



Helping People Through
Community Habitat Finance



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SEED Program Work Plan for Year 1:

August 16, 2002 – August 15, 2003

By

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USAID/CHF Supporting Enterprises and
Economic Development (SEED) Program

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Table of Contents

1	Overview and Executive Summary	1
2	Client Base	2
2.1	Small and Medium Enterprises (SME's)	2
2.2	Startups and Entrepreneurs	3
3	Planned Activities	4
3.1	Business Development services	5
3.2	Business Training	6
3.3	Business Information Center.....	7
3.4	Employment Matching.....	7
3.5	Capacity Building.....	9
4	Schedule of Activities	10
5	Monitoring and Evaluation Plan	10
6	Budget, Travel, and Consultants.....	12
7	Conclusions	12
	BIBLIOGRAPHY.....	13
	ANNEX	14
	Annex 1 Potential SME List.....	14
	Annex 2 Work Plan Activity Schedule.....	14

1 Overview and Executive Summary

The USAID/CHF Support to Enterprises and Economic Development (SEED) Program provides small business development services, information, and training to Mongolians living in the peri-urban areas of Darkhan, Erdenet, and Ulaanbaatar. This report provides a work plan for the first year of program activity: August 16, 2002 – August 15, 2003, but includes projections for years two and three as well. This work plan is based on the Darkhan Rapid Needs Assessment¹ and focuses on the opening of the Darkhan SEED office, but also includes the opening of SEED offices in Erdenet and Ulaanbaatar, scheduled for 2003.

Because the SEED Program is scheduled to build on the Darkhan experience, the current work plan must be viewed as our first estimate of how the program will evolve. Experience developing SME's in Darkhan over the next 3 – 6 months, plus the results of Rapid Needs Assessments to be conducted in Erdenet and Ulaanbaatar next year, will shape program implementation in all three sites. We anticipate that adjustments will be required as we gain experience. Thus, while this report is a proposed one-year work plan, it must be viewed as a flexible work plan subject to revision as the program builds on experience and evolves.

This work plan does not include any proposals for budget revision as we prefer to wait for the first 3-6 months field experience in Darkhan and final determination of the timing of Erdenet startup. The only major budget change planned at this time is that we will rent, rather than purchase cars, which has been agreed in principle by USAID and the Contracts Officer. A budget revision will be proposed, if necessary, by the time of the Erdenet startup. Projections are included below for the use of consultants and international travel, but these are tentative and subject to revision after we have initial implementation experience in Darkhan and Erdenet.

This report makes much use of the previous Darkhan Rapid Needs Assessment (DRNA) report. The reader is referred to that report and the associated consultant report² for further detail. This report also duplicates some of the information presented in the DRNA, notably sections 2 and 3.

This work plan provides a summary of the SEED client base and planned activities, including business development services, business training, business information center, employment matching, and capacity building. In addition, it provides a schedule of activities, a monitoring and evaluation plan, and budget-related travel and consultant usage. A table of potential SME clients is provided in Annex 1. The work plan activity schedule, including monitoring and evaluation benchmarks and projections for international travel and consultants, is provided in Annex 2.

¹ Lassiter, Greg; Margaret Herro, John Napoleoni, and Patrick Somerville, "Darkhan Rapid Needs Assessment: September 23 – October 18, 2002, USAID/CHF Support to Enterprises and Economic Development (SEED) Project, Darkhan, Mongolia, October 25, 2002.

² Napoleoni, John, "Darkhan Business Survey", USAID/CHF Support to Enterprises and Economic Development (SEED) Project, Darkhan, Mongolia, October 2002.

2 Client Base

This section provides a summary of the potential client base for the SEED Program based primarily on information collected as part of the Darkhan Rapid Needs Assessment. Similar information will be provided from Rapid Needs Assessments to be conducted prior to opening the Erdenet and Ulaanbaatar SEED offices next year. Much of the information presented below is preliminary and represents only the first step in an on-going process of registering and assessing new clients, most of which will take place during the first six months' implementation of each SEED office.

2.1 Small and Medium Enterprises (SME's)

The goal of the SEED Program is to promote SME business development for the benefit of residents of the Ger District. However, in Darkhan it is clear from the Rapid Needs Assessment that the relevant SME's are generally not located in the Ger District. Darkhan's Ger District economy is an integral part of the Darkhan city economy and vice versa. We expect the same conditions in Erdenet and Ulaanbaatar.

Therefore, we will determine criteria for selection of clients to ensure that Ger District residents receive the major benefits of program activities, even when the client's residence or business is not physically located in the Ger District. Criteria will include, by order of importance:

- location of business
- residence of business owner
- residence of employees
- location of business's clients

Based on the Darkhan Rapid Needs Assessment, the Potential SME List in Annex 1 summarizes our evaluation of the potential SME's that the SEED program is most likely to work with. This table groups potential SME clients by the following sectors:

- | | |
|--------------------|--|
| • Construction | construction, renovation, and building materials manufacture |
| • Manufacturing | woodworking and metalworking |
| • Agribusiness | agriculture (farming, animal production) and food processing |
| • Trading | general retailing, food retailing and other trading |
| • Textiles/apparel | clothing, leather goods, and handicrafts |
| • Services | repair, computer, technical, and hotel services |
| • Transport | trucking, shipping, and taxi |

The Potential SME List in Annex 1 also describes the key subsectors within each group, and subjectively evaluates the potential of each on the basis of eight criteria:

- **Export potential**—there is limited potential for export generation in Darkhan. Potential SME clients include textiles, handicrafts, food processing, and gold processing.
- **Value-added**—value addition in many informal sector enterprises, such as marketing trading and kiosks, is generally low. Greatest value-added potential is in construction, textiles, food processing, and greenhouses.
- **Employment generation**—value-added and employment potential are linked. All SME's generate employment, but unless there is a substantial value added component, innovative technology, more efficient production method, or regional trade component, the SME just tends to employ people in low wage activities that often add little to overall economic growth or incomes. The greatest potential for real employment growth is in textiles, construction, light manufacturing, food processing, and vegetable production.

