Board of Directors

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R91-19
Corrigendum 1
25 September 2019

Corrigendum to Document R91-19 Proposed Multitranche Financing Facility Improving Access to Health Services for Disadvantaged Groups Investment Program (Mongolia)

The following change was made in the above document to comply with the new project at a glance template aligned with Strategy 2030.

(i)	Investment Program at a Glance	Replaced using the new template

Board of Directors

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R91-19
20 September 2019

Proposed Multitranche Financing Facility Improving Access to Health Services for Disadvantaged Groups Investment Program (Mongolia)

1. The Report and Recommendation of the President (RRP: MON 49173-003) on the proposed multitranche financing facility to Mongolia for the Improving Access to Health Services for Disadvantaged Groups Investment Program is circulated herewith.

2. This Report and Recommendation should be read with *Country Operations Business Plan: Mongolia, 2019–2021*, which was circulated to the Board on 10 August 2018 (DOC.IN.233-18).

3. In the absence of any request for discussion and in the absence of a sufficient number of abstentions or oppositions (which should be communicated to The Secretary by the close of business on 11 October 2019), the recommendation in paragraph 40 of the paper will be deemed to have been approved, to be so recorded in the minutes of a subsequent Board meeting. Any notified abstentions or oppositions will also be recorded in the minutes.

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Report and Recommendation of the President to the Board of Directors

Project Number: 49173-003
September 2019

Proposed Multitranche Financing Facility Mongolia: Improving Access to Health Services for Disadvantaged Groups Investment Program

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 3 September 2019)

Currency unit	–	tugrik (MNT)
MNT1.00	=	$0.00037
$1.00	=	MNT2,670.00

ABBREVIATIONS

ADB	–	Asian Development Bank
EARF	–	environmental assessment and review framework
EIRR	–	economic internal rate of return
EMP	–	environmental management plan
FAM	–	facility administration manual
FHC	–	family health center
GPA	–	government procurement agency
HIO	–	health insurance organization
JFJCM	–	Japan Fund for the Joint Crediting Mechanism
LCT	–	low-carbon technology
MFF	–	multitranche financing facility
MOF	–	Ministry of Finance
MOH	–	Ministry of Health
NECC	–	national emergency care center
OCB	–	open competitive bidding
OCR	–	ordinary capital resources
NECC	–	national emergency care center
PHC	–	primary health care
PPP	–	public–private partnership
PPRR	–	project procurement related review
SGAP	–	social and gender action plan
SHC	–	*soum* health center
TA	–	technical assistance
UHC	–	universal health coverage

GLOSSARY

aimag	–	province
ger	–	traditional tent
soum	–	*aimag* subdistrict

NOTE

In this report, “$” refers to United States dollars.

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CONTENTS

INVESTMENT PROGRAM[a] AT A GLANCE

1. Basic Data — **Project Number:** 49173-003

Project Name	Improving Access to Health Services for Disadvantaged Groups Investment Program	**Department/Division**	EARD/EASS
Country	Mongolia	**Executing Agency**	Ministry of Health (formerly Ministry of Health and Sports)
Borrower	Mongolia		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=49173-003-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=49173-003-PortAtaGlance		

2. Sector

	Subsector(s)	ADB Financing ($ million)
✓ **Health**	Health care finance	5.00
	Health insurance and subsidized health programs	5.00
	Health sector development and reform	28.34
	Health system development	120.00
	Total	**158.34**

3. Operational Priorities

- ✓ Addressing remaining poverty and reducing inequalities
- ✓ Accelerating progress in gender equality
- ✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
- ✓ Making cities more livable
- ✓ Strengthening governance and institutional capacity

Climate Change Information

Climate Change impact on the Project	Medium
ADB Financing	
Adaptation ($ million)	2.60
Mitigation ($ million)	33.80
Cofinancing	
Mitigation ($ million)	3.48

Sustainable Development Goals

SDG 1.4, 1.5
SDG 3.2, 3.8, 3.c
SDG 5.5
SDG 13.a

Gender Equity and Mainstreaming

Gender Equity (GEN) ✓

Poverty Targeting

General Intervention on Poverty ✓

4. Risk Categorization: Complex

5. Safeguards Categorization [Tranche 1] **Environment:** B **Involuntary Resettlement:** C **Indigenous Peoples:** C

6. Financing

Modality and Sources	Indicative Tranches ($million)			Amount ($million)
	I	II	III	
ADB				**158.34**
Sovereign MFF-Tranche (Concessional Loan): Ordinary capital resources	10.00	0.00	0.00	10.00
Sovereign MFF-Tranche (Regular Loan): Ordinary capital resources	66.14	40.71	41.49	148.34
Cofinancing				**3.48**
Japan Fund for the Joint Crediting Mechanism - MFF-Tranche (Grant) (Full ADB Administration)	3.48	0.00	0.00	3.48
Counterpart				**1.69**
Government	0.82	0.42	0.45	1.69
Total	**80.44**	**41.13**	**41.94**	**163.51**

Currency of ADB Financing: US Dollar

INVESTMENT PROGRAM[a] AT A GLANCE

7. Country Operations Business Plan

CPS	https://www.adb.org/documents/mongolia-country-partnership-strategy-2017-2020
COBP	https://www.adb.org/sites/default/files/institutional-document/441266/mon-cobp-2019-2021-final.pdf

8. Investment Program Summary

The investment program will reinforce past and ongoing sector reforms by expanding and improving access to quality primary and secondary health services in disadvantaged areas of Ulaanbaatar ger [traditional tent] areas, in Khovd and Uvs aimags (provinces), and selected soums (aimag subdistricts). It will also improve the health financing systems and reduce out-of-pocket health care expenses nationwide.

Impact: Health status of Mongolians improved

Outcome: Access to affordable quality primary and secondary health services in Khovd and Uvs aimags (provinces), Ulaanbaatar ger (traditional tent) areas, and selected soums (aimag subdistricts) improved

Outputs: (i)Urban and rural primary health care strengthened, (ii)District and aimag hospital services improved, (iii)Health financing system strengthened, and (iv)Procurement and financial management capacity of government health entities strengthened

Implementation Arrangements: Ministry of Health (formerly Ministry of Health and Sports) will be the executing agency.

Project Readiness: A project preparatory technical assistance of $1,100,000 ($1,000,000 grant funding from the Japan Fund for Poverty Reduction and $100,000 equivalent in-kind contribution from the Government of Mongolia) was approved on 2 October 2015 to prepare the investment program. Technical due diligence was completed; terms of reference for the detailed engineering design for family health clinics, soum health centers, and hospitals for the first tranche are under preparation; and environment, indigenous peoples, and involuntary resettlement due diligence have been completed. Advance contracting will be considered for civil works and consulting services.

