4.10 **PROJECT EVALUATION**

4.10.1 Economic Analysis

Economic feasibility of the proposed priority project was confirmed by deriving economic internal rate of return (EIRR), benefit-cost ratio (B/C) and net present value (NPV) for the standard case and alternative cases based on the assumptions same as those for the master plan. The following are the values specific to the priority project.

Economic I	Benefit in 200	5		
Item	Unit	Minimum	Commercial	
and the second second second second		Requirement	good	
Value of water	Tg/m ³	1,875 67		
	\$/m ³	2.11	0.08	
Net water use in 2005				
Apartment	Lcd	10.6	139.4	
Ger	Lcd	10.6 0		
Population in 2005			· · · · ·	
Apartment	No.	3,433		
Ger	No.	15,357		
Economic benefit in 2005 and		1		
thereafter				
Domestic water	10 ³ \$/year	153	. 13	
Industrial and institutional water	10 ³ \$/year		112	

The following table summarizes the result.

Case	EIRR (%)	B/C	NPV (\$10 ³)
Standard	16.3	1.38	532
Cost 10% up	14.3	1.25	391
Benefit 10% down	114.1	1.24	337
Cost 10% up plus benefit 10% down	12.3	1.13	196

The EIRR for the standard case was derived at 16.3% indicating high economic return of the priority project, compared with an opportunity cost of capital or cut-off EIRR at 10%. The same assumptions for the analysis on the master plan were also employed. The following are the used values and the estimated economic benefit.

4.10.2 Financial Analysis

A financial analysis for the priority projected was carried out in the same way as for the master plan. The following are the derived water charges for the priority project.

-	Ger	:	Tg 556/m ³
•	Apartment	•	Tg 64/m ³
~	Industry/Institution	:	Tg 900/m ³

Under these water charges, operation and maintenance cost can be recovered as well as they are affordable for the residents. A financial internal rate of return (FIRR is derived at 4.6%, indicating the possibility that the fund for implementing the priority project could be procured at an interest of less than 4.6% per year as shown in Table 4.2.

4.10.3 Social Evaluation

Proposed project on water supply system mainly focused on the improvement of water supply in the ger area by increasing chances of water availability. Although the residents of ger area cited yard connection as a preferable choice, it is not technically feasible. As mentioned in social analysis, no negative impact on the proposed project is recognized in terms of religion and social custom, acquisition of land for the project, and water seller.

4.10.4 Analysis for the Beneficiaries

While the higher income group of non-piped households approved 161% of increase, the lower income group of non-piped households approved 80% of increase to the current tariff level. As indicated in the result of the household survey, the lower income group of non-piped household consumes less volume of water per day per person than the higher income group. However even the volume used by the higher income group is insufficient for required volume of consumption. It is recommended that exemption system of water charge for lower income group - unemployed and single female headed households should be revised periodically in accordance with local poverty assessment.

The proposed program for water supply system, which plans the installation of kiosk type water delivery points in the ger area, will give the residents access to the water

4 - 12

whenever necessary for them. This also will lead to the increase of water consumption for non-piped households. The frequent supply of water is expected to reduce the habit of stock water and bring about less opportunity of contamination.

However, 20% of non-piped households will not gain the intended benefit of kiosk type of water supply since a fixed single kiosk is designed to cover a radius of 250m. Therefore the use of water carriers as proposed in the previous chapter will be especially important for these households.

4.10.5 Environmental Impact Assessment (EIA)

(1) General Description

This section is written based mainly on the Environmental Impact Assessment report for the project conducted by an approved Mongolian EIA Company. The contents of the report is summarized in the following.

(2) Activities of the Project

Construction Phase

① Drilling of test wells

② Construction of production wells

③ Construction of distribution pipelines (about four kilometers) for Ger areas

Operation Phase

① Production of water from the production wells

② Chlorinating

(3) Environmental Impacts

Expected Impacts in the Construction Phase

① Impacts from drilling wells

Item	Judgement
Noise for human being (including livestock) and fauna (especially in breeding season).	small negative impact
Degradation of vegetation and subsoil, small area $(10-30 \text{ m}^2)$	small negative impact
Employment	small positive impact

2 Impacts from the Construction of Water Supply Facilities

Item	judgement
Degradation of vegetation and subsoil -	
distribution pipelines (30 m x 3.9 km, affected area 12 ha)	large negative impact
Employment	small impact
if construction workers are locally employed,	positive impact
if construction workers are employed from other places,	negative impact

③ Impacts in Operation Phase

Item	judgement
Stable water supply, especially for Ger areas	large positive impact
Degradation of groundwater, wetland, vegetation and subsoil if overusing the groundwater	large negative impact
Employment (changing types of job)	small impact

(4) Mitigation of Impacts

Although there are not many serious impacts expected in this project, proper measures should be taken to minimize the impacts.

- 1) Informing for the construction detail before the construction
- 2) Preventing for the degradation of vegetation and subsoil from the construction work. The following steps should be taken:
 - to survey rare plant species and breeding sites of rare animal species in the affected area around the construction of facilities, and they take a protection action for these rare species if necessary;
 - 2 to preserve subsoil from the affected area;
 - ③ to construct the facility;
 - (4) to return subsoil in the affected area; and
 - (5) to monitor fauna and flora in the affected area.
- 3) Prevention the degradation of groundwater from overusing The following measures should be taken :
 - ① to educate people on proper water use;
 - ② to reduce the leakage of water; and
 - ③ to monitor water level and quality of groundwater, vegetation and subsoil.

4) Hygiene

- (1) The following sanitary zonation scheme should be established to protect the sources of domestic water.
 - I (100 m) strictly prohibited zone.
 - Prohibit to setting up of any sources of possible pollution in the I-zone.
 - II (300 m) zone under protection.
 - III (1,000 m) monitoring zone.

② Bacteriological and chemical analyses should be monitored in these zones.

(5) Monitoring and Management

1) Construction Phase

After the construction of a facility, vegetation and subsoil in the affected area should be monitored, and if necessary, some measure should be taken to restore them.

2) Operation Phase

Water level and quality of groundwater, vegetation, and subsoil should be monitored, and if necessary some measures should be taken to improve the situation.

C

						(Unit : \$)			
No.	Year	Cost				Benefit			Balance
		Invest-	OM	Replace-	Total	Domestic	Industrial &	Totał	
		ment		ment			institutional		
1	2000	10,418	44,113	0	54,531	0	0	0	-54,531
2	2001	232,134	48,710	0	280,844	1,739	3,007	4,746	-276,098
3	2002	293,869	52,245	0	346,114	40,495	6,326	46,821	-299,293
4	2003	282,859	48,108	0	330,967	89,557	9,887	99,445	-231,522
5	2004	177,080	52,433	0	229,513	136,782	13,166	149,948	-79,565
6	2005	0	55,967	0	55,967	166,346	112,102	278,447	222,480
7	2006	0	55,967	0	55,967	166,346	112,102	278,447	222,480
8	2007	0	55,967	0	55,967	166,346	112,102	278,447	222,480
9	2008	0	55,967	0	55,967	166,346	112,102	278,447	222,480
10	2009	0	55,967	0	55,967	166,346	112,102	278,447	222,480
11	2010	0	55,967	0	55,967	166,346	112,102	278,447	222,480
12	2011	0	55,967	0	55,967	166,346	112,102	278,447	222,480
13	2012	0	55,967	0	55,967	166,346	112,102	278,447	222,480
14	2013	0	55,967	0	55,967	166,346	112,102	278,447	222,480
15	2014	0	55,967	0	55,967	166,346	112,102	278,447	222,480
16	2015	0	55,967	0	55,967	166,346	112,102	278,447	222,480
17	2016	0	55,967	0	55,967	166,346	112,102	278,447	222,480
18	2017	0	55,967	0	55,967	166,346	112,102	278,447	222,480
19	2018	0	55,967	• 0	55,967	166,346	112,102	278,447	222,480
20	2019	0	55,967	404,081	460,048	166,346	112,102	278,447	-181,601
21	2020	0	55,967	0	55,967	166,346	112,102	278,447	222,480
22	2021	0	55,967	. 0	55,967	166,346	112,102	278,447	222,480
23	2022	. 0	55,967	0	55,967	166,346	112,102	278,447	222,480
24	2023	0	55,967	0	55,967		112,102	278,447	222,480
25	2024	• 0	55,967	0	55,967	166,346	112,102	278,447	222,480
26	2025	0	55,967	0	55,967		112,102	278,447	222,480
27	2026	. 0	55,967	0	55,967	· ·	112,102	278,447	222,480
28	2027	0	55,967	0	55,967	166,346	112,102	278,447	222,480
29	2028	· 0	55,967	• 0	55,967	166,346	112,102	278,447	222,480
30	2029	0	55,967	, 0 ,	55,967	166,346	112,102	278,447	222,480
	Total	996,360	1,644,784	404,081	3,045,225	4,427,220	2,834,926	7,262,146	4,216,921

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Table 4.1 Economic Evaluation of Priority Project

Sensitivity Analysis

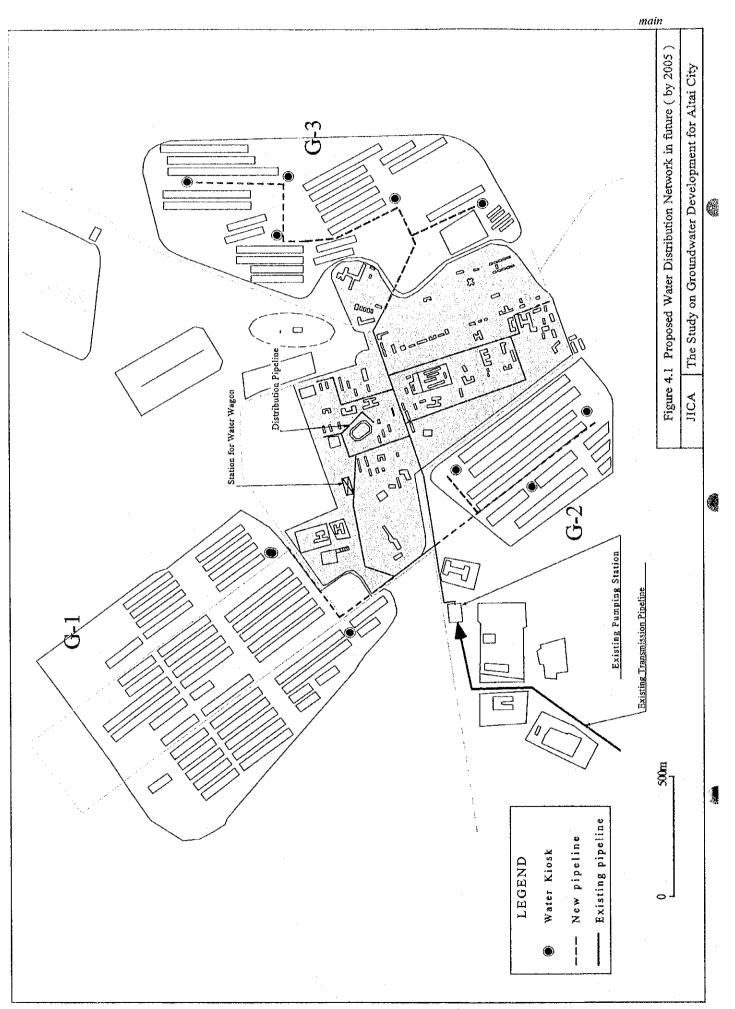
Case	EIRR	B/C	B-C
	(%)		(\$)
Standard	16.3%	1.38	532,082
Cost 10% up	14.3%	1.25	390,646
Benefit 10% down	14.1%	1.24	337,438
Cost 10% up and benefit 10% dow	12.3%	1.13	196,001