- **Off-season employment generation**—seasonality of employment is a major problem in Darkhan, because the key industries of construction, agriculture, and food processing are seasonal. Even the meat-processing factory closes from January until July. Thus, activities that can employ workers in winter are priorities: textiles, furniture and cabinetry, apartment renovation, handicrafts, and greenhouses.
- **Employment generation for retirees**—a significant number of Ger residents are retired³. By western standards, retirement age is low and pensions are minimal. Activities that provide work, even part-time, for retired persons have great impact on Ger District welfare and incomes.
- **Potential for organizing a business association**—we prefer to work with SME clients that can be grouped into business associations. This permits development of new group activities, such as group marketing, joint production, or advocacy. It also permits more efficient use of program resources, particularly business training and consulting services
- **Potential for organizing micro enterprises into a cooperative or group**—same justification, but cooperatives and informal groups work better for cottage industries and single owner micro enterprises, permitting economies of scale. Examples include a cooperative of home textile micro-enterprises or an informal group of kiosk owners who organize group purchases of supplies from Ulaanbaatar.

The following summarizes the criteria above:

- **Overall priority for SEED Program activities**—based on all the above criteria, our first priority will be SME clients in small and medium construction firms, textiles, food processing, vegetable production, and some key new startups. Construction, textiles, and food processing have good potential for employment generation and increasing value-added, textiles and food processing have export potential, and vegetable production has great employment potential among retirees, who are a large proportion of Ger District residents.
- **Client Target**—the numbers of potential clients are highest in micro-enterprises, such as vegetable production, kiosks, and home sewing, but textiles and construction probably have more potential impact in terms of value-addition, overall employment generation, and real income growth.

Development of these and other SME's requires additional information, much of which we will gain from the assessment of new SEED clients during the initial implementation phase of the Darkhan, Erdenet, and Ulaanbaatar SEED Business Development Centers.

2.2 Startups and Entrepreneurs

During the initial implementation phase of the SEED Program's Business Development Center (BDC) at each location, we will focus business development services on pre-existing SME's, generally with at least one year of previous operating experience. After SEED staff has gained sufficient experience, we will begin assisting business startups and new entrepreneurs.

The Rapid Needs Assessment focuses far more on existing SME's than on new business startups. Better information on the feasibility of new startup SME's and the identification of

³ While formally retired persons (aged 55 or over for women, 60 for men) represent only 9% of Darkhan's Ger District residents, "effectively retired" persons describes the majority of the 5,372 Ger residents age 40 and over who cannot compete on the employment market. This older group makes up 29% of the Darkhan Ger population and 24% of registered unemployed.

capable entrepreneurs will be collected during our implementation phase. However, our initial impressions are that there is good potential in Darkhan⁴ for several new businesses:

- Construction materials and services
- Housing renovation
- Low-income housing construction
- Vegetable gardening inputs: seed, fertilizer, irrigation equipment
- Animal feed and supplies
- Poultry hatchery for broilers and layers
- Computer support services: programming, office network support, web design
- Small manufacturing: stoves, small appliances
- Furniture and cabinetry
- Cooperative or group business that organize cottage industries: food processing, textiles, handicrafts, construction trades, food retailers, leather products
- Greenhouses for off-season vegetables
- Well drilling and potable water distribution
- Transportation and shipping services: regional and export shipping expedition
- Office supplies and services
- Services: travel/booking agent, insurance, business center

Based on our preliminary knowledge of the Darkhan SME business environment, we feel that the potential new startup businesses listed above either build on Darkhan's comparative advantage or fill important gaps in Darkhan's economy. Construction SME's benefit from Darkhan's potential as a construction center and the high local demand for housing. Apartment and building renovation will provide off-season employment and fits existing loan criteria better than new housing. Gardening and animal supply services support vegetable and livestock production. Small manufacturing can supply products currently purchased from Ulaanbaatar or imported. Greenhouses permit off-season high value horticulture, employment, and some possibility for export. Other SME's listed above produce goods and services not readily available in Darkhan.

Cooperatives or group business startups would provide economies of scale to micro enterprises. We would like to work with startup SME's that have potential as cottage industries—which employ people at home—and can be grouped into production companies or cooperatives, such as textiles, handicrafts, and some food processing activities. While Darkhan has plenty of internet cafes, there is a need to develop computer services for business—setting up office networks, computer maintenance, website development, and programming. We also need to develop linkages between local SME suppliers and local large companies, many of which currently purchase supplies in Ulaanbaatar. Water distribution is a big issue in the Ger Districts, so there seems to be potential for a new startup business in tube and open well drilling, both for potable water and irrigation linked to vegetable gardening.

3 Planned Activities

The following section summarizes our planned SEED Program activities in the five areas of our program: business development services, business training, business information center, employment matching, and capacity building.

⁴ While some of these new startup SME's may have potential for Erdenet and Ulaanbaatar, this list is specific to Darkhan. Erdenet and Ulaanbaatar new startups will be determined during their early implementation stages in 2003.

