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MONGOLIA MINISTRY OF MINING AND HEAVY INDUSTRY

PROJECT PROCUREMENT STRATEGY FOR DEVELOPMENT

for the **P176874 - Mongolia: Strengthening Transparency of Extractives Industry through EITI**

(draft by March 10th 2023)

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ABBREVIATION

PDO - Project Development Objective

PIU - Project Implementing Unit

PPLM - Public procurement law of Mongolia

PSC - Project Steering Committee

RFQ - Request for Quotations

VFM - Value for money

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1 Project Overview

1.1. General Information

Country:	Mongolia
a. Project name:	Mongolia: Strengthening Transparency of Extractives Industry through EITI
Total Finance (US\$):	500.000, -
Project number:	P176874
Project Development Objective (PDO):	To support achieve transparent systematic reporting to strengthen public accountability for the management of Mongolia’s mineral wealth.

1.2. A summary of the key Project Development Objectives

The key objective is “to meet new requirement set by amendment to the Mongolian Constitution, 2019 that utilization of natural resources should be developed in such way that right of owner of Mongolian to know about what is utilized is insured and utilization shall be in that way that revenues are collected in the National wealth fund, distributed in equal and fair mode” through developing better EITI E-reporting.

Indicators:

- (a) Satisfactory Progress achieved in EITI implementation

Component 1. Objectives: Strengthening participation among EITI stakeholders

Component 2. Objectives: Preparing for EITI mainstreaming

1.3. Project Components and Procurement Plan

No.	COMPONENTS & SUB-COMPONENTS	AMOUNT, US\$ MILLION	IMPLEMENTING AGENCY
1	Strengthening participation among EITI stakeholders	0.25	EITI Secretariat
2	Preparing for EITI mainstreaming	0.25	EITI Secretariat
Total value, US\$		0.5	

2 Overview of Country, Borrower and Marketplace

A Operational Context

a. **Governance aspect:** Mongolia is former socialist country and introduced its new constitutional regime in January 1992. Mongolia has transformed over the past 30 years into a multi-party democracy and is gradually becoming a more modern economy, with economic activity driven by the mining sector. In 1990, Mongolia turned away from the Soviet-backed one-party state system along with the centrally planned economy then opted for its first free elections and a market-led economic system. In 1991, Mongolia joined the World Bank, the IMF, and the Asian Development Bank (ADB); subsequently, the first democratic constitution was approved in 1992.

b. **Economic aspect:** In recent years, Mongolia's economy has been facing numerous challenges with key economic indicators performing below expectations i.e. low growth, impending large repayments of sovereign borrowings, substantial balance of payments' pressures, and an unstable investment climate. The sharp slowdown and increasing external and fiscal risks largely reflect external shocks from an unexpected plunge of commodity market prices, which has been worsened by a sharp collapse in FDI. Inflation was also higher than expected and averaged about 12.4 percent from 2012 to 2018 which was caused by strong monetary expansion and exchange rate depreciation.

Sharp fluctuations in the economic forecast showed the importance of economic diversification, especially with respect to agriculture/livestock. While agriculture and mining are the two most important sectors in Mongolia, contributing equally to GDP (15 to 20 percent), agriculture remains the largest source of employment with 34 percent, of which 86 percent is generated by the livestock sector. Livestock also remains the largest contributor to agricultural GDP (between 85-90 percent) and the main livelihood for rural households (around 63 percent of their assets). Small-sized herds (on average fewer than 100 animals), poor quality standards, lack of locally-sourced winter fodder, animal genetics and diseases, all constrain competitiveness and commercialization of the supply-chain. Pasture management reform will be vital to ensuring long-term sustainable growth and mitigation of desertification in the livestock sector. Having a strong need to take measures in regard to the above mentioned constraints and to reduce the lack of expertise in agriculture/livestock management; Mongolia also needs foreign aid and expertise to further explore and possibly develop other potential sectors for economic diversification.

c. **Sustainability aspect:** In 2014, by Parliament resolution No. 43 the "Green Development Policy" was adopted. Green Development Policy focuses on efficient use of natural

resources and was developed to ensure the sustainability of ecosystem services, climate change adaptation and to create an environment for green procurement of goods and services. The goal of poverty alleviation and human development can be achieved through the improvement of education, training and information systems for sustainable growth. A mechanism to address the most pressing issues is environmental governance which supports competent staff, consistent legal environment and sound management system. For the purpose of ensuring the country's sustainable development and promoting efficient and responsible economy including environmentally friendly development in today's economic and social relations, some concepts are being followed in updating the legal framework by introducing environmental auditing in compliance with international standard, the polluter pays principle, local community engagement in environmental protection, increasing natural resource valuations, establishment of stable funding source for environmental protection measures and practicing sustainable natural resource management.

