, and a handicraft and souvenir trade fair in Uvurhangai aimag, Harhorin soum.

Shiveevovi soum of Govi-Sumber aimag held its first Market Day of the year on the 25th May. This event was co-organized by Mercy Corps, the Soum Government and the Aimag Department of Agriculture. A total of 30 local businesses participated in this event and sold products with a value of more than MNT 5 million (\$4,290). Seven MC clients participated and generated sales totaling MNT 1.4 million (\$1,200). It is estimated that approximately 2500 people attended the market day. The market day was financed by The Aimag's Agricultural Department (MNT 100,000), Shiveevovi soum Governors office (MNT 512,736) and Mercy Corps (MNT 283,000) and the market day was sponsored by Khaan Bank, Mongol Post Bank and Credit Bank, "Govi Geo" LLC, "Shivee Ovoo" JSC, "ANDI" LLC and other business entities. In addition, the professional inspection agency of the aimag established an information desk providing advice and brochures that outline the standards of the Professional Inspection Agency that businesses must comply with and displayed a variety of products which are prohibited in Mongolia. The Aimag Tax office also had an information desk and provided information on the new tax laws and how to complete tax returns to participants and other interested businesses.

Following the tourism conference a Tourism Trade Fair was organized to enhance cooperation between the central region tourism stakeholders, enable the participants to exchange experiences and make new contracts. A total of 23 tourism businesses and souvenir producers participated, of which 7 were MC clients ("Oron Zai", "Goviin Ziguur", "Ongi Mandal", "Uilchin Mandal", "Anh San", "Shireetei Hatan Suih", "Altan Goviin Shiree"). Total sales generated during the fair reached MNT 483,000 (\$415), and the participants concluded 17 contracts. Ger camps in Umnugobi and Dundgobi concluded contracts to exchange tourists, while the souvenir / hand craft producers made contracts to supply products to the ger camps for sale in their shops. During the trade fair the participants also exchanged information and shared lessons learnt.

A Handicrafts trade fair was held in Harhorin soum, Uvurhangai Aimag from June 2nd-3rd, 2007. The trade fair was co-organized by Mercy Corps, Harhorin soum governor's office, Chamber of Commerce and Industry, Youth Association in Harhorin soum and the Enterprise Mongolia project. A total of 60 local businesses participated in this event and sold products with a value of MNT 9,816,200 (\$7,790). Ten MC clients participated, generating sales totaling MNT 200,000 (\$172). It is estimated that approximately 150 people attended the market day

**Establishing Market Linkages:**

Mercy Corps staff met with Minii Delguur Supermarket chain in June. Minii Delguur chain has been operating in UB for 12 years and is the biggest supermarket chain in the country with over 300 franchised shops and 30% of the retail market. They are very keen to expand to aimags and are interested to buy vegetable, dairy and meat from Gobi Initiative clients. There is also a good market potential for other "forgotten" niche products such as red garlic from Zavkhan, and any products clearly associated with and branded by Aimags. The next steps agreed were that Minii Delguur will send their product quantity and quality requirements and this information will be disseminated to potential program clients. The program will also facilitate meetings in aimags and Ulaanbaatar between clients and potential agents/ Minii Delguur representatives who would buy products on behalf of the supermarket and then arrange transportation etc to the supermarkets in Ulaanbaatar.

**Camel Yarn**

In June, the program signed a sub grant agreement with the Snow Leopard Conservation Fund ("SLCF") as approved by USAID. The SCLF will provide to the program clients business diversification and income generating opportunities, and improved wildlife conservation through the production of high quality camel wool, sheep wool and yak wool yarns and handicrafts for export and domestic markets. During the quarter, Mercy Corps program officer Ch. Bayarmaa and the SCLF executive director Ms. Bayarjargal traveled through Umnugovi, Uvurhangai, Bayanhongor and Govi-Altai aimags and visited 16 groups/cooperatives of which approximately 80 members from 8 groups were selected as a project clients. These groups will all produce camel wool yarn, Bayanhongor aimag's "Orogin Dolgio" cooperative will also produce yak yarn. The selected groups will be provided with basic and advanced training during the year and an order will be placed for their products; every year in May and in October. The group will receive training in order that they can produce yarns and products that meet the quality standards necessary to market the products in the U.S. In addition, the project through SLCF will provide the groups / cooperatives with the equipment necessary for yarn production. The equipment that will be provided to the groups based on their needs will include: 16 spinning machines, 2 combing and 4 spooling machines. The equipment will be supplied to participants as a loan, secured against raw wool, with the loan being paid off over time either through in-kind (yarn) or purchase (percentage of sales) within an agreed upon order depending on individual circumstances. This recouped money for equipment will then be used to purchase and provide equipment to additional families over time and enable the project to continue to scale up its activities. In May and June a basic training was given to all the selected groups, and MNT 2,236,000 (\$1,920) worth of orders for 860 pieces of camel and yak wool yarns was placed by SLCF for delivery in September from the 8 selected groups.

**Camel Milk**

The Gobi Initiative office facilitated a meeting between 16 camel herders and the food processing company "Mandalgovi Huns" based in Mandalgovi, Dundgovi aimag. The company processes camel milk into curds and bottled fermented milk that is sold in the local market and in Ulaanbaatar. As a result of the meeting the company and the herders signed an agreement to cooperate and the camel herders will supply fresh camel milk to the company. This is the first step in the program beginning to develop producer processor linkages and the program will now provide targeted training to the camel herders to ensure quality and quantity of raw fresh milk delivered to Mandalgovi Huns

**Yak Wool Yarn**

A yak yarn combing training was delivered to the members of 3 herder groups and one cooperative of Uvurhangai aimag, and 2 herder groups and 4 herder households of Bayanhongor aimag. As a next step, a yarn spinning training will be conducted, and the herders will be assisted with identifying markets for yak yarns.

### Super-Fine Cashmere

In the first quarter Mercy Corps Mongolia developed a project aimed at facilitating the supply 15 metric tons of super-fine cashmere (<14.9 micron) to Amare Cashmere for the 2007 season. The project was a partnership between Mercy Corps Mongolia and Amare Cashmere<sup>1</sup>, a supplier of fine quality cashmere fabrics to some of the top fashion houses, hotels and car manufacturers. Mercy Corps formed this contact through another USAID project, the EPRC (Economic Policy Reform and Competitiveness Project) and proceeded directly with Amare Cashmere. The original aim of the project was to assist Amare Cashmere in procuring 15 metric tons (one container) of super-fine cashmere (<14.9 microns) for export from Mercy Corps clients, for which they would be paid a premium of 30%<sup>2</sup>. The project worked on the assumption that best chance of finding super-fine cashmere was from 2 year-old female goats, and therefore producers were asked to supply only from these animals. Since little was known about the locations where SF cashmere was prevalent, and to give all MC Aimags an opportunity to participate, the program was extended to 8 Aimags, involving 68 producers. However the project did not succeed to procure any cashmere due mostly to unavailability of quality cashmere and the lack of accurate testing facilities in Mongolia. Some participating herders felt they had lost money as they had held on for the sale of cashmere to Amare Cashmere and had failed to capitalize on the seasons unusually high prices.

The cashmere trade in Mongolia is notoriously complex. Both sellers and buyers are plagued with uncertainty about prices, finding enough to fill orders and over quality. It is clear that this project was no exception. The failure to procure super-fine cashmere was partly due to naivety in believing it would be present in marketable quantities from Mercy Corps clients alone if sourced from 2 year-old females. This premise turned out to be false in this case, either due to poor testing, poor reporting on test results or because cashmere of this quality is not as prevalent as previously thought. Taking the lessons learnt a revised project structure will be developed in the second half of the year, which will then potentially enable Mercy Corps Mongolia to link herders that produce super fine cashmere directly with buyers. The full report on this project and recommendations is attached as Annex 3.

### GI Client Catalogue Production

Updated and revised Gobi Initiative program client catalogues were printed in June, with 300 copies for each aimag. The catalogue contains 85 GI clients promoting their business activities. This year the clients and other businesses and individuals contributed towards the printing cost as a cost share. The cost of publishing and printing the 6 aimag catalogues was MNT 3,654,000 (\$3,136), a total of MNT 1,530,000 (\$1,300) or 42% was contributed by the clients through the cost share and from three banks that paid for a one page advert. The catalogues were all distributed to the aimags and disseminated to potential buyers in Ulaanbaatar. Next year the program will look to further improve the content and design of the catalogue and to increase the cost share from those businesses that wish to be included.

In the second half of the year the main areas of focus under this activity will include:

- a) In Year Four, special attention will continue to be paid to the promotion of local production at all local and regional markets, the organization and implementation of the market fairs will be a key activity in the next quarter. Final dates for the market fairs are as follows:

<b>Aimags</b>	<b>Market Fair</b>	<b>Date</b>
Gobi-Altai	Altai-partnership	01-02 Sep
Govi-Sumber	One province One product	06-07 Sep
Umnugovi	Gobi Festival	07-09 Sep
Uvurhangai	UH-Partnership and Fall day	07-09 Sep
Bayanhongor	BH-partnership	14-15 Sep
Dundgovi	DG-Partnership	14-15 Sep

- b) Organize a yak yarn production training in Uvurhangai aimag and send samples to foreign companies that expressed an interest in buying yak yarn;

<sup>1</sup> www.amarecasa.com

<sup>2</sup> In preliminary discussions Amare Cashmere mentioned a 100% premium (double price), however this was later negotiated down to 30% for the first year, to be revised upwards on successful completion for subsequent years.

- c) Conduct market and value chain studies in vegetable, camel milk, wool products and yak fiber in the 6 target aimags.;
- d) Organize a meeting that will facilitate the establishment of market linkages between producers and Ulaanbaatar-based buyers. The meetings will be organized for buyers interested in procuring food and crafts / souvenirs.

**Activity Eight: Local Government Support for Business**

**Targets:**

- 6 aimag & 30 soum government offices deliver improved services for business;
- 13 soum Master Plans developed, approved by Hural & implemented.

Indicators	Progress during reporting period	Progress to date
Number & type of local government officials trained (tax, land, other)	788	1092
Number of trainings held	48	58
Number of soums & aimags	30 soums / 6 aimags	30 soums / 6 aimags
Quality of service		
Number of days to register business*	2 days	2 days
Number of land use licenses issued	57	57
Master Plans developed, approved & implemented	2	3
Number of participants in MP development	92	266
Number of soums, organizations and persons who received consultancy	11 soums, 112 persons	11 soums, 112 persons
Total Number of training and consultancy.	900	1204

\* No of days to register business - this includes only days you have to spend at tax office if all your materials are available.

GI conducted a number of specific training workshops in the quarter for aimag government officials in order for them to provide better assistance, cooperate with rural businesses and understand their needs. In the GI target aimags during the quarter 48 training workshops and consultancies involving over 788 local civil servants were implemented. The main topics of these trainings were;

1. Serving the public serving the nation
2. Team management
3. Government support for new businesses
4. Project writing and implementation skills
5. Citizens participation in rural development
6. Communication ethic and stress management
7. Information and survey gathering and processing
8. Soum master plan development
9. Training of trainers for soum master plan development
10. Training of trainers for government support

The training used the revised and updating training manuals that were developed in the first quarter.

Fourteen aimag-based consultants participated in a training of trainers workshop aimed at improving their training skills so that they are better able to deliver training to government employees. Out of a total of 58 trainings organized during the first half of the year 34.4% were delivered by UB-based consultants and 36.2% by aimag-based consultants and 29.4% by program officers respectively.

As was outlined in the annual work plan, in Year Four the program will assist 13 soums to develop a master plan for the socio-economic development of their soum. The development of the plans will involve local government employees, members of the soum citizens representative Hural (local parliament), business owners and local residents. The master plans will be approved by the respective citizens representatives

hurals. GI will facilitate the process from the initial meeting of all the stakeholders through to the development of the final master plan. In the first half of the year the program has completed the selection of 13 soums that will work with the program and develop master plans. During the second quarter the program assisted three 3 soums; Govi-Altai aimag's Delger soum, Uvurhangai aimag's Yesunzuil and Bayangol soum to develop their master plans. To date the program has organized 11 training workshops and provided 11 consultancies on Master Plan development to the target soums. UB-based consultants facilitated 5 training workshops and GI program officers facilitated 6 training workshops. The three completed master plans have been approved by the citizens representative hurals, and implementation of the plans has started. In the second half of the year the program will continue to work with the remaining ten selected soums to assist them to complete their master plans and present them to the respective representative hurals.