3.1 Business Development services

The process of developing clients requires several steps to assess each client and determine the specific business services or training classes that are required. A variety of services will be available on a fee basis, but most clients will utilize only the set of services that fit their specific needs. This may be as simple as a single training course, or as complex as a three month program to complete a business plan, market study, and investment analysis. The normal progression of business development services can be summarized at follows:

1. **Registration**
2. **Assessment Interview**
3. **Assessment Review And Evaluation**
4. **Services**—usually some mix of the following:
 - 4.1 **Information Services**—library or internet search
 - 4.2 **Business Training Classes**
 - 4.3 **Business Plan**
 - 4.4 **Investment Analysis**—example: feasibility study of purchasing new equipment
 - 4.5 **Market Analysis**
 - 4.6 **Credit Application**—business plan, investment analysis, and market analysis
 - 4.7 **Strategic Management**
 - 4.8 **Business Research**—from library, internet, or government office
 - 4.9 **Legal Services**—from our library, internet, or referral to a lawyer
5. **Results**—we expect results from each level of service delivered

This process will be implemented for each client, but to the extent possible, via that client's business association, cooperative, or informal group. Each step in the process will generally require greater investment of time by the SEED technical advisor. Fees will be charged based on staff time commitment, be below market rates for initial contacts and tasks with general benefits to the sector or group, and increase more than proportionally due to complexity, individuality of task, and time commitment.

During the business development process, the SEED technical advisor will assist the client to investigate and analyze the specific business problem. During this process, both the client and technical advisor gain knowledge and data which will be shared (except for proprietary information) with other clients in that SME sector. This new knowledge about the local business environment and the specific business sector, plus client data (registration form, assessment form, etc.), will help us develop and focus our services.

Local business and client information collected in Darkhan as part of our business development services will also help us plan and implement the Erdenet and Ulaanbaatar offices in the coming year. Erdenet and Ulaanbaatar will each require a Rapid Needs Assessment, but using a more streamlined, locally staffed version of the assessment conducted for Darkhan. For example, the Rapid Needs Assessment for the Erdenet office will be conducted in March by Darkhan staff. This will allow staff to incorporate and contrast the Darkhan experience, as well as broaden their own skills and experience.

Insufficient use of investment credit—due to lack of investment credit (12+ month term), insufficient collateral, and high interest rates—is a major constraint to SME development. Helping SME clients obtain and effectively use bank credit will be a key component of SEED business development program. We will work closely with local banks to integrate our business development services, information services, and business training to help clients and banks achieve better credit relationships.

The Darkhan Rapid Needs Assessment and the Darkhan Business Survey identified several local Darkhan banks with potential for collaboration with the SEED program. In Darkhan, the banks with greatest potential to provide credit to SEED clients are Ag Bank and Xas Bank. Ag Bank is the largest SME lender in Darkhan, followed by Xas Bank. Both expressed interest in

collaboration with the SEED program. In addition, other Darkhan banks, particularly Golomt Bank and the Trade and Development Bank, show potential for collaboration. On a selective basis, the SEED program will develop working relationships with these banks, and possibly other smaller credit institutions, during the first quarter of 2003. We anticipate a similar development of banking relationships in Erdenet and Ulaanbaatar, beginning with Ag Bank and Xas Bank, but expanding to other viable credit institutions.

For clients with weak business skills, little experience in business planning or financial analysis, or limited collateral, we will offer business training, consulting, and financial analysis to help them and their banks develop mutually beneficial credit packages. We will work with banks to encourage them to require certain clients to take our business training courses or develop business plans using our consulting services.

Banks typically prefer that clients use independent business development services, such as those that SEED will offer, to ensure that a client's investment proposal is reviewed by an objective, competent third party or "honest broker". Once we have a track record, clients and banks will find that SEED services can ensure that business investments are profitable and creditworthy. This will improve a client's ability to obtain a loan and, more importantly, pay it back on time. In some cases, it will be in the bank's interest to require clients to use SEED services and training.

3.2 Business Training

Business training will be an integral part of the business development services—encouraged for all clients who need them and required for clients desiring higher levels of business development services. The SEED Program will encourage banks to require such courses for borrowers who need them. A preliminary list of potential business training courses is provided in Table 1. This list will be updated substantially over the next six months as we gain experience in clients' training needs and determine the local availability of trainers.

Table 1. Potential Business Training Programs

<i>Basic skills and introductory short courses (1-3 hours):</i>	
<ul style="list-style-type: none"> • Introduction to basic bookkeeping • Fundamentals of credit 	<ul style="list-style-type: none"> • Introduction to business planning • Introduction to investment analysis
<i>Core courses and workshops (4 – 40 hours):</i>	
<ul style="list-style-type: none"> • Bookkeeping and recordkeeping • Accounting • Writing a business plan • Applying for credit • Budgeting • Investment analysis • Financial planning • Marketing • Export marketing • Information resources • Business management • Human resources management 	<ul style="list-style-type: none"> • Cooperative management • Business association management • Restaurant and hotel services • Client services • Food processing and quality control • Registering a new business • Inventory control for retailing • Contracting, bidding, and proposal writing • Introduction to business law • Tax issues for small businesses • Supply chain management • Developing a new business idea

Technical & vocational courses:

- Vegetable production
- Poultry production
- Pig production
- Food processing at home
- Home production of handicrafts
- Home production of textiles

Specific course offerings will depend on client demand and the identification of local training resources. Identification of trainers and training institutions has only begun and is a priority for the next quarter.

The SEED program will utilize and build on the wide variety of training materials and resources have already been developed by other USAID projects. In particular, the Gobi Initiative has developed SME training programs, trainers, and training materials which they have shared with the SEED program.

