

# WOOL PROCESSING AND MARKETING PROJECT

## FINAL EVALUATION

April 2008

---



Prepared for: Norwegian Lutheran Mission, Ulaanbaatar, Mongolia

Prepared by: Deidre Fischer; T. Tuul; Erdenbileg; Shaya Nettle

## **ABBREVIATIONS**

Area/country of implementation:

Local currency

Norwegian Lutheran Mission, Mongolia

NORAD

BN

MCTIC

MTI

SDP

BDP

ITC

TA

CU

WCCC

MNCCI

CFS

Mongolia (MN)

Turgrik (MNT)

NLM-M

Norwegian Aid & Development Agency for Development cooperation

Biwstandsnemda (the Norwegian Mission Council)

Mongolian Cooperative Training and Information Centre

Mongolian Textile Institute

Selenge Development Project

Bayanzurkh Development Program

International Trade Centre, Geneva

Tsagaan Alt (Wool Shop)

Nooson Zangilaa Cooperaative Union

Wool Craft and Cooperative Centre (Training NGO)

Mongolian National Chamber of Commerce and Industry

Child and Family Strengthening Project

# Table of Contents

---

Executive Summary .....	4-5
Introduction.....	6-7
Purpose of Evaluation .....	8
Method .....	8-9
<b>1. Relevance .....</b>	<b>9-12</b>
1.1 Evaluate the transferring process of activities, equipment and assets from WPMP to the structures of Cooperative Union, Tsagaan Alt Wool Shop and the WCCC (training NGO)	
1.2 Evaluate the marketing activities within the different structures (CU, NGO and wool shop).	
<b>2. Effectiveness .....</b>	<b>13-20</b>
2.1. Review the project outputs in relation to its planned activities and achievements based on the plans made for the period from 2005-2008. Measure how successful the project has been in meeting its goals and objectives since 2005.	
2.2. Analyse the effectiveness and impact of trainings conducted to meet the project's aim.	
<b>3. Sustainability .....</b>	<b>21-26</b>
3.1. Evaluate NLM's phase out model/policy and how successful this was in ensuring a smooth and sustainable phase out.	
3.2. Evaluate the Cooperative Union and its ability to maintain WPMP's current level of activity after the transfer of ownership in December 2007.	
3.3. Evaluate the Tsagaan Alt wool shop and its ability to run sustainable in the future. Make comments and recommendations on the way it is set up and its cooperation with the cooperatives, and operational management by the Cooperative Union.	
3.4. Evaluate WCCC (the training NGO) and its ability to run sustainable in the future. Make comments and recommendations on the way it is set up and its operational management and financial situation.	
3.5. Evaluate current partnerships, structures and processes and their effectiveness and future sustainability, such as the relationship with international buyers.	
<b>4. Efficiency .....</b>	<b>27</b>
4.1. Evaluate the current operation and organisational management of WPMP.	
<b>5. Impact.....</b>	<b>28-30</b>
5.1. Evaluate how successful the project has been in increasing the standard of living of project participants, through measures such as surveys and one on one interview. This should not be limited to increases in income but look at broader measures as well (such as impact on project participants' families). What has the real impact of the project been on its family participants? Has there been a difference in impact on males and females within their family due to the project? Has the situation/relationship between men and women changed due to the project? If so, how?	
5.2. Evaluate and make comments on the impact of the ITC cooperation.	
5.3. Analyse the impact or assess the future impact of the project on the target group (both current and future).	
<b>Declaration.....</b>	<b>31</b>
<b>Appendices .....</b>	<b>32-42</b>

## EXECUTIVE SUMMARY

---

WPMP has made a significant difference to the lives of vulnerable Mongolian families, mainly single-mother households, by creating employment through training in felt production, and establishing successful structures to ensure the continuation of these income generation activities. These structures include Producer Cooperatives, the Cooperative Union, a felt-training NGO (Wool Craft Competence Centre) and retail and marketing outlet - Tsagaan Alt. In doing so, WPMP has also pioneered extensive change and innovation in the Mongolian felt industry.

In addition, WPMP has benchmarked a new level of innovation in business structure and development in Mongolia. It has gained recognition and acceptance within Mongolia, by producers, customers, cooperative experts and national institutions, as a model of excellence and innovation. The WPMP project delivers a complete 'path-to-market' cooperative business model, from producer to the end consumer, and is well positioned to be used as a potential model for organizing and growing other industries through cooperative structures.

### Comments and Recommendations

There are several concerns regarding the sustainability of the project, however, these must be viewed in context of the original foundations and principles from which the project has evolved. WPMP commenced as a poverty reduction initiative (BDP), based on social values and empowering vulnerable families through education on wool craft and health prevention. The high level of skill achieved and number of people trained in this part of the project, prompted the need for a reliable sales outlet and business structures to provide long-term security and income to trained producers. A key challenge of WPMP has been to facilitate the transition from the project's original social values to business principles, including the challenge of changing the producer's attitude and willingness to run independently. WPMP has applied extensive energy, training and resources in trying to develop sufficient business capacity of the relevant structures in accordance with market and business management practices, with the aim of reducing reliance on external financial and in-kind project support.

In view of this, the evaluation team's key recommendations are as follows:

- **Independent Advisory Board for TA and CU:** To enable independent business advice in the best interest of the separate project units, according to their core competencies and focus. It should consist of TA, CU and NLM representatives, as well as two independent and experienced individuals from the private, public or development sector. The focus of this board should be on providing organizational and management advice with a focus on financial sustainability. Annual independent audits and internal processing from the separate project units should be part of this process. Refer Appendix I: Proposed Organisational Structure.
- **Tsagaan Alt Building: Transfer and Ownership:** There are several concerns regarding transfer and ownership of TA Building, including:
  - **Time-line:** This should be finalized as soon as possible and communicated to all stakeholders as early as possible.
  - **Approach:** The pay-back amount and approach, should be determined in partnership with TA and CU, with a clear understanding and sign-on by each party, to their financial obligations as independent business units and how this will affect their operating revenue and annual profit.
  - **Veto Process:** Recommend NLM build in a monitoring and veto process to safeguard the transfer of assets until the organizations are mature enough and financially sustainable enough to enable NLM to withdraw completely.
  - **Pay-back Amount:** It is recommended that an external accountant oversee this process to ensure that the arrangement is carefully considered in-line with CU and TA's cash-flow and profit. It's important that it does not impede on their ability to re-invest into their businesses over the pay-back period; this is particularly relevant for CU which is a start-

up organization with minimal trading history and experience. Although NLM is offering the building at a considerably discounted price, which will position CU with a highly valuable asset at the end of the payback period, the monthly amount of \$2,500 currently being discussed is \$1,000 more than TA's current rent and there are concerns that this will impact the profit returned to CU and its future business developments.

- **Pay-back Period:** It may be in NLM's interest for securing their financial investment and ensuring the project's sustainability, to extend the pay-back period to 7 or 8 years, at a lesser value, with annual audits undertaken by NLM management.
  - **Evaluation of Building:** It's recommended that NLM ascertain an independent evaluation of the building, and incorporate a legal clause prohibiting CU from selling the building for a minimum number of years after taking ownership.
- 
- **Development of NLM Project Systems:** Develop clear and transparent processes and tools for Norad evaluation NLM and NLM evaluating its projects. This should be in-line with Norad requirements and all stakeholders within projects should have the same tools and processes for evaluating their project component to enable consistent reporting and evaluation. Base-line indicators and measurable outputs should try to be incorporated into all projects.
  - **Independent Economic Modeling:** Despite clear improvements in income and standards of living for project participants, as well as extensive training and consideration of pricing, there is significant variance in the levels of satisfaction and economic benefits for different producers, with ongoing pricing complaints and feedback that many producers seek to supply other higher paying customers outside of TA, which may destabilize CU's long-term producer base. An independent pricing analysis could review the pricing chain, including all project inputs and outputs and consider supply-chain efficiencies to ensure current pricing strategy and market position is adequate to ensure the long-term viability of CU and producer cooperatives. *Refer Appendix II: Costing Analysis.*
  - **WCCC Restructure:** Redefine the role and purpose of WCCC, to leverage the expertise and reputation established during the project, as a national leader in felt-training. Options could include strategically expanding its training programs to include advising and providing trainings to cooperatives, or partnering with MTI to provide a comprehensive felt-training program, from basic training (which they currently specialize in) to sophisticated design and fabric trainings in partnership with MTI.
  - **Cooperative Advocacy:** Collaborate with other Mongolian cooperatives and institutions supporting cooperative development, in order to share experiences and advocate change in legislation in the interest of creating conducive operating conditions for Mongolian cooperatives.

**NOTE: FORWARD ACTION PLAN: JULY – DECEMBER 2008**

***As the project has been phased out, the evaluation team has concerns regarding the process for considering and implementing the recommendations of this evaluation. In the interest of the long-term sustainability and ongoing success of the project, and our understanding that NLM intends to have zero further financial input into the project beyond June 2008, it is highly recommended that NLM consider partnering with another donor organization, such as ITC, to seek financial support to resource the development and implementation of an Action Plan and way-forward strategy for the period July – December 2008, with the key focus being on prioritizing and implementing the recommendations of this evaluation.***

## INTRODUCTION

---

### Goals:

Empower families to improve their living conditions in a sustainable way through the production, sale and trade of wool craft products.

Also empower the wool crafters and the relevant institutions in the Mongolian community to establish cooperative structures for a sustainable development of the wool craft business and improvements in its technology and infrastructure.

### WPMP Overview

WPMP started in 2001 through a merger of different wool processing activities in two different projects, Bayanzurkh Development Program (BDP) and Selenge Development Project (SDP) in Darkhan and Ulaanbaatar. The first wool training and processing activities started in 1996, and in excess of 2,000 people with little or no income have attended felt trainings since then.

WPMP is a strategic extension on BDP, which commenced in 1996, with the goal of improving the standard of life of BZD people through the education of wool craft and health prevention BDP provided wool craft trainings and health insurance for vulnerable people and organized primary health training to public and secondary school children.