Six working groups have been established in Delger soum, Govi-Altai aimag and leaders of these working groups attended trainings in Ulaanbaatar on how to implement master plans. The contents and activities of the master plans are being disseminated to the soum residents. In the two soums of Uvurhangai aimag in which master plans have been completed and approved, working groups are being formed and action plans have been developed.

At the beginning of June, Mercy Corps held a conference in UB on "Government Participation and Support of Rural Business Development" that involved local government and business representatives from Hovd, Zavhan, Arhangai, Govi-Altai, Bayanhongor, Uvurhangai, Govi-Sumber, Suhbaatar, Dundgovi, Umnugovi and Dornogovi aimags. A total of 168 people attended the conference including entrepreneurs from urban and rural areas, representatives of NGOs, media and donors as well as Members of Parliament and Members of Government, Minister of Construction and Urban Development, Mr. J. Narantsatsralt, Advisor to President of Mongolia, Mr. Nergui, Deputy Minister of Trade and Industry Mr. Ya. Sodbaatar, Deputy Minister of Food and Agriculture Mr. P. Ulaanhuu, State Professional Inspection Agency, General Taxation Department, 11 aimag governors, chairmen of Citizens Representative Khurals and some other local government officials. A final report will be finalized in the following quarter and shared with all participants. At the end of the conference the following actions and next steps were identified and in the second half of the year the program will concentrate efforts to tackle these issues:

- 1) Identified major constraints faced in rural business development and agreed on future activities to solve them by the joint efforts of government officials and rural and urban businesses;
- 2) Actions to create a climate of greater trust, understanding and mutual support between the government and small/medium businesses in the rural and urban areas, this will include a) organize meetings between government, business and NGOs b) increase participation of business operators and ordinary citizens in the decisions made by government c) government takes measures to introduce One Stop Service
- 3) The need for Government to better communicate and provide to rural businesses, information and advice on the business laws, regulations and standards.

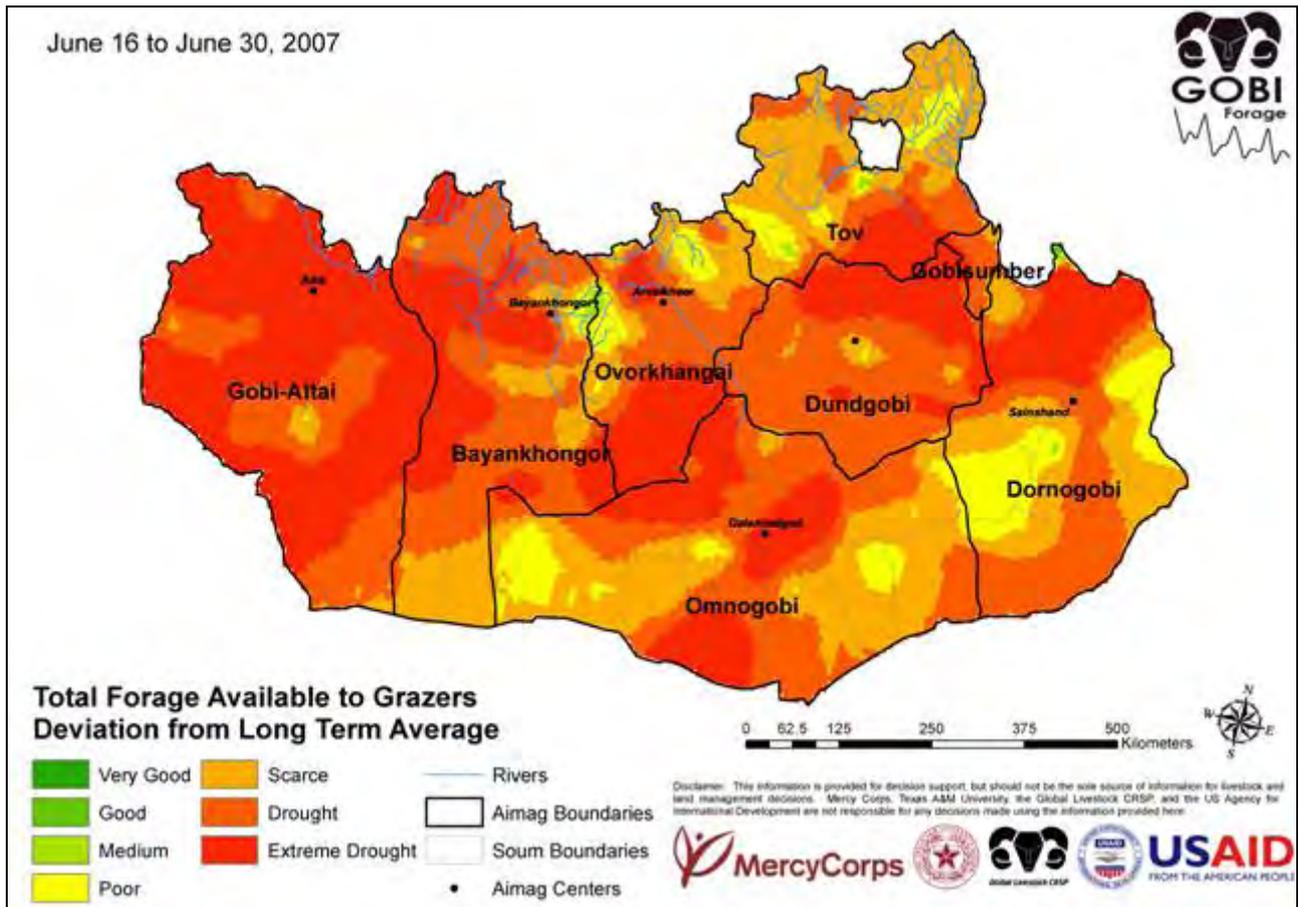
## **INTERMEDIATE RESULT 1.3-2: Increase in Availability, Access to and Use of Information**

### **ACTIVITY ONE: Business Information**

#### **CRSP Forage Forecasting**

#### **Rangeland conditions for reporting period**

The Gobi Region is suffering from a drought and so far this year there has been little rain fall across the region, rangeland condition is poor compared to the average. The livestock census conducted in December 2006 revealed 34.8 million head of livestock in Mongolia which is the highest stocking density for 60 years. This means that even with reasonable weather conditions in the remainder of the year, rangeland is still below average and is effectively being over-exploited. The map below clearly shows the current forage available to grazers in comparison to the long term average. See Annex 1 for additional maps.



### Activity One: Gobi Forage Product Development

During the quarter Gobi Forage began the regular production of the forage map products and bi-weekly radio programs. Every month the maps have been prepared and are available on the website for downloading and distribution. The set of maps include current forage availability (kg/ha), deviation of current forage from long-term normal (%), 60 day forecast of forage availability (kg/ha), and deviation of forecasted forage from long-term normal (%). The maps are available at: <http://glews.tamu.edu/mongolia>. Mr. Jay Angerer from Texas A&M University was in country to work with the Gobi Forage team for two weeks from the 23rd June to 9th July. During his time in country he provided training on the validation of the computer Phygrow model. The validation of the Phygrow model involves ground truthing the data and maps by measuring rangeland productivity and comparing this to the data produced by the computer model. In the second half of the year the team will collect field data to cross reference and continue to validate the maps and computer model on a monthly basis.

The Gobi Forage team also collected field data for the development of a Research Brief on, 'Gobi Forage and the development of risk management technologies to provide drought and winter disaster early warning to improve rural business in the livestock sector of the Gobi region'.

### Activity Two: Gobi Forage Product Dissemination

Maps of current and forecast forage conditions are currently produced twice a month by Texas A&M and the Mercy Corps Gobi Forage team. The maps are produced in both English and Mongolian. A regional map is produced and is made available to the national government ministries and organizations. Aimag maps are produced for aimag and soum governments. The Mongolian versions of the aimag maps have been mailed to the 120 soums in the six target aimags. The maps are also posted on the Gobi Forage Website (<http://glews.tamu.edu/mongolia>). Maps sent to the aimags and soums include current forage availability (kg/ha), deviation of current forage from long-term normal (%), 60 day forecast of forage availability (kg/ha), and deviation of forecasted forage from long-term normal (%). A series of other maps such as vegetation condition index, NDVI deviation, NDVI difference from previous, rainfall surplus/deficit, snow

extents, day/night temperature are also made available at the regional level to assist in interpretation and provide confirmation of model outputs.

Radio bulletins have been produced weekly since January 2007. The radio bulletins describe current and forecast forage conditions and describe soums and landscape types (steppe, desert steppe, etc) that are showing signs of drought or low forage conditions. Brochures have been developed and given to herders, bagh, soum, and aimag officials that describe the Gobi Forage program and provide information about radio and internet resources. A calendar was produced in January that provides in depth descriptions of the Gobi Forage program and products. These were distributed to herders and soum and aimag personnel during trainings and site visits. The Gobi Forage website (<http://glews.tamu.edu/mongolia>) has been made available to the public and has both Mongolian and English versions.

Training was also conducted to familiarize the soum and aimag government officials, herders and bagh governors with the products and decision making processes that they can be used for. Training workshops on the use of Gobi Forage map products were held in 27 soums and 2 aimag centers during the quarter, involving 135 local government officials and 270 herders. The trainings will continue for the rest of the summer across the eight target aimags.

Mr. Angerer lead scientist from Texas A&M University provided advice on the development of Gobi Forage Survey and Impact Assessment tools, the tools will be used to monitor and evaluate how effective the dissemination of the Gobi Forage products (rangeland maps and radio bulletins) has been, if the target stakeholders (local government officials and herders) understand how to interpret the products and information, and to measure if the stakeholders are using the information for decision making related to livestock production and rangeland management. The survey tools are attached as annex 4.

### CRSP Forage Forecasting

**Targets:**

- *Monthly broadcast content with forage information section*
- *Quarterly publication in RBN magazine of forage information and maps*

**Indicators:**

- *Numbers of target beneficiaries who report that they can use forage information provided*
- *Numbers of target beneficiaries who are able to better plan their forage schedule*
- *Numbers of target beneficiaries reporting greater success in difficult forage conditions*
- *Numbers of target beneficiaries who report averted crisis due to forage information received from RBN products*
- *Numbers of target beneficiaries reporting an increased awareness of forage issues*

Throughout the Second quarter of 2007, Pact Mongolia met its information dissemination targets for the Gobi Forage project by distribution through our multimedia networks. Rural herders, business operators and local government officials had access to sixty-day rangeland forecasts for the Gobi region.

Gobi forage forecast information is distributed via radio and in print. The Rural Business News program occupies 290 minutes of Mongolian National Public radio airtime per month. The Gobi Forage information component continued to be broadcast for ten minutes each Wednesday. The segment covers a variety of angles including forage trends and facts, animal nutrition, rangeland related issues, biological diversity, animal feed intake, herding management, herder alliances, herding tips, sources of pasture information, decision making tools, as well as talks and interviews with officials of Gobi Forage project.

Gobi Forage content occupies two full pages of the quarterly Rural Business Magazine. These pages contain visual maps with explanations and analysis prepared by Gobi Forage experts. In partnership with Gobi Forage project team, Pact Mongolia provided input into public awareness campaigns in targeted aimags. The campaign highlighted technology and alternative solutions that have emerged from the forage information initiative and ways that the forecasts can be effectively utilized to make business decisions.

## Production and Dissemination of RBN Mongolian Magazine

### Targets:

- 6500 copies of RBN are distributed quarterly
- A minimum multiple reader rate of 3 readers per copy
- Ten placements of syndicated content
- Positive reaction to content and style changes including contributors style development

### Indicators:

- Number of subscriptions
- Occurrences of placement of syndicated content
- Percentage of target beneficiaries reporting an increased understanding of veterinary procedures, necessity and value gained from RBN magazine
- Percentage of target beneficiaries attributing increased capacity and knowledge regarding livestock management to RBN magazine
- Percentage of target beneficiaries reporting effective business decisions made with advice/knowledge gained from RBN magazine
- Percentage of readers reporting increased income or income generation due to application of market watch information received

Rural Business News magazine issue number 54 was produced this quarter. An increased number of 7115 copies of a newly formatted magazine were printed. The previous size of A3 with 28 pages has been successfully replaced by format of A4 with 48 pages of glossy paper. The format change of RBN magazine was a result of;



1) RBN 'magazine' as it is known, has actually been a 'newspaper' format.