3.3 Business Information Center

The Business Information Center will provide the following resources:

- Credit information—summary of locally available credit programs from banks, non-banking credit institutions, and special programs. Terms of each credit program will be outlined, as well as simple explanations for the novice borrower.
- Market information—copies of market price information from published sources, including Gobi Initiative's Gobi Business News, periodicals with information on products and markets in Mongolia, and leads on how to find export markets.
- Best practice and business development information—written resources on business development topics, such as marketing, accounting, strategic management, product identification, etc.
- Business law and regulations—reference material on Mongolian commercial law, tax law, business regulations, how to register a business, etc., including internet resources such as www.investnet.mn and www.mongolialaw.com.
- Internet search services—SEED staff will assist clients in searching for information on the internet. This might include as little as showing the client how to do searches on internet to conducting a major search for information on how to process export quality dried meat and where to buy the equipment to make it. Staff time for internet searches will be charged, plus fees for computer time.
- Website--the SEED Program website www.chf-mongolia.org will be developed in stages over the first six months of implementation. It is difficult to predict what this will contain at this point, but all the above Business Information Center resources are likely candidates.

3.4 Employment Matching

Under the objective of increasing employment of Ger residents, the SEED Program originally planned to assist in matching Ger District unemployed with the needs of potential employers, including both SME's and large businesses. However, this objective is already the responsibility of the Darkhan Employment Office, located in the Darkhan-Uul Aimag Governor's

Office. We feel that the employment matching responsibility should remain in the Employment Office.

Representing the Ministry of Labor, the Employment Office provides the following services:

- Skills matching—the office maintains a computerized database of 970 aimag residents actively seeking work and includes information such as education, professional experience, and important baseline data. The office reports that it matches up to 40 employees per month. They currently list 317 job openings, including 272 in textiles and the remainder in manufacturing, construction, and food processing.
- Unemployment compensation—the office administers this government program, which pays for three months of unemployment compensation at a rate of 40 - 70% of salary.
- Employment subsidies—the office administers a government program, which provides a 60% salary subsidy to employers that provide at least six months employment to job seekers who have been unemployed for over a year. The fact that the Employment Office reports that over 50 local public and private employers have used skills matching and placement services is in part due to this subsidy program.
- Training—the office funds medium-term training of unemployed job seekers, as well as workers at risk of losing their jobs due to poor performance. All training is contracted out to local institutions and individuals. Training sessions are commissioned based on analysis of current market needs and weaknesses in the labor pool. Subjects include traditional trades such as construction and plumbing, as well as vegetable growing and computer skills.

One weakness of the Employment Office is that most job seekers do not register. It is also possible job seekers may feel that registration does not provide them any benefits. Many Ger residents interviewed said they were familiar with the Employment Office. Businesses also mentioned the Employment Office as the place to find employees. However, Employment Office recognizes that it needs more outreach resources to ensure that employers understand the program and its benefits.

The Employment Office is eager to work with the SEED program. However, we need to assess their capacity and work with them to develop their services. For example, if employers or job seekers are not using their services, we need to find out why, resolve problems, and increase outreach. While computerized databases are excellent for certain purposes, having employment bulletin boards in key public places, such as the Old Darkhan market entrance or the New Darkhan post office would greatly increase access and timeliness of job information. Also, job seekers now have to go to the Darkhan-Uul Aimag Governor's Office, located at the far end of New Darkhan (about as far from most Ger residents as you can get in Darkhan) to register monthly. Perhaps monthly registration could take place at the local bhag office or the soum governors' office in Old Darkhan.

To effectively strengthen the services of the Employment Office, the following areas need to be assessed:

- Assessment of clients—we need better information from employers and job seekers of their perceptions, experiences, benefits, and problems using Employment services.
- Outreach—according to the Employment Office, many employers are not fully aware of the benefits of using the services of the Employment Office.
- Insufficient registration by job seekers—only 970 job seekers are currently registered in Darkhan-Uul Aimag, when the actual number of unemployed is estimated at 7,773, or 26% of the labor pool, according to the national census.

- Effective vocational training—are the job training programs effective and do they meet the needs of employers? As the SEED Program gains experience working with SME clients, information about the strengths and weakness of the labor pool, effectiveness of traditional vocational training programs (versus in-house training by the business itself), and the specific labor skills required by Darkhan business will provide valuable feedback to the Employment Office.

3.5 Capacity Building

There is a great need to develop self-sustaining business development services. This is also an area where the SEED Program has its greatest comparative advantage for capacity building. The institutions with the biggest potential for developing self-sustaining private business development services are:

- Darkhan Chamber of Commerce—this is our best candidate as an institution that can provide long-term, sustainable, private business development services.
- Business Associations—these are an essential component of a business development program. They permit more efficient use of SEED business development services, group activities, and advocacy.
- Cooperatives—similar benefits to business associations, but better adapted to grouping micro-enterprises and cottage industries.
- Consulting Service Providers—SEED will contract and work closely with existing local consultants. Because of limited local business consulting services, particularly in Darkhan, SEED will develop and train new local consultants, including SEED staff, and promote the development of local consulting businesses. This will deepen the capacity of local business consulting industry beyond the term of the SEED Program.
- Training Services Providers—similarly, SEED will utilize and help develop local trainers and training institutions.

It is essential that the SEED Program charge fees for service in order to permit future self-sustainability, ensure that service users put value on the services, and motivate SEED staff to be effective. This commercial, fee-driven philosophy will also ensure that SEED attracts serious business customers that employ long-term thinking, rather than shortsighted profiteers that consider commercial activity a temporary activity.