The third resolution of this policy is to increase investments in green loans, financing and incentive mechanisms to be introduced for the state and private sector. Green development policy sets a goal to achieve 20% of green procurement by 2020 and 30% green procurement by 2030. Implementation status of the initiatives is unclear at the moment.

d. Technological aspect: Mongolia's current population is estimated at about 3.12 million by the end of 2016 and over 60 percent of the population lives in urban areas, approximately 40 percent in the capital city of Ulaanbaatar. The remaining rural population is scattered over wide distances, resulting in significant challenges in transportation, service delivery and communication. According to the figures provided by National Statistical Office and Communications Regulatory Commission of Mongolia, out of total population approximate 3,433.00 thousand have access to cell phone and 2,512.7 thousand have access to internet. As well as Mongolia has 21 provinces and 351 soums. 269 soums have access to high-speed broadband internet services through fiber optic cable.

Key conclusions:

As for the state involvement, some potential ad-hoc government decisions in relations to emergency situations (Covid-19), e.g., closure of roads and borders can negatively impact the borrower and their revenue streams.

Global macroeconomic deterioration can hit particularly hard the exporters as well as the exchange rate deterioration and the increased costs of production.

Adopting the best international practices can positively impact the borrowers in the long run despite the short-term costs.

If the right technology is deployed, it can benefit the borrowers, e.g. online marketing and online sales etc.,

B Client Capability and Project Implementation Unit (PIU) Assessment

- Experience: The PIU has staff, who has certificate A3 for procurement of works, service and goods. Those who will join the PIU shall pass relevant training for A3 certificate training. administrative arrangements, including delegated authority levels to facilitate timely decision making. The PIU staff is member of Procurement Selection committee established by MMHI, which is represented by persons from

MMHI, Civil Society organizations.

- Need for hands-on support: No need
- Contract management capability and capacity: There is some need for training of members of bidding committee.
- Complaints management and dispute resolution systems: Procurement related inquiries and complaints from suppliers, contractors or consultants and the Implementing agencies may occur from time to time under the project.

General inquiries about Bank procurement policy, procedures and guidelines are dealt with by the PIU and the Bank; Complaints received directly from suppliers, contractors or consultants relating to a specific procurement are reviewed by the PIU with the Bank procurement team and the Project TTLs for the project, and dealt according to the respective guidelines of the Bank.; Disputes between a client and a contractor or supplier from the client's country should be settled in accordance with the mechanisms (judicial or arbitral) mandated by the National laws.

Key conclusions:

Even members of Bidding committee are certified with A3 certificate, training and refreshing is needed.

C Market Analysis

Market sector dynamics: Information technology business is booming in Mongolia similarly as globally and from supply side there will good opportunities to develop IT based services. Mongolia is also facing this phenomenon, even the Ministry of Digitalization and Communications established for development of more and more E-governance projects. Just one, example, in 2019 as the Chamber of Commerce and Industry of Mongolia has (<https://www.itzone.mn/content/news/show/330>) indicated that amongst top 100 tax payers for 2019(pre- Covid-19 pandemic) there is Mongolian IT Company IT Zone, which runs 4 business for "Equipment for IT", "Digital technology", "Software", "Integration of systems", and that company have made sale 76 billion MNT and paid 7.9 billion MNT as tax in 2018, created 20 new job, and made procurement for 5 billion MNT.

Financial information: There are 2 IT works completed in 2019 and 2021 under General Agency of State Inspection, which are at these links <https://www.tender.gov.mn/mn/invitation/detail/1563252337435> and <https://www.tender.gov.mn/mn/invitation/detail/1622610421601>.