Table 4.2 Financial Internal Rate of Return of Priority Project

(Under the revised water tariff for OM cost recovery)

	FIRR = 4	4.6%			(Unit : \$)			
Year		Cost			Revenue			Balance
	Invest-	OM	Replace-	Total	Domestic	Industrial &	Total	1
	ment		ment			institurional		
2000	10,418	44,113	0	54,531	0	0	0	-54,531
2001	232,134	48,710	0	280,844	536		1,513	-279,331
2002	293,869	52,245	0	346,114	12,489	22,741	35,230	-310,884
2003	282,859	48,108	0	330,967	27,620	50,294	77,914	-253,053
2004	177,080	52,433	0	229,513	42,184	76,815	118,999	-110,514
2005	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2006	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2007	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2008	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2009	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2010	0	55,967	· 0	55,967	51,302	93,418	144,720	88,753
2011	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2012	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2013	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2014	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2015	0	55,967	. 0	55,967	51,302	93,418	144,720	88,753
2016	0	55,967	0	55,967	51,302	93,418	144,720	88,753
2017	0	55,967	0	55,967	51,302		144,720	88,753
2018	0	55,967	0	55,967	51,302		144,720	88,753
2019	0	55,967	404,081	460,048	51,302		144,720	-315,328
2020	0	55,967	0	55,967	51,302		144,720	88,753
2021	0	55,967	0	55,967			144,720	88,753
2022	0	55,967	· 0	55,967			144,720	88,753
2023	0	55,967	0	55,967			144,720	88,753
2024	· 0	55,967	- 0	55,967			144,720	88,753
2025	0	55,967	0	55,967			144,720	88,753
2026	0	55,967		55,967			144,720	88,753
2027	0	55,967	0	55,967			144,720	88,753
2028	0	55,967	0	55,967			144,720	88,753
2029	0	55,967	0	55,967	51,302	93,418	144,720	88,753
Total	996,360	1,644,784	404,081	3,045,225	1,365,381	2,486,273	3,851,654	806,429

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CONCLUSION AND RECOMMENDATION

Conclusion

5.

The project evaluation revealed that both the master plan and priority project were feasible, therefore worth promoting to the implementation stage. The project would contribute to the improvement of the living standard of Altai people and support economic development in the city. An appropriate financial arrangement would be needed considering the low financial return of the project. No adverse impacts are envisaged in the environmental and social aspects.

Recommendation

- (1) At present ger dwellers have great disadvantage in that water wagons deliver water a couple of times a week for them, while apartment dwellers get water by taps any time. Ger dwellers cannot get water whenever they want. Therefore, improvement of water supply service for ger dwellers shall be given priority.
- (2) Disparity of water tariff between apartment dwellers and ger dwellers shall be revised. To start with, the fact should be opened to the public.
- (3) People have to change the awareness for water quality that high mineral concentrations in water affect their health. Actually, the chemical contents are below the Mongolian standards except magnesium. The problem is the total coliform in water, especially in the stored water in gers. Water in Altai City is not as bad as they claim, considering the water quality analysis result and especially when it is compared with water quality and standard of some other countries. Hygiene education for the public shall be conducted through radio, television, by the public health center and school with following objections:
 - increase of awareness on hygiene practice and water consumption,
 - proper management of stock water and water consumption, and
 - water and health.
- (4) Epidemiological survey, that started from 1998, shall be continued to clarify the cause of chronic diseases.
- (5) The drawdown in operation of wells should be kept around four to six meters to conserve the limited natural resources of groundwater.
- (6) The loss ratio of leakage should be improved step-wise. Water meters shall be installed at the pumping station, apartment buildings, public buildings, and in each apartment. APSD has to inspect meters and find the point of leakage in order to

improve the water supply facilities. Inspection staff in APSD should be strengthened.

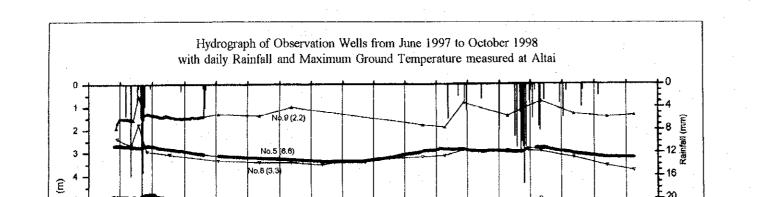
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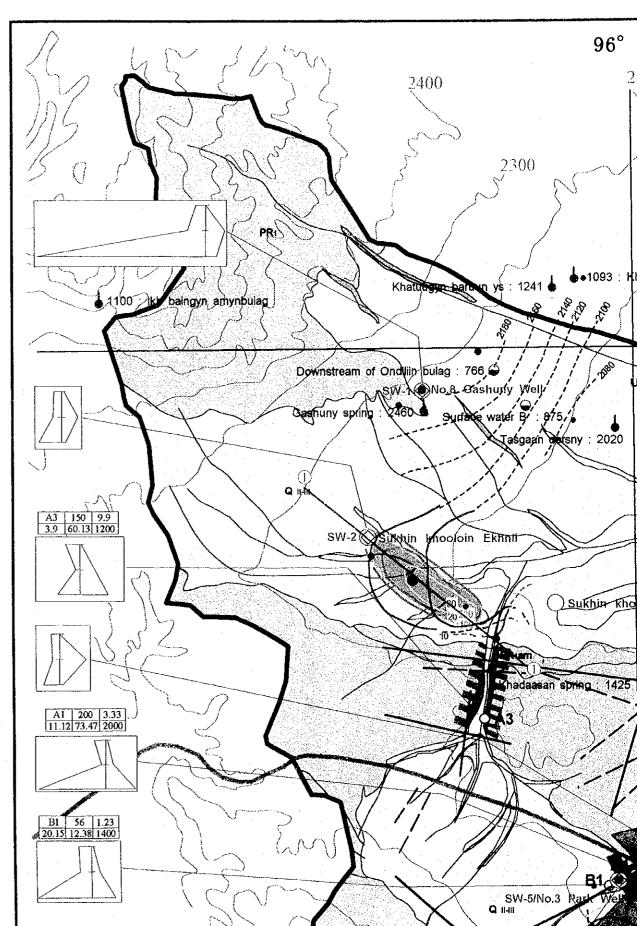
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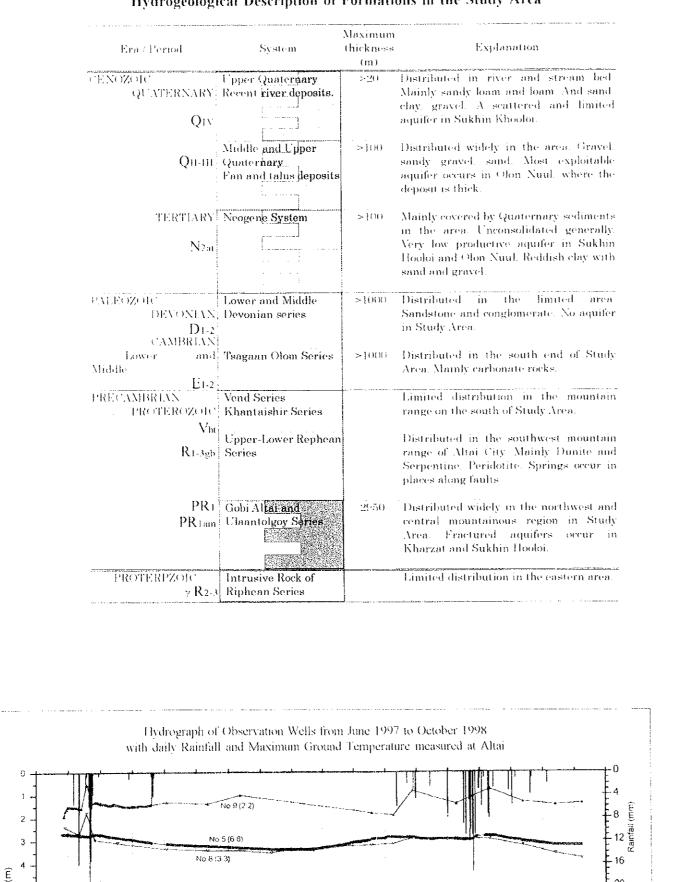
(7) All information shall be opened to the public to improve the people's awareness for saving water, preservation of the environment to spread the idea that groundwater is limited natural resources.

Era / Period	System	Maximum thickness (m)	Explanation
CENOZOIC QUATERNARY QIV	Upper Quater uary Recent river deposite .	>20	Distributed in river and stream bed. Mainly sandy loam and loam. And sand, clay, gravel. A scattered and limited aquifer in Sukhin Khooloi.
Qıı-m	Middle and Upper Quaternary Fan and talus deposits	>100	Distributed widely in the area. Gravel, sandy gravel, sand. Most exploitable aquifer occurs in Olon Nuul, where the deposit is thick.
TERTIARY N2ai	Neogen <u>e System</u>	>100	Mainly covered by Quaternary sediments in the area. Unconsolidated generally. Very low productive aquifer in Sukhin Hooloi and Olon Nuul. Reddish clay with sand and gravel.
PALEOZOIC DEVONIAN D1-2 CAMBRIAN	Lower and Middle Devonian series	>1000	Distributed in the limited area. Sandstone and conglomerate. No aquifer in Study Area.
Lower and Middle E1-2	Tsagaan Olom Series	>1000	Distributed in the south end of Study Area. Mainly carbonate rocks.
PRECAMBRIAN	Vend Series Khantaishir Series		Limited distribution in the mountain range on the south of Study Area.
R1-3gb	Upper-Lower Rephean Series		Distributed in the southwest mountain range of Altai City. Mainly Dunite and Serpentine, Peridotite. Springs occur in places along faults.
PR1 PR1am	Gobi Al Ulaantolgoy S	2950	Distributed widely in the northwest and central mountainous region in Study Area. Fractured aquifers occur in Kharzat and Sukhin Hooloi.
PROTERPZOIC 9 R2- 3	Intrusive Rock of Riphean Series		Limited distribution in the eastern area.