Overall, we feel that program sustainability will be accomplished through:

- The development of local business development service providers and consultants that will continue service beyond SEED's term.
- The continued improved practices of SEED SME clients beyond the SEED term.
- The long-term activities of SEED supported SME business associations, cooperatives, and informal groups

There is also great need to work with local government agencies that promote, tax, or regulate businesses. This can be a delicate area for collaboration because there is often an adversarial relationship between government and business. While local government agencies typically feel that they are promoting business, businesses often feel that government primarily taxes, regulates, and impedes them. Businesses need to pay taxes, meet government standards, and abide by regulations, but the regulatory and enforcement process needs to be transparent. Also, the real cost of implementing specific regulations needs to be proportionate to the benefits. Our goal will be to work through the Chamber of Commerce and business associations to develop dialogue with local government agencies to ensure that there is open discussion on issues, that tax and other regulations are transparently and objectively enforced,

and that businesses and government officials have a forum to share ideas and debate differences of opinion.

4 Schedule of Activities

A detailed schedule of activities is provided in Annex 1 Work Plan Activity Schedule. This schedule includes the current Year 1 activities, as well as projections for Years 2-3. It also includes a schedule of expected outcomes for monitoring and evaluation (see next section), as well as a schedule of the use of consultants and international travel. This schedule will be revised in 3 – 6 months based on experience from the Darkhan SEED Office experience and the relative timing of the implementation of the Erdenet SEED Office.

The initial SEED Program budget anticipated that the three SEED Business Development Centers would be phased in over the first year. The original schedule was to open the BDC;s in Darkhan, Erdenet, and Ulaanbaatar during program months 2, 6, and 13, respectively. USAID has requested that we move the program forward to have all offices open by month 9. The Annex 1 Work Plan Activity Schedule provides this revised schedule, with the respective offices opening in months 4, 8, and 9. There are advantages to opening the Erdenet and Ulaanbaatar offices within a month of each other, as the logistics, staffing, and equipment procurement will be more efficient. The disadvantages are that we will have less field experience from Darkhan and Erdenet to build on for the UB program, plus there are budgetary implications.

There are cost savings from starting Darkhan later than planned, but these are partially offset by having more activities begin before the actual opening of the Darkhan BDC and more difficult logistics and staffing in Darkhan than we anticipate in UB or Erdenet. Because UB is the highest cost BDC (due primarily to higher salaries and rent), the cost of moving the UB startup earlier, may more than offset savings from delaying Darkhan and Erdenet. These factors will be incorporated in a budget analysis to be completed before the next Contracts Officer visit in January.

5 Monitoring and Evaluation Plan

In order to adjust to the changing needs of the communities, CHF will establish formal and informal evaluation mechanisms to ensure high beneficiary impact. The program evaluations will include a formal evaluation to be conducted midway through the program and at its end. Maximizing the use of local partners, CHF will contract with an independent local organization to conduct the evaluations and provide formal presentations to CHF and USAID on their findings.

Internal CHF program monitoring will occur on a quarterly basis using CHF staff. An Executive Program Review (EPR) for all CHF Senior Management will be conducted on a semi-annual basis. Two independent evaluations will also be commissioned during the life of the program. All evaluations and reviews will be followed by strategic program enhancement sessions that utilize the evaluations to verify inputs, guide management decisions, provide feedback to improve implementation activities, refine program strategy, and ensure response to altering needs of communities.

The CHF Program Director will provide CHF with monthly management reports. A detailed quarterly program status report will be provided to USAID. The following data collection and

monitoring tools will be utilized throughout the program and serve to illustrate CHF's capability to gather the indicators required to measure success:

- Rapid Needs Assessments Reports (one per site)
- Business Development Plans and Training Curriculum
- Written monthly programmatic and financial management reports
- Quarterly reviews, mid-term and final program evaluation reports
- Annual Work Plans
- Site visits – announced and unannounced
- Informal interviews with businesses and other stakeholders
- CHF's Project Tracker Software to store and track survey results, financial, and programmatic data, and produce reports used for program analysis
- Quarterly financial reports to USAID (Form 269)
- Quarterly projection of estimated expenses
- Annual A-133 Audit
- Final close out report (programmatic and financial) to be submitted 90 days after program completion

Audit Plan

CHF audit policy strictly adheres to a three-prong approach to ensure the integrity of CHF's financial systems in the field. This approach includes the following:

- **Annual On-site Field Audit** - Each CHF field program is audited annually by an on-site independent auditing firm. CHF will contract with a qualified local audit firm for this activity.
- **Annual A-133 Audit** - CHF/HQ is subject to an independent A-133 audit that meets U.S. Government financial standards.
- **Oversight by Internal Auditors** - CHF/HQ has two highly qualified Internal Auditors on staff to provide guidance and oversight to local staff and ensure CHF's Code of Conduct on Financial Policies and Procedures is strictly enforced.

In addition, all CHF field programs are trained in the use of CHF's Field Finance and Accounting Manual that outlines CHF's finance system, which is designed to ensure adherence to the U.S. Government's mandate on Foreign Corrupt Practices Act 15 U.S.C. 78 dd. (FCPA).

Expected Outcome, Monitoring Plan and Management Information System

By the end of Year 3, CHF anticipates, at a minimum, the following outputs:

- At least 2,000 clients trained or consulted resulting in new skills or strengthened businesses, including at least 500 entrepreneurs
- Expansion of 200 existing micro and small businesses
- Creation of 20 new employee-owned businesses
- Improvement or creation of at least 200 individually owned businesses
- Support of employment matching services which 700 residents in permanent or temporary formal sector jobs
- Facilitate access to new loans for at least 200 small businesses

CHF proposes to use its project management information system "CHF Project Tracker" to monitor project performance. CHF Project Tracker is a management information system (MIS) and reporting system, which provides information on project status, financial flow, disbursements, contracts, local partners, businesses assisted, employment created and grants awarded. CHF will customize the MIS to ensure appropriate tracking to meet USAID's reporting requirements for the SEED program in Mongolia.