Procurement trends: The future trend in procurement is certainly market competition, which is expanding from the year to year, as result there will be good quality, availability and low cost.

Key conclusions: Mongolia is facing booming of IT business, therefore, probability of good suppliers amongst competitors for mentioned IT works is high.

3 Procurement Risk analysis

Risk Description	Description of Mitigation	Risk Owner
No expression of interest	To invite directly possible suppliers	Supplier
Wrong assessment of Bidding committee	To train members of Bidding committee	PIU

Payment delayed	To establish good communication with MMHI and MOF	MMHI and MOF
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4 Procurement Objective

1. To execute good and efficient performance of the contract in timely manner.
2. To produce a good end-product.
3. To improve reputation of Mongolia EITI
4. To save Grant funds

5 Recommended Procurement Approach for the Project

- **Contract and Estimated Cost: USD 237,500**
- **Procurement Approach** (select from options and complete table below):

Attribute	Selected arrangement	Justification Summary/Logic
Specifications	Conformance/Performance	Good performance
Sustainability Requirements	Yes/No	Yes
Contract Type	A. Traditional B. Design and Build C. Design, Build, Operate, Maintain D. Design and Build - Turnkey or Prime Contractor E. EPC and EPCM F. Other:	Traditional
Pricing and costing mechanism	A. Lump Sum B. Performance based contracts C. Schedule of Rates / Admeasurement D. Time and Materials E. Cost Plus	Lump sum
Supplier Relationship	A. Adversarial/Collaborative	Collaborative
Price Adjustments	A. None, fixed price B. Negotiated C. Percentage	Fixed price
Form of Contract (Terms and Conditions)	D. State any special conditions of contract	No special conditions of contract
Selection Method	A. Request for Proposals (RFP) B. Requests for Bids (RFB) C. Requests for Quotations (RFQ) D. Direct Selection	RFPs
Selection Arrangement	A. Competitive Dialogue B. Public Private Partnerships (PPP) C. Commercial Practices D. United Nations (UN) Agencies E. e-Reverse Auctions F. Imports	Competitive dialogue

	G. Commodities H. Community Driven Development I. Force Accounts J. Framework Agreements K. Cross Project Opportunities	
Market Approach	A. Type of Competition 1. Open 2. Limited 3. International 4. National 5. No Competition - Direct Selection B. Number of Envelopes/Stages 1. Single Envelope 2. Two Envelopes 3. Single Stage 4. Multi Stage B. BAFO (Yes/No) C. Negotiations (Yes/No)	Open and single envelope
Pre / Post Qualification	A. Pre-Qualification B. Post-Qualification C. Initial Selection	Pre-qualification
Evaluation Selection Method	A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS) E. Consultant's Qualifications Based Selection (CQS) D. Direct Selection	CQS
Evaluation of Costs	A. Adjusted Bid Price B. Life-Cycle Costs	Adjusted bid price
Domestic Preference	Yes / No	No
Rated Criteria	List the type of criteria to be used (mandatory/desired)	Experience is mandatory or desired

6 Preferred arrangement for low value, low risk activities (if applicable)

Activity	Category	Estimated cost	Procurement arrangement
Mongolia EITI E- reporting system improving, C-2.1-1	Consulting service	135,000	CQS
Design and upgrade of Beneficial owner web, C-1.3-1	Consulting service	10,000	CQS
Design and upgrade of Contract disclosure web, C-2.2-1	Consulting service	10,000	CQS
PR work for EITI Communication and information, C-1.1-1	Consulting service	14,000	CQS
To document best cases of EITI aimag and rural soums, produce	Non-consulting service	35,000	RFQ

video documentary8 content and show publicly, C-1.1-2			
Print and disseminate EITI reports, advocacy materials and handbooks8 C-1.1-3	Non-consulting service	5,000	RFQ
To promote EITI through social media,	Non-consulting service	3,500	RFQ
Dissemination and discussion about BO reporting through radio and TV and social networks, C-1.3-2	Non-consulting service	25,000	RFQ