9. Milestones

Modality	Estimated Approval	Estimated Completion[b]
Multitranche financing facility	11 October 2019	31 March 2029
Tranche I	25 October 2019	30 June 2025
Tranche II	30 May 2022	31 December 2026
Tranche III	30 May 2025	31 January 2029

10. Project Data Sheet (PDS)

PDS[c]	http://www.adb.org/projects/49173-003/main

[a] Multitranche Financing Facility (MFF).
[b] For MFF, this refers to the end of the availability period; for tranches, this refers to the tranche closing date.
[c] Safeguard documents can be viewed by clicking the Document's hyperlink in the Project Data Sheet (PDS) page.

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed multitranche financing facility (MFF) to Mongolia for the Improving Access to Health Services for Disadvantaged Groups Investment Program.

2. The investment program will reinforce past and ongoing sector reforms by expanding and improving access to quality primary and secondary health services in marginalized areas of Ulaanbaatar *ger* (traditional tent) areas, in Khovd and Uvs *aimags* (provinces), and in selected *soums* (*aimag* subdistricts).[1] It will also improve health financing systems and reduce out-of-pocket health expenses nationwide.

II. RATIONALE

3. **Sector background.** Rapid urbanization in Mongolia over the past 30 years has increased the burden on the provision of health and social services in Ulaanbaatar and *aimag* centers. This has led to a shortage of human resources, funding, and equipment; and obsolete and poorly functioning health facilities that weaken the accessibility, quality, and equity of health care services. Poor urban infrastructure and weakened government capacity to provide basic social services have exacerbated the situation. Ulaanbaatar has been the main destination for migrants from Mongolia's rural areas, and now hosts more than 50% of the country's population. About 60% of Ulaanbaatar's population lives in *ger* areas, with limited access to running water, sanitation, and social services, including primary health care (PHC). Access to health care is challenging, especially for the poor. Out-of-pocket health expenses are high and account for 41% of total health expenditure;[2] one-third of household out-of-pocket health expenses are for medicines because of high prices and the inappropriate use of drugs. Over 90% of the population has health insurance coverage, but the benefit package is limited to hospital services, with the result that the poor use health services 2.5 times less than the nonpoor.[3] In 2015, government expenditure on health accounted for just 2.4% of gross domestic product, well below the 5% target of the World Health Organization. Addressing behavioral risk factors, particularly among men—including obesity, alcohol and tobacco abuse, and gender-based violence—and their associated health impacts remains a key challenge.[4]

4. The Asian Development Bank (ADB) has been Mongolia's key health sector development partner since 1993, providing five loans totaling $84.90 million, seven grants totaling $37.00 million, and 15 technical assistance (TA) projects totaling $10.65 million. The projects achieved significant results through comprehensive health system support and strengthening, including for PHC reform and investments, information and communications technology, medicine and pharmaceutical procurement reforms, establishment of health insurance, health infrastructure, human resources for health, and sector governance. ADB has also strategically supported the drafting and enactment of key health policies and laws, including the Health Law (2016) and laws related to health insurance, medicines and medical devices, and medical care and services.[5] With support from ADB, Mongolia was able to achieve its Millennium Development

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[1] Disadvantaged groups are those with limited access to basic socioeconomic services and have lower income.
[2] J. Dorjdagva et al. 2016. Catastrophic Health Expenditure and Impoverishment in Mongolia. *International Journal for Equity in Health.* 15 (105).
[3] Government of Mongolia, Ministry of Health; National Center for Public Health; and UNICEF. 2017. *Nutrition Status of the Population of Mongolia: Fifth National Nutrition Survey Report.* Ulaanbaatar.
[4] National Statistics Office of Mongolia. 2018. *Mongolian Statistical Yearbook 2017*. Ulaanbaatar.
[5] Government of Mongolia, State Great Khural. 2016. *The Health Law*. Ulaanbaatar (enacted in 2011 and amended in 2016); and Government of Mongolia, State Great Khural. 2016. *The Health Insurance Law*. Ulaanbaatar.

Goal targets of reducing under-5 child mortality and preventing the spread of HIV/AIDS. It also made significant progress toward the Millennium Development Goal targets of reducing poverty and malnutrition, and improving maternal health.

5. Despite these achievements, Mongolia faces a continuing burden from both communicable and noncommunicable diseases, resulting in premature mortality and high levels of disability, which prevent the nation from fulfilling its economic potential. Economic growth since 2001 has been strong, but one in five Mongolians still live below the national poverty line and face significant health care challenges that need to be addressed.

6. **Inadequate provision and quality of primary health care.** The rapid influx of rural migrants to Ulaanbaatar's *ger* areas is overwhelming the health care infrastructure and the government's capacity to provide health services. This is compounded by neglected laboratory and diagnostic services, poor facility maintenance, weak human resource capacity, and an unregulated private sector with limited quality control. The quality of Ulaanbaatar's emergency care service is a concern because of missing equipment and a deficient ambulance fleet. PHC in rural areas faces challenges resulting from scarce financing and inadequate maintenance. Mongolia lacks integrated care models, resulting in poor coordination of primary and secondary health care services. The public–private partnership (PPP) regulatory framework is not well-developed and additional support is required to enable the private sector to be an important health service provider.

7. **Secondary health service needs.** No district-level hospital service investments have been made since the 1980s, resulting in services that are inadequate and narrow in scope. District hospitals are unable to provide surgical and maternity services that meet national health service delivery standards, and are often poorly maintained, with outdated equipment and inadequate staffing. Most of Mongolia's population cannot afford care at the few existing private hospitals.

8. **Inefficient health financing system.** Mongolia's input-based health financing model is outdated and inefficient, compromising service quality which fail to meet medium- and long-term sector needs. The government lacks the capacity to (i) adequately plan, cost, and negotiate services; and (ii) move toward a more efficient output-based financing model based on the purchase of services.

9. **Constrained financial and procurement capacity.** The Ministry of Health (MOH) has weak financial and audit capability, and needs significant improvement in financial management, accountability, and transparency. Contract awards and disbursements are often delayed because of MOH's poor capacity to manage complex procurement processes such as those needed for large-scale health infrastructure. This is worsened by high staff turnover, new procurement rules, and outdated financial and audit systems.

10. **Road map, policy framework, and strategic context.** In response to these challenges, the Government of Mongolia has developed an integrated road map that includes a sustainable development vision with a clear policy and regulations, and is developing a health sector master plan, 2019–2027.[6] Mongolia's Sustainable Development Vision 2030 confirms the government's commitment to ensure access to universal health coverage (UHC) through the provision of equitable, accessible, and quality health services without financial hardship.[7] The State Policy on Health, 2017–2026 outlines Mongolia's goals to extend average life expectancy by improving the

[6] ADB. 2017. *Technical Assistance to Mongolia for Development of the Health Sector Master Plan, 2019–2027.* Manila.
[7] Government of Mongolia, State Great Khural. 2016. *Mongolia Sustainable Development Vision 2030.* Ulaanbaatar.

quality and inclusivity of health care services through disease prevention, introducing new technologies such as evidence-based diagnostics and treatment, and improving health sector financing.[8] The government will deliver equitable and inclusive health care services regardless of health status, type of disease, location, age, gender, education, sexual orientation, origin, language, or cultural difference. The health sector master plan will provide a platform for a coordinated response that ensures effective use of public and private investments.