6 Budget, Travel, and Consultants

Unfortunately, it is too early to program budget, travel, and consultants. We need 3 – 6 months of implementation experience in Darkhan to project how well our original budget, travel, and consulting plans meet our needs. Another key factor is the timing of the Erdenet startup. The only major budget change currently planned is that we plan to rent, rather than purchase cars. USAID and the CO have agreed in principle to this change, but we will wait 3-6 months before incorporating it into a budget realignment, once other spending patterns are clearer.

Travel and consulting needs are projected in the Annex 2 Work Plan Activity Schedule. These are tentative projections, which will probably need revision based on Darkhan implementation experience and future analysis of spending patterns.

7 Conclusions

This SEED Work Plan is the second step in setting up the USAID/CHF SEED Program in Mongolia. The Darkhan Rapid Needs Assessment was the first step, which assembled much relevant information for the Darkhan SEED Office startup. During the next six months' implementation phase of the Darkhan Business Development Services Office, the SEED Program will assemble additional information from clients and other sources. The Darkhan experience will be instrumental in streamlining the startup of the Erdenet and Ulaanbaatar in the next year.

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Napoleoni, John, "Darkhan Business Survey", USAID/CHF Support to Enterprises and Economic Development (SEED) Project, Darkhan, Mongolia, October 2002.

ANNEX

Annex 1 Potential SME List

Annex 2 Work Plan Activity Schedule

Annex 1. Potential SME List--Darkhan
USAID/CHF SEED Project, Darkhan, Mongolia

SME Sector	Subsector	Description
Construction	Large	Construct large buildings, apartments, factories, etc.
Construction	Medium	Construct small buildings, single homes, major renovation
Construction	Small	Ger homes, apartment renovation, roofing, etc.
Construction	Micro	Single entrepreneur trades: carpenter, plumber, etc.
Construction	Building materials	Build bricks, slabs, lumber; make cement, gravel, etc.
Woodworking	Furniture & Cabinetry	Build wood furniture and cabinets
Metalworking	Scrap metal dealing	Trading in scrap metal
Metalworking	Welding	Welding services
Metalworking	Stove manufacture	Production of heating/cooking stoves
Agriculture	Wheat farming	Growing wheat
Agriculture	Milling	Milling flour
Agriculture	Vegetable gardening	Home production of vegetables
Agriculture	Poultry & pig production	Home production of chickens, eggs, or pigs
Agriculture	Greenhouse vegetables	Production of off-season vegetables
Food Processing	Dairy processing	Production of milk products, cheese, etc.
Food Processing	Vegetable canning	Canning and drying vegetables
Food Processing	Meat processing	Butcher fresh meat; product sausage & dried meat.
Food Processing	Bakery	Bread and pastry baking
Food Retailing	Restaurant/café	Food services
Food Retailing	Soup, hoshuur, fast food	Micro food services
Food Retailing	Bar	Bar & disco services
Food Retailing	Grocery	Retail groceries, supermarkets
Food Retailing	Kiosk	Kiosk food retailing
Food Retailing	Trading	Food trading in market and with UB
Trade	Market trader	Wholesale & retail trade in market and with UB
Trade	Retail store	Retail shop (anything but food)
Trade	Firewood & coal	Trading in firewood, coal, etc.
Textiles/apparel	Clothing factory	Clothing factories
Textiles/apparel	Home sewing	Home production of garments (traditional or factory linked)
Textiles/apparel	Handicrafts	Higher quality handicrafts, some export quality
Textiles/apparel	Leather garments	Leather coats & garments
Textiles/apparel	Shoes/boots	Production of shoes and boots
Textiles/apparel	Knitting, weaving, cashmere	Wool and cashmere textiles production
Textiles/apparel	Mitten, glove, & hat production	Manufacture of mittens, gloves, & hats
Services	Water delivery	Transport water to homes
Services	Irrigation & gardening supplies	Retail sale of irrigation equipment, seed, fertilizer
Services	Well drilling	Tube wells and open well construction
Services	Veterinarian supplies/services	Retail sale of vet. supplies, medicines, and vet. services
Services	Internet café	Renting computer time
Services	Computer services	Programming, computer consulting for office needs, ISP's
Services	Car repair	Repair autos
Services	TV, radio, electronic repair	Electronic repair shops
Services	Auto & home insulation	Insulating cars & homes
Services	Hotel	Hotel services
Transport	Trucking	Trucking services--local or to UB
Transport	Taxi	Taxi or minibus services
Transport	Shipping services	Expedite train/truck transport to UB; export expedition
Mining	Gold and mineral mining	Large mining operations: gold, copper, minerals, gypsum, etc.
Mining	Gold processing	Cleaning gold from mining waste