2) The Pact monitoring and evaluation team established that subscribers and readers want to receive a more portable size magazine that would also be more practical to store.

3) The longer term sustainability plan to ensure that GOBI media products continue their role as vital business information sources called for improved quality of the magazine and design to attract more subscribers and advertisers.

A content and key message planning session for all RBN information products was undertaken in the second quarter, involving a wide range of experts and stakeholders and including feedback on the 2007 first quarter issue.

The number of subscribers via the Mongol Post has increased by 346 copies and the total readership number has increased by 1537 compared with RBN First quarter magazine. Pact is moving to a position where distributing RBN magazine is not reliant on the existence of Gobi aimag offices. Readers are being shifted to the subscription process available through Mongol Post.

Issue number 54 has housed a total of twenty eight stories containing regular features and columns such as tips for herders, tips for farmers, commodity price analysis, success stories, business corners and Gobi forage forecast. Three new columns were added this quarter to expand the magazines appeal. These covered health, entertainment and 'every question has an answer' in which questions from herders or readers have been answered by professionals and experts.

Stylistic improvements made include, extensive use of side-bars, visual explanations, graphics and cartoons. These changes are aimed at enabling individuals with different learning styles to access content in the way that suits them. RBN has a reputation as 'an investment for the mind' and Pact is ensuring that its content is accessible and useful to a range of people.

Four new stringers with extensive agricultural knowledge and writing skills have joined RBN magazine. The lead story, 'Soum master plan - the country begins with its soum', was written by G. Jamyant. Timely business tips were published, such as 'Let's make money during naadam', 'Tourism is a good business', 'Get income by picking grass' and 'Selling yak wool and goat hair'. Tips for herders included, 'Common animal diseases during summer'. Farmers were offered 'Improving soil for better harvest'.

RBN Second quarter issue has generated a total of MNT 1,762,500 (\$1,513) through its commercial advertisement and advertisers signed year-long contracts to promote their activity via RBN magazine. This is a significant increase indicating a motivated editor. Advertising revenue targets are set to increase in the context of the move towards a sustainable magazine.

Income from Advertisements in RBN 2007 First Quarter

Organization names	Size	Price	Note
Xac Bank	Half page	300,000	Advertisement
Haan Bank	Full page	315,000	Advertorial
TOTAL	MNT 615,000		

Income from Advertisements in RBN 2007 Second Quarter

Organization names	Size	Price	Note
Xac Bank	1.5 pages	412,500	Both
Haan Bank	1.5 pages	380,000	Advertorial
G-Mobile	2 full pages	465,000	Both
Post Bank	2 full pages	375,000	Advertisement
Evergreenland	Half page	130,000	Advertisement
TOTAL	MNT 1,762,500		

Pact has undertaken a full documentation of the operations of all components of RBN media. The radio and print are considered vital business information sources that need to be continued after the life of the Gobi Initiative. The documentation process led to the development of five models for the future for each of radio, the magazine and television. Pact and Gobi staff examined these models and established the ones to be developed into finance and action plans. A media market study currently underway will also inform the future modeling. The sustainability plan for the magazine involves the establishment of a local NGO that may continue to be linked to other components of the GOBI Initiative.

**Production and Broadcast of RBN Radio Programming**

**Targets:**

- 145 minimum minutes broadcast weekly
- Increase in production values in programming content
- Audience retention rate of 15% of Gobi residents
- Increased diversity in content providers and producers
- Content planning linked across GOBI media products to maximize benefits of each medium and provide harmonized information

**Indicators:**

- Positive feedback from target communities on program content accessibility
- Quantification of segment categories broadcast
- Number and type of new content producers
- Number of target beneficiaries reporting an increased understanding of veterinary procedures, necessity and value gained from RBN radio
- Number of target beneficiaries attributing increased capacity and knowledge regarding livestock management to RBN radio
- Percentage of target beneficiaries reporting effective business decisions made with

- advice/knowledge gained from RBN radio*
- *Percentage of readers reporting increased income or income generation due to application of market watch information received by radio*
- *Percentage of target beneficiaries reporting effective business decisions made with advice/knowledge gained from RBN radio*
- *Percentage of listeners reporting increased income or income generation due to application of market watch information*
- *Number of content providers accessing Pact studios in Ulaanbaatar*
- *Number of organizations accepting series for re-broadcast in small footprints*

Throughout the Second quarter, Pact produced a total of 780 minutes of radio program that were broadcast for a total of 1800 minutes, due to the benefit of repeat broadcasts. Rural Business News radio is broadcast three days a week, twice per day on Mongol National Public Radio. Each broadcast day, the program contains three segments that together occupy twenty-five minutes of air time.

The content and topics for Rural Business News radio were planned by the editor, based on the content plan for the quarterly Rural Business News magazine. Product wide content planning for rural business news is enabling Pact to approach key seasonal topics from different angles, that maximize the strengths of each medium. This effectively reinforces the key messages that the Gobi Initiative and Pact have targeted for communication during the quarter.

Topics covered this quarter included new tax law issues for business organizations, business environment study, veterinary tips for herders, drought preparedness tips, business plan development and tips for tourism business operators etc.

Pact's commitment to developing the capacity and sustainability of local organizations and information dissemination partners, has seen continued collaboration with Information and Communications Initiative NGO, Gobi Wave Radio of Umnugobi and Orkhon radio of Darkhan-Uul aimag. These organizations receive sub-grants and technical assistance from Pact to produce segments of the RBN radio programs. In accordance with the monthly radio program plan, these partner organizations are assigned to produce radio programming within the deadline and deliver products to Pact by local transport, burnt on CDs. These are then checked by the Pact editor in chief and radio editor for quality. It is then sent to the National Public Radio for broadcast.

Pact Mongolia produces a substantive quantity of local content measured against local content production in Mongolia where there are no local commissioning practices in place at broadcast stations, who look to cheap foreign content to fill their air time. As a result of this Pact is often asked by broadcast stations, for permission to rebroadcast programs that are popular. This is indicative of an audience demand for local content that is not being met with supply through the local media industry. Of the Gobi media products two TV drama series are currently being rebroadcast on ITV, a cable channel. These are 'Endless Labyrinth' and 'Final Destination'.

### **Educational Docudrama Radio Series 'Directions'**

#### **Targets:**

- *Production and airing of 26 episodes*
- *Increased crisis management/change management capacity of listeners*
- *Strong attachment in listeners to the series characters and their trials and tribulations*

#### **Indicators:**

- *Numbers of people reporting regularity of listening*
- *Numbers of people in households who listen together*
- *Reports from listeners who cite the series as having increased their capacity to respond to seasonal and sudden changes effectively*
- *Percentage of listeners who use the information learned when making future business decisions*
- *Indicated extent listeners are able to relate to the series characters and scenarios*

- |  |
|--|
| <ul style="list-style-type: none"><li>- <i>Number of target beneficiaries reporting an increased understanding of veterinary procedures, necessity and value</i></li></ul> |
|--|

Pact has produced the second series of 26-part educational radio drama 'Direction II', a radio docudrama that carries key messages in the storyline based on seasonal content. The drama focused on soum government, local residents, their love, trials and errors, all focused around a set of rural business development messages. Content and key messages for the series were planned by a group of professionals working in aspects of rural development.

Monitoring of the program's first season was undertaken in Gobisumber and Dundgobi aimags. Response from those familiar with the program was generally positive, with an average of two people per household listening to the show on a regular basis and numbers of people reporting changed practice and new knowledge.

Having returned to the airwaves at the start of April 2007, the series broadcast concluded at the end of June 2007. Directions II marks the conclusion of planned GI radio drama broadcasting for 2007.

### **Production and Dissemination of 'Market Watch'**

<p><b>Targets:</b></p> <ul style="list-style-type: none"><li>• <i>60% of herding businesses increase their ability to bargain/negotiate in sale situations</i></li><li>• <i>60% of targeted businesses report increased profits</i></li><li>• <i>Automation of data collection and spreadsheet production</i></li><li>• <i>Minimal trouble shooting of data collection with automation</i></li></ul> <p><b>Indicators:</b></p> <ul style="list-style-type: none"><li>- <i>Reliable supply of information from national market watchers</i></li><li>- <i>Numbers of business operators demonstrate an increase in their skills to produce, sell and plan accordingly based on price movement and demand/supply</i></li><li>- <i>Successful introduction of automated data collection and basic report output</i></li><li>- <i>Regularity of analysis of data over set periods for use in print publication</i></li><li>- <i>Number and type of media where market watch data is disseminated</i></li><li>- <i>Number of commodities reported on</i></li><li>- <i>Numbers of RBN509 users</i></li></ul>
---






Market watch continued to eliminate rural and urban price differentials and to empower rural herders and business folks in calculating expected income and marketing costs. Daily price data for 64 different commodities (commodities varies seasonal change, for instance, grass, fodder and nutritional added during winter etc) from all aimags, plus Ulaanbaatar are sent by local market watch officers managed by the Information and Communication Initiative, a Pact sub-grantee. Market watch data information is disseminated through following channels of RBN media;

- RBN Radio. Aired three times a week. Price fluctuations and the causes thereof, along with a highlight on a season-specific product, were included. (A total of 40 segments)
- RBN Magazine. Published a summary of market price information, including prices, causes for price movements, market capacity, supply and demand, expert opinions, as well as analysis of current price trend. (2 full pages)
- RBN TV. A seven minute segment of RBN TV program broadcast through TV9 twice a month included price summaries for seasonal products, trends, interviews and analysis. (A total of 6 segments)
- RBN509 Mobicom SMS service. Clients are able to access market price information on demand from their cell phones with certain codes for each product by locations. (A total of 599 hits)

The automation process is underway. New equipment has arrived and is being installed. Market Watchers will continue to send their information via SMS to a phone number and this will be automatically received and inputted. Detailed analysis will also be possible. When fully operational, the data processes will be managed by Gobi Forage, with continued management of the Market Watchers through Pact.

Pact is currently inputting nine years of market price information recorded on paper, into a data base that will enable research and long term analysis.

Pact's Program support officer, who has thus far overseen market watch, has resigned to undertake educational studies abroad, and her replacement has spent time working alongside her in order to be able to see the transitional process through and continue the oversight of the Market watchers.

National producers, including cashmere producer Loro Piano, Gobi and Mon Italy, as well as meat factories and tanneries now receive daily price information from Market Watch.

### **RBN Website**

#### **Targets:**

- *2500 hits per quarter*
- *Aimag based business operators access website*
- *Website update coincides with RBN going to print*

#### **Indicators**

- *No of entries counted to site*
- *RBN magazine uploaded in conjunction with printing*
- *Regularity of web site updates*
- *Comments posted on the web site*
- *Number of target beneficiaries reporting use of the web site*

Pact continues to update its website [www.rbn.mn](http://www.rbn.mn) regularly, a month after the RBN Magazine publication date. Pact has introduced a new system of counting hits starting the end of June to track the exact number of web viewers with their locations and start & exit web addresses. Approximately 2000 hits were counted in the Second quarter, from users in urban and rural centers. International guests were also found. Specific data will be available for the third quarter. Coordinator for Multimedia at Pact is in the process of including an English page on the RBN website, for international viewers.

### **Production and Broadcast of RBN TV Programming and 26-part TV Drama Series**

#### **Targets:**

- *26 episodes of an edutainment TV drama produced and broadcast*
- *24 Rural Business News TV produced and broadcast*
- *25% of Gobi residents watch GOBI TV products*
- *30% of viewers increase interaction with vet services*

#### **Indicators:**

- *Number of target beneficiaries who report watching the programs regularly*
- *Percentage of listeners who use the information when making future business decisions*
- *Percentage of viewers who report increased vet interaction as a result of the program*
- *Percentage of viewers who report improvement in business activities as a result of the programming*
- *Percentage of listeners who use the information learned when making future business decisions*
- *Number of target beneficiaries report improved understanding of veterinary procedures, necessity and value*

RBN TV program was broadcast at 7.00pm, twice a month from the beginning of second quarter, on TV9 which has a reach that is nearly nationwide and continuing to expand. The program is repeated the following day at 11.00am. It occupies a total of 280 minutes of airtime each quarter.