11. The strong health sector road map will enable Mongolia to move toward UHC, focusing on strengthening of health systems supported by robust and well-anchored financing structures. Increasing investments in quality PHC is the most cost-effective way to ensure improved access to essential health care. Mongolia plans to allocate at least 5% of gross domestic product and 12% of government spending on health and limit patients' out-of-pocket expenditures to 25% of total health spending. Building on past experiences, ADB will continue to closely engage in policy dialogue to ensure a strong, resilient, sustainable, and responsive health system. The government will prioritize other critical elements, including sound procurement systems, the supply of medicines and health technologies, and well-functioning health information systems. Several MOH initiatives, including shifting to an output-based health financing system and strengthening of health sector governance, have contributed to ensuring access to essential packages of health services and improving the implementation of the health insurance scheme. Health sector investments in human capital and capacity improvements will have a positive effect on economic growth. The proposed ADB investment program will provide physical and nonphysical support to six out of eight health policy areas and will (i) improve primary and secondary health care services, and
(ii) strengthen the government's health financing system and financial and procurement capacity.

12. The government's health sector road map is consistent with ADB's Operational Plan for Health, 2015–2020, which supports government efforts to achieve UHC by improving the use of and access to health services, quality of health care, and health financial risk protection.[9] The investment program will support the implementation of ADB's Strategy 2030 by (i) addressing remaining poverty and reducing inequalities, (ii) accelerating progress in gender equity, (iii) tackling climate change and enhancing environmental sustainability, (iv) making cities more livable, and (v) strengthening governance and institutional capacity.[10] It is aligned with ADB's country operations business plan, 2019–2021; and country partnership strategy, 2017–2020 for Mongolia.[11]

III. THE INVESTMENT PROGRAM

A. Impact and Outcome

13. The investment program is aligned with the following impact: health status of Mongolians improved (footnote 8). The investment program will have the following outcome: access to affordable quality primary and secondary health services in Khovd and Uvs *aimags*, Ulaanbaatar *ger* areas, and selected *soums* improved.[12]

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[8] Government of Mongolia. 2016. *The State Policy on Health, 2017–2026*. Ulaanbaatar.
[9] ADB. 2015. *Health in Asia and the Pacific: A Focused Approach to Address the Health Needs of ADB Developing Member Countries—Operational Plan for Health, 2015–2020*. Manila.
[10] ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.
[11] ADB. 2018. *Country Operations Business Plan: Mongolia, 2019–2021*. Manila; and ADB. 2017. *Country Partnership Strategy: Mongolia, 2017–2020—Sustaining Inclusive Growth in a Period of Economic Difficulty*. Manila.
[12] The design and monitoring framework is in Appendix 1.

B. Outputs

14. **Output 1: Urban and rural primary health care strengthened.** The program will establish 10 new gender and client-friendly family health centers (FHCs) providing expanded health services to target populations in Ulaanbaatar, and six new gender and client-friendly *soum* health centers (SHCs) in selected *aimags* to strengthen PHC. Low-carbon technology (LCT) will be installed in three FHCs in selected *aimags.* Integrated primary and secondary health care models will be implemented in at least five districts and 10 *aimags,* and PPP models for equipment maintenance and service delivery will be pilot-tested for FHCs.

15. **Output 2: District and *aimag* hospital services improved.** The program will establish a model, gender-sensitive district hospital in Chingeltei district, and upgrade Khan Uul district hospital in Ulaanbaatar by functionally linking in- and outpatient services for surgery, obstetrics, gynecology, and other disciplines. LCT energy sources will be installed in Khan Uul district hospital. Khovd and Uvs *aimag* hospitals will be expanded through a new outpatient department. PHC services will be improved through strengthening hospital autonomy in line with MOH regulations, and PHC management capacity will be enhanced.

16. **Output 3: Health financing system strengthened.** The program will strengthen the capacity of health staff and streamline health services by establishing a program for service quality monitoring, stewardship, and policy coordination for a strategic purchasing model involving the health insurance organization (HIO), the Ministry of Finance (MOF), the MOH, and local governments based on issued regulations.[13] Institutional capacity will be developed through a program for systems performance analysis and evidence-based decision making at the MOH.

17. **Output 4: Procurement and financial management capacity of government health entities strengthened.** The program will support a continuous capacity building program for procurement, financial, and risk management procedures for the government entities.

18. **Use of multitranche financing facility.** These outputs are best financed by an MFF to efficiently and effectively achieve the outcome.[14] The government has a sector road map consistent with the national development vision, and a health reform framework[15] that is well-aligned with the program. The investments are significant for the sector and will allow for a phased approach with a well-defined financial envelope. The MFF permits ADB to consolidate its long-term partnership with the government on policy dialogue and capacity development, improves readiness for subsequent tranches, reduces transaction costs, and enhances sustainability. It will generate knowledge and lessons that will benefit the design of subsequent tranches and other health projects across ADB. Performance records and independent reviews of previous projects indicate that MOH can manage and complete the investments within the MFF availability period. The MFF allows ADB to assist in implementation of the policy framework combing infrastructure investments, policy dialogue and sector reforms through a strategic partnership with the government. Table 1 outlines the proposed investment program.

[13] Strategic purchasing means active, evidence-based purchasing of health services (benefit packages) applying cost-effectiveness, optimal volume of services, and an appropriate provider mix (public and private) to maximize social benefits.
[14] Comparison of Financing Modality (accessible from the list of linked documents in Appendix 2).
[15] Government of Mongolia. 2016. The State Policy on Health, 2017–2026. Ulaanbaatar.