Annex 1. Potential SME List--Darkhan
USAID/CHF SEED Project, Darkhan, Mongolia

Coding: m S M L

Size: m = micro or 1 employee
S=2-20 empl.; M = 21-99; L = 100+

SME Sector	Subsector	Size micro, S,M,L	Value Added Export	Employment	Off-Season	Bus. Assoc.	Micro Coop.	Employ Retirees	SEED Priority	Client Target
Construction	Large	ML								0
Construction	Medium	SM								5
Construction	Small	SM								10
Construction	Micro	mS								10
Construction	Building materials	mSM								5
Woodworking	Furniture & Cabinetry	mSM	•				•			5
Metalworking	Scrap metal dealing	mS								
Metalworking	Welding	mS								
Metalworking	Stove manufacture	SM								3
Agriculture	Wheat farming	ML								0
Agriculture	Milling	SML					•			10
Agriculture	Vegetable gardening	m					•			50
Agriculture	Poultry & pig production	m					•			10
Agriculture	Greenhouse vegetables	SM								3
Food Processing	Dairy processing	SM								5
Food Processing	Vegetable canning	S					•			10
Food Processing	Meat processing	mSML					•			10
Food Processing	Bakery	SM								5
Food Retailing	Restaurant/café	S								3
Food Retailing	Soup, hoshuur, fast food	mS							•	3
Food Retailing	Bar	S								
Food Retailing	Grocery	S								3
Food Retailing	Kiosk	mS					•		•	25
Food Retailing	Trading	mS								
Trade	Market trader	S								
Trade	Retail store	S								3
Trade	Firewood & coal	mS								
Textiles/apparel	Clothing factory	SML								5
Textiles/apparel	Home sewing	mS					•			25
Textiles/apparel	Handicrafts	mS					•			10
Textiles/apparel	Leather garments	mS					•			5
Textiles/apparel	Shoes/boots	mS					•			3
Textiles/apparel	Knitting, weaving, cashmere	mS								10
Textiles/apparel	Mitten, glove, & hat production	mS								3
Services	Water delivery	mS								
Services	Irrigation & gardening supplies	S								3
Services	Well drilling	S								3
Services	Vetrinarian supplies/services	S								5
Services	Internet café	S							•	3
Services	Computer services	S								3
Services	Car repair	mS								
Services	TV, radio, electronic repair	mS								
Services	Auto & home insulation	mS								
Services	Hotel	S							•	3
Transport	Trucking	mS							•	3
Transport	Taxi	mSM								
Transport	Shipping services	S								2
Mining	Gold and mineral mining	ML								2
Mining	Gold processing	mS								20

Annex 1. Potential SME List--Darkhan
USAID/CHF SEED Project, Darkhan, Mongolia

SME Sector	Subsector	Potential Activities/Comments
Construction	Large	Links with local SME suppliers of materials and services; employment
Construction	Medium	Large potential for growth
Construction	Small	Large potential for growth & off-season employment
Construction	Micro	Could organize into trade coops or associations
Construction	Building materials	Develop links with construction firms & UB market
Woodworking	Furniture & Cabinetry	One medium German window factor with potential; several small wood shops
Metalworking	Scrap metal dealing	Limited
Metalworking	Welding	Unsure; possible link as supplier to construction industry
Metalworking	Stove manufacture	Key sector; identify entrepreneurs & new businesses
Agriculture	Wheat farming	Develop links with suppliers of inputs?
Agriculture	Milling	Organize micro mills.
Agriculture	Vegetable gardening	Excellent for retirees
Agriculture	Poultry & pig production	Excellent for retirees
Agriculture	Greenhouse vegetables	New startup, next year. High potential for off-season, high value added.
Food Processing	Dairy processing	Develop home processing and small enterprise production
Food Processing	Vegetable canning	Excellent for retirees; value-added potential
Food Processing	Meat processing	Potential home industry
Food Processing	Bakery	Training; market may be flooded
Food Retailing	Restaurant/café	Market is flooded, but needs some training
Food Retailing	Soup, hoshuur, fast food	Develop growth to larger units
Food Retailing	Bar	Limited training--bookkeeping, restaurant services
Food Retailing	Grocery	Training
Food Retailing	Kiosk	Organize into buying coops. Unsure if this is productive.
Food Retailing	Trading	Links with food production activities, possible credit analysis
Trade	Market trader	Some links as suppliers to other SME's
Trade	Retail store	Possible credit analysis
Trade	Firewood & coal	Limited
Textiles/apparel	Clothing factory	Key sector; identify entrepreneurs & new businesses
Textiles/apparel	Home sewing	Develop link to factories
Textiles/apparel	Handicrafts	Develop handicrafts industry; organize micro producers
Textiles/apparel	Leather garments	Key sector; identify entrepreneurs & new businesses
Textiles/apparel	Shoes/boots	Organize micro producers; develop links to markets
Textiles/apparel	Knitting, weaving, cashmere	Organize micro producers; develop links to markets
Textiles/apparel	Mitten, glove, & hat production	Improve quality; organize producers, marketing
Services	Water delivery	Water is a big issue in Ger districts
Services	Irrigation & gardening supplies	New startup; linked to home vegetable production
Services	Well drilling	New startup; linked to home vegetable production & water issues
Services	Vetrinarian supplies/services	Important to herders and inlkd to home animal production
Services	Internet café	Develop links to growth into computer services company
Services	Computer services	Training; Darkhan needs better computer services
Services	Car repair	Limited
Services	TV, radio, electronic repair	Limited
Services	Auto & home insulation	Limited
Services	Hotel	Training;
Transport	Trucking	Develop links to producers selling to UB
Transport	Taxi	Market flooded
Transport	Shipping services	Service for UB marketing (supplies from & produce to) & exporters
Mining	Gold and mineral mining	Links with local SME suppliers of materials and services; employment
Mining	Gold processing	Unsure; possible coop for marketing