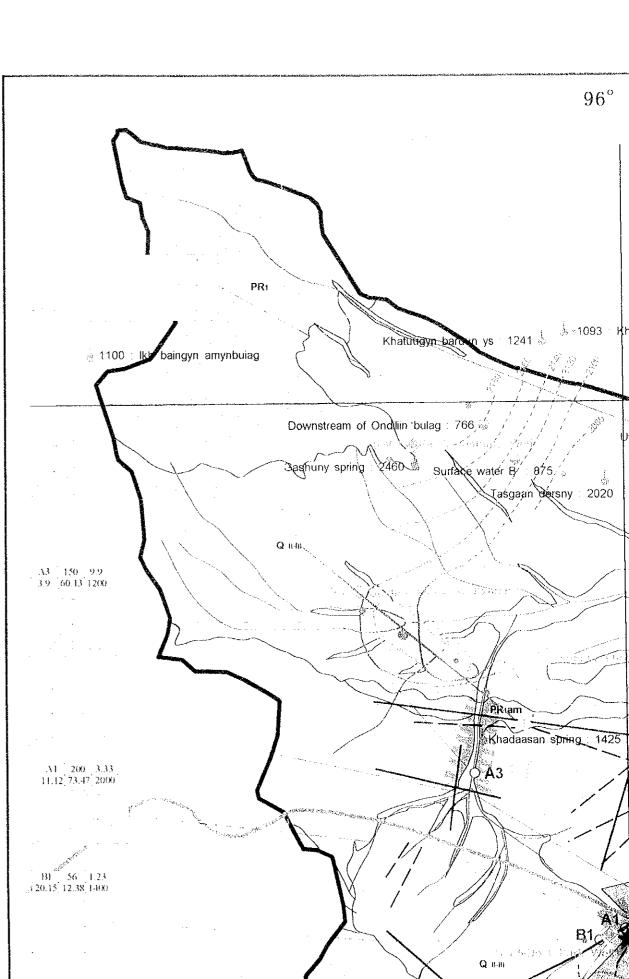
Hydrogeological Description of Formations in the Study Area

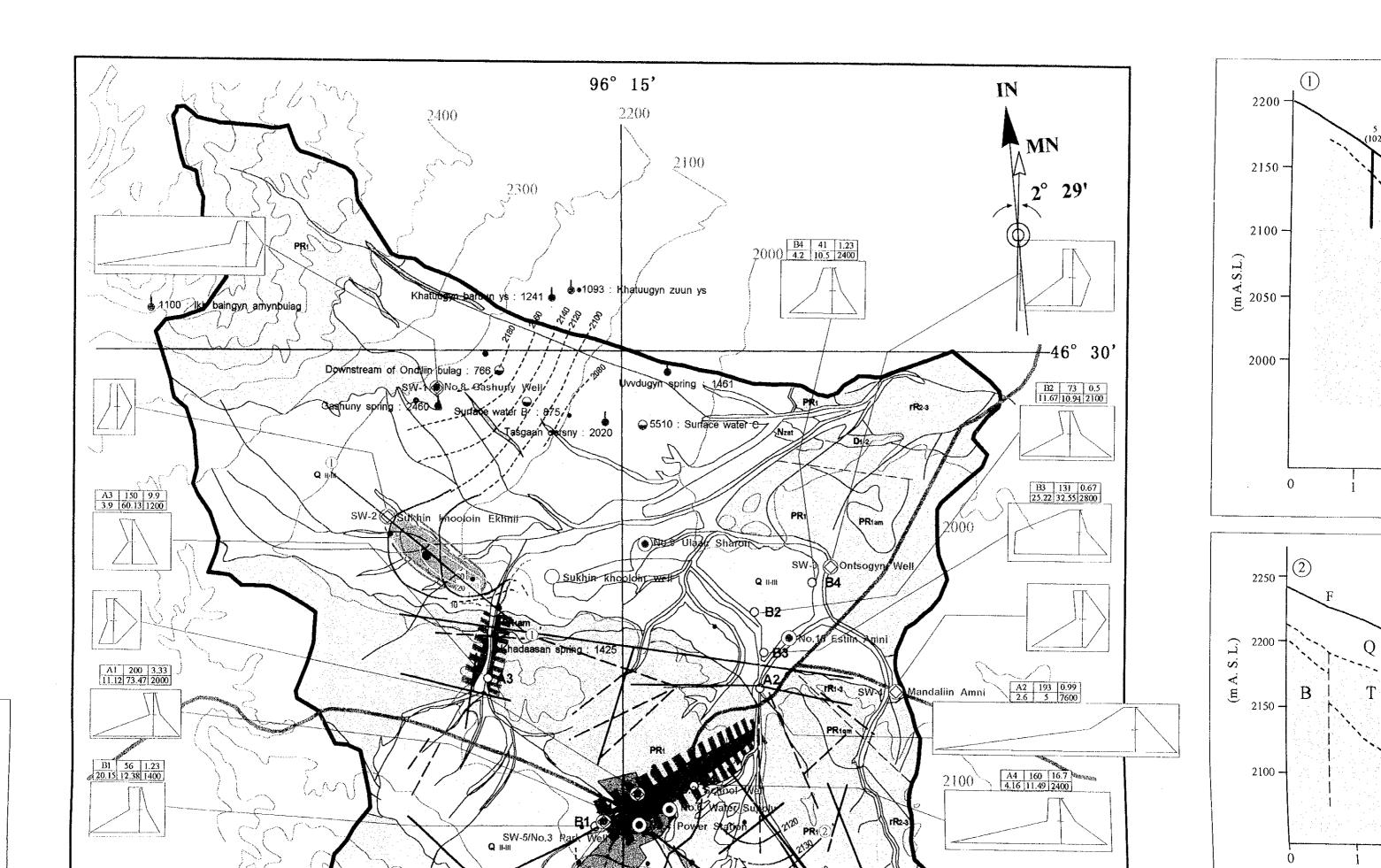






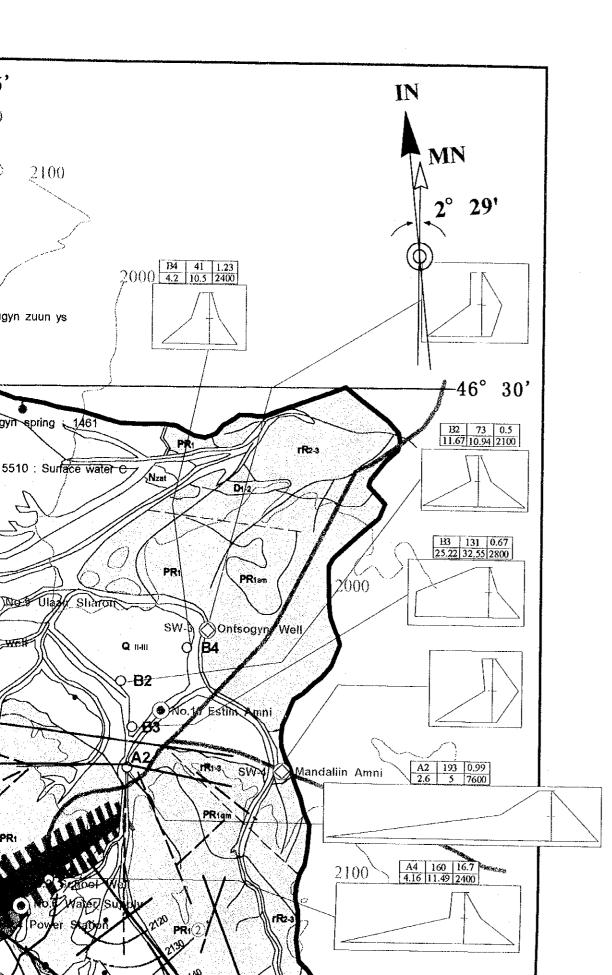
Hydrogeological Description of Formations in the Study Area