Table 1: Activities by Outputs and Projects

Item	Project 1 (2019–2025)	Project 2 (2022–2026)	Project 3 (2025–2029)
Output 1: Urban and rural primary health care strengthened			
Investment (physical)	Establish four FHCs in Ulaanbaatar using LCT[a]	Establish one SHC in a selected *soum* (*aimag* subdistrict)	Establish six FHCs in Ulaanbaatar
	Establish five SHCs in selected *soums*		
	Establish a NECC in Ulaanbaatar		
Reform and/or capacity building	Carry out PHC financing, staffing, contracting, and quality management reforms		
	Develop and implement an integrated care model for continuity of primary and secondary care		
	Develop and implement PPP models for health care facility and equipment maintenance		
	Implement institutional reform of Ulaanbaatar and *aimag* (province) health departments in PHC planning, budgeting, regulation, and supervision		
	Design and implement a national emergency care system		
Output 2: District and *aimag* hospital services improved			
Investment (physical)	Expand and renovate Khan Uul district hospital using LCT[a]	Further expand Khan Uul district hospital	Expand Chingeltei district hospital
	Expand and renovate Khovd *aimag* general hospital	Establish Chingeltei district hospital	
	Expand Uvs *aimag* general hospital		
Reform and/or capacity building	Implement an institutional and capacity development plan for hospital autonomy		
	Implement a capacity building program for project hospital management teams		
	Develop and implement PPP models for maintenance of district hospitals		
Output 3: Health financing system strengthened			
Reform and/or capacity building	Design a strategic purchasing model and road map (legal framework)		
	Implement an institutional and capacity building program for enhanced stewardship, planning, and policy coordination for strategic purchasing for MOF, MOH, and the HIO		
	Implement a system and an institutional capacity building program for systems performance analysis and evidence-based decision making at MOH		
	Implement a capacity building program to enhance fund management, contracting, contract management, costing, and quality monitoring of health services for the HIO		
Output 4: Procurement and financial management capacity of government health entities strengthened			
Reform and/or capacity building	Develop an institutional and capacity building program for MOF, MOH, and the GPA on procurement, financial, and risk management		

FHC = family health center, GPA = government procurement agency, HIO = health insurance organization, LCT = low-carbon technology, MOF = Ministry of Finance, MOH = Ministry of Health, NECC = national emergency care center, PHC = primary health care, PPP = public–private partnership, SHC = *soum* health center.

[a] Using LCT in Khan Uul district hospital and three selected FHCs.

Source: Asian Development Bank.

19. **Scope of project 1.** Output 1 will (i) establish four FHCs in poorer *ger* areas of Ulaanbaatar, three of which uses LCT, and five SHCs;[16] (ii) establish a national emergency care center (NECC) backed by telemedicine and air services; (iii) reform PHC financing, staffing, contracting, and quality management at the Ulaanbaatar City Health Department and *aimag* health departments; (iv) implement models of integrated primary and secondary health care services; and (v) implement PPP maintenance models. Output 2 will expand the Khan Uul district hospital using LCT, improve the Khovd and Uvs *aimag* hospitals, strengthen hospital autonomy, and implement PPP maintenance models for district hospitals. Output 3 will develop and design the legal framework and plan for a strategic purchasing model to improve health financing efficiency and reduce out-of-pocket health expenses. Output 4 will develop an institutional and capacity building program for MOH and the government procurement agency (GPA) on procurement, and financial and risk management. Tranche 1 will finance all activities listed under

[16] Introduction of LCT in health facilities will be funded by the Japan Fund for the Joint Crediting Mechanism (JFJCM) trust fund (administered by ADB).

Project 1. Projects 2 and 3 will continue investments under tranche 1; each will be prepared in relation to the previous project.

20. **Development coordination.** ADB is Mongolia's key development partner in the health sector; other partners support the prevention and control of communicable diseases and the implementation of health programs. The World Bank supports digital health, while the Japan International Cooperation Agency and the Economic Development Cooperation Fund of the Republic of Korea are setting up tertiary health facilities. MOH chairs the sector coordination committee, which aims to ensure effective coordination and synergies between development partners and key stakeholders. The committee also provides a platform for improving collaboration between public and private sector health operators.

21. **ADB's value addition.** Lessons learned from past ADB health sector projects in Mongolia have been integrated into the proposed investment program. Recommendations from the project procurement-related review (PPRR)[17] conducted in 2017 led to the introduction of a design and build procurement methodology to avoid implementation and disbursement delays for outputs 1 and 2. Output 4 will reinforce a good governance approach to manage financial, audit, and procurement risks. Key innovations in output 3 include helping Mongolia's HIO focus on purchasing rather than passively financing services. This will enhance equity in the distribution of resources, increase efficiency, manage expenditure growth, and promote quality in health service delivery. The program will also introduce LCTs in health infrastructure in Ulaanbaatar, applying energy-efficient heating, ventilation, and air conditioning systems; highly insulated windows; rooftop photovoltaic power generation; and ground source heat pumps. Innovative gender design features and a PPP pilot program, which will outsource medical equipment and health facility maintenance, will also be introduced. ADB will provide complementary TA support for (i) preparing the health sector master plan, 2019–2027; (ii) strengthening capacity on hospital autonomy; and (iii) building capacity on health financing.[18]

C. Summary Cost Estimates and Financing Plan

22. The investment program is estimated to cost $163.51 million, including taxes and duties, physical and price contingencies, interest, and other charges during implementation (Table 2).

23. **Financing plan.** The government has requested an MFF of up to $158.34 million from ADB's ordinary capital resources to help finance part of the investment program. The MFF will consist of three tranches, subject to the government's submission of related periodic financing requests, execution of the related loan agreements for each tranche, and fulfillment of terms and conditions and undertakings in the framework financing agreement. The first tranche of the MFF will comprise a regular loan of $66.14 million and a concessional loan of $10.00 million. The regular loan will have a 25-year term, including a grace period of 6 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year (the interest and other charges during construction to be capitalized in the loan); and such other terms and conditions set forth in the draft loan agreements. Based on the straight-line method, the average maturity is 15.75 years, and the maturity premium payable to ADB is 0.10% per year. The concessional loan will have a 25-year term, including a grace period of 5 years; an interest rate of 2.0% per year during the

[17] Project Performance Under Past Assistance Strategy (accessible from the list of linked documents in Appendix 2).
[18] Footnote 6; ADB. 2015. *Technical Assistance to Mongolia for Strengthening Hospital Autonomy*. Manila; and ADB. 2018. *Technical Assistance to Mongolia for Improving Health Care Financing for Universal Health Coverage*. Manila.

grace period and thereafter (the interest and other charges during construction to be capitalized in the loan); and such other terms and conditions set forth in the draft loan agreements.

Table 2: Summary Cost Estimates
($ million)

Item		Amount[a]
A.	**Base Cost**[b]	
1.	Output 1: Urban and rural primary health care strengthened	33.33
2.	Output 2: District and *aimag* (province) hospital services improved	100.45
3.	Output 3: Health financing system strengthened	4.21
4.	Output 4: Procurement and financial management capacity of government health entities strengthened	3.24
	Subtotal (A)	**141.23**
B.	**Contingencies**[c]	**13.79**
C.	**Financial Charges During Implementation**[d]	**8.49**
	Total (A+B+C)	**163.51**

[a] Includes value-added taxes of $1.69 million, which will be fully financed by the government through exemption. Remaining taxes and duties will be financed by ADB. Such amount does not represent an excessive share of the investment program cost.
[b] In November 2018 prices.
[c] Physical contingencies computed at 5% for civil works; and for field research and development, training, surveys, and studies. Price contingencies computed at average of 1.8% on foreign exchange costs and 2.5% on local or domestic currency costs for the investment program; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.
[d] Includes interest, commitment charges, and any other financing charges for all sources of financing. Interest during construction for the ordinary capital resources (OCR) loan has been computed at the 5-year United States dollar fixed swap rate plus an effective contractual spread of 0.50% and maturity premium of 0.10%. Commitment charges for the OCR loan are 0.15% per year to be charged on the undisbursed loan amount. Interest during construction for the concessional OCR loan is at 2.0% per year.
Source: Asian Development Bank estimates.