WPMP builds on the successes achieved through the wool training programs of BDP and reflected the need to empower existing (trained) wool crafters from the BDP and relevant institutions in the Mongolian community to establish cooperative structures for the sustainable development of the wool craft industry.

WPMP formally commenced as a pilot project in 2003-2004, with the aim of gathering the wool production components into one project, to develop a better organizational base for the producers, and provide a coordinated approach for standardizing production and reaching the market.

WPMP commenced a 3-year plan in 2005, with the aim of developing a structure of local self-run wool-production cooperatives, a central administration and sourcing arm (CU), a retail and marketing outlet (TA) and a training unit (WCCC).

### Current Project Situation

WPMP has made a significant contribution to improving the lives of Mongolian families, and to the Mongolian felt industry, by empowering people through training and income generation activities and through pioneering the new 'cooperative' approach to organizing businesses in Mongolia. Key project components include:

- **Cooperative Union:** The Cooperative Union was established in 2006 as an umbrella organization to the primary producers. There are currently 10 members (producer cooperatives and WCCC) registered with CU. CU provides coordinated purchasing of raw materials as well as a central administrative, marketing and sales arm for the Cooperatives. The CU is positioned as the 'key' partner to coordinate all the services which have been offered and coordinated through WPMP. The Executive Director and CU Board is elected from its members.
- **WCCC:** Wool Craft Competence Centre (WCCC) was established in 2005 and offers felt making to the public. It is regarded as the national training authority in making wool craft products and is also a member of CU.
- **Tsagaan Alt:** Established in 2001, Tsagaan Alt is the retail and marketing arm of CU and has developed a reputation as the leading market retailer and marketer of quality wool craft products.

- **Other Partners:**
  - Mongolian Cooperative Training and Information Centre (MCTIC): Key training provider;
  - ITC: Building capacity
  - Mongolian National Chamber of Commerce and Industry (MNCCI)
  - Ministry of Food and Agriculture (Mongolia)
  - VSO Mongolia

### Problems addressed through WPMP Project

Some of the problems in Mongolia and their respective needs (of special relevance for the project):

- **Sustainable Business Development:** There is a need to support sustainable business development activities and continue the capacity of families to increase their earning ability through income generating activities. This includes the training of families to produce products as well as progressing to the next step by training families how to sell products and establish a business (through a cooperative structure)
- **Poor utilizations of local resources:** Need to improve the quality of agricultural resources through more skilled and intensive methods, and to start local processing of the raw materials through activating the vacant labour force into vocational training and follow-up activities. Also a need to revive some of the old industry that was based on utilization of national resources.
- **National budget deficit and negative trade balance:** Need to focus on national self-sufficiency through increased production for the domestic market, and at the same time specialization on certain products for export.
- **Lack of finance, competence and organizational structures for sustainable small-and-medium sized enterprises:** Need for finance, competence and capacity building both in private and public sector.

**Implementer:** Norwegian Lutheran Mission (NLM)

Norwegian Lutheran Mission (NLM) works in 13 different countries, and has been running different kind of development-projects depending on specific location needs. NLM Mongolia (NLM-M) was established in 1994, and is currently running 5 projects with support from Norad.

### Financial Contributors:

- Norwegian Development Assistance Authorities (NORAD)
- Norwegian Lutheran Mission (NLM)
- International Trade Centre (ITC)

NORAD pays 90% of the expenses of this project, and NLM pays the remaining 10%.

In addition, ITC supported activities undertaken through the WPMP project with \$71,000 for the period October 2006 – June 2008.

### Project Budgets:

Year:	Years budget in US\$
2001	2,000
2002	63,800
2003	192,400
2004	224,088
2005	285,033
2006	194,392
2007	172,500
ITC (carried into 2008)	71,000
<b>Total</b>	<b>1,309,013</b>

## **Purpose of Evaluation**

The main reason for the evaluation is to get an overview of the current situation including but not limited to how families have benefited from being part of WPMP's project; how successful the project has been in increasing participants standard of living; and, whether or not the project has met its desired planned outcomes and objectives.

As the project has already been phased out this evaluation should focus on the overall achievements of the project over the project period, recommendations for how things could have been done more effectively and major learnings.

This evaluation will give NLM and WPMP an indication of how successful the phase out of the project activities has been and give NLM important inputs in the process of phasing out the HDP, CFS and SDP project. It will also give NLM and WPMP important indicators of the level of sustainability of the structures set up by the project, after the phase out of the financial support.

## **Method**

Interviews were conducted with current stakeholders, employees and project participants, including:

- WPMP Project Manager;
- WPMP Assistant Project Manager;
- NLM Country Director
- Vice Director of Nooson Zangilaa (CU);
- Director of Wool Cooperative And Training Centre (WCCC)
- SDP Project Manager
- Director, Xin Con Company
- Previous WPMP Project Manager
- Shop Manager, Tsagaan Alt
- Group Accountant, (CU, TA & WCCC)
- Director, Mongolian Cooperative Training and Information Centre
- CU Business and Marketing Manager
- Ulaanbaatar Cooperatives:
  - Nooson Ertonz
  - Nooson Urlal
  - Ulamjal Eskii
  - Eskii Goyol
  - Noos Altan Bolomj
- Darkhan Cooperatives:
  - Darkhan Angora
  - Darkhan Hoorshikh
  - Darkhan Enkhjikh
  - Darkhan Noos

In addition, the following WPMP documentation was considered in the evaluation:

- NORAD Evaluation Policy 2006 – 2010;
- WPMP Project Plan
- Annual Plan for WPMP 2007 & Annual Report for WPMP 2007
- Annual plan 2008
- Tsagaan Alt Business Plan 2006-2009
- Cooperative Union Business Plan
- Background of WCCC
- The Cooperative Union Establishment process & The structure of Cooperative Union
- Project Visit Report from BN to NLM Mongolia March 2006
- Project Evaluation 2006

Evaluation was undertaken in accordance with the Evaluation Criteria provided in the NORAD Evaluation Policy 2006-2010, to specifically address the evaluation's Terms of Reference. Refer Appendix III.



## 1. RELEVANCE

### 1.1. Evaluate the transferring process of activities, equipment and assets from WPMP to the structures of Cooperative Union, Tsagaan Alt Wool Shop and the WCCC (Training NGO)

---

From mid-2006 to December 2007, there was a shift in culture and expectations of the WPMP project – from up-skilling vulnerable families through the training and selling of wool-craft products, to all project units and producers operating independent, sustainable and competitively in a market economy. There was substantial pressure on WPMP Project Management team to adapt to this change and implement measures which leveraged resources and time available to maximize transition time allowed to operate sustainable; this included the process of transferring assets.

WPMP's transfer process of activities, equipment and assets to the CU, TA and WCCC was complicated for the following reasons:

- **No Transfer Framework:** As the main financial stakeholders in the project, neither Norad or NLM provided a framework or policy to guide the WPMP phase-out process; and,
- **Financial History:** Lack of consolidated financial history and documentation from project inception in 1996 to end of December 2006, when new Project Management team was implemented.

The transfer process involved the division of the following:

- **Activities:** Training in business and marketing, wool collecting procedures, stock-taking documentation, templates and processes in administration, HR and sustainable business practices.
- **Equipment:** Needles, machinery, furniture, computers and stock;
- **Assets:** The main asset is the Tsagaan Alt Building (estimated value between \$250,000 - \$300,000) and a vehicle; these have not been transferred.

The transfer process was carried-out by the current Project Manager and previous Project Manager of WPMP from 2004-2006. In the absence of a formal phase-out/transfer procedure, the process was 'guided' by the principle of relevance, based on the relevance of the item to the three different project units, with the view that 'at the end of the day, it's all going back to the producers' anyway.

Quantifiable components of transfer (with a dollar value), were documented and signed off by NLM and unquantifiable components, such as training and capacity building were transferred through "Training Manuals, templates and documentation". The distinction of the difference between 'equipment' and 'asset' was blurred and not clearly delineated, however, for the purpose of this evaluation we have classified all physical components of transfer, with the exception of the "Tsagaan Alt" building and an outstanding vehicle, as equipment. Note, neither of the two assets have been transferred. Table 1 summarises items transferred to the separate project units.

**Table 1.** Transfer Summary: activities, equipment and assets from WPMP to CU, TA and WCCC

Project Unit	Received			Findings
	Activity	Equipment	Asset	
<b>Cooperative Union</b>	All.	52% of stock transferred to the value of \$29,476	TA Building Vehicle	<p>Transfer process of TA building from NLM to CU, is not finalized. Informally anticipate a 5 year discounted pay-back scheme through repayments from TA cashflow of US\$2,500/month, providing a total estimated payback of \$150,000 over 5 years.</p> <p>TA building has estimated market value of \$250,000 - minimum discount, not including increase in inflation and market value of \$100,000 to CU.</p> <p>Vehicle purchased in 2005 for approximate value of \$4,000; will be sold and money transferred to CU at the end of June 2008.</p>
<b>Tsagaan Alt</b>	All.	27% of stock transferred to the value: \$15,072		<p>Verbal notification that TA will pay NLM \$2,500-\$3,000/month over a 5 year period for purchase of TA building.</p> <p>Ownership will stay with CU.</p>
<b>WCCC</b>	Limited	21% of stock transferred to the value of \$12,055		<p>WCCC has inferior competencies and capabilities in business management, administration and accountability. This can be attributed to a number of reasons, including fewer trainings, the nature of the organization and the way it's evolved, including the attitude and willingness of the organisation's staff to embrace this form of support. In addition, the new WPMP team, implemented from Dec 2006 with the objective of building capacity of project units to sustainability, noted time and resource limitations and the need to prioritize areas for training which would reach the objective, hence, their primary focus on building capacity in TA and CU.</p> <p>WCCC received extensive equipment, training manuals and library resources.</p>

**RECOMMENDATIONS**

- Clarify and formalize transfer process and ownership to CU and TA as soon as possible.
- Review payback process in-line with TA cashflow, in a way which doesn't compromise TA cashflow and particularly profits/cashflow to CU. Reduced CU profit and cash flow may impact harshly on their ability to operate sustainable into the future, particularly in first 3-5 years of establishment during period of refining business focus, competencies and confidence in operating independently.
- Consider extended pay-back period over 7-8 years secure the financial interest of NLM and ensure viability of project entities and to also
- Engage all stakeholders, particularly leaders within TA and CU to ensure all are aware of financial and reporting obligations;
- Review WCCC focus function and business capabilities to run sustainable and cooperatively with TA and CU.