7 Summary of PPSD to be inform the Bank's preparation of the PAD

Contract Title, Description and Category	Estimated Cost US\$ (million) and Risk rating	Bank oversight	Procurement approach/ Competition <ul style="list-style-type: none"> • National • International • Open • Limited • Direct • Sole source 	Selection methods: <ul style="list-style-type: none"> • Pre/post qualifications • SPD (RFP/RFB) • QCBS /QCB etc., 	Evaluation method: <ul style="list-style-type: none"> • Rated criteria (VfM) • LEC
Mongolia EITI E- reporting system improving, C-2.1-1	135,000	Yes	Open	CQS	Post-review
Design and upgrade of Beneficial owner web, C-1.3-1	10,000	Yes	Open	CQS	Post-review
Design and upgrade of Contract disclosure web, C-2.2-1	10,000	Yes	Open	CQS	Post-review
PR work for EITI Communication and information, C-1.1-1	14,000	Yes	Open	CQS	Post-review
To document best cases of EITI aimag and rural soums, produce video documentary8 content and show publicly, C-1.1-2	35,000	Yes	Open	RFQ	Post-review
Print and disseminate EITI reports, advocacy materials and handbooks8 C-1.1-3	5,000	Yes	Open	RFQ	Post-review
To promote EITI through social media,	3,500	Yes	Open	RFQ	Post-review
Dissemination and discussion about BO reporting through radio and TV and social networks, C-1.3-2	25,000	Yes	Open	RFQ	Post-review

PROCUREMENT PLAN **Mongolia : Strengthening Transparency of the Extractives Industries through EITI Implementation**

General Information
Country: Mongolia **Bank's Approval Date of the Original Procurement Plan:** 2022-09-06
Revised Plan Date(s): (comma delineated, leave blank 2023-10-31)
Project ID: P176874 **GPN Date:**
Project Name: Strengthening Transparency of the Extractives Industries through EITI Implementation
Loan / Credit No.: TF / B8169
Executing Agency: Mongolia EITI Secretariat, MMHI

Activity Reference No. / Description	Loan / Credit No.	Component	Review Type	Method	Market Approach	Procurement Process	Prequalification (Y/N)	High SEA/SH Risk	Procurement Document Type	Estimated Amount (US\$)	Actual Amount (US\$)	Process Status	Draft Pre-qualification Documents		Prequalification Evaluation Report		Draft Bidding Document / Invitation		Specific Procurement Notice / Invitation		Bidding Documents Issued		Proposal Submission / Opening / Minutes		Bid Evaluation Report and Recommendation for Award		Signed Contract		Contract Completion
													Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned

Activity Reference No. / Description	Loan / Credit No.	Component	Review Type	Method	Market Approach	Procurement Process	Prequalification (Y/N)	Estimated Amount (US\$)	Actual Amount (US\$)	Process Status	Draft Pre-qualification Documents		Prequalification Evaluation Report		Draft Bidding Document / Invitation		Specific Procurement Notice / Invitation		Bidding Documents Issued		Proposal Submission / Opening / Minutes		Bid Evaluation Report and Recommendation for Award		Signed Contract		Contract Completion
											Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned

NON CONSULTING SERVICES																																		
Activity Reference No. / Description	Loan / Credit No.	Component	Review Type	Method	Market Approach	Procurement Process	Prequalification (Y/N)	Estimated Amount (US\$)	Actual Amount (US\$)	Process Status	Draft Pre-qualification Documents		Prequalification Evaluation Report		Draft Bidding Document / Invitation		Specific Procurement Notice / Invitation		Bidding Documents Issued		Proposal Submission / Opening / Minutes		Bid Evaluation Report and Recommendation for Award		Signed Contract		Contract Completion							
											Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual		
NS-C1.1.2 / To document best cases of EITI aimag and rural soums, produce a video documentary, content and show publicly.	TF / B8169	Strengthening participation and collaboration among EITI stakeholders	Post	Request for Quotations	Open - National	Single Stage - One Envelope		35,000.00	0.00	Signed																								
NS-C1.1.4 / To promote EITI through social media	TF / B8169	Strengthening participation and collaboration among EITI stakeholders	Post	Request for Quotations	Open - National	Single Stage - One Envelope		3,500.00	0.00	Canceled																								
CS-C1.3.2 / Dissemination and discussion about EITI reporting through radio and tv and social networks	TF / B8169	Strengthening participation and collaboration among EITI stakeholders	Post	Request for Quotations	Open - National	Single Stage - One Envelope		25,000.00	0.00	Pending Implementation																								
NS-C1.1.3 / Print and disseminate EITI reports, advocacy materials and handbooks	TF / B8169	Strengthening participation and collaboration among EITI stakeholders	Post	Request for Quotations	Open - National	Single Stage - One Envelope		5,000.00	0.00	Pending Implementation																								