24. The first tranche will finance civil works for the construction of health facilities, medical and information technology equipment, air transportation for the NECC, consulting services, and capacity building. The government will finance taxes and duties totaling $1.69 million. The Japan Fund for the Joint Crediting Mechanism (JFJCM) will provide grant cofinancing for tranche 1 to finance LCT and related costs in an amount equivalent to $3.48 million, to be administered by ADB. The JFJCM grant will be disbursed through parallel financing. The summary financing plan is in Table 3.

Table 3: Summary Financing Plan
($ million)

	Tranche (estimated year of PFR submission)				Share of
Source	**1 (2019)**	**2 (2022)**	**3 (2025)**	**Amount**	**Total** (%)
ADB					
OCR (regular loan)	66.14	40.71	41.49	148.34	90.73
OCR (concessional loan)	10.00	…	…	10.00	6.11
JFJCM[a]	3.48	…	…	3.48	2.13
Government	0.82	0.42	0.45	1.69	1.03
Total	**80.44**	**41.13**	**41.94**	**163.51**	**100.00**

ADB = Asian Development Bank, JFJCM = Japan Fund for the Joint Crediting Mechanism, OCR = ordinary capital resources, PFR = periodic financing request.
[a] Administered by ADB.
Source: ADB estimates.

25. **Climate finance.** Climate mitigation is estimated to cost $33.8 million and climate adaptation is estimated to cost $2.6 million under the investment program. JFJCM will finance 10.3% of mitigation costs under tranche 1.

D. Implementation Arrangements

26. Implementation arrangements of the investment program are summarized in Table 4 and described in detail, including specific arrangements for project 1, in the facility administration manual (FAM).[19]

Table 4: Implementation Arrangements

Aspects	Arrangements		
MFF availability period	October 2019–March 2029		
Estimated completion date	January 2029 (MFF)		
Management			
(i) Oversight body	Program Steering Committee: MOH (chair); Ministry of Finance, Family Doctor Association, health insurance organization, *aimag* (province) and city health departments, state hospitals and specialized centers, and district hospitals (members)		
(ii) Executing agency	MOH		
(iii) Key implementing agencies	The key implementing agencies will be (a) MOH for all outputs and investments in *aimags* (provinces) and *soums (aimag* subdistricts), and (b) UCMO through Ulaanbaatar City Health Department for investments in Ulaanbaatar. The government procurement agency will manage the bidding process for the construction of the Khan Uul and Chingeltei district hospitals, Khovd and Uvs *aimag* general hospitals, and NECC. The MOH will manage the bidding process and contract management for the construction of FHCs and SHCs and the engagement of consultants.		
(iv) Implementation unit	PIU (under MOH), 12 staff (nine full-time, three part-time)		
Procurement[a] (MFF)	OCB national advertisement	10 contracts (civil works)	$13.21 million
		5 contracts (goods)	$7.03 million
	OCB international advertisement	6 contracts (civil works)	$16.47 million
		8 contracts (goods)	$27.18 million
		3 contracts (design–build)	$47.60 million
	Request for quotation	27 contracts	$4.49 million
Consulting services (MFF)	QCBS	7 contracts	$16.12 million
	FBS	2 contracts	$0.71 million
	LCS (annual audit)	1 contract	$0.12 million
	ICS	2 contracts	$0.14 million
Procurement (project 1)	Procurement under project 1 will comprise seven works contracts ($6.07 million) and one goods contract ($1.09 million) using OCB national advertisement; four works contracts ($11.79 million), one design–build contract ($20.40 million), and five goods contracts ($16.00 million) using OCB international advertisement; and 13 goods and nonconsulting services contracts ($2.35 million) using request for quotations. Subsequent projects will have similar composition of contract packages.		
Consulting services (project 1)	Under project 1, consulting services will be engaged for 629 person-months ($6.336 million) using the QCBS method, 99 person-months ($0.551 million) using the FBS method, and 10 person-months ($0.06 million) for annual auditing using the LCS method. Subsequent projects will have similar requirements for consulting services.		
Advance contracting	Advance contracting may be applied for hiring PIU staff.		
Disbursement	Each of the loan and grant proceeds will be disbursed following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank, FBS = fixed-budget selection, FHC = family health center, ICS = individual consultant selection, LCS = least-cost selection, MFF = multitranche financing facility, MOH = Ministry of Health, NECC = national emergency care center, OCB = open competitive bidding, PIU = program implementation unit, QCBS = quality- and cost-based selection, SHC = *soum* health center, UCMO = Ulaanbaatar City Mayor's Office.

[a] All procurement (works, goods, and consulting services) will follow ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Source: ADB estimates.

[19] FAM (accessible from the list of linked documents in Appendix 2).

IV. DUE DILIGENCE

A. Technical

27. Due diligence confirmed that the application of imaging, laboratory, and sterilization medical technology in health infrastructure will follow national guidelines. The climate change mitigation component will introduce technology already familiar in Mongolia. The JFJCM grant includes strategic capacity building to ensure the sustainability of the investment and continued support for operation and maintenance. The investment program has allocated enough resources for capacity building. The three TA projects supported by ADB will also provide targeted capacity building to ensure the effectiveness and sustainability of the MFF (footnotes 6 and 16).

B. Economic and Financial

28. **Economic analysis.** The economic analysis covers 30 years, including MFF 10-year period from 2019 to 2029. The estimated program economic benefits from improved access (geographic and financial) to quality health care include avoided loss of productive life years because of premature death and permanent disability, savings in medical care expenses, and productivity gains from time savings. Other economic benefits were not quantified because of practical constraints. The economic value of land is nearly zero. The program investments are economically justified, and each tranche has an economic internal rate of return (EIRR) above the economic opportunity cost of capital of 6%, based on a total project financial cost of $163.51 million. The base-case EIRR is from 13.5%–23.3%, while the EIRR for the overall project is 21.5%. A sensitivity analysis conducted by tranche and for the overall program indicates the EIRR remains robust under combined risk scenarios. The poverty impact ratio shows that 40% of the economic benefits of the program will reach the poor, who comprise 27% of the country's total population; the program will therefore have a positive impact on poverty alleviation.