**NOTES:**

- Evaluation team received conflicting information regarding the potential impact of the 'intended' pay-back program on TA cashflow and its ability to sustain this additional financial demand. TA's budgets and forecasts were not compatible with WPMP Management Team's figures, reinforcing the need for consistency, accurate ordering and ongoing monitoring of each project unit's finances. It also reinforces the need for transparency, objectivity and independent accounting and legal expertise in resolving this process. This should be done immediately.

## 1.2 Evaluate The Marketing Activities Within The Different Structures (CU, NGO and Wool Shop).

WPMP's focus on developing marketing and business capacities commenced part-time from a zero-base in mid-2006, through the recruitment of one expert in business and marketing, and became the major project focus of the WPMP management team from the end of 2006. During this time, the WPMP management team should be commended for leveraging the limited time and resources available in 2007, to build capacity and competencies of project units, through strategic domestic and international alliances with organizations such as the International Trade Centre (ITC) and the Mongolian National Chamber of Commerce and Industry (MNCCI). This maximized limited resources and time, initiated a valuable partnership with ITC, harnessed additional resources and improved the overall positioning of CU and TA to operate sustainable beyond June 2008.

**Table 2.** Summary of marketing activities within CU, TA and WCCC

Project Unit	Marketing Activities	Findings
<b>Cooperative Union</b>	<ul style="list-style-type: none"> <li>- Felt exhibition, showcasing to key customer, public and other producers;</li> <li>- Quarterly newsletter to producers and customers;</li> <li>- Market research and analysis of competitors, environment and pricing;</li> <li>- Raw material and ingredient pricing</li> <li>- Business and marketing plan 2008;</li> </ul>	<ul style="list-style-type: none"> <li>- Appointed Business and Marketing Manager (January 2008), with good industry understanding, relationships and marketing competence. Focus on adding value to producers, through market research, pricing.</li> <li>- Enrolled in Business and Marketing course at Hartford Institute (May 2008) and Business English course.</li> <li>- Received considerable attention/training from WPMP team, noted as highly valuable.</li> <li>- Concerns regarding the CU Executive's business and marketing competence and skills have tried to be addressed through extensive business, marketing and English language training.</li> </ul>
<b>Tsaagan Alt</b>	<ul style="list-style-type: none"> <li>- Radio and newspaper advertisements;</li> <li>- Targeted sales brochures;</li> <li>- Redesign of store layout</li> <li>- Participated in local and international tradeshow, Germany;</li> <li>- Developed brochures and leaflets for retail outlet;</li> <li>- Developing internet for on-line sales;</li> <li>- Developed catalogue for domestic and export customers;</li> <li>- Monitoring of consumer trends through research;</li> <li>- Development and implementation of promotional initiatives, such as product 'giveaways', redesign of in-store bags and email distribution lists.</li> </ul>	<ul style="list-style-type: none"> <li>- Tsagaan Alt has comprehensive business systems in place, with emphasis on marketing and business competencies.</li> <li>- Shop Manager has a strong understanding and commitment of whole business chain and processes from producers to end-customer.</li> <li>- High personal commitment to success of initiative</li> <li>- Strong focus on quality, maintaining and growing existing customer base as well as new customers eg. Export.</li> <li>- Good documentation to facilitate management of shop and responsive to market realities.</li> <li>- Some concerns regarding ability to maintain budgets and accurate forecasts.</li> </ul>

<b>WCCC</b>	- Not evident.	<ul style="list-style-type: none"> <li>- No evidence of marketing activities, administrative documentation or business systems.</li> <li>- Predominantly reliant on reputation and market position as pre-eminent felt trainer in Mongolia.</li> <li>- Executive demonstrated strategic verbal clarity regarding WCCC's future direction and possibilities, however, minimal supporting documentation or strategic direction and involvement with WPMP.</li> </ul>
-------------	----------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**RECOMMENDATIONS:**

- Encourage sharing of information and marketing strategies between TA and CU to avoid overlap and ensure consistency in development and implementation;
- Evaluate WCCC strategic direction and scope for strategic training partnership/relationship with CU rather than being a member.
- Try and address the reliance on specific people within the organisations, (with industry and relationships experience), by ensuring documentation and processes are in place for activities undertaken.

**NOTES:**

- Comparatively, WCCC did not receive the same level of support or training during this period, which could be attributed to a number of reasons, namely, the nature of the organization and the way it's evolved, the attitude and willingness of the organisation's staff to embrace this form of support and priority by WPMP team to invest in project areas with greatest potential for sustainability or improvements which will contribute greater net benefit to the overall project.
- TA has the majority business/marketing capabilities of the three organizations, however, expectation is for CU to eventually undertake all these functions.
- Person-dependant. Although templates and manuals are in place, there is substantial experience and knowledge invested in Shop Manager and staff.

## **2). EFFECTIVENESS:**

### **2.1. Review the project outputs in relation to its planned activities and achievements based on the plans made for the period from 2005-2008. Measure how successful the project has been in meeting its goals and objectives since 2005.**

---

The large number of qualitative indicators and lack of consistent processes in place for measuring project outputs, meant the evaluation team often relied on qualitative feedback from participants, in evaluating the projects planned activities and achievements.

The lack of centralized information available on number of people trained, courses provided and evaluation of courses, is reflective of the organic growth and evolution of the project, however, ideally, suitable management and accountability systems would be in place to enable clear expectations and measurable outcomes for *all* project stakeholders across all project units.

In view of this, the evaluation team found that the most appropriate methodology for evaluating project outputs to planned activities and achievements for the period from 2005-2008, is by assessment against (1) WPMP Annual Plan, 2007; and, (2) WPMP Plan 2008, Running Project

**Table 3.** Essential Indicators: WPMP Annual Plan 2007 and WPMP Plan 2008, Running Project

<b>WPMP ANNUAL PLAN 2007</b>				
	<b>Activities:</b>	<b>Essential indicators:</b>	<b>Findings</b>	<b>Comments</b>
1a	To establish secondary level for cooperatives.	1. 10 or more cooperatives and their secondary level having reached financial sustainability.	1. Partially achieved (9 Cooperatives and WCCC)	1. No apparent strategy for maintaining current members and recruiting new members. No clear policy on new members, recruitment strategy or management of 'trainee' database to target recruitment process.
		2. Capable management	2. Partially achieved.	2. Cooperative model means CU Executive is a producer. Despite extensive business and marketing training, there are still concerns regarding experience in business management – (could benefit from a business mentor.) This is reinforced by the decision making processes and protocols (ie decisions require CU Board member consensus). There was no risk management strategy in place for incurring future losses, combating increases in raw material prices, declining membership and so on.
		3. Tight collaboration with national institutions	3. Achieved.	3. Coordinated National Assembly of Cooperatives in December 2007.
		4. Increasing turnover	4. Not sure	4. CU received \$17,000 profit from TA over 2007-2008. This meant that we were not able to fully assess whether they were financially sustainable and whether they achieved this goal or not.
		5. Gradual increase in number of marketing channels (less vulnerable)	5. Achieved.	5. Attended Germany tradeshow with support of ITC and launching on-line purchasing system. Targeted marketing/customer service activities to increase breadth of domestic customers also.
		6. Total number of members: 250	6. Not Achieved.	6. Approximately 200 producers are registered, however, only about 100 are currently active. Note: this does not take into consideration the producers trained through WPMP, who are now working for Angel Felt and Ulaan (approximately 60 producers)
		7. The members' average monthly net salary: 100\$ or more.	7. Achieved	7. Received different feedback from different producers. Range of salary from 150,000 – 300,000 togrog.

		8. Degree of satisfaction with the benefits of a secondary level.	8. Partially achieved.	8. Majority Cooperatives agreed that they were all 'better-off' from being a part of CU, however, their satisfaction levels varied. Producers valued CU for distributing orders and purchasing and distributing raw materials, however, was some misunderstanding over value offered through CU and desire for greater control of TA processes and pricing.
1b	To raise the competence in organizational management, business and trade among the wool crafters and within their structures.	1. Number and range of courses.	1. Achieved.	1. Although there was minimal available documentation on number and range of courses, general consensus amongst producers was that they received sufficient training.
		2. Number of participants.	2. > 2,000	2. No system to stay connected with these trainees (future potential CU members). Noted that former Xin Con management has database and is recruiting from it to their company.
		3. Survey among participants regarding general understanding and practical impact.	3. Achieved	3. This system was introduced following the December 2006 evaluation; received positive feedback.
2.	To improve the wool craft production line with regards to technology and infrastructure.	1. The quality, price and accessibility of raw wool, washed wool, dyed wool and carded wool.	1. Partially Achieved.	1. Established a dyeing laboratory in Darkhan, undertaken price analysis of wool and R&D into combination wool options; tried to secure contracts with herders.
		2. Combination with natural materials.	2. Achieved	2. Designer travelled to UK to participate in training; findings were taught to CU members. (note: designer no longer employed in CU)
		3. The production capacity – per producer.	3. Partially Achieved.	3. Although the number of CU producers have declined, wool craft companies of Angel Felt and Ulaan employ approximately 60 producers. Difficult to measure 'production capacity' as varies according to level of skill, resources, work environment etc.
		4. Health and ergonomic indicators	4.	4. Not able to comment
		5. Implement research results and prepare documents related standard.	5.	5. Not able to comment