RBN television segments are Market watch and One day in the life of... (Vet, Farmer, Herder or Businessman). The content is linked to and supportive of RBN magazine content, syndicating the key messages set during regular content planning held once a quarter.

The TV serial "Final Destination" demonstrates rural business development through herder lives, vet issues and actions taking place among herders and soum resident population. The second series of the TV Drama 'Final Destination' is in production. Ten of twenty-six episodes have been shot in the following locations:

- Gobi-Ugtaal soum of Dundgobi aimag (250 kilometers from UB)
- Ih Gazar Chuluu, natural scenery in Dundgobi aimag (300 kilometers from UB)
- Ulaanbaatar City



Final Destination, Series 2 is an ambitious shoot that includes more than 420 scenes, compared to Final Destination 1 which had only 200 scenes. Cranes and a snow machine are among the equipment used.

The series is being shot in DVCAM format using three PD250 Sony professional cameras and other necessary equipment. The sound is synchronic, which means all sound is recorded real time. During the shoot a Swedish film crew shooting the reality TV program 'LOST' encountered the Final Destination shoot and incorporated it into their program.

### Production of Video Training Materials

**Targets:**

- *2 training videos produced and delivered*
- *50% of viewers actively use information contained in the videos*

**Indicators:**

- *Numbers of copies delivered to relevant sites*
- *Percentage of target beneficiaries responding that they used the information viewed effectively in their business/daily life*

Pact is producing two training videos. The first is on the development of a dairy business from planning, obtaining a loan to realizing production. This has been shot in Suhkbaatar aimag. The second covers rangeland management issues.

### **ACTIVITY TWO: Local Capacity for Information Dissemination and Communications**

During the quarter there were no activities completed under this component. The majority of activities has been focused on capacity building of local government officials and this has also included work in building their communication skills.

### **COLLABORATION WITH GOVERNMENT OF MONGOLIA AND OTHER PROJECTS**

In Ulaanbaatar, Mercy Corps staff continue to meet on a periodic basis with other implementing agencies and with consultants engaged to design and/or evaluate donor-funded rural economic development programs.

As mentioned under activity eight, at the beginning of June, Mercy Corps held a conference in Ulaanbaatar on "Government Participation and Support of Rural Business Development" that involved local government and business representatives from Hovd, Zavhan, Arhangai, Govi-Altai, Bayanhongor, Uvurhangai, Govi-Sumber, Suhbaatar, Dundgovi, Umnugovi and Dornogovi aimags. A total of 168 people attended the conference including entrepreneurs from urban and rural areas, representatives of NGOs, media and donors as well as Members of Parliament and Members of Government, Minister of Construction and Urban Development, Mr. J. Narantsatsralt, Advisor to President of Mongolia, Mr. Nergui, Deputy Minister of Trade and Industry Mr. Ya. Sodbaatar, Deputy Minister of Food and Agriculture Mr. P. Ulaanhuu, State Professional Inspection Agency, General Taxation Department, 11 aimag governors, 11 chairmen of Citizens Representative Hurals and some other local government officials. The final report and a joint action plan between Mercy Corps and the Aimag governments will be developed in the second half of the year, and will form the basis for future collaboration and activities that target rural economic development.

Bayanhongor Aimag Government organized the first forum of businesswomen of Bayanhongor aimag which was held in the aimag center in May. During the forum business program officer Ms. D. Byambasuren delivered a training on business management to the participants. A total of 230 women representing 20 soums of the aimag attended the forum.

First tourism conference of Umnugovi aimag was held in Dalanzadgad between May 8-10, 2007. The conference was co-organized by Mercy Corps and Umnugovi aimag Governor's office. The goal of the conference was to discuss and develop a "Tourism Master Plan" for Umnugovi aimag to be submitted to the aimag Khural. A total of 110 people participated in the conference including; government employees from Selenge, Dundgovi, Govi-Sumber and Umnugovi aimags and representatives of tourism businesses and ger camps.

### **Collaboration with Judicial Reform Project (JRP)**

During the quarter Gobi Initiative continued to collaborate with the Judicial Reform Program (JRP). Program officers collaborated with JRP in developing a booklet and guidelines on contract law for rural businesses, the booklet includes contract templates for sales and purchase agreements. The booklet was completed in June and has been distributed to all the GI aimags and provided to the clients. In addition the information will be used as content for the RBN products (TV and Radio) and the templates will be printed in the next issue of the RBN magazine. JRP also participated in the conference in UB on "Government Participation and Support of Rural Business Development" that involved local government and business representatives. At the conference they made a presentation on contract law and distributed the book and information posters to the participants. In the following quarter JRP will provide: Finance, contract and commercial law training to the newly selected clients that will receive business plan training in the fall and JRP will collaborate with MC to establish legal clinics during the market fairs in September. The legal clinics will provide advice and information to all interested individuals, businesses and herder clients.

### **SDC**

The program has collaborated closely with the Swiss Agency for Development and Cooperation over the quarter, in April the SDC organized a gender mainstreaming workshop in which two Mercy Corps program officers participated. The goal of the workshop was to unify several understandings of gender and gender equality, and to understand how to incorporate gender equality into the design and implementation of projects. A "Field Day", Demonstration training was organized by the SDC (Swiss Agency for Development and Cooperation) "Revitalization of Mongolian Potato Sector" Program on 30th June, 2007. A total of 12

herder clients from the Gobi Initiative target aimags participated in the training. The field day was held 22 km from Ulaanbaatar and the participants were introduced to new varieties of potatoes including: Impala, Vitara, Sante, Snegir', Nevskii, Favorita, Yukon Gold, Gala, Solist, Karatop, Molli, Borwina.

During the quarter Mercy Corps has been working with SDC to develop a new program that will work in Uvs Aimag of western Mongolia, but that will have activities that are implemented in Zavkhan and Gobi-Altai Aimags. The primary goal of the program is; *"To contribute to the creation of income generation and value added opportunities for the rural herder and urban population for selected aimags in the western region of Mongolia through integrated local economic development"*. The program has four main objectives that are:

1. Local economic potentials of selected areas are identified in a participatory and empowering way
2. The quality of local resources, services, skills and technologies required to produce, add value and market quality goods are improved
3. Livestock management, production systems and support services for herders are strengthened
4. The project document for the main phase of the project is prepared in collaboration with all major stakeholders for approval by SDC

Gobi Initiative and SDC in partnership covered 50% each of the travel and training fees for the Market Development Program Officer to attend a training titled, "Making markets work for business and income growth" to be held in Glasgow, Scotland from the 15th-27th July 2007. The training course will be organized and conducted by the Springfield Center. This unique program provides an in-depth focus on developing markets and, in particular, on the strategic and practical implications for organizations as they adopt more market-oriented approaches. The program applies a market development framework to a broad range of market situations and organizations. This training has a practical emphasis on market development intervention rationale, project design and management issues, including: Markets in the wider economic and business environment; Understanding and assessing market systems; Dealing with sustainability and commercialization issues; Complementary roles of public and private organizations; Supply-side and demand-side intervention approaches; and Monitoring and evaluation. The Market Development Program Officer will also be expected to share her learning and the tools from the training with the Gobi Initiative staff, building their capacity and technical knowledge on market development and how this relates to economic development.

## **PROGRAM/FINANCIAL MANAGEMENT**

## **CONCLUSIONS AND RECOMMENDATIONS**

The second quarter has been a very busy period with business plan implementation well underway for the two hundred and forty four herder clients. The majority of these clients have received the planned training and technical assistance, with a total of two hundred and eight 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. The drip irrigation demonstration fields will also host a number of "field days" in the coming quarter for interested clients and other herders.

Parts of the Gobi are experiencing drought conditions with Dundgobi and Gobi-Altai 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.

GI continues to use sales generated by the program clients as an indicator of success. Total sales for herder businesses in the first half of the year reached MNT 597.5 million (\$512,894) and for non-herder businesses MNT 754.3 million (\$647,441). This gives a 2007 total sales for the first half of the year of MNT 1.35 billion (\$1.16 million), the sales target for CY2007 for all GI clients is MNT 3.83 billion (\$3.29 million). 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. The total number of loans accessed by GI clients in the first half of the year is 162 and the total value of all disbursed loans was up to MNT 495 million (\$424,892), with the average loan size for the year at

MNT 3 million (\$2,575). Mercy Corps under the loan guarantee mechanism has provided a total of MNT 225 million (\$193,130) as collateral. Which constitutes 43 % of collateral as compared to a 84% at the start of the program in May 2004.

The Gobi Forage project has started to produce a set of information products including; rangeland condition maps, training manuals and bi-weekly radio programs beginning in April. The project has distributed sets of the maps on a monthly basis to all 120 soum governments in the target six aimags via the postal system. The bi-weekly radio programs have been aired on Mongol national radio. Combined with the distribution of the maps and the bi-weekly radio programs the project team have provided training on how to interpret the maps and information, and on how to use the information for making decisions related to livestock management and rangeland management. Gobi Forage Survey and Impact Assessment tools have also been developed during the quarter. The tools will be used to monitor and evaluate how effective the dissemination of the Gobi Forage products (rangeland maps and radio bulletins) has been, if the target stakeholders (local government officials and herders) understand how to interpret the products and information and to measure if the stakeholders are using the information for decision making related to livestock production and rangeland management.

The RBN products (Magazine, TV and Radio) continue to be developed and the content and topics have been planned by the editor, based on the content plan for the quarterly Rural Business News magazine. Product wide content planning for rural business news is enabling Pact to approach key seasonal topics from different angles, that maximize the strengths of each medium. This effectively reinforces the key messages that the Gobi Initiative and Pact have targeted for communication during the quarter. During the quarter, Pact has undertaken a full documentation of the operations of all components of the RBN media. The radio and print are considered vital business information sources that need to be continued after the life of the Gobi Initiative. The documentation process led to the development of five models for the future for each of radio, the magazine and television. Pact and Gobi Initiative staff examined these models and established the ones to be developed into finance and action plans. A media market study currently underway will also inform the future modeling. The sustainability plan for the magazine involves the establishment of a local NGO that may continue to be linked to other components of the Gobi Initiative.

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

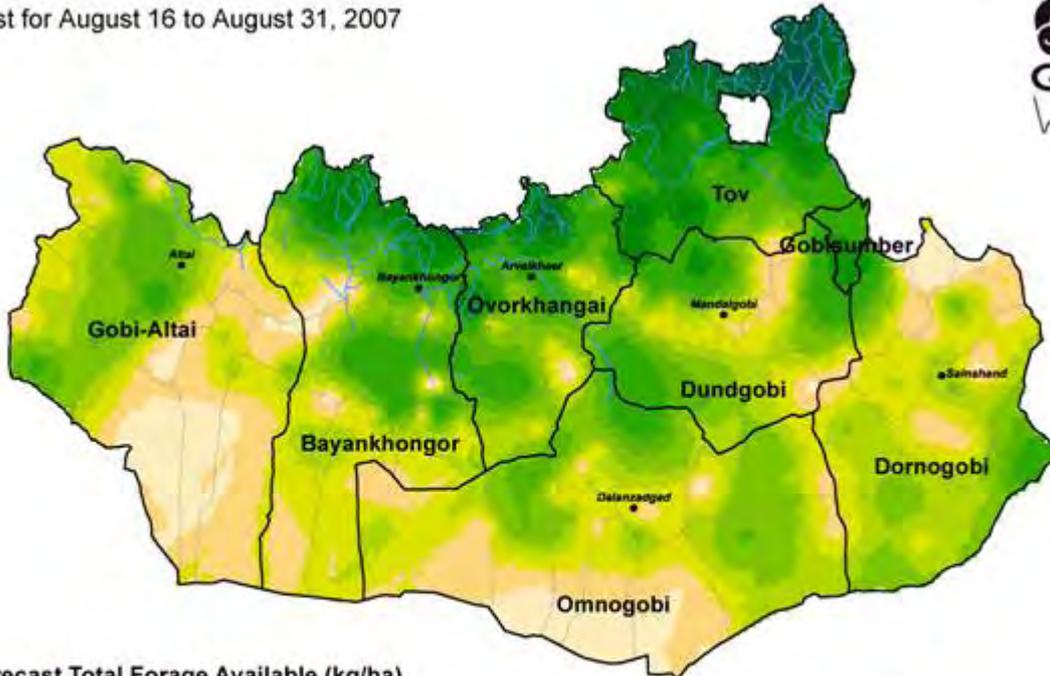
This concludes the Year Four Second Quarter Report.