29. **Financial analysis.** The program has no revenue-generating component, and the financial sustainability analysis therefore focused on the fiscal capacity of the government to finance the counterpart funding and incremental recurrent costs after completion. The program was found to be financially sustainable at the project level, because the average funds required during MFF implementation (2019–2029) and throughout the program loan period (2019–2049) is at 1.45% of the annual budget forecast. This is within acceptable (2%–3%) limits as compared with other programs of a similar nature. The total program requirements can be financed from the forecast unused budget balance, which has ranged from 3% (2017) to 10% (2012) of the approved annual budget. The predictability of the health care budget is low, which poses substantial risk. This has historically resulted in health care service shortages and deficiencies, and inefficient health care system financing. To ensure project sustainability, the government has agreed to provide assurances that operation, maintenance, and other required funding will be available on a timely basis. Risks and mitigation measures are outlined in Table 5.

C. Governance

30. The MFF includes capacity development of the executing and implementing agencies, GPA, and program implementation unit (PIU) on managing (i) risks associated with delays in contract awards and disbursements; and (ii) risk associated with compliance with ADB's project management; procurement procedures; safeguards monitoring; and accounting, reporting, and auditing requirements. The financial management and procurement risk assessments concluded that the financial management risk is *substantial*, the procurement risk is *high*, the internal and external audit functions are perceived to be *weak*, and the country and sector procurement risks

are *high*. Complex and high-value contracts are expected under the program. However, both the executing agency and the GPA will have adequate capacity to facilitate full compliance with ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). Mitigation measures have been incorporated into the program design (output 4) and their application will be closely monitored during program implementation. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the MOH. The specific policy requirements and supplementary measures are described in the FAM (footnote 19).

D. Poverty, Social, and Gender

31. The poverty and social analysis confirmed that all residents, including vulnerable groups in the program areas, will benefit from the proposed outputs. The program will create inclusive and gender-sensitive health services in the poorer and disadvantaged areas of Ulaanbaatar and in selected *aimags* and *soums.* It will reduce out-of-pocket health expenses through the implementation of a new health financing model. About 200,000 people living in *ger* areas in Ulaanbaatar (Khan Uul and Chingeltei districts) and 180,000 from the rural population (Khovd and Uvs *aimags* and six selected *soums*) will directly benefit from the program. The social and gender action plan (SGAP) was prepared by ADB to ensure positive impact for all beneficiaries.[20] The program will enhance staff capacity of the FHCs and SHCs to better respond to the differentiated risk factors and specific health care needs of different vulnerable groups, including the poor, women, people with disability, and ethnic minorities.

32. Project 1 is classified *gender equity* as a theme. A combined SGAP for the MFF and tranche 1 was developed. Project 1 will (i) provide gender-sensitive and culturally respectful health care services, (ii) create awareness and build capacity of staff on gender-based and domestic violence cases, (iii) identify and develop gender-based violence guidelines for medical staff to identify and refer cases to FHCs, (iv) improve the capacity of FHCs and SHCs to provide gynecological services, (v) build the capacity of medical staff and communities on key risks related to noncommunicable diseases, and (vi) integrate gender dimensions in the design of the health financing model. The executing and implementing agencies will monitor the implementation of the SGAP and will provide periodic progress reports. A social development and gender specialist will assist the executing and implementing agencies in the effective implementation and monitoring of the SGAP.

E. Safeguards

33. In compliance with ADB's Safeguard Policy Statement (2009), the safeguard categories of project 1 are as follows.[21]

34. **Environment (category B).** An initial environmental examination and an environmental management plan (EMP) were prepared by ADB to comply with the Safeguard Policy Statement.[22] Subsequent tranches may be category B or C, but any activities that trigger category A are excluded from funding. Environmental impacts are anticipated during the construction and demolition of structures, including dust and noise from earthworks, transport, and handling of aggregate materials and waste; temporary traffic disturbances; and risks to community and

[20] SGAP of the MFF and Tranche 1; and Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).
[21] ADB. Safeguard Categories. Recategorization of safeguards will be undertaken for subsequent tranches.
[22] Initial Environmental Examination: Including Environmental Management Plan (accessible from the list of linked documents in Appendix 2).

occupational health and safety. If renovation or refurbishment for any component requires removal of asbestos-containing materials, the particular activity will be dropped from the MFF program. Mitigation measures defined in the EMP, such as construction site management and regular monitoring of the project's environmental performance during construction and operation, will minimize anticipated impacts and reduce other construction-related health and safety concerns to acceptable levels. The environmental assessment and review framework (EARF) provides guidance for selection, screening, and categorization; environmental assessment; and preparation and implementation of the program's environmental safeguard plans. All three projects under the investment program must comply with EARF requirements to be eligible. The PIU and its environment and social safeguards specialist, assisted by implementation consultants, have adequate capacity to implement mitigations required by the EMP for project 1, and the EARF for subsequent projects 2 and 3.

35. **Involuntary resettlement (category C).** The components under project 1 will not trigger any land acquisition or involuntary resettlement impacts. Due diligence confirmed that land certificates and/or possessions have been issued, indicating ownership of land by the hospital, diagnostic center, and FHCs. A resettlement framework has been prepared by ADB for the MFF to guide the screening, preparation, and implementation of a land acquisition and resettlement plan for any components with involuntary resettlement impacts in subsequent tranches.

36. **Indigenous peoples (category C).** The Khovd and Uvs *aimags* are home to the following ethnic groups: Bayad, Buriad, Durvud, Kazakh, Khalimag, Khalk, Khoton, Myangad, Torguud, Tuva, Uriankhai, Uuld, and Zakhchin. The poverty and social analysis found that ethnic minority groups will not be adversely affected and that they will equally benefit from project 1. The SGAP includes measures to enhance access to and promote socially inclusive and culturally responsive health care services. An indigenous peoples planning framework has been prepared by ADB for the MFF to guide the screening, preparation, and implementation of ethnic minority development plans for any differentiated impacts on ethnic minorities for subsequent tranches.[23]

F. Summary of Risk Assessment and Risk Management Plan

37. Significant risks and mitigating measures are summarized in Table 5 and described in detail in the risk assessment and risk management plan.[24]

Table 5: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
The government fails to allocate sufficient funds for operation and maintenance costs for hospitals, PHC facilities, and emergency services.	Program-generated operation and maintenance costs will be estimated in advance of the annual budget preparation and their inclusion in the MOH budget will be monitored by ADB and the PIU. A loan covenant will support the government's inclusion of appropriate recurrent funds in yearly budgets submitted for MOF endorsement and Parliamentary approval. Support for the executing agency to ensure predictable financing will be provided under the MFF.
The government and health providers resist the transfer of state-funded hospital health care services to the HIO, which will purchase services directly from health care providers.	Program activities and technical assistance related to the strategic purchaser during project 1 will increase awareness and enhance stewardship on the part of the MOF, the MOH, and the National Council on Health Insurance. A loan covenant will support the progressive transfer of all hospital health care services currently funded by the state to the HIO, which will purchase the services directly from the providers.