3a	To increase the capability of the training NGO to train trainers and operate sustainably.	1. Number of trainers trained. (50 per year)	1. Not achieved.	1. Majority of felt trainings targeted to the general public and low income demographic, however, some trainers were trained (no record to measure)
		2. Feedback from participants.	2. Partially Achieved.	2. No evaluation templates in place. Feedback is largely word-of-mouth, with WCCC recognised as Mongolian center of training excellence in the making of wool craft products.
		3. Increased number of participants trained.	3. Achieved	3. Number of people trained have increased overall throughout the last 5 years.
		4. NGO to develop sustainable business and financial plan.	4. Not Achieved	4. No business or financial plan in place.
3b	Training NGO to introduce wool crafting in new areas.	1. Having had wool craft training (40 new places per year).	1.	Not able to comment.
		2. Number of participants (400 pr year).	2. Not Achieved.	2. On average, WCCC trained under 200 each year.
		3. Having active wool crafters 1 and 2 years after training (35 and 30).	3.	Not able to comment
		4. Number of active wool crafters (300 one year after training, 250 two years after training).	4.	Not able to comment
4	To produce and distribute information and documentation material about wool craft. To raise public awareness about wool craft.	1. Number of training handbooks and videos produced and distributed.	Achieved.	Excellent standard of handbooks produced through financial support of ITC.
		2. Number of issues and copies of newsletters.	Achieved.	Quarterly newsletter produced and distributed to stakeholders by CU.
		3. Survey on the usage of the training material/newsletter.		Not able to comment
		4. Number of public campaigns (radio, TV, posters etc).	Achieved.	Refer Table2: Summary of marketing activities



**WPMP PLAN 2008, RUNNING PROJECT**

<b>Activities</b>	<b>Essential Indicators</b>	<b>Findings</b>	<b>Comments</b>
2008 will focus on capacity building and skill transfer of the Cooperative Union to assist in the sustainable operation of activities, particularly in regards to the marketing and business skills.	1. Increase in skill level and capacity of Cooperative Union, Training NGO and Tsagaan Alt to operate in a financially sustainable manner.	Achieved.	Comprehensive level of skill achieved in CU and TA; theoretically have the basis to operate sustainable. WCCC does not appear to have competence to operate sustainable,.
	2. Increase in skill level and capacity of Cooperative Union to undertake marketing activities.	Achieved	Appointment of Business and Marketing Manager was key. Developed and implementing 2008 marketing plan. Appears a positive strategy for engaging producers, improving information flow and developing strategic partnerships to advocate cooperative interests to Government.
	3. Cooperative Union able to manage Tsagaan Alt sustainably	Not sure	TA has a proven business model and 7years trading history. Concerns that CU management of TA could compromise longevity of both CU And TA.
	4. Formation of national and international partnerships.	Achieved	Coordination of National Cooperative Assembly is good positioning and PR for CU within Mongolia. ITC partnerships very effective.
	5. Increase in Tsagaan Alt profit	Achieved.	Appears sustainable.
	6. Increase in Cooperative Union income and profit	Achieved	Anticipating increasing their purchase of raw materials from to \$15,000 in 2008. Have previously been dependant on NLM to turn profit; may now be reliant on TA.
	7. Increase in Training NGO level of activity and trainings conducted.	Achieved.	WCCC activities and trainings appear to be increasing, however, there are few systems, accountability processes to monitor this.
	8. Increase in the number of trade fairs and exhibitions attended.	Achieved	May need to review international tradeshow program as attendance to Germany tradeshow was subsidized by ITC. Could prove too expensive to attend independently.
	9. Cooperative Union able to develop and manage a Marketing Plan	Achieved.	2008 Marketing Plan in place to be implemented by Business and Marketing Manager.

	10. Cooperative Union and Training NGO to develop and manage a Financial Plan	Partially Achieved	CU: Achieved (although no risk management component. <i>Note</i> , VSO volunteer has provided break-even analysis, however, is no evidence of this in their financial system.) Training NGO: Not Achieved. No evidence of financial plan.
	11. Development and implementation of a successful and consistent Quality Management process.	Achieved.	Excellent quality control processes in place.

*Table format based on November 2006 evaluation.*

## **RECOMMENDATIONS**

- Establish an advisory board as soon as possible, to monitor quarterly financial reports and business plans of CU and TA;
- Develop strategic alliances with organizations such as ITC to enable continuation of activities, such as R&D, study missions and so on.
- Develop a break-even (income versus expenditure) scenario for CU, to be followed in their financial plan.
- Revise WCCC role; consider repositioning it as a strategic partner to CU or developing its capacity to provide cooperative training and advocacy or partnering with MTI to offer comprehensive felt- training packages. If they are to operate sustainable, they require basic accountable financial and administrative systems immediately, as well as English language training.

## **NOTES**

- WCCC: has very minimal documentation and records monitoring their trainings and activities, so is difficult to determine success of related activities.
- Not able to comment on some aspects of the outcomes due to limited information/research within the time available to the evaluation team.

## **2.2. Analyse the effectiveness and impact of trainings conducted to meet the project's aim.**

---

The effectiveness and impact of trainings conducted to meet the project's aim, will be analysed by separating the aim, as stated in the 2007 Annual Plan into two clear components, and addressing each in-turn. The project aim is as follows:

***Empower families to improve their living conditions in a sustainable way through the production, sale and trade of wool craft products.***

***Also empower the wool crafters and the relevant institutions in the Mongolian community to establish cooperative structures for a sustainable development of the wool craft business and improvements in its technology and infrastructure.***

Training has been a clear priority for WPMP throughout the life of the project. Training providers include MTITC, ITC, WCCC, Hartford Institute and WPMP Management Team (notably since 2007), with trainings including:

- Wool craft trainings; Wool craft as income recourse; train the trainers, basic and advanced felt-making;
- Administration and Documentation: order sheets, quality management process, delivery processes, pricing policies, customer service feedback, job descriptions, management manual, stocktaking processes
- Business Management: Business planning, marketing, team management, computer and English skills, project management, social enterprise training, communication training, accounting, export management and trade.
- Business English training
- Quality Control and Management System: Standards and guidelines
- Handbooks and training material on teaching felt techniques, dying, export and spinning;
- Public Relations Practice Training

For all trainings conducted by WPMP in 2007, evaluation forms were circulated after each training and the results were analyzed and included in all post training reports. For trainings conducted by external bodies, the evaluation process differed and there was limited formal post-training evaluation or feedback processes. Ascertaining the overall value of these trainings is therefore difficult. However, verbal consensus seems that they have delivered substantial value to the various stakeholders; particularly the wool craft trainings, which form the initial basis of the project, and more recently, the business and management capacity building trainings.

The overall finding is that the trainings have been **successful** in meeting the projects aims, as demonstrated in Table 4. Evaluation of 'effectiveness' and 'impact' of trainings in meeting the project's aim.

**Table 4.** Evaluation of ‘effectiveness’ and ‘impact’ of trainings in meeting the project’s aim.

Aim	Training Focus	Effectiveness <sup>1</sup>	Impact <sup>2</sup>
(a) Empower families to improve their living conditions through the production, sale and trade of wool craft products.	Production of wool craft products; administration, pricing, quality control and accounting.	All producers commented that their living conditions had improved through learning to make and sell wool craft products. As such, these trainings were highly effective in delivering against the project’s aim:	<p><b>Direct:</b> Improved income and livelihood.</p> <p><b>Indirect:</b> Many producers noted that they pass their skills on to others informally; they also contract others to work with them when supplying large orders. There have also been comments of improved family cohesion and bonding over felt making, improved confidence and morale of individuals, and an improvement in overall living conditions. It’s anticipated these benefits would flow-on to the community also.</p>
(b) Also empower the wool crafters and the relevant institutions in the Mongolian community to establish cooperative structures for a sustainable development of the wool craft business and improvements in its technology and infrastructure.	Establishment and operation of Cooperative Structure: Organisational management, business planning, marketing, team management, accounting, auditing, PR, export, leadership	The project’s aim has been partially achieved, as cooperative structures have been established for wool crafters. However, the parent structure, CU, has only been operating for a short period (18 months) and the trainings delivered in a very dense timeframe with limited time to monitor and evaluate their effectiveness. It is unlikely the trainings have delivered all necessary competencies to run sustainable in the future, however, this may reflect time limitations and poor phase-out structure, as opposed to the quality of the trainings provided.	<p><b>Direct:</b> Provide centralized information and management point for all Cooperatives</p> <p><b>Indirect:</b> Structure for the ongoing roll-out and development of wool craft cooperative structures and learning benefits to other industries interested in establishing cooperatives.</p>

## RECOMMENDATIONS

- Develop strategic partnerships with ITC and national institutions to ensure trainings continue to be an ongoing component of CU’s business.

## NOTES:

*Note:* ITC partially funded training in 2007, including participation in a tradeshow in Frankfurt, Germany, which resulted in a large order for Tsagaan Alt and established export contacts for TA to develop.

<sup>1</sup> Effectiveness: The extent to which the development intervention’s objectives were achieved, or are expected to be achieved (Norad Evaluation Policy 2006-2010, pg. 14).

<sup>2</sup> Impact: Positive and negative long-term impact of the interventions, direct and indirect, intended or unintended (Norad Evaluation Policy 2006-2010, pg. 15)

### 3. SUSTAINABILITY:

#### 3.1 Evaluate NLM's phase out model/policy and how successful this was in ensuring a smooth and sustainable phase out.

---

NLM did not apply a phase out model/policy to the WPMP project.

This absence of a phase out model/policy, is likely to affect a 'smooth and sustainable' phase out in the following ways:

- **Subjective Phase-out Process:** WPMP Management devised their own phase out program, based on their experience with the project and subjective analysis of phase-out requirements;
- **Delayed Decision Making and Transfers:** Despite the project finishing in December 2007, transfer process of Tsagaan Alt building and final project unit financial and management obligations remain unclear.
- **Management Skills:** Lack of process in ensuring HR and Management skills are compatible with the project's phase-out requirements.