Attachments to this Report are:

- Annex 1 - Gobi Forage Maps for the period June 16 - 30
- Annex 2 - Monitoring table for cooperatives and other legal entities
- Annex 3 - 2007 Mongolian Superfine Cashmere Project: Final Report and Recommendations
- Annex 4 - Survey tools for herders and government official under the Gobi Forage project

*Mercy Corps Gobi Initiative Phase II Year Four 2007 - Second Quarter Report*  
**Appendix One**

Forecast for August 16 to August 31, 2007



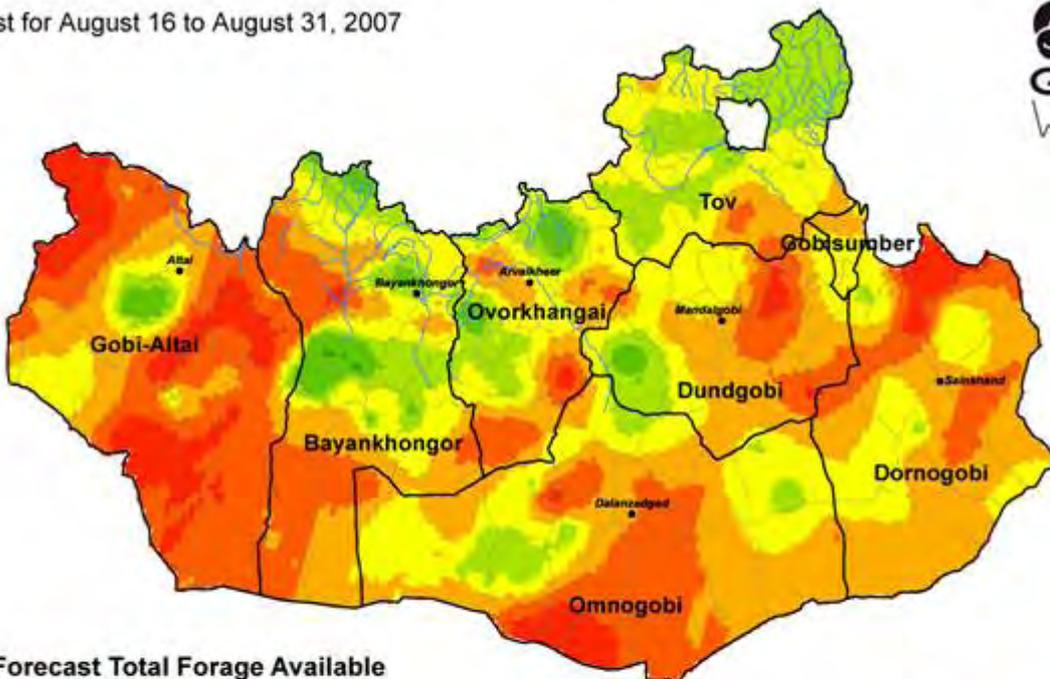
**60 Day Forecast Total Forage Available (kg/ha)**



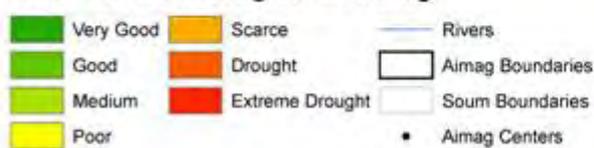
Disclaimer: This information is provided for decision support, but should not be the sole source of information for livestock and land management decisions. Mercy Corps, Texas A&M University, the Global Livestock CRSP, and the US Agency for International Development are not responsible for any decisions made using the information provided here.



Forecast for August 16 to August 31, 2007



**60 Day Forecast Total Forage Available Deviation from Long Term Average**

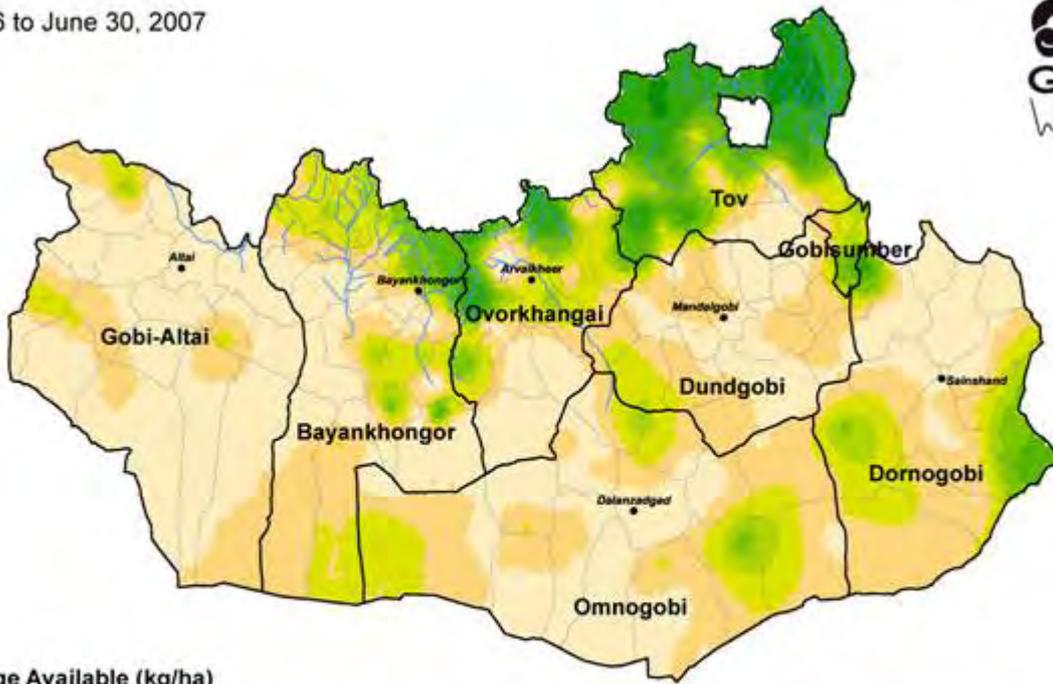


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*Mercy Corps Gobi Initiative Phase II Year Four 2007 - Second Quarter Report*  
**Appendix One**

June 16 to June 30, 2007



**Total Forage Available (kg/ha)**



Disclaimer: This information is provided for decision support, but should not be the sole source of information for livestock and land management decisions. Mercy Corps, Texas A&M University, the Global Livestock CRSP, and the US Agency for International Development are not responsible for any decisions made using the information provided here.



### Monitoring table for cooperatives and other legal entities

<b>Name of legal entity:</b>		<b>Client code:</b>	
Legal status:		Cooperative R <sup>1</sup>	Partnership R <sup>1</sup> LLC R <sup>1</sup> patent holder R <sup>1</sup>
<b>Score</b>	Aimag:	Soum:	
	Date of formation: .....	No of days spent on registration:.....	
/2	Do you keep business record books regularly?    Yes R <sup>1</sup> No R <sup>1</sup> <b>(Score 1 for Yes &amp; 0 for No)</b>		
	Do you complete tax return every quarter?    Yes R <sup>1</sup> No R <sup>1</sup> <b>(Score 1 for Yes &amp; 0 for No)</b>		
	(When did you last complete tax return? .....R <b>If no, why not?</b>		
	How much tax do you pay ? .....MNT    quarterly R <sup>1</sup> annually R <sup>1</sup>		
/1	Do you share dividends to your cooperative members? <b>If Yes ( Score 1)</b>		
	<b>If No</b> Why.....		
	Amount of dividend per member?	.....MNT	Increase of dividend comparing previous year?.....%
/12	How actively your management team works? ( director, leaders, and controlling committee)		
	Head/director: ..... / by scores/	Leaders:.....	controlling committee:.....
	4 - very good 3 - good 2 - average 1 - weak 0 - very poor	4 - very good 3 - good 2 - average 1 - weak 0 - very poor	4 - very good 3 - good 2 - average 1 - weak 0 - very poor
	<b>Score 1-4</b>	<b>Score 1-4</b>	<b>Score 1-4</b>
/4	How many members does your organization have? .....	How many of them actively participate in following activities:	
		All members meeting.....( Score 1 if more than 80%) Contributions to the coop..... ( Score 1 if more than 80%) Participation in desicion making process..... ( Score 1 if more than 80%) Labour participation or running on the business..... ( Score 1 if more than 80%)	
/1	Do you have all members` meeting regularly? Yes R <sup>1</sup> <b>(score 1 for Yes)</b> No R <sup>1</sup>	<b>If Yes</b> how often do you have the meeting? ..... When was the last meeting?..... <b>If No</b> why? .....	
	Do you hire non-member employees? Yes R <sup>1</sup> <b>(score 1 for yes)</b> No R <sup>1</sup> <b>If Yes, how many?</b>	<b>If Yes, are they</b> • Full time R <sup>1</sup> □ Short term/ part-time R <sup>1</sup>	
/4	How many members are under the age of 40?.....	How many of them are involved in management team? • Head..... <b>(score 1)</b> • Leaders..... <b>(score 1)</b> • Controlling committee..... <b>(score1)</b> • Manager/ executive director..... <b>(score 1)</b>	
		How many of them are involved in the day-to-day operation of the business? .....	
<b>Total Score/25</b>		<b>% Score (total score x 4)</b>	

Notes: We will use above informations only for business purposes. All responses will be treated confidentially. So we hope you will provide us with honest and clear informations.

## 2007 Mongolian Superfine Cashmere Project: Final Report and Recommendations

By Timothy Stewart and Ch. Bayarmaa

### Summary

Mercy Corps Mongolia developed a project aimed at facilitating the supply 15 metric tonnes of super-fine cashmere (<14.9 micron) to Amare Cashmere for the 2007 season. However the project failed to procure any cashmere due mostly to unavailability of quality cashmere and to timely and accurate testing facilities in Mongolia. Some participating herders felt they had lost money as they had held on for the sale of cashmere to Amare Cashmere and had failed to capitalize on the seasons unusually high prices. A revised project structure is recommended which would provide rapid test results through a company in Beijing and pay a small premium up front with the bulk of the premium paid after final delivery to Europe. Prior to this a study would be conducted which would utilize the 20,000 or so samples from RIAH to locate the highest quality areas.

### Introduction

The 2007 Mongolian Super-Fine Cashmere Project was a partnership between Mercy Corps Mongolia and Amare Cashmere<sup>1</sup>, a supplier of fine quality cashmere fabrics to some of the top fashion houses, hotels and car manufacturers. Mercy Corps formed this contact through another USAID project, the EPRC (Economic Policy Reform and Competitiveness Project) and proceeded directly with Amare Cashmere.

The original aim of the project was to assist Amare Cashmere in procuring 15 metric tonnes (one container) of super-fine cashmere (<14.9 microns) for export from Mercy Corps clients, for which they would be paid a premium of 30%<sup>2</sup>. The project worked on the assumption that best chance of finding super-fine cashmere was from 2 year-old female goats, and therefore producers were asked to supply only from these animals. Since little was known about the locations where SF cashmere was prevalent, and to give all MC Aimags an opportunity to participate, the program was extended to 8 Aimags, involving 68 producers.

### Original Concept

The original concept (Appendix 1) was developed in discussion with UB and Aimag based MC staff and involved the following steps:

#### Phase 1: Identification of SF cashmere producers and awareness-raising

- Survey of clients and identification those with a history of producing SF cashmere.
- An assessment of the approximate quantity of cashmere available from these producers
- Awareness raising with producers and the market chain for the cashmere they produce.

#### Phase 2: Preparation of contract and payment of advance

- In order to secure quality cashmere for timely delivery
- Signing of contracts with the producers (Producer & Amare Cashmere)
- Payment of an advance of 20% of the average market price into bank accounts.