[23] Indigenous Peoples Planning Framework (accessible from the list of linked documents in Appendix 2).
[24] Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigation Measures
Audit and procurement risk, given that MOH has experienced past audit (internal and external) and procurement challenges, and procurement will comprise multiple packages.	A comprehensive and targeted governance capacity building component (output 4) will provide support across the entire MFF to address and mitigate associated procurement, financial, audit, and corruption risks. These measures have been developed in close partnership with the government and ADB's OAI and PPFD.

ADB = Asian Development Bank; HIO = health insurance organization; MFF = multitranche financing facility; MOF = Ministry of Finance; MOH = Ministry of Health; OAI = Office of Anticorruption and Integrity; PHC = primary health care; PIU = program implementation unit; PPFD = Procurement, Portfolio and Financial Management Department.
Source: ADB.

V. ASSURANCES

38. The government and the MOH have assured ADB that implementation of the investment program shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the FAM and loan documents.

39. The government and the MOH have given certain undertakings for the MFF, which are set forth in the framework financing agreement. Specific covenants agreed by the government and the MOH with respect to individual tranches under the MFF are set forth in the loan and grant agreements for the respective tranches.

VI. RECOMMENDATION

40. I am satisfied that the proposed multitranche financing facility would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the multitranche financing facility to Mongolia for the Improving Access to Health Services for Disadvantaged Groups Investment Program in an aggregate principal amount not exceeding the equivalent of $161,820,000, which comprises

(i) the provision of loans from ADB's ordinary capital resources, in regular terms, with interest and other terms to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility;
(ii) the provision of loans from ADB's ordinary capital resources, in concessional terms, with interest and other terms to be determined in accordance with ADB's applicable policies relating to ordinary capital resources; and
(iii) the administration by ADB of the grant to be provided by the Japan Fund for the Joint Crediting Mechanism

and is subject to such other terms and conditions as are substantially in accordance with those set forth in the framework financing agreement presented to the Board.

Takehiko Nakao
President

20 September 2019

DESIGN AND MONITORING FRAMEWORK FOR THE INVESTMENT PROGRAM

Impact the Investment Program is Aligned with Health status of Mongolians improved (The State Policy on Health, 2017–2026)[a]			
Results Chain	**Performance Indicators with Targets and Baselines**	**Data Sources and Reporting Mechanisms**	**Risks**
Outcome Access to affordable quality primary and secondary[b] health services in Khovd and Uvs *aimags* (provinces), Ulaanbaatar *ger* (traditional tent) areas, and selected *soums* (*aimag* subdistricts) improved	**By 2030** a. Capacity of primary health facilities to provide basic services at a minimum standard increased 50% in project sites (2017 baseline: 61.5% general service readiness index in Khan Uul and Chingeltei districts) b. Patients' satisfaction with expanded range of services at secondary hospitals increased in project sites (2019 baseline: to be collected[c]) c. 20% of health services funding under the state budget is contracted by the HIO (2019 baseline: 0%)	a. Project reports on service availability and readiness using the World Health Organization's assessment tool b. Pre- and post-survey reports on patients' satisfaction c. MOH and MOF annual reports	The government fails to budget sufficient funds for operation and maintenance costs generated by program investments and activities for hospitals, PHC facilities, and emergency services.
Outputs 1. Urban and rural PHC strengthened	1a. By 2028, 10 gender and client-friendly FHCs with expanded services set up and providing health services to target populations in Ulaanbaatar (2017 baseline: 129 FHCs)[d] 1b. By 2028, six gender and client-friendly SHCs established in selected *aimags* (2017 baseline: 312 SHCs)[d] 1c. By 2028, integrated primary and secondary care models in at least five districts in Ulaanbaatar and 10 *aimags* implemented (2019 baseline: not applicable) 1d. By 2028, LCT installed in three FHCs (2019 baseline: not applicable) 1e. By 2026, PPP models for FHC in maintenance and service delivery pilot-tested and results evaluated (2019 baseline: not applicable)	1a–c. MOH annual project progress reports 1d. Monitoring and verification reports 1e. Project reports	Resistance from health providers and government officials to transfer hospital health care services currently funded by the state to the HIO to purchase services directly from the health care providers.
2. District and *aimag* hospital services improved	2a. By 2026, model district hospital with a gender perspective set up in Chingeltei district in Ulaanbaatar (2019 baseline: not applicable)[e] 2b. By 2026, Khan Uul district hospital in Ulaanbaatar upgraded to include surgery, obstetrics, gynecology, and other disciplines; and functionally linked in- and outpatient departments (2019 baseline: not applicable) 2c. By 2026, Khovd *aimag* hospital upgraded to include a new diagnostic and treatment center (2019 baseline: not applicable) 2d. By 2024, Uvs *aimag* hospital expanded with a new outpatient department (2019 baseline: not applicable)	2a–d. Project reports, MOH annual reports	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	2e. By 2029, 50% of *aimag* and district hospitals operating autonomously, in line with approved MOH regulations (2019 baseline: 0%) 2f. By 2029, at least 50% of hospital management staff, of whom 50% are women, reported improved hospital management skills (2019 baseline: 0%) 2g. By 2029, at least 80% of family doctors and other relevant staff, of whom 50% are women, reported new knowledge, awareness, and response on gender-based violence (2019 baseline: 0%) 2h. By 2026, cost-effective LCT energy sources installed in Khan Uul district hospital (2019 baseline: 0)	2e. Survey on adoption of MOH regulation for hospital autonomy 2f–h. Participant feedback, survey results, and skills tests	
3. Health financing system strengthened	3a. By 2029, an integrated strategic purchasing model set up involving the HIO, the MOF, the MOH, and local governments based on issued regulations (2019 baseline: not applicable) 3b. By 2029, 80% of HIO staff reported improved purchasing capacity, including planning and negotiations skills, contracting and contract management, costing, monitoring and reporting, service quality auditing, and fund management (2019 baseline: 0%) 3c. By 2029, at least 80% of MOH and MOF staff, of whom 50% are women, reported improved skills in stewardship, planning, and purchasing (2019 baseline: 0%)	3a. Ministerial orders, MOH and MOF reports 3b–c. Survey of training participants	
4. Procurement and financial management capacity of government health entities strengthened	4. By 2024, at least 60% of MOH staff improved capacity in procurement, financial, and risk management procedures (2019 baseline: 0%)	4. Surveys, training, and skills tests	

Key Activities with Milestones

1. Urban and rural primary health care strengthened

1.1 Introduce reforms at the PHCs, including financing (rebalancing PHC and hospital financing), staffing, maintenance, service organization, and quality management (tranches 1–3, 2019–2028)

1.2 Establish 10 gender and client-friendly model FHCs (using LCT in selected FHCs) in the poorer *ger* areas of Ulaanbaatar with expanded services, including basic gynecology, laboratory and diagnostic services, and clinical outreach services (tranches 1–3, 2019–2028)