In addition to the lack of phase out policy, there was also a clear lack of process in the following areas:

- Project Monitoring and evaluation;
- HR management and review processes;
- Transfer strategy of assets and processes; and
- Communication between operational staff and leadership.

#### RECOMMENDATIONS

- Develop NLM Phase-out policy in partnership with Norad.
- Develop processes between Norad and NLM, so that Norad can manage NLM more efficiently and transparently, and NLM is able to manage it's projects more consistently and transparently.
- Undertake a stock-take of internal processes, to improve efficiencies in decision making along the chain from operational staff, to management and Norad;
- Implement project and staff evaluation and monitoring procedures, staff recruitment processes, communication between operational staff and leadership and transfer strategies

#### NOTES

### **3.2. Evaluate the Cooperative Union and its ability to maintain WPMP's current level of activity after the transfer of ownership in December 2007.**

---

#### **CU Overview**

The CU was established in August 2006, in response to the rapid growth and success of the initial stage of the project, to provide an umbrella organisation and suitable structure for producer cooperatives; it currently has 10 members (9 producer cooperatives and the WCCC). The CU provides a centralised point for sourcing, processing, colouring, transporting, storing and distributing wool back to Cooperatives, as well as sourcing customers, centralising and distributing orders and providing overall networking, administrative and technical support to the Cooperatives.

The CU is positioned to be the central management point and owner of all project units post-2008.

#### **CU ability to maintain WPMP Activity**

- The majority of WPMP's activity with CU in 2007, focused on "sustainability and organisational strengthening" through the "transfer of knowledge and capacity building" (WPMP Annual Report 2007).
- Some activities, such as attending a tradeshow in Germany and purchasing new equipment from the UK, were fully coordinated and funded by WPMP and ITC, and will not be commercially feasible, nor were they intended to be maintained independently by the CU, post December 2007.
- Trainings conducted in business and organisational management, the development and implementation of a quality assurance system and management manual were transferred with templates, documentation and standardised procedures and should be able to be maintained independently.

#### **CU Sustainability**

The ability for CU to operate sustainable into the future, will be affected by its ability to continue to *add value* along the entire chain, from producers to customers, through the dissemination of information, services and training. Note: in view of TA's understanding of its customers and marketing competencies, CU's initial key area of strengthening, should be its producers.

**Strengths:** Areas of competence which CU should consolidate and strengthen, include:

- **First-entry market advantage:** Regarded as the leaders in Mongolian wool craft manufacturing and sales;
- **Immediate Sales Outlet:** Providing security to producers;
- **Established Brand:** Reputable in the market place.
- **Economies of Scale:** Access to a large number of producers, theoretically, enabling economies of scale
- **Centralised Services:** Central point for procuring and processing wool (colouring, washing, transporting, supplying raw material) on behalf of producers;
- **Marketing and Business Skills:** Supporting sales efforts;
- **Networking and PR Services;** Collating and disseminating information amongst producers;
- **Advocacy/Lobbying:** Drive change in the interest of producers and cooperatives
- **Excellent Quality Control:** Point of
- **Coordinated Administration:** Enabling efficiencies for producers.

**Table 6: Key Risks/Weaknesses to CU Sustainability**

Issue	Findings	Recommendations
<b>Raw Material</b>	<p><b>SDP Reliance:</b> CU sources all its fine and semi-fine wool through SDP, which is due to phase-out at the end of 2008. Post-2008 sustainability of SDP is uncertain. CU have tried to arrange contracts with herders to secure supply, however, these are relatively insecure. CU has also trialed the mixing of fine and semi-fine wool with other materials such as silk and cotton, to reduce reliance and increase product longevity. CU's ability to sustain this R&amp;D beyond project support is unclear.</p>	<p>Develop strategy for reducing reliance on SDP herders Continue R&amp;D and product development with other raw materials.</p>
<b>Producer-base</b>	<p><b>Declining Membership: Based on interviews with producers, and defining active as those who are 'regular' as opposed to other producers who come in to help out with large orders:</b> CU's producers have declined from 250 to approximately 100 active producers today. This number could be higher if the part-time producers were included, however this was the number repeated in our interviews with the CU Executive Director.</p> <p><b>Membership Recruitment Strategy:</b> Strategy for extending model and increasing new members is compromised as Cooperatives are resistant to new members joining (despite supply risks)</p> <p><b>Membership Structure:</b> Appears no policy for new membership; membership may become unaffordable to as CU's asset level increases.</p> <p><b>Managing Trainees:</b> 2,500-3,000 people have been trained who could be capable of upskilling to the level of joining the Cooperative. This database is not active or being managed by CU (previous management of Xin Con has it and is using it to recruit producers to its business).</p> <p><b>Minimal Loyalty:</b> Short-term motivation of cooperatives to earn money; minimal loyalty to the Cooperative model, compromises longevity of CU and producers.</p> <p><b>Cooperative Contracts:</b> CU has no time-based contracts with cooperatives to secure reliable supply for set period of time</p> <p><b>Roll-out Template:</b> No roll-out template for establishing cooperatives in other aimags if market requires more product.</p>	<p>Develop membership policy and strategic growth plan for managing declining membership, sustaining interest and momentum of current producers, recruiting new producers and managing the database of people trained for recruitment to the CU through establishment of Cooperatives.</p>
<b>Financial Viability</b>	<p><b>Financially Dependent on NLM:</b> CU received considerable benefits, training and subsidies through NLM and ITC in 2007; it may be unrealistic to expect immediate transition to sustainability (ie required longer phase-out and monitoring period to oversee independent financial management processes)</p> <p><b>Cash Flow:</b> Dependant on TA profit, paid to CU annually</p> <p><b>Profit Distribution System:</b> Lack of future planning to retain a percentage of profit for running and maintenance costs, investment in raw materials etc. Lack of clarity as to how profit is distributed back to cooperatives.</p> <p><b>Delayed Financial Returns:</b> Upfront payments for wool around May-June each year (eg. US\$15,000 in 2007). Processing costs for colouring and storing before recouping costs through sales 8-10 months later.</p>	<p>Undertake independent pricing and business analysis for addressing lack of strategic risk management within current CU business model.</p>
<b>Industry Issues</b>	<p><b>Sector Appeal:</b> Wool craft sector is known as being labour intensive, low-paid and unattractive to younger generation (majority of producers are middle aged, 40 year old women)</p>	<p>Undertake positive PR and manage existing systems and</p>

		processes profitably to increase sector appeal.
<b>Cooperative Challenges</b>	<p><b>Mongolian Cooperative Legislation:</b> Not conducive to encouraging market-competitive cooperatives. In particular, all members are entitled to equal distribution of assets and decision making powers, regardless of who contributed the assets or makes the highest contribution to production.</p> <p><b>Cooperative Stigma:</b> Regarded as the ‘fools choice’ for doing business’; Cooperatives have a reputation as being an organization for the poor only;</p> <p><b>International ‘Cooperative’ Incentive:</b> Cooperatives may be motivated to form a Cooperative to receive financial ‘incentive’ from international organization rather than with the motivation of operating a commercial enterprise.</p> <p><b>Cooperative Model Value:</b> Lack of transparency and communication between the different business units, particularly the value CU can deliver to its producers. What are the benefits of being an individual cooperative or being part of the CU?</p> <p><b>Advocacy of Cooperative Models:</b> To ensure sustainability, CU should work to understand cooperative legislation and regulations regarding cooperatives, including micro-financing legislation and services, which could be of benefit to their producers.</p>	Cooperate with national institutions and other cooperatives to advocate cooperative benefits and lobby change in prohibitive Cooperative legislation and taxation. Ensure that the co-operative members understand why it is better to be in a co-operative structure than a sole-trader/other business organization structure.
<b>Business Management Competence</b>	Although considerable investment has been made into building the capacity of CU, it may lack the necessary experience, expertise and capability to run multiple business-units in the best interests of all organizations, which may compromise the over-all viability and sustainability of individual units eg. TA as well as the CU and Cooperatives, in a manner of making subjective, unbiased, business-based decisions.	Establish an independent advisory board charged to oversee all organizational and strategic decisions across the three project units.
<b>Management Structure</b>	CU is relatively new and in process of refining its core services and areas of competence. It may not be in the future interest of the project to have one centralized management point (ie CU), responsible for all decision making, asset control and management processes. Concerns that CU management may lack the necessary skills to adequately manage TA, without conflict of interest. TA has a different business model and level of experience to CU – there appears no need to have overlap in management systems (operating and financial only).	Establish an independent advisory board charged to oversee all organizational and strategic decisions across the three project units.

## NOTES



### 3.3. Evaluate the Tsagaan Alt wool shop and its ability to run sustainable in the future. Make comments and recommendations on the way it is set up and its cooperation with the cooperatives, and operational management by the Cooperative Union.

---

Tsagaan Alt appears able to run sustainable in the future.

This can be attributed to the market demand for its products and services, an extended period over which it has been able to refine its business model to suit market conditions, and experience learnings and financial losses during the project cycle, during which NLM was able to subsidise financial loss or introduce suitable systems to prevent them from occurring again eg. Moving from a stock-holding system to purchasing stock on consignment. Since the shop opened in 2001, it has been fully renovated and the quality, design and volume of stock available has been key to cementing its reputation as the premium retailer of wool craft products in Mongolia.