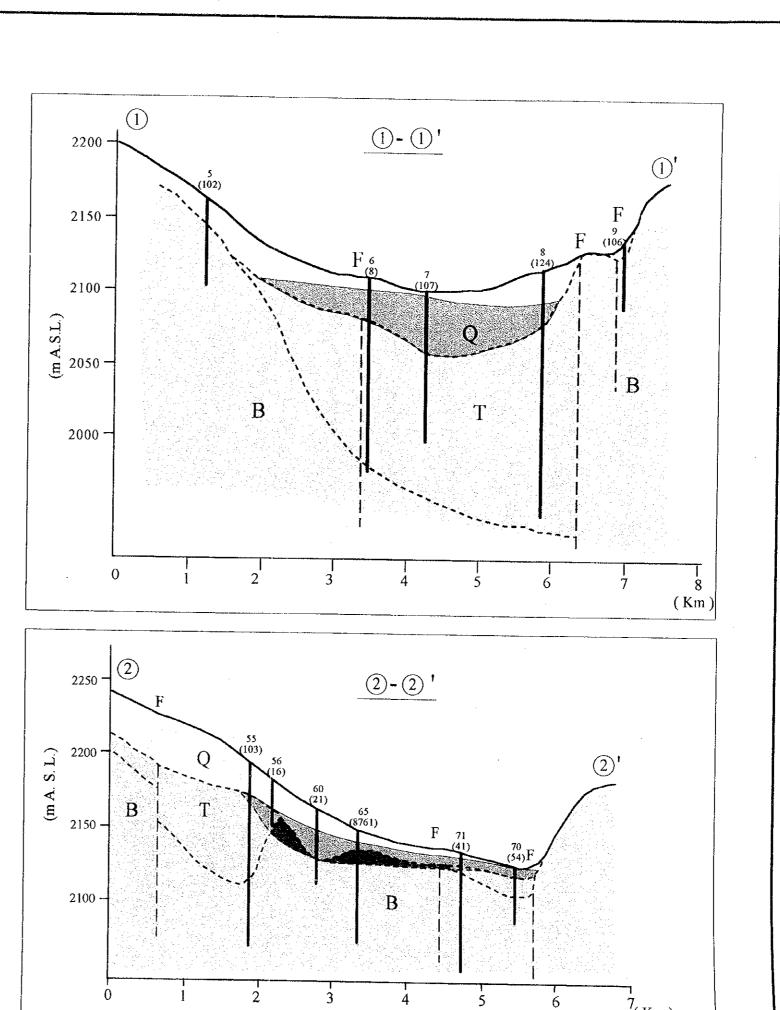


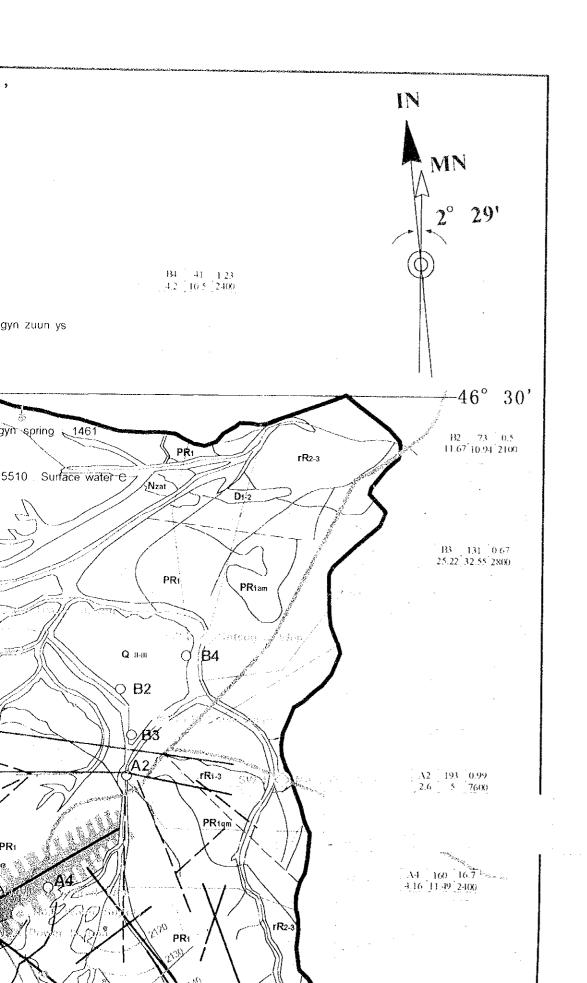


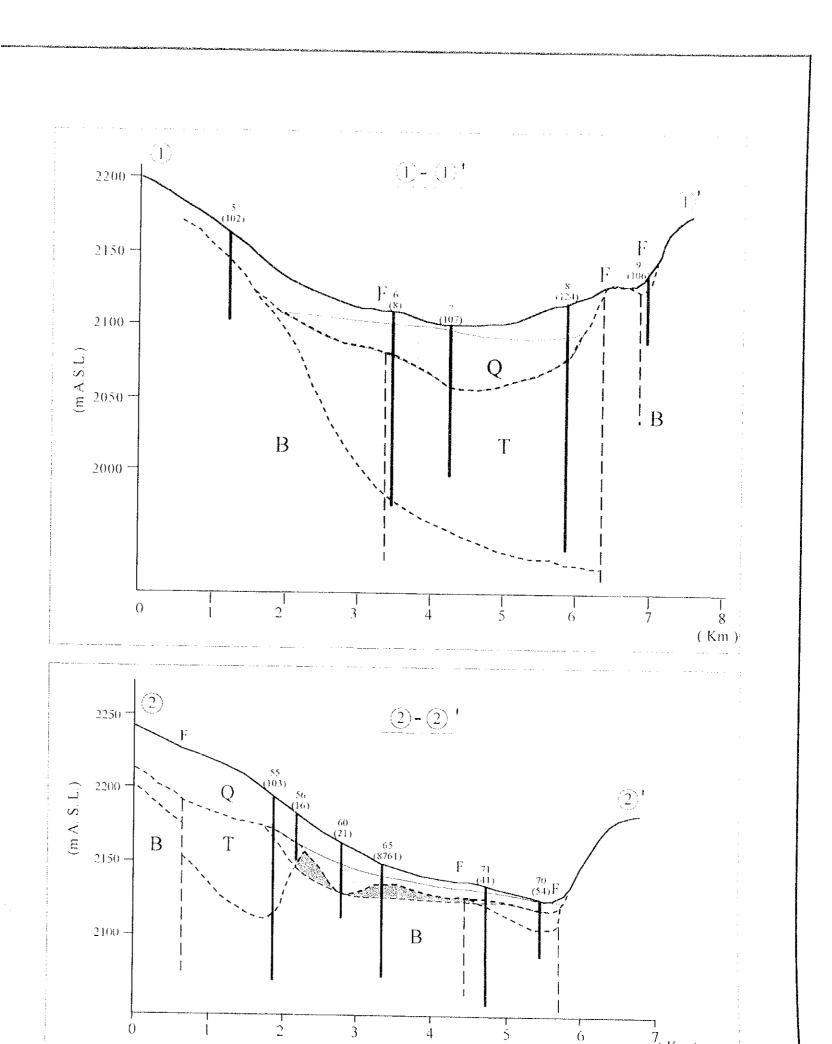
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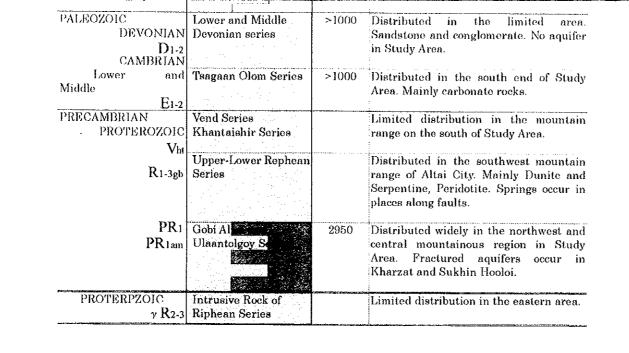
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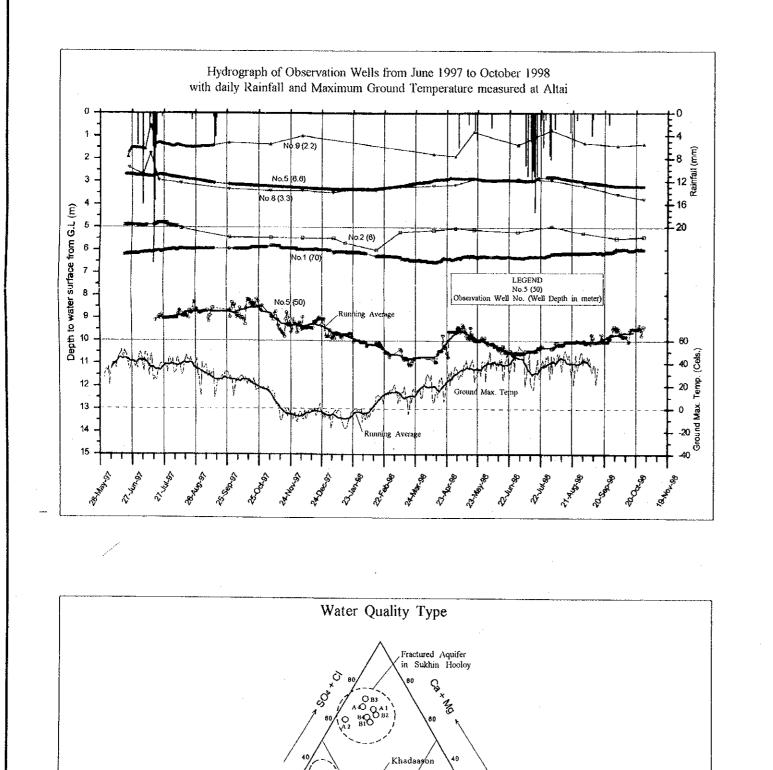