#### Phase 3: Collection of Cashmere

- 15 MT of cashmere<sup>3</sup> purchased and delivered to the MC regional office then onwards to the processor where it will be held.

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<sup>1</sup> www.amarecasa.com

<sup>2</sup> In preliminary discussions Amare Cashmere mentioned a 100% premium (double price), however this was later negotiated down to 30% for the first year, to be revised upwards on successful completion for subsequent years.

<sup>3</sup> No colour preference

## Mercy Corps Gobi Initiative Phase II Year Four 2007 - Second Quarter Report

### Appendix Three

- Market price minus the 20% deposit paid into the bank accounts of the producers.
- Cashmere clearly marked with the producer's origin and batch weights so that once the quality is known, the producer can be paid the premium.

#### Phase 4: Testing

- Samples from each producer sent to a tester chosen by Amare Cashmere and the results sent back to Mercy Corps.

#### Phase 5: Payment of Premium

- Producers whose cashmere tests favourably paid a premium of 25% over and above the market price paid originally.
- Cashmere which is below standard sold at the regular market price to recover costs.
- Mercy Corps paid 5% of the market price for all SF cashmere purchased to cover their expenses.

The design was meant to be a win-win concept where producers had a secure sale, unconditional of quality, and the buyer had a guaranteed quantity and, should the quality not be super-fine, losses could be minimised through the sale of the cashmere on the regular market: Amare Cashmere, in practise would have used the non super-fine in their existing products without the need for resale.

It should be noted that one of the key facets of the original concept was the signing of a contract between the Producer and Amare Cashmere and the payment of a 20% advance in order to obtain a commitment from both parties. In addition, Mercy Corps would charge a 5% overhead to cover costs payable from the premium paid for the super-fine cashmere paid to the producers. Both these facets were excluded from the final concept following discussions with Amare Cashmere. The main reasons were as follows:

1. The payment of the deposit meant that Amare Cashmere was taking a large financial risk that the producers would honour their contract and supply the quantity and quality agreed
2. Even well drafted contracts are difficult to enforce in practice.
3. Significant capital would have been tied up
4. Mercy Corps felt that they did not need to charge for their facilitation services as the costs could be justified by the potential rewards for their clients.

In the event, Amare Cashmere was largely vindicated in as much as the cashmere was not of the required quality. Mercy Corps, whilst investing over \$5,000 in the scheme, did not secure any financial benefits for their clients. However, much was learned in the process as is outlined below.

### **Final Concept**

Following discussions with Amare Cashmere the advance payment was dropped from the project as they did not want to take the risk and tie up capital (see above). It should be noted, however, that the payment of an advance is not entirely unusual and is practiced by many "changers", or buyers, in Mongolia<sup>4</sup>. Advances are paid prior to Tsagansar (white month) celebrations in the winter when herders need the money for festivities.

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<sup>4</sup> The system works as follows: in December the Chinese buyers import large quantities of Yuan (RMB) into Mongolia, change it into MNT and deposit it into savings accounts; this has the effect of increasing the value of their capital due to the lowering of the exchange rate. In February they withdraw their money and buy sugar, flour and other consumables to use to pay an advance to herders instead of cash. In April/May they purchase the cashmere. In practice there are a few herders who will then claim not to have cashmere available, but this must be relatively small.

**Mercy Corps Gobi Initiative Phase II Year Four 2007 - Second Quarter Report  
Appendix Three**

The final concept (Appendix 2) that was implemented is as follows:

Mercy Corps

- Collect contact details of producers
- Collect estimates of production from selected producers
- Provide suitable bags for samples and clip
- Provide training to herders in cashmere grading, storage and sampling
- Buy 2 x 1 kg preliminary samples of SF cashmere from selected producers from each Aimag prior to combing, at market price
- Deliver samples to representative of buyer
- Send test results to the producers and notify them as to whether they have been selected to continue

Buyer (Amare Cashmere)

- Prepare and sign contracts with all prospective producers
- Test samples at a world class testing facility
- Provide MC with all test results direct from the testing laboratory
- Purchase clip at market price and collect from producer or pre-arranged collection points
- Label and weigh each batch of cashmere from each producer and sign Purchase Form to certify the weights and prices of each batch
- Pay a premium of 30% of the market price for all batches which test <14.9 microns (SF)

Producer

- Signal their intent to participate in the SF project by signing the registration form and contract in a timely fashion
- Provide a representative sample of 1 kg of cashmere taken only from the 2 year old females of the flock if requested by Mercy Corps staff
- Grade all the cashmere from the best 2-year-old females and place into the bags provided by Mercy Corps
- Ensure that the cashmere placed in the bags is **only** that taken from 2 year old females and not contaminated by other cashmere, wool or foreign bodies (grass & soil etc)

The above obligations were outlined in an MOU which was to be signed by all three parties but were in no way legally binding. Below is the timeline for implementation:

**Timeline**

Activity	Party responsible	Feb	Mar	Apr	May	Jun	Jul
Sign contracts & collect bank details	Producer & Buyer						
Provide test and clip bags	Mercy Corps						
Train herders in sampling and cashmere grading	Mercy Corps						
Buy 2 x 1 Kg good representative samples from selected herders from each Aimag & arrange collection & delivery to representative of the Buyer in UB	Mercy Corps						
Test preliminary samples	Buyer						
Grade & place cashmere from 2 year old females in bags provided	Producer						
Buy cashmere at market price per kilo and collect from producer; weigh each batch and sign Purchase Form	Buyer						

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Test all batches of cashmere and provide test results to Mercy Corps and Producers (test results should come direct from lab)	Buyer						
Pay a premium of 30% of market price per kilo for all batches which are confirmed through testing as being 14.9 micron and below; within 2 months of purchase	Buyer						

**Outcomes**

Mercy Corps, Amare Cashmere and the Producers fulfilled the following tasks and obligations under the MOU:

*Activities carried out by MC:*

- Collected estimates of production from producers
- Some herders signed the cooperation agreement
- Procured and provided test and clip bags
- Trained (how many) herders in sampling and cashmere grading
- Bought 1-2 Kg representative samples from 8 aimags (total of 14 kg) and submitted them to the buyer for testing in Italy
- Prepared 26 smaller samples at the buyer's request, and submitted them to the buyer

*Activities carried out by buyer (Amare Cashmere):*

- Made attempts to get samples tested in Mongolia (unsuccessful due to external factors)
- Sent samples for testing in China
- Provided test results for 4 samples directly
- Returned all samples to MC

*Activities carried out by the Producers*

- Provided samples from 2 year-old female goats
- Some (10 or so) signed MOUs

Mercy Corps fulfilled their obligations under the MOU and in doing so spent over \$4,300 on procurement of bags and samples, training and transportation. However as the project progressed Amare Cashmere were becoming more hesitant to purchase as more information became available as to the quality. In addition, Amare Cashmere was having problems finding a suitable and trustworthy buyer in Mongolia to act on their behalf.

<b>Aimags</b>	<b>Cashmere classification training</b>	<b>Travel to the countryside under SFCP</b>	<b>Cashmere sample purchase</b>	<b>Sample and cashmere bag</b>	<b>Total</b>
BH		266,760			<b>266,760</b>
UH	544,900			65,000	<b>609,900</b>
UG			35,000		<b>35,000</b>
GS		131,280	60,000		<b>191,280</b>
DG			95,000		<b>95,000</b>
HO	870,900		102,000		<b>972,900</b>
ZA	891,450	83,516	81,000		<b>1,055,966</b>
SU	1,094,909		119,000		<b>1,213,909</b>
UB				612,600	<b>612,600</b>
<b>TOTAL</b>	<b>3,402,159</b>	<b>481,556</b>	<b>492,000</b>	<b>677,600</b>	<b>5,053,315</b>

Amare Cashmere was made aware of the considerable financial risk the producers were taking in waiting for them to buy the cashmere. Mercy Corps were assured that Amare Cashmere would purchase at the highest seasonal price even if the cashmere was purchased later in the season when the

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prices fell. This is evidenced by the Skype conversation on 24th April 2007 between Amare Cashmere and Mercy Corps (Appendix 3). Unfortunately, as it became clearer from the testing that the samples were not super-fine, it was no longer in Amare Cashmere's interest to commit resources to direct purchasing when "[he] could just buy average quality cashmere through [his] existing channels".

Cashmere Testing

The agreement with Amare Cashmere was that cashmere would be purchased from the producers, samples tested then payment of the 30% premium would be conditional on quality (<14.9 micron) as determined by a reputable international tester, independently verifiable by MC.

Originally the samples were to be tested by Goyo Cashmere, and this fell through due to differences between them and Amare Cashmere. Itochu were then selected but the person in charge of testing fell ill. Finally Amare Cashmere selected an internationally recognised tester in Beijing and the samples were handed over to them and conveyed them to Beijing. This resulted in considerable delays during the testing phase.

Sample results were given for 4 samples (annexes 3 & 4). These results showed that the cashmere tested was of average quality, ranging from 16.3-16.8 micron, which is of the average quality that Amare Cashmere has been procuring throughout the season through existing channels. However, though the samples were labelled it was by no means clear which samples had been tested and whether these were those suggested by a visual test conducted earlier by Itochu Cashmere, to be super-fine: those originating from Sukhbattar, Zavkhan and Umnigobi. This raises issues concerning clear labelling so that samples may be traced more easily in future; a point for MC to consider.



Some of the Mercy Corps offices sent cashmere samples directly to the Research Institute for Animal Husbandry (RIAH) for independent testing. These results are given below:

- ZA Durvuljin soum cashmere sample- mean microns-14.0 and median microns 13.8, length-5.1, crimp -1
- HO- Altai soum cashmere sample- mean microns-13.9 and median microns 13.9, length-5.9, crimp -1
- SU-Bayandelger soum cashmere sample- mean microns-14.5 and median microns 14.4, length -5.0, crimp -1
- UG-Byun undral coop cashmere sample was 13.9-14.5 micron

It must be noted, however, that in the light of the negative results given by Amare Cashmere there may have been a point to prove. These samples were taken during trainings given on combing and grading and that they may not have been representative.

It must also be noted that Amare Cashmere independently had some samples tested in Mongolia then re-tested in Beijing. There were considerable disparities between the results and many were a micron or more thicker as tested in Beijing on the most up to date equipment. Experimental errors of this magnitude are serious and have broader implications for the industry. Reasons may be out-dated

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equipment, lack of skills in the personnel or something deeper. There is the enduring perception in Mongolia that "Mongolian cashmere is the best" which pervades in every level of society. While the reality may be somewhat different, if the testers believe this to be the case they may, albeit unconsciously, be discriminating against test results showing poor values, or rounding down figures etc. However, whilst the thickness is unimpressive as a whole, staple length is still attractive to buyers for blending with shorter Chinese cashmere.

#### Cashmere Purchase

During the testing phase, Amare Cashmere approached Mercy Corps to procure the cashmere directly on their behalf. It was explained to them that 1) this was not part of the original agreement and 2) that this would contravene MC's status as an NGO under Mongolian law as it would be a commercial activity and may jeopardize MC's status. Amare Cashmere were already purchasing around 300 tonnes of regular cashmere through their existing channels but could not readily trust these buyers to ensure traceability.

In the event, Amare Cashmere withdrew from the project following the test results and no cashmere was purchased. Some herders, having delayed the sale of their cashmere missed out on the extraordinarily high prices during April/May (up to 45,000 MNT). This resulted in claims of losses by some herders, some of whom asked Mercy Corps for compensation. It was explained to them that at no point were the herders obliged to refrain from selling: their participation was entirely voluntary and at their own risk. That said, the stated intention of Amare Cashmere to purchase the cashmere at the high price was a considerable factor in persuading herders to hold on to their cashmere. This has led to some loss of face and damage to Mercy Corps reputation and as a result it will be difficult in future to implement similar programs without more commitment. However, Amare Cashmere had made commitments to their buyers to supply super-fine cashmere and was similarly affected.

Whether the herders really lost money is open to debate. They entered freely into a business opportunity, and business is risky. They should have been able to capitalize on high prices with the bulk of their cashmere (from the rest of their goats) which should have more than offset any losses. Also, by the time they sold, the price was comparable to the 2006 high prices of around 35-38,000 MNT. Therefore, the "loss" was really only a failure to achieve the maximum price and could have been incurred whether they participated in the project or not. In addition many of the herders who are claiming losses did not even sign the MOU.