Key strengths of TA include:

#### Strengths

- **Experience:** 7 year operation (first 5 years operating at a loss, last 2 have been profitable)
- **Proven business model;**
- **Specialization of services:** Market leader in retailing premium wool craft products
- **Leading Reputation:** Established and growing reputation and markets domestically and internationally for Mongolian wool craft products;
- **Established Business Systems:** Enabling financial accountability and strategic planning (Excellent level business and marketing skills; including business and marketing plans)
- **Market Focus:** Clear understanding of market trends and customer requirements
- **Excellent Quality Control:**
- **Direct liaison with Producers:**
- **Highly Trained Staff:** Industry and retail experience with strong customer focus;
- **Profitable Business Unit:** (last 3 years)

#### Weaknesses:

- **Vulnerable production base:** Producers are dissatisfied on price.
- **Asset Transfer process:** Conflicting messages have been received regarding TA's financial capacity to meet the estimated US\$2,500/month repayments on the TA building, in a way which doesn't compromising the business's operational charter and viability (as well as running revenue for CU).
- **Future Management Structure:** TA is in contrast to CU, which has only been running for 18 months and is still 'cutting its teeth' in the way it operates and runs. They are two very separate business models and each unit's operational success could be compromised by merging their management style and personnel. In particular, TA has a different business model and level of experience to CU, which is relatively new and in process of refining its core services and areas of competence.
- **TA Board:** Currently consists of CU, TA and WPMP Project Management team as advisors. (provide advice to salaries, plans, product, pricing etc). Post June 2008, NLM's Country Director will represent NLM.

#### RECOMMENDATIONS

- **Establish an Independent Advisory Board:** An independent advisory board or representatives may be required to oversee decision making processes and the operational development of each business unit (TA and CU). It may not be in the future interest of the project to have all decision making, asset control and management processes vested in CU.
- **Pricing and Payment Methods:** Undertake an independent market analysis to evaluate pricing and market position.

### 3.4. **Evaluate WCCC (the training NGO) and its ability to run sustainable in the future. Make comments and recommendations on the way it is set up and its operational management and financial situation.**

---

It was difficult to evaluate WCCC as it had no up-to-date business plans or annual reports. From the interviews and information made available, we were able to ascertain the following:

- **High Demand:** WCCC appear to have high demand for their basic felt training, and low overheads. As they are the recognized leader in this specialized field, they are less exposed to market forces and competition in the short-term.
- **Role within CU and Project:** It proved difficult to ascertain WCCC's clear role within the project. It appeared that its purpose has evolved over time, to be quite removed and separate from the overall project/CU purpose. There was a lack of clarity and direction as to the organisation's future development, including its involvement with CU.
- **Business Systems:** Very minimal business systems and competencies, relative to TA and CU. It seems WCCC received less attention and time in capacity building, business development initiatives.
- **Inadequate Plans:** NLM funds were recently withheld for not delivering annual business plan.
- **Intellectual Property:** NLM transferred considerable IP in the form of library resources to WCCC during transfer process;
- **Risks:** WCCC appears people dependent (reliant on one person). It has comparatively fewer management skills than CU and TA which may not affect their business model and a clear absence of standardised training modules, templates, documentation of processes, which could raise concerns of accountability.

#### **RECOMMENDATIONS:**

- **Review WCCC Purpose:** Scope to be seen as a partner or cooperative agency rather than as a member of CU.
- **Establish basic Business and Management Systems:** To enable accountability of finances and services.
- **Training Package:** Cooperate with MTI to offer a two-tiered level of trainings; basic felt making by WCCC and comprehensive/technical trainings from MTI.
- **Expand Training:** Develop business systems and expertise offer cooperative trainings and expert advice in cooperative developments.

### 3.5. **Evaluate current partnerships, structures and processes and their effectiveness and future sustainability, such as the relationship with international buyers.**

---

Partnerships such as VSO placements appear to have been highly valuable and have delivered a comprehensive training manual to CU as well as design advice to producers.

The project partnership with ITC appears to have been very effective in harnessing additional training resources and assisting in building capacity of the project. TA appears to have suitable customer management standards in place to maintain relationship with international buyers/export customers.

Activities such as attending tradeshows in Germany, sending a designer to the UK, attending trade missions in the Philippines and so on, do not appear sustainable unless additional partnerships/alliances are formed.

#### **RECOMMENDATIONS:**

- Consider formation of strategic partnerships with donor organisations, volunteers or trade groups to enable continuation of missions, study tours and so on.

#### 4. EFFICIENCY:

##### **Evaluate the current operation and organisational management of WPMP.**

---

##### **Current WPMP Management Team:**

WPMP's current management team consists of two expatriates: a Project Manager, who replaced a Mongolian Project Manager in December 2006 and an Assistant Project Manager, whose role was to develop and implement trainings focused on building business and marketing capacity of project units. They extended their involvement in an advisory capacity until June 2008.

It should be noted that in view of the cultural shift and direction of the project from December 2006 – June 2008, the Management team did an excellent job in delivering against the project outcomes and leveraging resources through cooperative partnerships with organizations such as ITC and MNCCI. Also, project stakeholders made regular comments on the high standard and value of trainings/coaching delivered by the Assistant Project Manager.

Feedback and observations, include:

- **Subjective Recruitment Process** The Management team were recruited from within NLM and there was some concern regarding the transparency and accountability of the process, in ensuring that personnel's skills and experience matched the project requirements and obligations.
- **Performance Management Processes:** There appeared little support and guidance in reviewing the activities and directions provided by the Management team; clear evaluation and feedback was not available and the management team often relied on their subjective and intuitive understanding of the project's requirements.

##### **RECOMMENDATIONS**

- Develop transparent and clear recruitment processes for management team;
- Develop clear evaluation and feedback mechanisms for all staff.
- Develop clear job descriptions and responsibilities for all staff.

##### **NOTES:**

## 5. IMPACT:

---

**5.1. Evaluate how successful the project has been in increasing the standard of living of project participants, through measures such as surveys and one on one interview. This should not be limited to increases in income but look at broader measures as well (such as impact on project participants' families). What has the real impact of the project been on its family participants? Has there been a difference in impact on males and females within their family due to the project? Has the situation/relationship between men and women changed due to the project? If so, how?**

Overall, during the project period, there has been an increased standard of living of participants. In the absence of comparative indicators over the life of the project, we were unable to measure the increase, however, ascertained an increased standard of living through evaluation interviews:

1. **Monthly Income:** In this period of high inflation, rising food prices and so on, participants felt quite dissatisfied with their current levels of income. However, if this is compared to their income at the beginning of the project then there has been a noticeable improvement in the standard of living of participants. Based on our interviews with all of the co-operatives, it appears that the average monthly income of individual members of cooperatives reached MNT150,000 – 300,000, producing MNT4,000-10,000 products per day, which is a significant increase when comparing to the start of the project.
2. **Other Improvements:** Additional examples of improved standards of living, were evident by some members buying hashha (blocks of land), building a small house and having enough money to make school payments for their children and purchase new equipment and materials.

On the other hand, in interviewing project staff, we are seeing the project is helping project beneficiaries living status. In addition, they mentioned that through the assessment of ITC there shows an increase of living standards. (Please note that the assessment of producer income by ITC was conducted in 2005 – before ITC provided any financial support through NLM.)

Also, during the project period, project participants attitude towards living standards changed. Participants do not want to be associated as 'poor' or 'vulnerable' any more, eg. If the project brochure includes articles of 'poor people's life being changed'. It seems that overall, participants do feel that their standard of life has improved.

Most cooperative members (70-80%) are female headed households. The project has had an impact on empowering women for decision making in the cooperatives and at home as well. Most of the project participants are women and stay at home; in the working place women are able to make decisions. For example, women are able to decide their family business strategy and how to spend their income on behalf of family.

This part of the project goal has been successfully achieved.

### **RECOMMENDATIONS:**

1. Somehow from the beginning of the project there needs to be measurable assessments for project beneficiaries on indicators for standards of living.
2. Cooperatives, especially in Ulaanbaatar, expressed that they have not been satisfied with labour cost of MNT700 per hour. Pricing of products needs close analysis and it is worth considering introducing a production line in order to reduce time the spent on one product and to increase efficiencies and improve quality of the product. Training is needed where production lines are introduced and there could be a need to cooperate with WCCC to train individual members.
3. Fair trade membership could increase exports and individual members will have increased incomes.
4. CU needs to think about getting a new work place for the cooperatives because the current work place permission is ending at the end of this year in Darkhan and cooperatives face strong resistance from local administrative units to release the current work places; they started prohibiting any kind of production in the basement, where they currently operate.

## **5.2. Evaluate and make comments on the impact of the ITC cooperation.**

---

The impact of ITC Cooperation appears to have been very positive. It has been a successful way of leveraging existing resources and improving the quality and density of the capacity building initiatives with the project until June 2008.

Key activities undertaken with ITC include

a. Strengthening producer cooperatives and Wool Craft Cooperatives' Union:

Activity 1. Social Enterprise Training:

Activity 2: Management training for CU leaders

b. Diversification of portfolio of woollen and felted artisanal products

Activity 3: Consultancy for Diversification and Design of Wool and Felt Products

Activity 4: Creative Design Competition:

c. Capacity Building for Quality Management

Activity 5. Workshop on Quality Management;

Activity 6. Training module Development

d. Promotion of local sales of woollen and felted artisanal products

Activity 7. Local Market Study

Activity 8. Promotion of Wool Shop

Activity 9. Study Tour

Activity 10. Development of Internet Sales Platform

e. Policy dialogue and advocacy

Activity 11. Advocacy of CU

Activity 12: Cooperatives Union Conference

While the ITC/NLM partnership has been positive and valuable, there are some concerns as to the sustainability of the activities conducted by ITC post June 2008. This stems from the fact that ITC has focused on using NLM as an implementation partner and bringing in short term consultants who have made recommendations but not follow up or implementation of recommendations – for example new designs have been given for export but no design training or conducting Quality Management training with little or not follow up, apart from through WPMP. Once NLM withdraw their involvement with the project, who will work with ITC to ensure that their financial contribution will evolve into a practical strategy to assist TA, CU and WCCC?