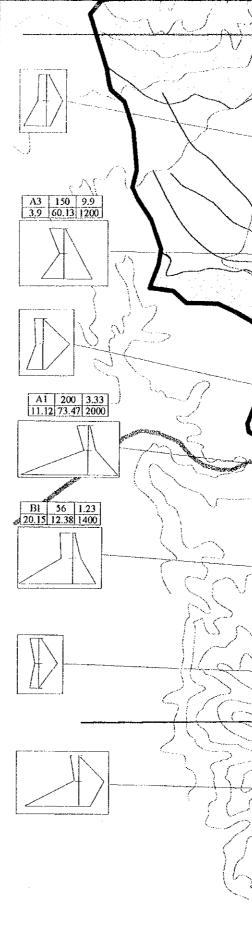






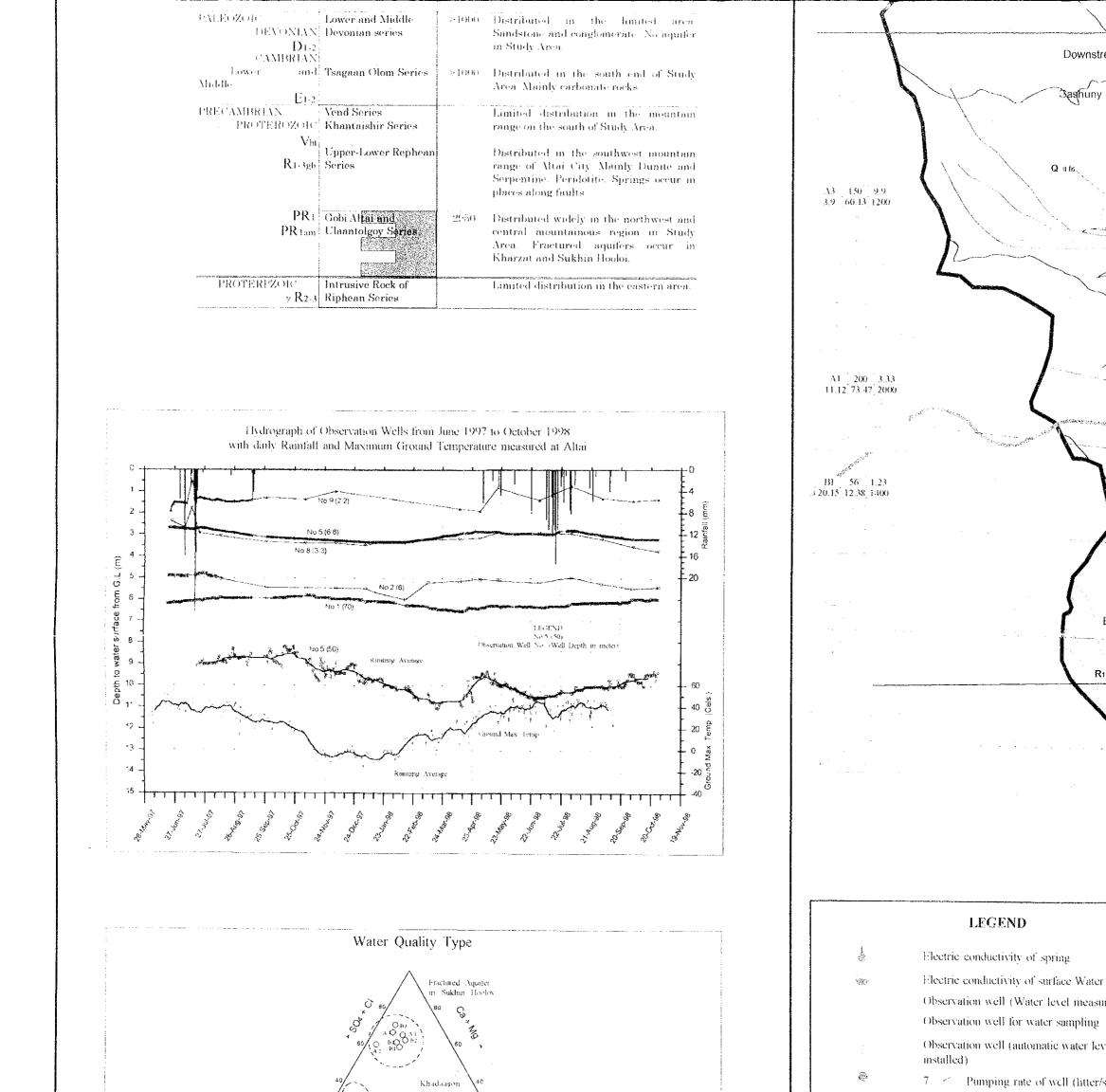




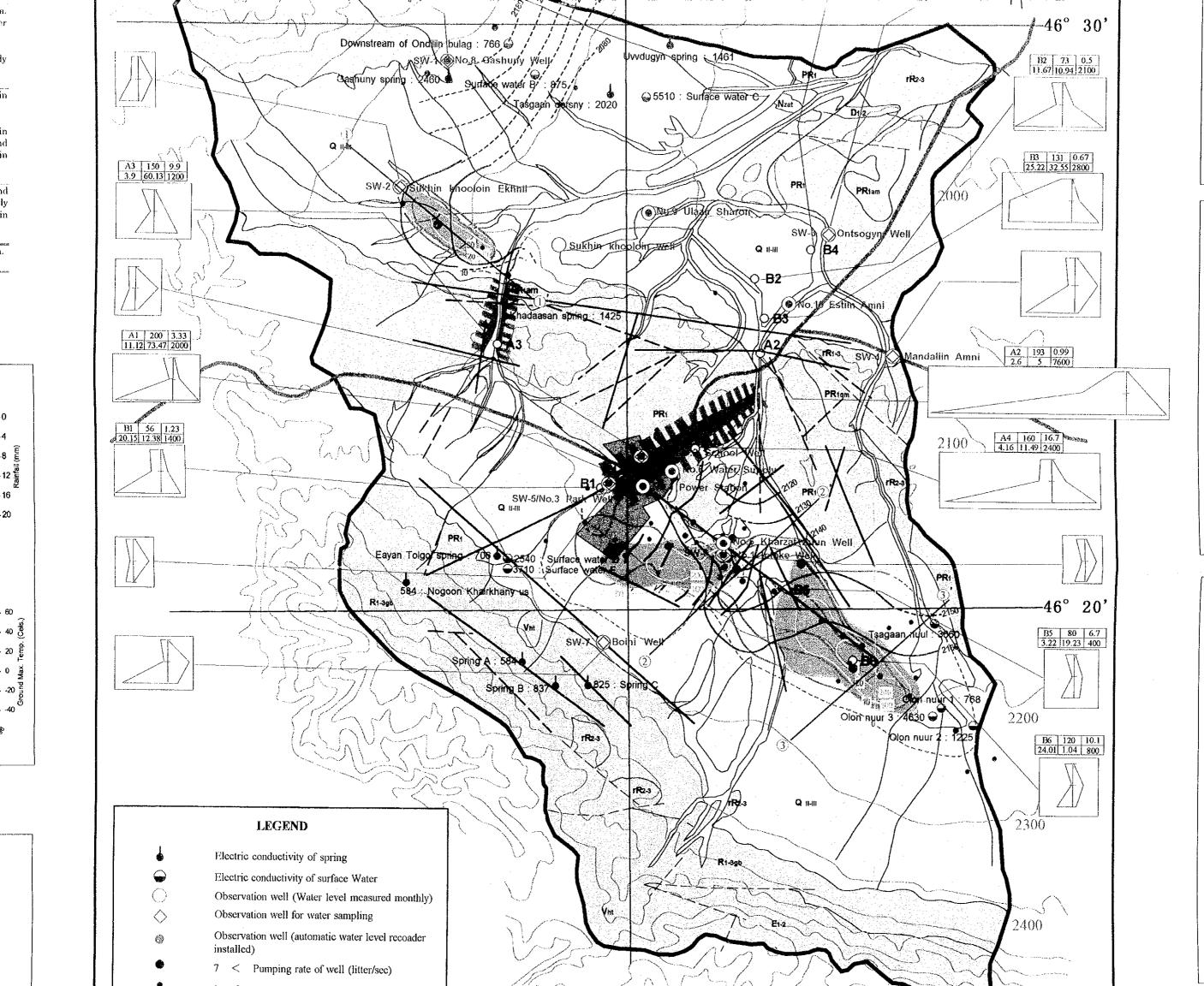


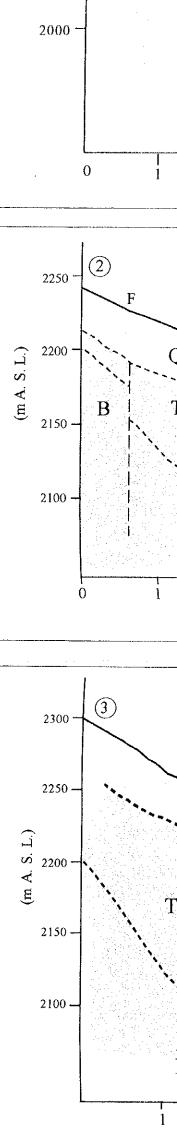
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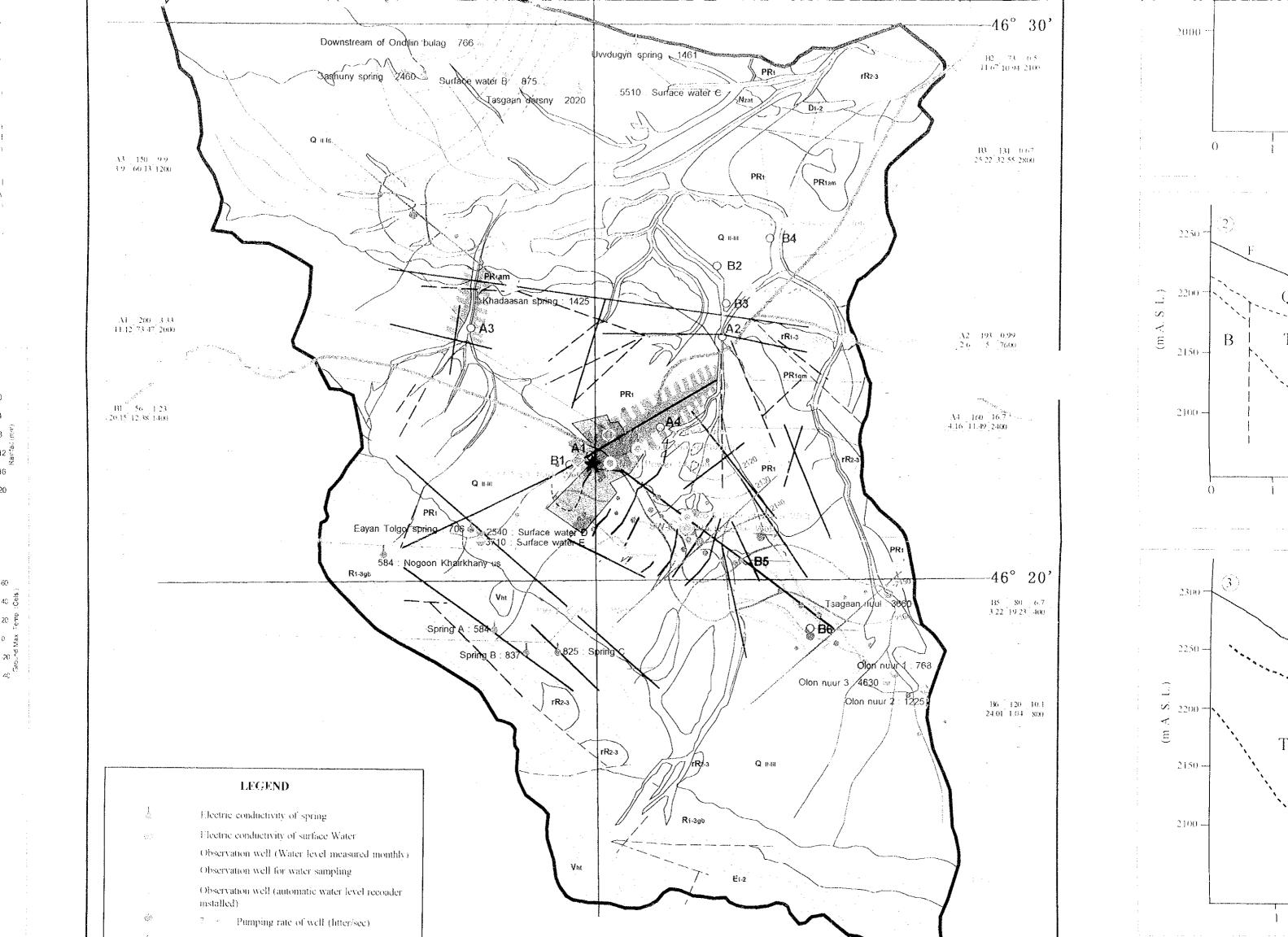
Downstream of Ondlin bulag : 766 NSW- NON & Bashury Well Surface water B' : 875/ Bashuny spring : 460 Jasgarin dersny : 2020 Qui SW-2 Sukhin knooloin Ektint) Sukhin Khop Knadaasan spring : 1425 N SW-5/No.3 PR Eayan Tolgor spring Surface wate **@**3 584 ... Nogoon Khairkhany R1-3g Vn SW-X Boi 825 : S Spring B **rR**2-3 spring surface Water cr level measured monthly) ater sampling natic water level recoader of well (litter/sec)