#### **Conclusions**

The 2007 Super-Fine Cashmere Project failed to facilitate the purchase of any cashmere for Amare Cashmere. In the attempt, though, Mercy Corps and Amare Cashmere can draw number of key lessons that may guide future projects of a similar nature.

The cashmere trade in Mongolia is notoriously complex. Both sellers and buyers are plagued with uncertainty about prices, finding enough to fill orders and over quality. It is clear that this project was no exception.

The failure of the project to procure super-fine cashmere was partly due to naivety in believing it would be present in marketable quantities from MC clients alone if sourced from 2 year-old females. This premise turned out to be false in this case, either due to poor testing, poor reporting on test results or because cashmere of this quality is not as prevalent as previously thought. The perception among many herders, and other industry players, is that they have super-fine cashmere. However even a visual test revealed large differences in quality and little was visually confirmed as being close to the super-fine mark. In addition, the samples tested in Beijing were of only average quality, these having been tested by an international standard lab on the most up-to-date equipment.

Having failed to find super-fine cashmere it was really the responsibility of the project to limit the potential negative side effects by alerting the herders as soon as this became clear. Unfortunately the results took longer to obtain as a result of external factors outlined above. Assurances had been given

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by the buyer that the cashmere would still be purchased from the most promising Aimags at the high market prices, but this became problematic logistically and the buyer no longer found it in their interests to proceed. This resulted in claims of losses by the producers and some damage to MCs reputation as well as to Amare Cashmere.

The unfortunate consequences of the buyer withdrawing could possibly have been avoided in part by adopting the original model utilizing the payment of a 20% advance. In addition, formal contracts could have been signed between Mercy Corps and Amare Cashmere, and Amare Cashmere and the Producers. Another tenant of the original plan was the payment of money to Mercy Corps by Amare Cashmere for services performed; again, this may have garnered a greater level of commitment by the buyer. The former would not have been attractive to the buyer for reasons outlined above: the tie-up of money and the lack of enforceable means of ensuring quality and quantity. Contracts may have helped garner more commitment though, and Amare Cashmere has already stated that they will contribute a 50% cost share for future activities.

One other issue remains from the 2007 project: the prevalence of super-fine cashmere it's self. Perhaps the project was naïve in believing that if cashmere was selected exclusively from 2 year-old female goats, there was a significant chance of finding super-fine cashmere.

There is considerable gloom surrounding the subject of NGO involvement in the cashmere value-chain and the perception is that it should be simply "left to the Chinese". However it is the express view of the authors that it is continually worth pursuing the establishment of a differentiated market for quality cashmere, and direct market linkages between buyers and producers as this will promote a quality product and allow more of the value of the product to be retained with the producers. It is also hoped that this will also help to support the washing and dehairing industry in Mongolia.

### **Recommendations**

It is recommended that Mercy Corps continue to support efforts to shorten the market chain and allow producers to retain more of the value of their cashmere and consumers to buy products of assured quality.

To that end, there are a number of considerations for future interventions

- **GIS study of cashmere quality:** RIAH have some 20,000 tested cashmere samples, possibly on a database, which could be mapped. Factors such as location and season could be used to provide detailed information as to where quality cashmere is likely to be procured. A concept paper is included in Appendix 5.
- **NIRS testing of cashmere:** The Gobi Forage project is currently testing the accuracy of NIRS in predicting cashmere quality. If this proves possible, it would be a quick and easy means of testing cashmere, even prior to combing. This would enable more accurate procurement and even lead to controlled breeding programs.
- **Herder Alliance:** The establishment of a herder alliance in Bayanhongor will allow negotiations between a buyer (such as Patagonia) to negotiate with a single entity rather than diffuse individuals. This may lead to the negotiation of forward selling contracts and advances. In addition, cashmere may be graded, tested and auctioned at different qualities and colours either in Mongolia or abroad.

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#### Future project structure

During post-project discussions with Amare Cashmere an alternative structure to future interventions was discussed. This would take the following form:

##### Phase 1: Identification of SF cashmere producers and awareness-raising

- Conduct GIS research into SF cashmere distribution (see above)
- Identify most promising areas for project focus
- Identify producers within these areas

##### Phase 2: Collection of samples

- Awareness raising with producers
- Collect 2 x 30g samples from each producer
- Obtain estimates of production from each producer

##### Phase 3: Testing of samples

- All samples will be sent to Beijing for testing at a reputable laboratory
- 1<sup>st</sup> samples will be tested and any producers with sub-standard quality will be excluded
- 2<sup>nd</sup> samples will be tested and only those with double positive will proceed to the buying phase

##### Phase 4: Purchase

- Amare Cashmere will purchase all double positive cashmere direct from producers at a 10% premium through Ermeelt, a Mongolian based cashmere dealer.
- Cashmere will be washed and dehaired and shipped to Europe

##### Phase 5: Payment of Premium

- On arrival in Europe the cashmere will be re-tested and any that is Super-fine will attract a further premium of 20%.
- Mercy Corps and Amare Cashmere will each share 50% of the costs.

The main facets of this structure are:

1. the payment of a split premium, with 10% up front and 20% on final delivery
2. the share of costs between Amare Cashmere and Mercy Corps

This structure poses less of a risk to herders as part of the premium is paid up front on delivery of the cashmere. However, the system relies upon traceability from producer to final delivery, right through the washing and dehairing process and shipping.

Appendix 1:

## Super Fine Cashmere 2007 Market Linkages

**Background:** Amare Cashmere is a highly respected supplier of fine quality cashmere fabrics to the designer apparel and interior design market in Europe. Recently they approached Mercy Corps to assist them in procuring raw super fine (SF) cashmere (<14.9 micron) for the spring 2007 season. Mercy Corps Mongolia aims to assist its herder clients in finding markets for their produce.

**Objective:** Mercy Corps Mongolia will facilitate the purchase of 15 Metric Tonnes (MT) of super fine cashmere from their operational area and delivery to a processor in Ulaanbaatar<sup>5</sup> by the end of June 2007.

### Methodology:

#### Phase 1: Identification of SF cashmere producers and awareness-raising

Mercy Corps will conduct a survey of its clients and identify those with a history of producing SF cashmere. An assessment of the approximate quantity of cashmere available from these producers will be made. The producers will be made aware of the program and the market chain for the cashmere they produce.

#### Phase 2: Preparation of contract and payment of advance

In order to secure quality cashmere for timely delivery, contracts will be prepared and signed with the producers and an advance of 20% of the average market price will be paid into their bank accounts.

#### Phase 3: Collection of Cashmere

15 MT of cashmere<sup>6</sup> will be purchased and delivered to the MC regional office then onwards to the processor where it will be held. Market price minus the 20% deposit will be paid into the bank accounts of the producers. The cashmere will be clearly marked with the producer's origin and batch weights so that once the quality is known; the producer can be paid the premium.

#### Phase 4: Testing

Samples from each producer will be sent to a tester chosen by Amare Cashmere and the results sent back to Mercy Corps.

#### Phase 5: Payment of Premium

Producers whose cashmere tests favourably will be paid a premium of 25% over and above the market price paid originally. Cashmere which is below standard will be sold at the regular market price to recover costs. Mercy Corps will be paid 5% of the market price for all SF cashmere purchased to cover their expenses.

### Timeline

Activity	D	J	F	M	A	M	J	J	Budget
Phase 1									
Phase 2									90,000,000
Phase 3									360,000,000
Phase 4									Paid by Amare Cashmere
Phase 5									135,000,000
<b>Total</b>									<b>585,000,000<sup>7</sup></b>

<sup>5</sup> Probably Goya Cashmere Company

<sup>6</sup> No colour preferencee

<sup>7</sup> Based on an average market price of 30,000/kg for 2006.

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**Budget:**

<b>Item</b>	<b>Unit Price</b>	<b>No Units</b>	<b>Total</b>
<b>Advance payment @ 20% of market price</b>	<b>6,000</b>	<b>15,000</b>	<b>90,000,000</b>
<b>Bulk payment @ 80% of market price</b>	<b>24,000</b>	<b>15,000</b>	<b>360,000,000</b>
<b>Premium payment @ 25% of market price</b>	<b>7,500</b>	<b>15,000</b>	<b>112,500,000</b>
<b>Mercy Corps service charge @ 5% of market price</b>	<b>1,500</b>	<b>15,000</b>	<b>22,500,000</b>
<b>TOTAL</b>			<b>585,000,000<sup>8</sup></b>

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<sup>8</sup> =\$504,310 at a market rate of 1,160 MNT

Appendix 2:

## Mongolian Super-Fine Cashmere Project 2007

Mongolian cashmere producers are often disadvantaged by the buying policies of purchasers who give the same price regardless of colour or quality. However there is a well defined market for Super-Fine (SF) cashmere for the high end clothing industry abroad (Europe and USA). This industry sees the value of SF cashmere and is willing to pay for it.

Mercy Corps has made good contact with a buyer in Italy who will purchase SF cashmere from the 2007 clip at a premium. To that end Mercy Corps intends to facilitate the purchase of SF cashmere from its operational area in order to link producers to this potentially lucrative market for the long-term.

The buyer is connected to the world's top fashion houses and will only buy Super-Fine (14.9 micron and below) from the two year old female goats. Cashmere which tests positive will be purchased at a 100% premium; i.e. at double the market price as dictated by Market Watch. Cashmere which is not up to standard will only receive the market price.

### Timing

Activity	Party responsible	Feb	Mar	Apr	May	Jun	Jul
Sign contracts & collect bank details	Producer & Buyer						
Provide test and clip bags	Mercy Corps						
Train herders in sampling and cashmere grading	Mercy Corps						
Buy 2 x 1 Kg good representative samples from selected herders from each Aimag & arrange collection & delivery to representative of the Buyer in UB	Mercy Corps						
Test preliminary samples	Buyer						
Grade & place cashmere from 2 year old females in bags provided	Producer						
Buy cashmere at market price per kilo and collect from producer; weigh each batch and sign Purchase Form	Buyer						
Test all batches of cashmere and provide test results to Mercy Corps and Producers (test results should come direct from lab)	Buyer						
Pay a premium of 100% of market price per kilo for all batches which are confirmed through testing as being 14.9 micron and below; within 2 months of purchase	Buyer						

## Registration Form

### Roles of participants

#### Mercy Corps

- Collect contact details of producers
- Collect estimates of production from selected producers
- Provide suitable bags for samples and clip
- Provide training to herders in cashmere grading, storage and sampling
- Buy 2 x 1 kg preliminary samples of SF cashmere from selected producers from each Aimag prior to combing, at market price
- Deliver samples to representative of buyer Buyer
- Send test results to the producers and notify them as to whether they have been selected to continue

#### Buyer (Amare Cashmere)

- Prepare and sign contracts with all prospective producers
- Test samples at a world class testing facility
- Provide MC with all test results direct from the testing laboratory
- Purchase clip at market price and collect from producer or pre-arranged collection points
- Label and weigh each batch of cashmere from each producer and sign Purchase Form to certify the weights and prices of each batch
- Pay a premium of 100% of the market price for all batches which test <14.9 microns (SF)

#### Producer

- Signal their intent to participate in the SF project by signing the registration form and contract in a timely fashion
- Provide a representative sample of 1 kg of cashmere taken only from the 2 year old females of the flock if requested by Mercy Corps staff
- Grade all the cashmere from the best 2-year-old females and place into the bags provided by Mercy Corps
- Ensure that the cashmere placed in the bags is **only** that taken from 2 year old females and not contaminated by other cashmere, wool or foreign bodies (grass & soil etc)

### Contract

I hereby agree to the above terms and conditions, and to undertake the roles outlined above:

Mercy Corps \_\_\_\_\_ Date \_\_\_\_\_

Buyer \_\_\_\_\_ Date \_\_\_\_\_

Producer \_\_\_\_\_ Date \_\_\_\_\_

### Purchase Form

Date of Purchase \_\_\_\_\_

Herder Details		Changer Details	
Name		Name	
ID Number		ID Number	
Aimag			
Soum			
Location		Address	
Phone/contact		Phone/contact	
Bank account			

Batch Number	Colour	Weight kg	Price/batch MNT	Producer signature	Changer signature
<b>Total</b>					

Price Per Kilo \_\_\_\_\_ MNT    Total Payment \_\_\_\_\_ MNT

Appendix 3:

2007-04-25

Tim Stewart: 11:21:22

Hi, How are things?