### **RECOMMENDATIONS**

- Continue dialogue and partnership with ITC and other training institutions in order to ensure quality trainings and up-skilling activities are maintained beyond the life of the project, which would include recommendations to ITC about how the trainings will be implemented after NLM finish with this project in June 2008.
- Develop advisory and monitoring partnerships with independent/external advisors to oversee project units

## **5.3 Analyse the impact or assess the future impact of the project on the target group (both current and future).**

The project has made a high impact on its past and present target groups. From up-skilling vulnerable families and increasing their quality of life, confidence, morale and improved social acceptance, to those employed through the income generation structures established to ensure a long-term livelihood for producers; to the flow-on benefits to herders; extended family who receive informal training as well as past trainees (>2,000) who are now working for Angel Felt, Ulaan or independently. The project has also invigorated the Mongolian felt industry and provided an excellent cooperative and business model for other industries.

### **RECOMMENDATIONS**

- Moving forward, as the CU and TA begin to operate sustainable, it may be in the interest of the project to redefine its target audience and reconsider the impact it is trying to have on this group eg. Sustain and improve

value to established cooperatives, however, this should be undertaken by the CU in conjunction with its members as part of its forward planning and strategic development.

- WCCC: Expressed interest that they would like to become a social training organization, rather than a business model. In view of this, we recommend a consultative process in re-establishing their future direction as well as their relationship with CU.

**DECLARATION**

---

This evaluation was prepared in partnership by the following individuals:

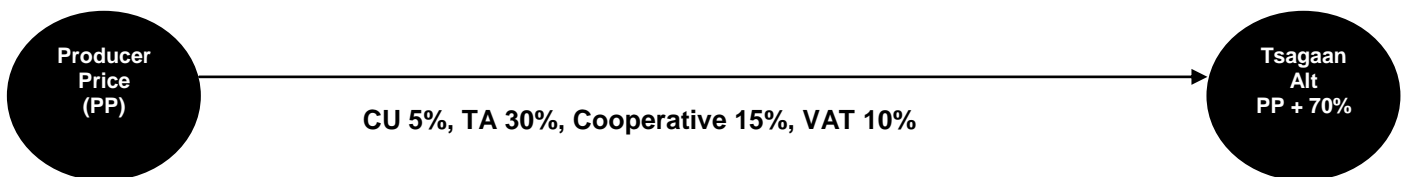
<b>PERSON</b>	<b>ROLE</b>	<b>SIGNATURE</b>
▪ Deidre Fischer	Team Leader	
▪ T Tuul	Cooperative Advisor	
▪ Erdenbileg	Monitoring and Evaluation Advisor	
▪ Shaya Nettle	Trade and Promotion Advisor	

## APPENDIX1: PRICING ANALYSIS

In assessing the long-term viability of the CU and TA, key concerns regarding the ability to maintain a strong and competent production base were raised.

Key concerns, include:

- **Producer Payments:** Several producers commented that only 40% of their labour costs were currently being covered when selling products to TA;
- **TA Signature Products:** TA's signature products (slippers) are made by only 2 or 3 producers, who are dissatisfied with the payment scheme. If TA is unable to continue sourcing of this product, their market position and investment made to-date will be compromised;
- **Producer Sales Channels:** Many producers commented that they sell only 40% of their stock to TA, as they can achieve better payment terms and pricing elsewhere (eg. 50% upfront payment to purchase material and 50% on delivery)



### INPUTS

- Raw materials
- Labour
- Overhead costs
- Running costs
- Transport and logistics
- Inflation

### SHORT/LONG TERM VARIANCE

↑  
↑  
↑  
↑  
↑  
↑/↔/↓

### PRODUCT BENEFITS

- Hand-made;
- 100% Mongolian
- All natural
- Organic
- Premium-end advertising & marketing

### SUPPLY CHAIN COSTS

- |                |     |
|----------------|-----|
| • TA           | 30% |
| • CU           | 5%  |
| • Cooperatives | 15% |
| • VAT          | 10% |

### CONSUMER COST

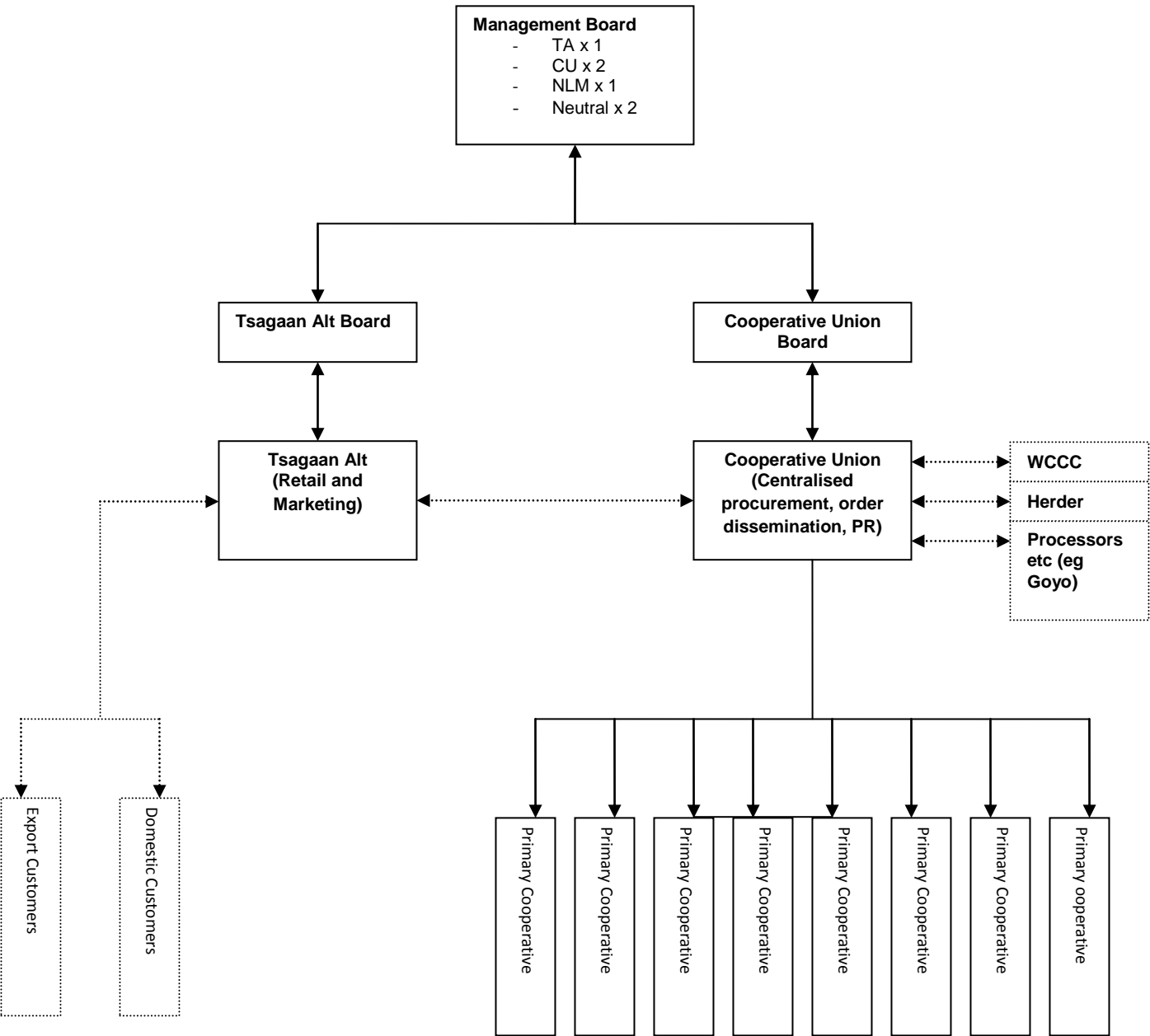
- Producer Price + 60%

### RECOMMENDATIONS

- **Reconsider Market Positioning:** To improve price back to producers, in order to maintain producer satisfaction.
- **Undertake R&D:** Partner with MTI to research feasibility of using yak wool or combining with other materials such as cotton and silk)
- **Develop partnerships and alliances:** eg. With WCCC;
- **Improve technology and equipment techniques:** to reduce production costs, deliver improved value to CU;



**APPENDIX II: PROPOSED MANAGEMENT STRUCTURE**



**Proposed structure aims to:**

- Address potential conflict of interest;
- Allow for business specialization
- Independent business expertise (sustainability)

Organisational .....  
 Management \_\_\_\_\_

**Terms of Reference  
for the Final Evaluation of  
Wool Processing and Marketing Project  
2008**

Prepared by

Alice L. Hoeye (WPMP Project Manager)  
Jana Favero (WPMP Assistant Project Manager)

Norwegian Lutheran Mission in Mongolia  
Ulaanbaatar, April 2008

## Terms of Reference for Evaluation of Wool Processing and Marketing Project (WPMP)

Background project information

### ***Purpose of the Terms of Reference***

The purpose of the 'terms of reference' is to clarify expectations and responsibilities for the evaluation of the Wool Processing and Marketing Project (forthwith referred to as 'WPMP')

### ***Abbreviations and Definitions***

Norwegian applicant organization:	Norwegian Lutheran Mission (NLM)
NORAD's project number:	
BN's project number:	10455
Project title in English:	Wool Processing and Marketing Project
Area/country of implementation:	Mongolia (MN)
Local currency	Tugrik (MNT)
Norwegian Lutheran Mission in Mongolia	NLM-M
Norwegian Lutheran Mission in Norway	NLM
Bistandsnemda	BN - the Norwegian Mission Council
NORAD cooperation	Norwegian Aid & Development Agency for Development

### ***Participating Agencies and Organizations***

- Local cooperatives and Wool Craft Support Center (NGO)
- Nooson Zangilaa Cooperative Union
- Ministry of Social Welfare and Labor
- Wool shop (Tsagaan Alt)
- International Trade Center, Geneva (ITC)
- Selenge Development Project (SDP)
- Child and Family Strengthening Project (CFS)
- Chamber of Commerce MNCCI
- Norwegian Lutheran Mission in Mongolia (NLM-M)
- Finnsh Lutheran Overseas Mission (FLOM)

- Norwegian Mission Council (BN)

### ***Financial contributors***

Norwegian Development Assistance Authorities (NORAD)

Norwegian Lutheran Mission (NLM)

International Trade Centre (ITC)

NORAD pays 90 % of the expenses of this project, and NLM pays the remaining 10%.