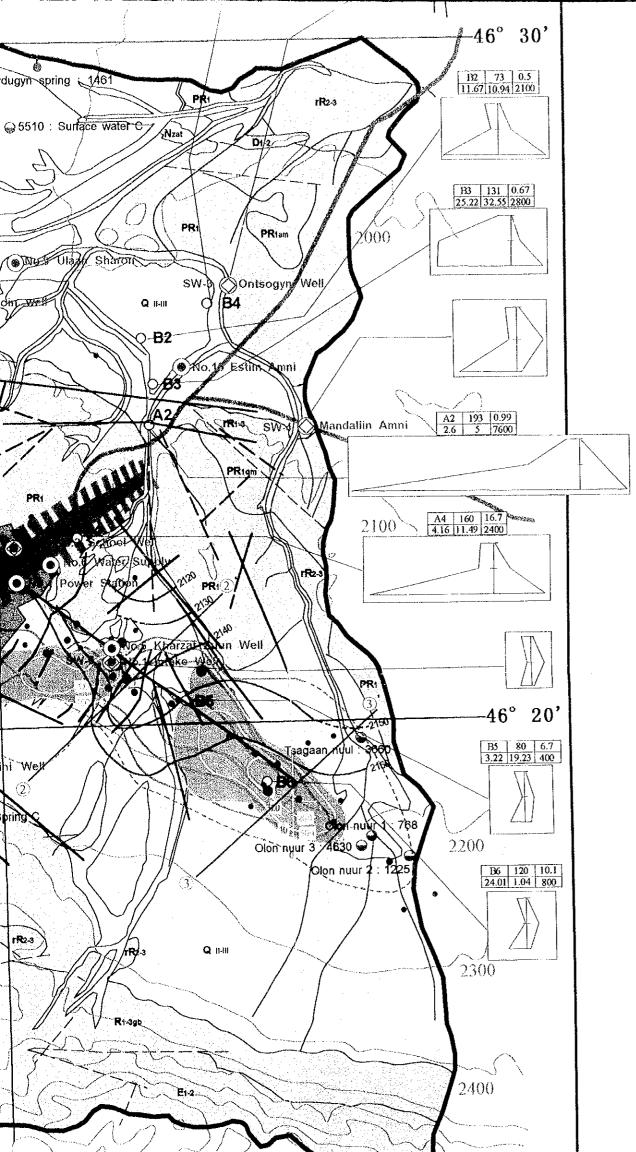


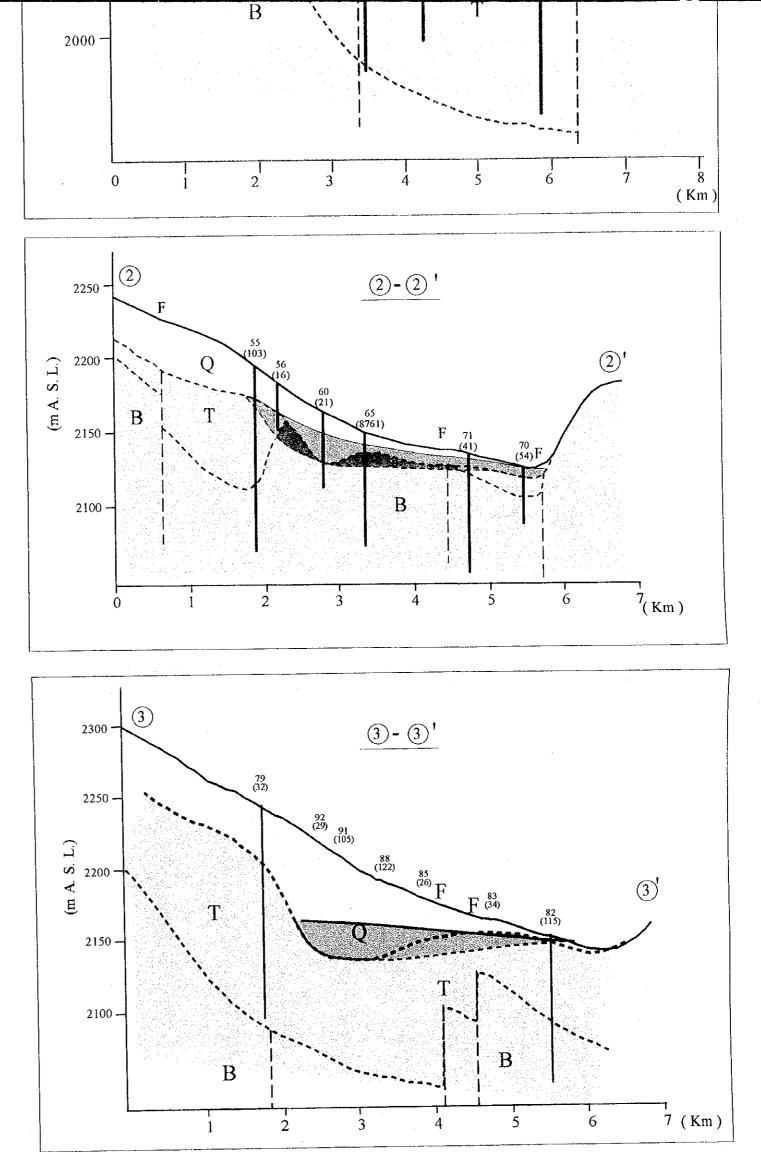


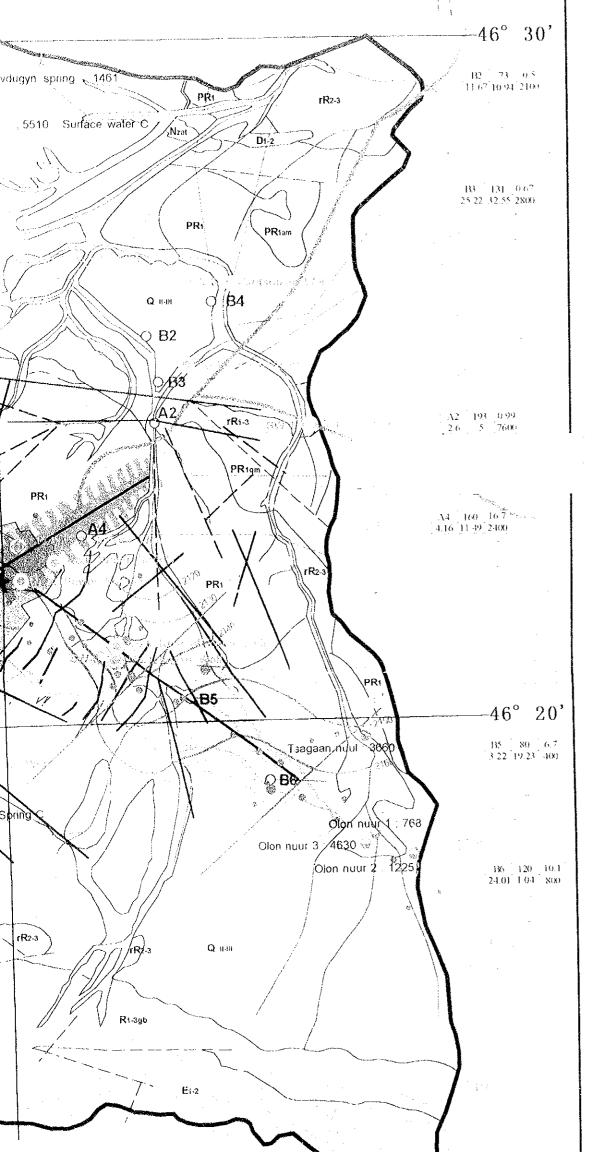


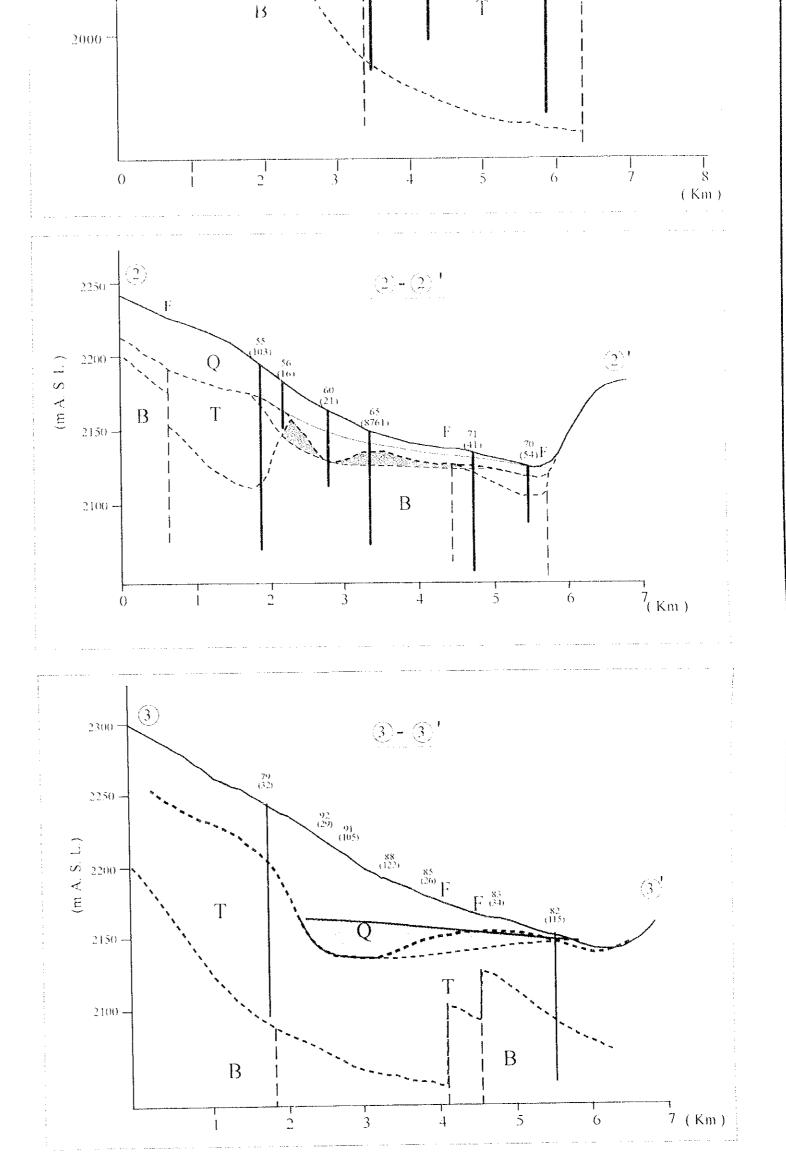