[AMARTUVSHIN J.AMAR](#): 11:22:14

THINGS ARE FINE JUST A DETAILS TO GO WITH BANK.

Tim Stewart: 11:23:03

Have the samples been tested?

[AMARTUVSHIN J.AMAR](#): 11:23:27

WE ARE WAITING FOR RESULTS.

[AMARTUVSHIN J.AMAR](#): 11:23:52

COULD YOU CHECK IF THOSE SF ARE LEFT IN MONGOLIA

Tim Stewart: 11:25:29

The herders are still waiting, but they will not hold out for much longer. I get daily calls asking me when they will be paid etc. I have told them that participation in this scheme is voluntary and that if they need to sell then they should do so.

Tim Stewart: 11:26:35

But I told Zavkhan and Sukhbatar that their cashmere is likely to be bought by you, and the others that we will need to see the results

[AMARTUVSHIN J.AMAR](#): 11:26:57

NO NO THE PRELIMINARY RESULTS ARE NOT GOOD.THAT'S WHY I'M ASKING FOR SF SAMPLES.

Tim Stewart: 11:27:56

the man at Itochu said that those 2 Aimags looked favourable

Tim Stewart: 11:31:55

The problem for us is that the herders are taking a financial risk in waiting for this project to buy their cashmere. If the samples test above 14.9 and the deal is cancelled we need to know so they can still sell at current (high) market prices.

[AMARTUVSHIN J.AMAR](#): 11:33:39

IF THE SAMPLES FIAL AND END UP BEING COARSER I STILL BYU THEM AT CURRENT PRICES BUT WITH NO PREMIUMS LATER.

Tim Stewart: 11:34:17

Ok, that's good to know, and I can reassure them of that. Many thanks

[AMARTUVSHIN J.AMAR](#): 11:34:59

NOT A PROBLEM BUT STILL PLEASE CHECK THE SAMPLES IF THEY STILL REMAIN IN YOUR OFFICE.

[AMARTUVSHIN J.AMAR](#): 11:35:16

AND PLEASE DOUBLE CHECK WITH BAYARMAA.

Tim Stewart: 11:35:23

Will do

[AMARTUVSHIN J.AMAR](#): 11:35:55

THANKS.KEEP ME POSTED.

# HE BEI YUAN XIANG CASHMERE GROUP CO.,LTD

## FIBRE PROVE REPORT

Supplier AMAR Date 2007.04.21

Sample Name Length mm Average Micron mkm Cashmere Fibre Content%  
(by hand) (by OFDA apparatus) (by hand)

**White** 37 by hand:16.32 95.40%

by OFDA:16.45

**Brown** 38.74 by hand:16.37 96%

by OFDA:16.39

**Grey** 39.23 by hand:16.20 95.30%

(small package) by OFDA:16.25

**Grey** 40.48 by hand:16.57 95.30%

(big package) by OFDA:16.85

**Appendix 5:**

**The Distribution of Cashmere Quality in Mongolia**

Cashmere quality is dependent on many factors; breeding, climate and husbandry being the key ones. However, in a country whose rural economy is largely dependent on cashmere, little is known of how these factors interplay with the location of the goats themselves. Traders & buyers are mainly driven by the fulfilment of bulk orders regardless of quality. However there is considerable interest in the fine and super-fine fractions which are difficult to obtain because of a paucity of information as to where high quality cashmere is available. In addition, little is known about how factors such as climate and husbandry (forage availability and intake) interact on a national level and affect quality from year to year.

**Phase 1:**

The Research Institute for Animal Husbandry (RIAH) has approximately 20,000 cashmere samples. A database will be created, inputting each sample logging the following data:

- Staple length
- Micron
- Colour
- Location (soum or bag if possible)
- Date of sample collection

A GIS will be created using this data to create time-spaced maps of cashmere quality for the Mongolia. This will give a picture of soum or bag level cashmere quality.

**Phase 2:**

Develop a statistical model which will ascertain the following:

- Affect of location factors on quality
- Affect of year on quality
- Affect of climate (temperature) on quality
- Affect of nutritional status/forage availability (utilizing Phygrow data from Gobi Forage)
- Whether there is an overall decline in quality over time

The model will then be used to predict whether these factors interplay to give rise to "vintage years" for cashmere; i.e. where super-fine cashmere can be found in marketable quantities, and what areas are most likely to have the highest quality.

**Phase 3:**

Test the model:

- Use the model to predict the 2008 cashmere season
- Collect samples nationally, test, and use to compare and correct the model

**Outcomes:**

- A comprehensive understanding of the interactions of geography, environment and nutrition on the quality of Mongolian cashmere
- Detailed information for buyers to use in locating high quality cashmere which will help in creating a differentiated market price for herders.



## Herder Survey

Date

### Background

1. Aimag

2. Soum

3. Bag

4. GPS Location

5. Sex (√)


Male	Female	

6. Age (√)

<25	26-35	36-50	51-60	>61

7. Is this a single headed household? (√)

Yes		No	
-----	--	----	--

8. What level of education do you have? (√)

High school not completed	
High school	
Technical training	
University	
Other	

9. What is the total number of livestock owned by this Household? (√)

<50	51-200	201-300	501-1000	1001<

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**10. Have you received any assistance from an International NGO Project; if so, which one? (√)**

Mercy Corps/Gobi Initiative/RASP	
World Vision	
UNDP/Sustainable Livelihoods	
Other	
I have not received any assistance	

Please indicate: \_\_\_\_\_

**Pasture Management & Information**

**11. What sources of information on pasture conditions do you use? (√)**

	Often used 1	2	3	4	Not used 5
Gobi Forage Radio Broadcasts					
Word of mouth from other herders etc					
TV broadcasts					
Newspaper					
RBN paper					

**12. When are the Gobi Forage Bulletins broadcast and on what channel? (√)**

Mongolian National Public Radio		Friday		08:00am	
Blue sky radio		Monday		07.15am	
Local radio		Wednesday		21.30pm	
Don't know		Sunday		15.00pm	

**Look at the Maps provided and answer the following:**

**13. Are current conditions in ... ? (√)**

Better than average	
Normal	
Worse than average	

**14. Are conditions going to... (√)**

Improve	
Stay the same	
Get worse	

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**15. What is the total forage available in Soum (√)**

26-50 Kg/ha	
76-100 Kg/ha	
101-150 Kg/ha	
151-200 Kg/ha	

**16. What would be your response be to a conditions in Map (√)**

	Likely				Unlikely
	1	2	3	4	5
Move					
Buy livestock					
Sell breeding animals					
Sell unproductive animals					
Cull unproductive animals					
Cut production					
Do nothing					
Buy feed					
Other					

**17. What sources of information do you use to make decisions about your stocking numbers? (√)**

	Most used				Least used
	1	2	3	4	5
Soum guidelines					
Traditions					
I make decisions on my own with no help					
Consult other herders or herder group					
I don't restrict numbers					
Gobi Forage radio broadcasts					
Advice from agricultural officers					
Other:					

**18. What sources of information do you use to guide your livestock movements (√)**

	Most used				Least used
	1	2	3	4	5
Traditional movement patterns					
Follow neighbors/other herders					
Consult soum/bag officials					
Weather forecast					
Gobi Forage radio broadcasts					

**19. What information do you use to decide when to sell animals? (√)**

	Most used				Least used
	1	2	3	4	5
Market Watch					
Word of mouth					

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I only sell when I need money					
I sell according to the traditional time					
I sell when there is a drought or dzud					
I sell when the Gobi Forage forecast looks bad					
Other					

**20. How do you feel about the following statements? (√)**

	Strongly agree		Strongly disagree		
	1	2	3	4	5
I have all the information I need in order manage my herd effectively					
The soum/aimag is overstocked					
Pasture conditions are no cause for concern in my soum/aimag					
I understand "stocking rate" and its meaning for pasture sustainability					

**21. What other information on rangeland and livestock do you need? (√)**

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Appendix C. Baseline survey for local and regional government officials.



**Government survey**

**Date**

**Background**

1 Aimag

2 Soum

5 Sex (√)

Female	Male
<input type="text"/>	<input type="text"/>

6 Age (√)

<25	26-35	36-50	51-60	>61
<input type="text"/>				

7 Position (√)

Governor/Deputy  
Governor

Khural Chairman/Deputy  
Chairman

Department head

Department worker

Please specify: \_\_\_\_\_

Please specify: \_\_\_\_\_

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**8** What level of education do you have? (√)

A	High school not completed	<input type="checkbox"/>
B	High school	<input type="checkbox"/>
C	Technical training	<input type="checkbox"/>
D	University Bachelor	<input type="checkbox"/>
	University Masters	<input type="checkbox"/>

**9** What professional background do you have? (√)

Business	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>
Arts	<input type="checkbox"/>
Science	<input type="checkbox"/>
Humanities	<input type="checkbox"/>
Other: _____	<input type="checkbox"/>

**9** Are you involved in decision making relating to herders? (√)

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

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**10** Have you received any assistance from an International NGO Project; if so, which one? (√)

A	Mercy Corps/Gobi Initiative/RASP	
B	World Vision	
C	UNDP/Sustainable Livelihoods	
D	Other	
E	I have not received any assistance	

Please indicate: \_\_\_\_\_

**Pasture Management & Information**

Often used

Not used

**11** What sources of information on pasture conditions do you use for decision making? (√)

		1	2	3	4	5
A	Gobi Forage Radio Broadcasts					
B	Word of mouth from herders etc					
	Gobi Forage Maps					
C	TV broadcasts					
D	Newspaper					
E	RBN paper					
	Internal government sources					
	Other: _____					

**12** When are the Gobi Forage Bulletins broadcast and on what channel? (√)

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A	Wednesday on Mongolian National Public Radio at 7:30 am repeated at 21:15	
B		
C		
D		
E	Don't know	

13	How often do you receive the Gobi Forage maps?	Every week	
		Every 2 weeks	
		Every month	
		I don't know anything about Gobi Forage Maps	

**Look at the Maps provided and answer the following:**

**14** Are current conditions in Uvurkhangai... (√)

A	Better than average	
B	Normal	
C	Worse than average	

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**15** Are conditions going to... (√)

A	Improve	
B	Stay the same	
C	Get worse	

**16** What is the total forage available in ??? Soum (√)

A	26-50 Kg/ha	
B	76-100 Kg/ha	
C	101-150 Kg/ha	
D	151-200 Kg/ha	

**17** What would be your advice to herders be in response to conditions in Map ????? (√)

		Likely		Unlikely		
		1	2	3	4	5
A	Move					
B	Buy livestock					
C	Sell breeding animals					
D	Sell unproductive animals					
E	Cull unproductive animals					
F	Cut production					
G	Do nothing					
H	Buy feed					
I	Other: _____					

**18** What sources of information do you use to make decisions stocking numbers? (√)

Most used

Least used

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		1	2	3	4	5
A	Soum guidelines					
B	Traditions					
C	I make decisions on my own with no help					
D	Consult herders or herder groups					
E	I don't restrict numbers					
F	Gobi Forage Maps					
G	Gobi Forage radio broadcasts					
H	Advice from agricultural officers					
I	I am not involved in these kind of decisions					
J	Other: _____ _____					

**19** What sources of information do you use to guide livestock movements in the soum/aimag (√)

		Most used			Least used	
		1	2	3	4	5
A	Traditional movement patterns					
B	Government strategies					
C	Gobi Forage maps					
D	Weather forecast					
	Herders make their own decisions					
E	Gobi Forage radio broadcasts					
F	I am not involved in these kind of decisions					
G	Other: _____ _____					

**20** How do you feel about the following statements? (√)

		Strongly agree			Strongly disagree	
		1	2	3	4	5
A	I have all the information I need in order manage my herd effectively					
B	The soum/aimag is overstocked					

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C	Pasture conditions are no cause for concern in my soum/aimag					
D	I understand "stocking rate" and its meaning for pasture sustainability					

**21** What other information on rangeland and livestock do you need?