In addition, ITC supported activities carried out through the WPMP project with 48.000\$ in 2007.

### ***Background***

Norwegian Lutheran Mission (NLM) works in 13 different countries, and has been running different kind of development-projects depending on specific location needs. NLM Mongolia (NLM-M) was established in 1994, and the Wool Processing and Marketing Project has an office in Ulaanbaatar. The people responsible for the different activities within WPMP have direct contact and relationships with WPMP's participants, partners and stakeholders.

WPMP started in 2001 through a merger of different wool processing activities in two different projects in Darkhan and Ulaanbaatar. The first wool processing activities started in 1996. More than 2000 people with little or no income attended in felt training in 1996.

WPMP aims to empower vulnerable families to improve their living conditions in a sustainable way through the production and sale of wool craft products. The main activity of WPMP is focused on the establishment, training and sustainable running of cooperatives of wool crafters and a cooperative Union.

Today, those home producers work in 8 cooperatives in Ulaanbaatar and Darkhan and the WPMP project has helped over 200 families who were living below the poverty line.

### ***Project area***

Cooperatives are located in Ulaanbataar, Darhan aimags.

### ***Brief description of project***

Activities can be divided into two areas:

1. **Income generating activities** – disadvantaged and poor families have been selected to participate in sustainable income generating activities aimed to increase their standard of living and annual income. Currently such activities include training in wool processing and felt making, color, sales, business, trade, new wool techniques and design.
2. **Retail sales, training and advocacy** – in order to ensure that WPMP's income generating activities are sustainable, WPMP conducts capacity building activities such as business skills training, administrative management skills, quality control mechanisms and marketing skills. WPMP has established a felt shop in Ulaanbaatar as a retail outlet for its producer's products.
3. **International export/sale** – Through the cooperation with ITC the Cooperative Union and the wool shop participated in an international trade fair in Germany. This resulted in almost 20.000\$ of export sale and another fair is planned for in February 2008.

### **Current status of project**

*WPMP currently works with 8 felt making cooperatives (approximately 200 families) whose main income is generated from their involvement in the project. The target group is families who live below the poverty line. Families are from Ulaanbaatar and Darkhan Aimags.*

*The project is managed by a Norwegian expat with help from an Australian assistant project manager. Until December 2007 the project had several Mongolian staff, including designer, trainer, information officer and organization and business officer. Currently the project has 2 expatriates and a driver in part time position.*

*WPMP operates a retail store in the centre of Ulaanbaatar with 4 Mongolian employees. This store sells products made by the Cooperative Union Members. In 2007 the operational management of the shop was partly transferred to the Cooperative Union; the final transfer will take place in the first part of 2008 and will hopefully include the property in which the shop runs as well.*

*In June 2006, a secondary level organization was established to maintain the management of the cooperatives. This Cooperative Union is an umbrella organization for the 8 cooperatives running under the WPMP project. By the end of 2007 all activities formerly carried out by the project were transferred to the Cooperative Union together with equipment and assets owned by the WPMP project. In 2008 WPMP will provide no financial funding to the cooperatives or cooperative union, but to secure continued development and sustainability, two consultants will stay on for the first six months of 2008. The focus will then be on capacity building, especially in business, marketing and export/trade.*

### **Reason for Evaluation**

The main reason for the evaluation is to get an overview of the current situation including (but not limited to) how families have benefited from being part of WPMP's project, how successful the project has been in increasing participants standard of living and whether or not the project has met its desired planned outcomes and objectives.

As the project has already been phase out this evaluation should focus on the overall achievements of the project over the project period, recommendations for how things could have been done more effectively and major learning.

This evaluation will give NLM and WPMP an indication of how successful the phase out of the project activities has been and give NLM important inputs in the process of phasing out the HDP, CFS and SDP project. It will also give NLM and WPMP important indicators of the level of sustainability of the structures set up by the project, after the phase out of the financial support.

#### *Expected Evaluation Outcomes*

1. Review the project outputs in relation to its planned activities and achievements based on the plans made for the period from 2005- 2008. Measure how successful the project been in meeting its goals and objectives since 2005.
2. Evaluate how successful the project has been in increasing the standard of living of project participants, through measures such as surveys and one on one interview. This should not be limited to increases in income but look at broader measures as well (such as impact on project participants' families). What has the real impact of the project been on its family participants?
3. Evaluate NLM's phase out model/policy and how successful this was in ensuring a smooth and sustainable phase out.
4. Evaluate the Cooperative Union and its ability to maintain WPMP's current level of activity after the transfer of ownership in December 2007.
5. Evaluate the Tsagaan Alt wool shop and its ability to run sustainable in the future. Make comments and recommendations on the way it is set up and its cooperation with the cooperatives, and operational management by the Cooperative Union.
6. Evaluate WCCC (the training NGO) and its ability to run sustainable in the future. Make comments and recommendations on the way it is set up and its operational management and financial situation.
7. Evaluate the transferring process of activities, equipment and assets from WPMP to the structures of Cooperative Union, Tsagaan Alt wool shop and the WCCC (training NGO)
8. Evaluate and make comments on the impact of the ITC cooperation.
9. Evaluate current partnerships, structures and processes and their effectiveness and future sustainability, such as the relationship with international buyers.
10. Evaluate the current operational and organizational management of WPMP.
11. Evaluate the marketing activities within the different structures (CU, NGO and wool shop)
12. Analyze the effectiveness and impact of trainings conducted to meet the project's aim.
13. Analyze the impact or assess the future impact of the project on the target group (both current and future).

#### *Key objective*

In light of the outcome of this project evaluation what are the recommendations to successfully continue the activities and structures established by the Wool Processing and Marketing Project (in 2008 and beyond given the transfer of ownership)?

### ***Methodology for data collection***

The methods that are thought to be most useful for evaluating such projects are interviews with beneficiaries, visits to areas where help is given, meetings with local partners and discussions with the project-workers and participants.

Since the results and recommendations from the evaluations are planned to be used as a tool for later decision-making it is important that the report is detailed on the main areas like sustainability, co-operation, effectiveness, transfer of ownership etc. It is expected that the evaluation team will:

- Visit areas where the project have been working and evaluate the efficiency and the impact of the project. The information will be analyzed and presented to all the participants of the evaluation.
- Interview project staff and NLM management
- Interview stakeholders and partners (CU, Tsagaan Alt wool shop, WCCC, MCTIC)
- Provide a comprehensive report on the findings – with recommendations

### ***Efficiency and operational concerns***

The evaluation under this heading has to be done with the Project Management and management of the structures set up by the project. If efficiency is to be assessed, detailed input data for the project needs to be available, through such things as annual plans, reports, previous evaluations, surveys etc.

### ***Effectiveness and sustainability***

The activities should be separated according to the ones described in the project document, which will be made available to the evaluation team.

### ***Outcome, impact and relevance***

The evaluation team needs to have a clear definition of the target group and needs to have baseline data from the start of the project to correlate with the new data.

### ***Clients of evaluation***

The project managers, the partners and NLM are interested in the results of such an evaluation to make a more effective work for the best of the Mongolian people.

### ***Budget***

Evaluation team (5 people) - 10 days	3000\$
(Including food allowance, final report in English, etc.)	
Travel, reimbursement	3000\$
Transportation and translator	500\$
Lodging	700\$
Publicity, Press conference	500\$

### **Total**

### *Evaluation team*

The evaluation will be conducted in a participatory way. The composition of the evaluation team is explained below.

Based on the evaluation team's recommendations and findings, stakeholders will be invited for a presentation of the results and discussion of the evaluation.

<b><i>Evaluation Coordination Group (ECG)</i></b>		
Evaluation Team Leader	Deidre Fischer	Director, International School of Ulaanbaatar Mongolia <a href="mailto:Int.school.ub@gmail.com">Int.school.ub@gmail.com</a> Ph 9923 4580
Strategic and Business Management Advisor	Shaya Nettle	International trade promotion <a href="mailto:Shaya.nettle@gmail.com">Shaya.nettle@gmail.com</a>
Organizational and cooperative advisor	Tuul T	CHF <a href="mailto:tuul@chfmongolia.org">tuul@chfmongolia.org</a>
Monitoring and evaluation advisor	Erdenbileg	<a href="mailto:erdenebileg.batmunkh@vsoint.org">erdenebileg.batmunkh@vsoint.org</a>

### *Timeframe*

#### ***Duration***

February 2008	Contacts established. Project manager to start preparation of the terms of reference.
February 2008	Terms of reference to be discussed with donors and partners
April 2008	Team-leader to prepare the field-studies and conduct the evaluation work (expected to take two weeks)
April 2008	Evaluation and report to be completed by end of April 2008.  Final report in English given to NLM

#### ***Control***

The team-members must agree on the main conclusions in the report before they leave each other. The team leader is responsible for the final version of the report.

#### ***Products (TR, Work plan, preliminary & final report)***

The final evaluation report is to be given to NLM-M as soft copy. NLM-M will translate it and disseminate copies to donors and partners.

### *Documents Available*

1. NORAD Evaluation Policy 2006-2010



2. WPMP Project Plan 2005-2007
3. Annual Plan for WPMP 2007
4. Annual plan 2008
5. Annual report for WPMP 2007
6. Tsagaan Alt Business Plan 2006-2009
7. CU business plan
8. Back ground of WCCC
9. Project Visit Report from BN to NLM Mongolia March 2006
10. Project Evaluation 2007
11. The cooperative Union establishment process
12. The structure of Cooperative Union
13. BN Travel report 2006