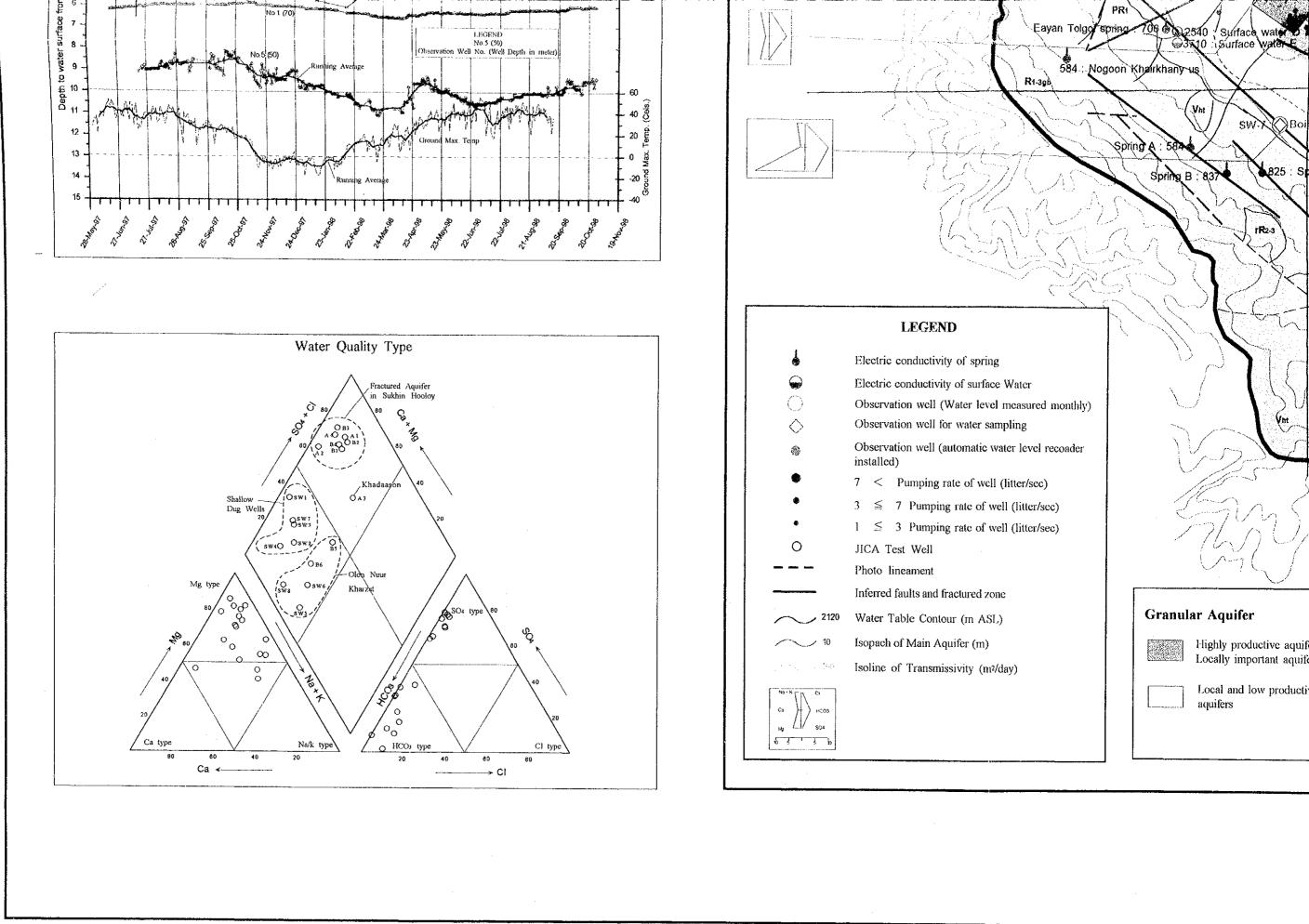


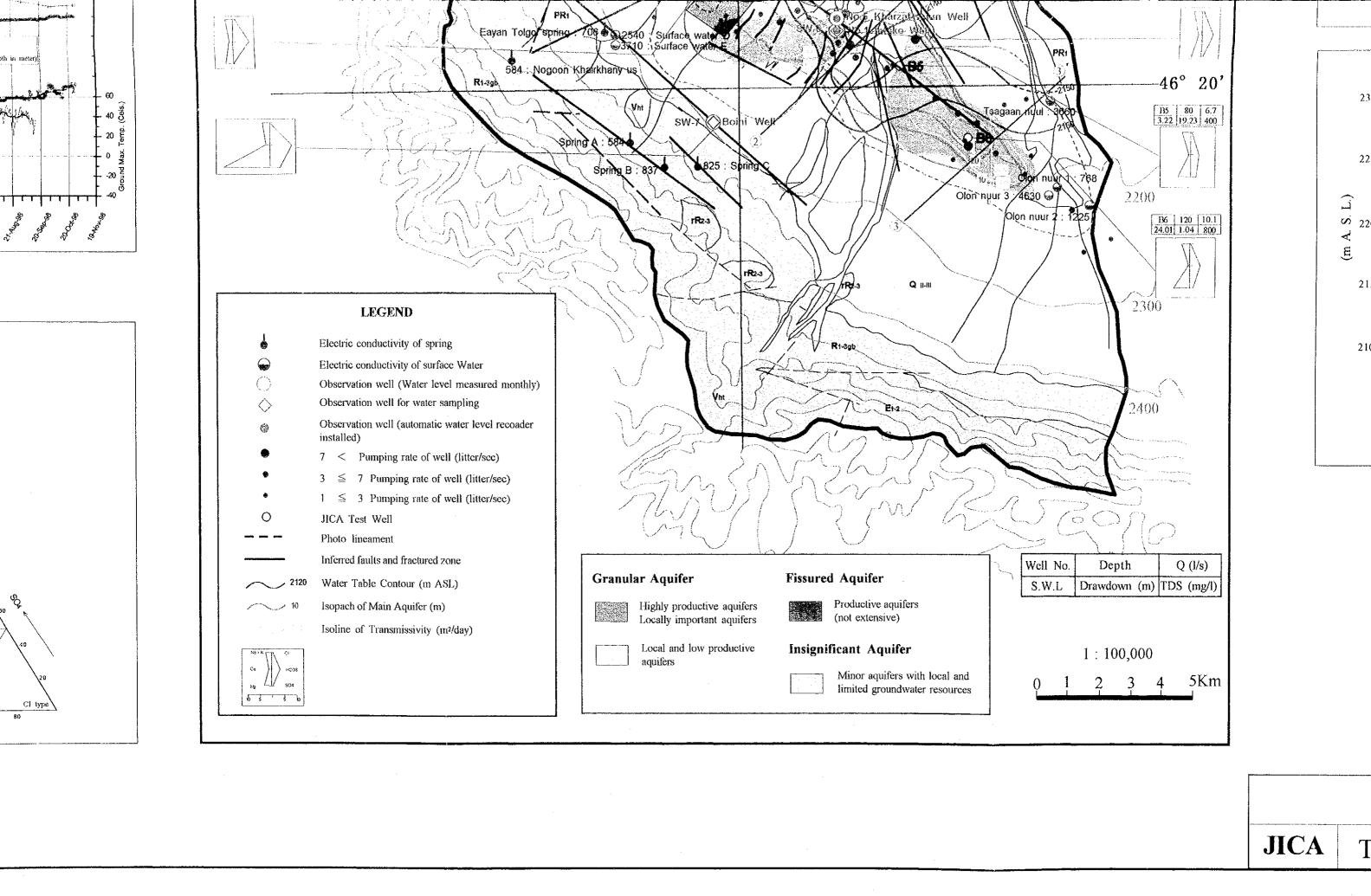


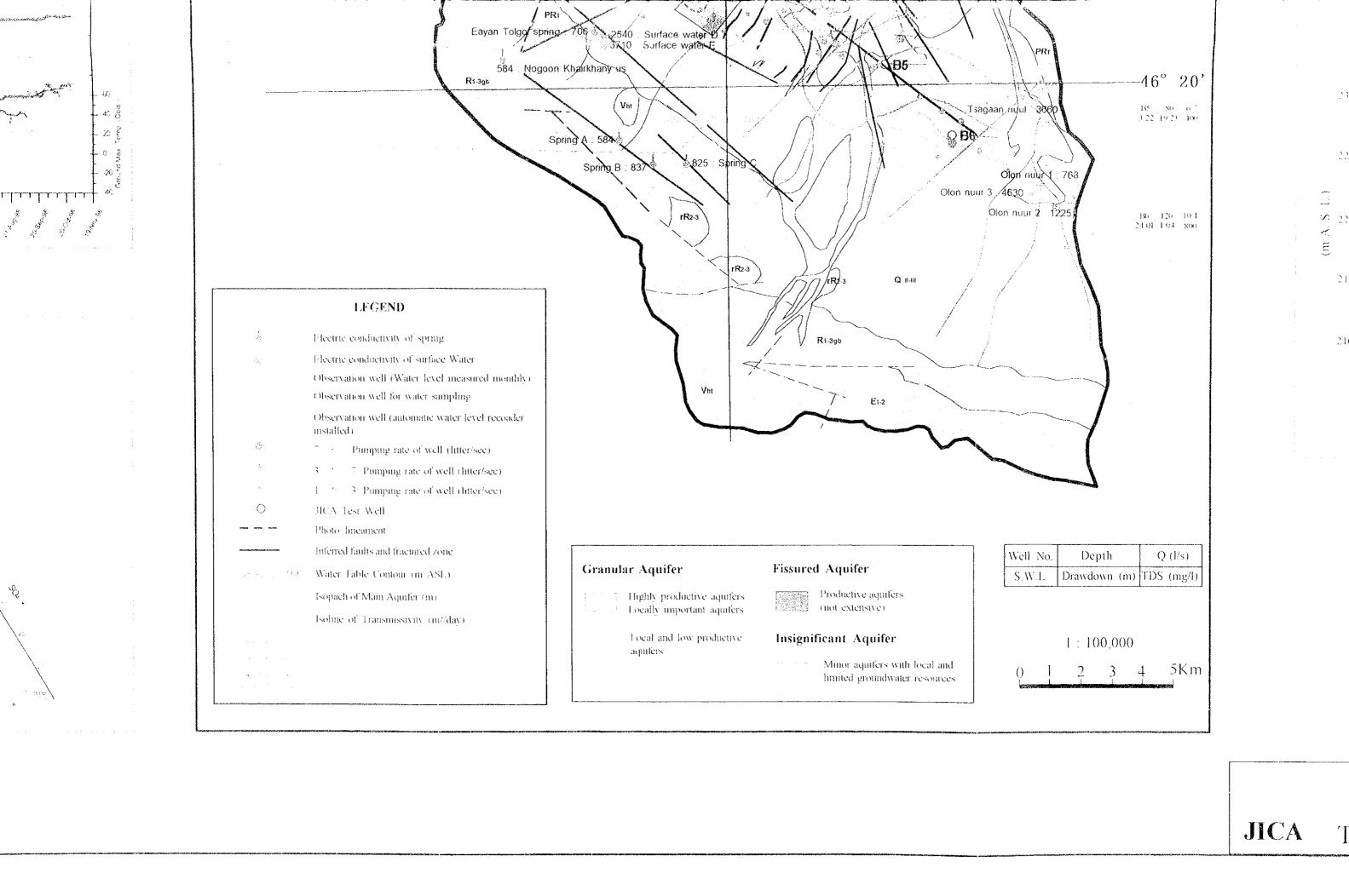


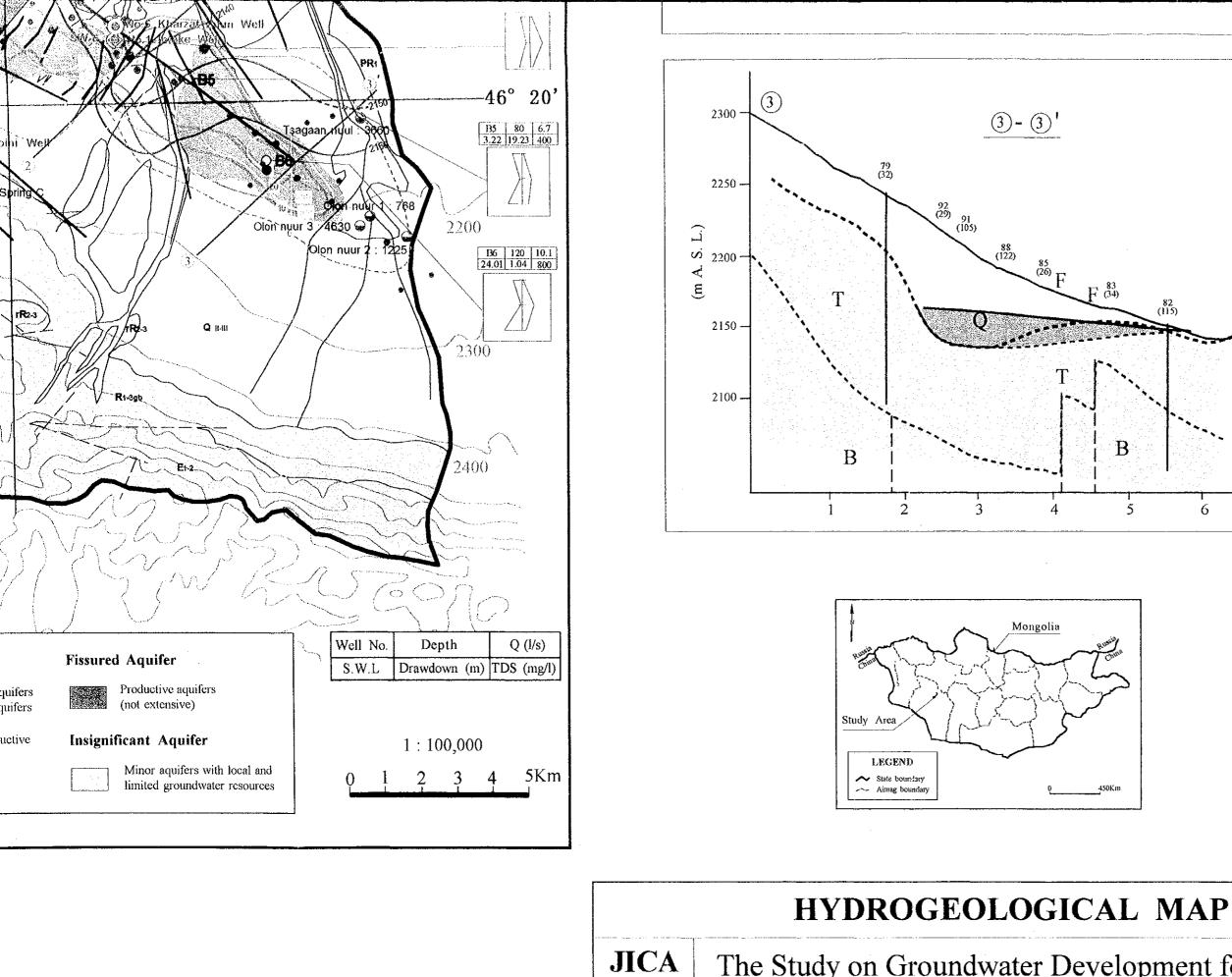