Annex 2. Work Plan Activity Schedule USAID/CHF SEED Project, Darkhan, Mongolia		Intensity of activity:		Primary:	Secondary:	Part-time:	Occasional:																																				
		2002				2003								2004								2005																					
Calendar Year:		9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	Totals					
Project Year:		Year 1				Year 2								Year 3																													
Project Quarter:		Quarter 1				Quarter 2				Quarter 3				Quarter 4				Quarter 1				Quarter 2				Quarter 3				Quarter 4													
Project Month:		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36						
Monitoring and Evaluation Benchmarks																																											
Clients Trained						20	20	20	20	40	40	40	40	40	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	64	52	1700			
Clients Provided Consulting Services						4	4	4	4	6	6	8	8	8	10	10	10	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	10	0	300			
Existing SME's Expanded or Improved						2	2	2	2	4	4	4	4	4	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	0	0	200			
New SME's created						0	0	0	1	0	1	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	20			
Employment matching placements						5	5	8	8	12	12	18	18	18	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	20	700				
Facilitate SME's access to loans						2	2	3	3	5	5	6	6	6	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	8	0	0	200				
Darkhan Activities																																											
Startup Activities																																											
Rapid Needs Assessment		■																																									
Rent office, open bank account		■																																									
Recruit staff		■																																									
Equipment and furniture procurement		■																																									
Identify and assess new clients																																											
Recruit new clients		■																																									
Registration		■																																									
Assessment Interview		■																																									
Business Assessment and Evaluation		■																																									
Business Advisory Services																																											
Business planning		■																																									
Financial analysis and investment analysis		■																																									
Market Analysis		■																																									
Credit application support		■																																									
Finding new technology and equipment		■																																									
Management Evaluation		■																																									
Financial Evaluation		■																																									
Business Association Development		■																																									
Cooperative and Informal Group Development		■																																									
New business startups		■																																									
Business Information Center																																											
Information Services--library and internet assistance		■																																									
Information Services--advanced internet and market research		■																																									
Regulatory, tax, and legal research		■																																									
Training																																											
Basic skills and introductory short courses		■																																									
Accounting Courses		■																																									
Business Management Core Courses		■																																									
Specialized Business Courses		■																																									
Technical and Vocational Courses		■																																									
Capacity Building																																											
Work with Chamber of Commerce		■																																									
Local Consulting and Training Partners		■																																									
Employment Matching		■																																									
Local Government		■																																									

18.

Annex 2. Work Plan Activity Schedule
USAID/CHF SEED Project, Darkhan, Mongolia

Intensity of activity: Primary: Secondary: Part-time: Occasional:

	2002				2003								2004								2005								Totals									
	Calendar Year:				Calendar Month:								Calendar Month:								Calendar Month:																	
	Project Year:				Year 1								Year 2								Year 3																	
	Project Quarter:				Quarter 1		Quarter 2		Quarter 3		Quarter 4		Quarter 1		Quarter 2		Quarter 3		Quarter 4		Quarter 1		Quarter 2		Quarter 3		Quarter 4											
Project Month:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36		
Erdenet Activities																																						
Startup Activities																																						
Rapid Needs Assessment																																						
Rent office, open bank account																																						
Recruit staff																																						
Equipment and furniture procurement																																						
Identify and assess new clients																																						
Recruit new clients																																						
Registration																																						
Assessment Interview																																						
Business Assessment and Evaluation																																						
Business Advisory Services																																						
Business planning																																						
Financial analysis and investment analysis																																						
Market Analysis																																						
Credit application support																																						
Finding new technology and equipment																																						
Management Evaluation																																						
Financial Evaluation																																						
Business Association Development																																						
Cooperative and Informal Group Development																																						
New business startups																																						
Business Information Center																																						
Information Services--library and internet assistance																																						
Information Services--advanced internet and market research																																						
Regulatory, tax, and legal research																																						
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Specialized Business Courses																																						
Technical and Vocational Courses																																						
Capacity Building																																						
Work with Chamber of Commerce																																						
Local Consulting and Training Partners																																						
Employment Matching																																						
Local Government																																						

19.

Annex 2. Work Plan Activity Schedule USAID/CHF SEED Project, Darkhan, Mongolia		Intensity of activity:		Primary:	Secondary:	Part-time:	Occasional:																																										
		2002				2003								2004								2005																											
Calendar Year:																																																	
Calendar Month:		9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8
Project Year:		Year 1												Year 2												Year 3																							
Project Quarter:		Quarter 1			Quarter 2			Quarter 3			Quarter 4			Quarter 1			Quarter 2			Quarter 3			Quarter 4			Quarter 1			Quarter 2			Quarter 3			Quarter 4														
Project Month:		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	Totals											
Ulaanbaatar Activities																																																	
Startup Activities																																																	
Rapid Needs Assessment																																																	
Rent office, open bank account																																																	
Recruit staff																																																	
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Employment Matching																																																	
Local Government																																																	

20

Annex 2. Work Plan Activity Schedule USAID/CHF SEED Project, Darkhan, Mongolia		Intensity of activity:		Primary:	Secondary:	Part-time:	Occasional:																																				
Calendar Year:		2002				2003												2004												2005													
Calendar Month:		9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8						
Project Year:		Year 1												Year 2												Year 3																	
Project Quarter:		Quarter 1			Quarter 2			Quarter 3			Quarter 4			Quarter 1			Quarter 2			Quarter 3		Quarter 4																					
Project Month:		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	Totals					
International Travel and Consultants																																											
International Consultants																																											
John Napoleoni	days	5	15																																					20			
Patrick Somerville	days	15																																						15			
TBD	days								15	15					15																									135			
CHF Home office staff visits to Mongolia																																											
Director, Field Program Operations (Michel Holsten)	days	5										5																											5	20			
Program Officer (Margaret Herro)	days	5	22	22	15																																		64				
Program Officer (Mina Day)	days								15																														15				
Internal Audit Staff (TBD)	days											10																											10	25			
TBD	days																																						0				
CHF Mongolia staff visits to CHF Headquarters in US																																											
SEED Program Director (Greg Lassiter)	days	5											5																										10				
International Air Travel (US-Mongolia RT)																																											
International Consultants	trips	1	1							1			1																										1	1	9		
CHF Home office staff visits to Mongolia	trips											3																											2	10			
CHF Mongolia staff visits to CHF Headquarters in US	trips	0.5											1																											1.5			
CHF LT Mongolia staff family travel (Lassiter's)	trips			3																																			3	9			

21.