CONSULTING FIRMS																																					
Activity Reference No. / Description	Loan / Credit No.	Component	Review Type	Method	Market Approach	Contract Type	Estimated Amount (US\$)	Actual Amount (US\$)	Process Status	Terms of Reference		Expression of Interest Notice		Short List and Draft Request for Proposals		Request for Proposals as Issued		Opening of Technical Proposals / Minutes		Evaluation of Technical Proposal		Combined Evaluation Report and Draft Negotiated Contract		Signed Contract		Contract Completion											
										Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual						
CS-C1.3.1 / Design of a BO reporting online system	TF / B8169	Strengthening participation and collaboration among EITI stakeholders	Post	Consultant Qualification Selection	Open - National		10,000.00	0.00	Signed	2022-09-12	2022-12-13	2022-10-03	2023-09-08	2022-11-16	2023-09-07																						
CS-C2.1.1 / Upgrading the existing E-Reporting System and integrating it with the Government system.	TF / B8169	Preparing for EITI mainstreaming	Post	Consultant Qualification Selection	Open - National		25,000.00	0.00	Canceled	2022-09-22	2022-10-18	2022-10-06		2022-11-10																							
CS-C2.1.2 / Develop a social network-friendly dashboard that summarizes the most relevant data.	TF / B8169	Preparing for EITI mainstreaming	Post	Consultant Qualification Selection	Open - National		30,000.00	0.00	Canceled	2022-09-22	2022-10-18	2022-10-06		2022-11-10																							
CS-C2.1.3 / Develop a module and API that outputs all E-Reporting template data in a open data format and Geographic Information system on E-Reporting.	TF / B8169	Preparing for EITI mainstreaming	Post	Consultant Qualification Selection	Open - National		80,000.00	0.00	Canceled	2022-09-22	2022-10-18	2022-10-06		2022-11-10																							
CS-C1.1.1 / To provide of Consultancy service for PR and Communication and information.	TF / B8169	Strengthening participation and collaboration among EITI stakeholders	Post	Consultant Qualification Selection	Open - National		14,000.00	0.00	Under Implementation	2022-09-15	2022-12-13	2022-09-29	2023-09-08	2022-11-03																							
CS-C2.2.1 / Design an upgrade of the online contract disclosure platform in line with the proposed new Law on Transparency in the Mineral Resources Sector.	TF / B8169	Preparing for EITI mainstreaming	Post	Consultant Qualification Selection	Open - National		10,000.00	0.00	Under Implementation	2022-09-12	2022-12-13	2022-09-26	2023-09-08	2022-10-31																							
CS-2.1.3 / Improving official statistics consistency through enhancing E-Reporting and data systems.	TF / B8169	Preparing for EITI mainstreaming	Post	Consultant Qualification Selection	Open - National		135,000.00	0.00	Signed	2022-11-06	2023-02-12	2022-11-20	2023-05-01	2022-12-25	2023-06-05																						

INDIVIDUAL CONSULTANTS																																				
Activity Reference No. / Description	Loan / Credit No.	Component	Review Type	Method	Market Approach	Contract Type	Estimated Amount (US\$)	Actual Amount (US\$)	Process Status	Terms of Reference		Invitation to Identify / Selected Consultant		Draft Negotiated Contract		Signed Contract		Contract Completion																		
										Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual																	
CS-C1.1.1 / To provide of Consultancy service for PR and Communication and information.	TF / B8169	Strengthening participation and collaboration among EITI stakeholders	Post	Direct Selection	Direct - National		14,000.00	0.00	Canceled	2022-08-15		2022-08-25																								