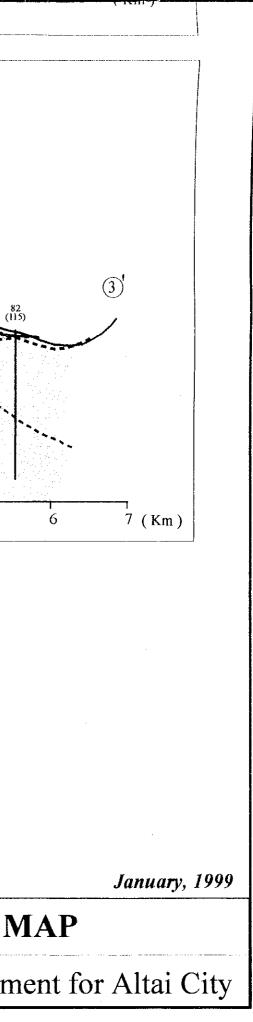


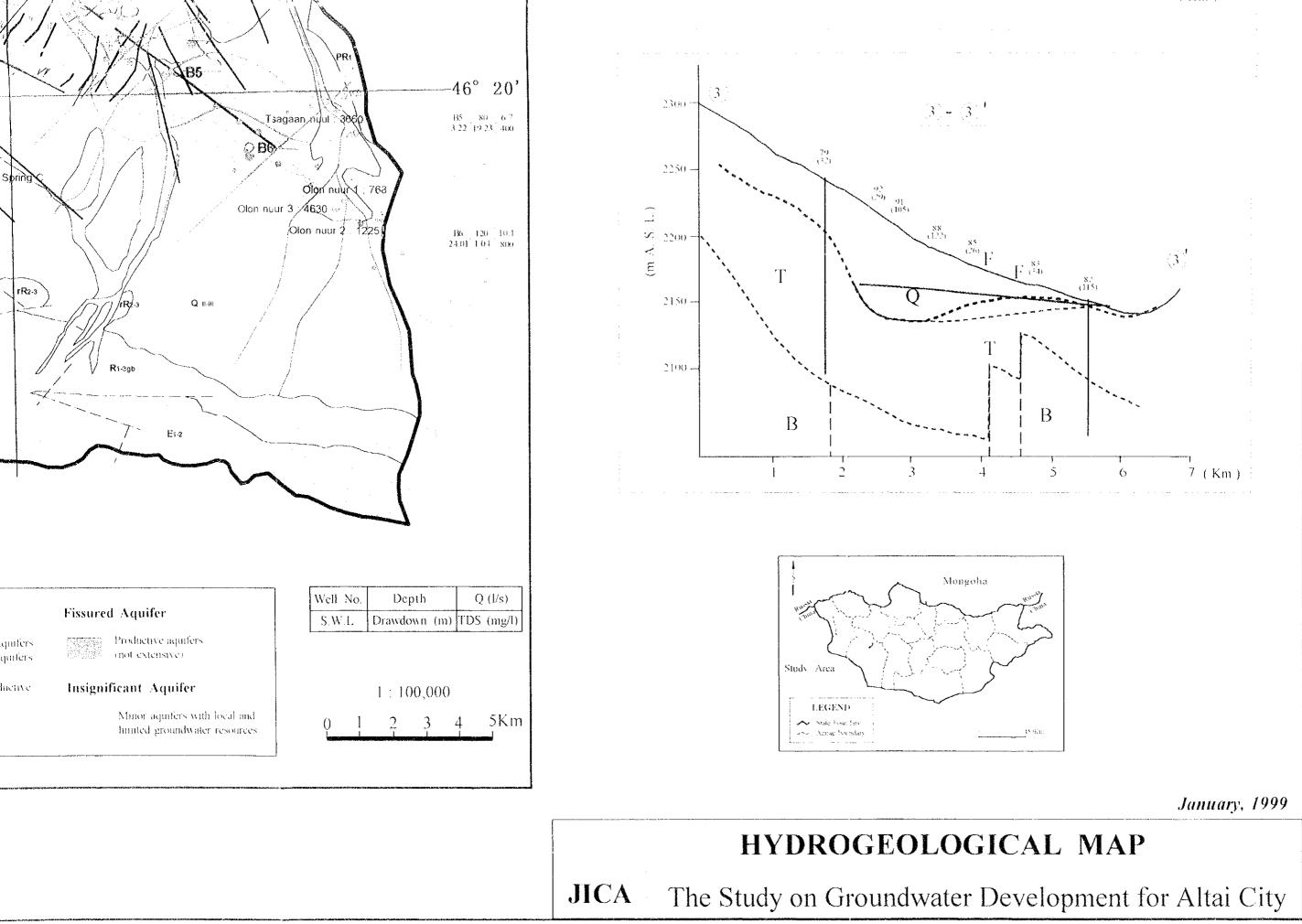






The Study on Groundwater Development for Altai City





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