1.3 Establish six gender and client-friendly SHCs in Ulaanbaatar and selected *soums* (tranches 1–2, 2019–2026)

1.4 Develop and implement models of integrated primary and secondary services to ensure continuity of care and synergy between primary and secondary level providers (tranches 1–3, 2019–2028)

1.5 Conduct a feasibility study, and recommend and implement PPP models for maintenance and service delivery (e.g., equipment cost sharing, social franchising) to improve FHC management (tranches 1–3, 2019–2028)

1.6. Assess the existing emergency care situation, and design and implement a national emergency care system (tranche 1, 2019–2024)

1.7 Carry out an institutional and human resource development program for PHC planning, budgeting, regulation, and supervision, backed by information technology of Ulaanbaatar City Health Department and *aimag* health departments, based on training needs assessment (tranches 1–2, 2019–2026)

2. District and *aimag* hospital services improved 2.1 Upgrade and expand the Khan Uul district hospital modeled after the Songinokhairkhan district hospital, including design, construction, equipment provision, staff training, and LCT (tranches 1–2, 2019–2026) 2.2 Upgrade the Khovd *aimag* hospital and set up a diagnostic and treatment center, including design, construction, equipment provision, and staff training (tranches 1–2, 2019–2026) 2.3 Expand the Uvs *aimag* hospital by adding a new outpatient department, including design, construction, and staff training (tranche 1, 2019–2024) 2.4 Establish a model hospital in Chingeltei district modeled after the Songinokhairkhan district hospital, including design, construction, equipment provision, and staff training (tranches 2–3, 2022–2029) 2.5 Further develop management systems for autonomous hospitals, and prepare and implement a capacity development plan for hospital autonomy in line with agreed management systems (tranches 1–3, 2019–2028) 2.6 Conduct feasibility studies, and recommend and implement PPP models for maintenance and service delivery (e.g., equipment cost sharing) to improve hospital management (tranches 1–3, 2019–2028) 2.7 Carry out a capacity building program in hospital management for project hospital management teams and other relevant stakeholders (tranches 1–3, 2020–2028) 2.8 Implement and monitor LCT installed in health facilities (tranches 1–3, 2020–2029) **3. Health financing system strengthened** 3.1 Develop and implement a strategic purchasing model based on issued regulations that transfers part of health services and their funding under the state budget to the HIO (tranches 1–3, 2019–2027) 3.2 Develop and implement an institutional and capacity building program for enhanced stewardship, planning, and policy coordination for strategic purchasing for the MOF or the MOH and the National Council on Health Insurance (tranches 1–3, 2019–2026) 3.3 Develop and implement a system and an institutional and capacity building program for system performance analysis and evidence-based decision making at the MOH (tranche 2, 2022–2026) 3.4 Develop and implement an institutional and capacity building program to enhance fund management, contracting, contract management, costing, and quality monitoring of health services for the HIO (tranches 1–3, 2019–2029) **4. Procurement and financial management capacity of government health entities strengthened** 4.1 Assess internal processes, and develop and implement a continuous institutional and capacity building program for procurement, financial, and risk management procedures at government entities (tranches 1–3, 2019–2028) 4.2 Carry out regular capacity building activities for selected MOH staff on ADB's new procurement policy and key functions of financial and risk management procedures (tranches 1–3, 2019–2028)
Investment Program Management Activities Carry out (i) out-of-pocket expenditures surveys, (ii) an assessment of hospitals' autonomous operation and management, (iii) a health care service utilization survey, and (iv) a longitudinal survey of the effect of introducing the strategic purchaser on health sector performance. Prepare tranches 2 and 3, including necessary due diligence (tranche 2 by 2021 and tranche 3 by 2024). Monitor deadlines for procurement packages and implement key procurement activities. Monitor civil works and health infrastructure investments. Implement and report on (i) social and gender action plan, and (ii) environmental management and climate change mitigation plan.
Inputs ADB: $158.34 million (loan) Japan Fund for the Joint Crediting Mechanism: $3.48 million (grant) Government: $1.69 million
Assumptions for Partner Financing Not applicable

ADB = Asian Development Bank, FHC = family health center, HIO = health insurance organization, LCT = low-carbon technology, MOF = Ministry of Finance, MOH = Ministry of Health, PHC = primary health care, PPP = public–private partnership, SHC = *soum* health center.

[a] Government of Mongolia. 2016. *The State Policy on Health, 2017–2026*. Ulaanbaatar.

[b] Secondary health services means referral services at *aimag* and district general hospital.

[c] Patient satisfaction baseline survey will be conducted in 2019.

[d] Gender aspects include expanded services focusing on women's and men's needs: (i) basic gynecology and diagnostic (e.g., pap smear, ultrasound) and maternity services in SHCs; (ii) trained personnel for specific gender aspects; (iii) appropriate equipment; and (iv) assurance of patient's privacy.

[e] The model district hospital is patterned after the Songinokhairkhan district hospital, which is being established under the Fourth Health Sector Development Project (ADB. Mongolia: Fourth Health Sector Development Project). It includes (i) services defined in the Health Law (2016), including surgery, obstetric, pediatric, cancer treatment, and emergency services; (ii) linked in- and outpatient services; (iii) advanced laboratory and diagnostic capacity; and (iv) improved hospital management.

Source: ADB.

LIST OF LINKED DOCUMENTS

http://www.adb.org/Documents/RRPs/?id=49173-003-3

1. Loan Agreement: Ordinary Operations
2. Loan Agreement: Ordinary Operations (Concessional)
3. Grant Agreement: Externally Financed
4. Framework Financing Agreement
5. Periodic Financing Request of the Tranche 1
6. Sector Assessment (Summary): Health
7. Comparison of Financing Modality
8. Facility Administration Manual
9. Contribution to the ADB Results Framework
10. Development Coordination
11. Financial Analysis
12. Economic Analysis
13. Country Economic Indicators
14. Summary Poverty Reduction and Social Strategy
15. Environmental Assessment and Review Framework
16. Resettlement Framework
17. Indigenous Peoples Planning Framework
18. Risk Assessment and Risk Management Plan
19. Project Performance Under Past Assistance
20. Climate Change Assessment
21. Social and Gender Action Plan of the Tranche 1
22. Initial Environmental Examination (Including Environmental Management Plan)

Supplementary Documents

23. Environmental Management Plan (for contractors)
24. Financial Management Assessment
25. Tables for Economic Analysis
26. Technical Report Output 1: Strengthening Primary Health Care
27. Technical Report Output 2: Strengthening District and *Aimag* Hospitals
28. Technical Report Output 3: Establishing a Strategic Purchaser of Health Services Model
29. Technical Report Output 4: Strengthening Procurement, Financial, and Contract Management Capacities of Relevant Government Entities for Health