



Technical Assistance Report

Project Number: 49192-001
Policy and Advisory Technical Assistance (PATA)
December 2015

Mongolia: Fostering Value-Added Activities in Western Mongolia

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 04 November 2015)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.000501
\$1.00	=	MNT1,990.50

ABBREVIATIONS

ADB	–	Asian Development Bank
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 49192-001	
Project Name	Fostering Value-Added Activities in Western Mongolia	Department /Division	EARD/MNRM
Country	Mongolia	Executing Agency	Cabinet Secretariat
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Agricultural policy, institutional and capacity development		0.58
Public sector management	Economic affairs management		0.24
		Total	0.82
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	Bilateral institutions (not client government)		
Private sector development (PSD)	Implementation Private Sector Conducive policy and institutional environment Promotion of private sector investment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	Yes	Rural	High
Geographic targeting (TI-G)	Yes		
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.82	
Policy and advisory technical assistance: Technical Assistance Special Fund		0.82	
Cofinancing		0.00	
None		0.00	
Counterpart		0.05	
Government		0.05	
Total		0.87	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. At the request of the Government of Mongolia for supporting private sector development in rural areas, the Asian Development Bank (ADB) carried out a fact-finding mission in May 2015. Following the fact-finding mission, ADB and the government reached an understanding on the objectives, scope, implementation arrangements, terms of reference, and costs of the policy and advisory technical assistance (TA). The design and monitoring framework is in Appendix 1.¹

II. ISSUES

2. A recent significant increase in mining in Mongolia has underpinned rapid economic growth, with gross domestic product having risen at an average annual rate of 12% from 2011 to 2014. However, mining is capital-intensive and employs less than 4% of the workforce. The economy is now vulnerable to downturns in energy and mineral prices and mining investment. Agriculture remains the largest source of employment (employing one-third of the workforce), generates one-sixth of gross domestic product, and is the main source of livelihood in rural areas. To achieve inclusive growth, it is important to balance the promotion of mining with efforts to develop agriculture and other competitive nonmining sectors. Economic diversification will help reduce economic vulnerability and sustain job creation.

3. The rural economy of Mongolia is heavily dependent on three sectors: agriculture, retail trade and manufacturing. There are over 23,900 formal businesses active in the rural areas, of which 32% operate in retail trade, 12% in agriculture, and 9% in manufacturing. Agricultural and related manufacturing activities include wool and cashmere cleansing, skin and leather crafting, and seabuckthorn, meat and dairy products processing, animal husbandry, and wheat and other crops.

4. Mongolia's rural economy is, however, constrained by a lack of experience in private sector development, and low penetration of business and technical skills such as financial literacy. Limited local capacity and expertise render herders, farmers and rural enterprises unable to market products or undertake robust economic and financial analyses, prepare business plans and cash-flow projections, or conduct market research on their own. Their main assets, notably livestock and remote land, are also poor sources of collateral. These limitations reduce the interest of banks and other sources of finance. A recent survey of small and medium enterprises (across urban and rural areas) reported that 47% of male and 36% of female entrepreneurs identified access to finance as a critical challenge for development of their businesses.² Weak technical skills make it difficult to enter into contracts, address taxation and other regulatory requirements, and resolve legal problems.

5. Furthermore, Mongolia's border trade and food sanitation requirements are overly complex and inconsistent with those of its two neighbors, the People's Republic of China and the Russian Federation. In terms of trading across borders, Mongolia has been ranked 74th out of 189 countries.³

¹ The TA first appeared in the business opportunities section of ADB's website on 24 September 2015. The TA is included in ADB's country operations business plan for Mongolia (2015).

² International Finance Corporation. 2014. *SMEs and Women-owned SMEs in Mongolia Market Research Study*. Washington, DC.

³ World Bank Group. 2015. *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington, DC.

6. Finally, inadequate infrastructure also hampers the development of Mongolia's rural economy. As a large landlocked country, Mongolia faces high transit costs and low reliability of logistics chains, which constrain the country's competitiveness and limit regional integration. Transport costs to the People's Republic of China and Russia are high, transit times long, and logistics within Mongolia relatively inefficient. Of the 10 topics in the ranking in Doing Business 2016, getting electricity was ranked the lowest (134th out of 189 countries).⁴ Mongolia has been ranked 112th out of 144 countries for infrastructure quality, and 120th out of 160 countries for infrastructure logistics performance.⁵ These problems are especially severe in the rural western region, where remoteness from political and economic centers, long distances between townships, a low population density, and a shortage of economic hubs make infrastructure development costly.

7. The three rural western *aimags* or provinces—Bayan-Ulgii, Khovd, and Uvs—are among the most underdeveloped in the country.⁶ In 2014, the unemployment rate was 22.5% in Bayan-Ulgii, 11.7% in Khovd, and 14.8% in Uvs, well above the national rate of 7.9%. In 2014, these three *aimags* only produced 4.1% of gross domestic product, yet accounted for 8.3% of Mongolia's total population and 12.2% of its land area. Western Mongolia has relied on cheap natural resources as the basis for the little industrial activity that exists. Thus, an abundance of land became the source of a livestock industry, which in turn led to meat processing, cashmere and wool production, and hides and skins. There is little opportunity for expanding the number of livestock because of overgrazing and desertification. Better use needs to be made of the region's resources if the rural economy is to diversify and expand.

8. The western region has the potential to develop new value-added economic activities based on agriculture. An abundance of natural resources and livestock (around 12 million head), borders with the People's Republic of China and Russian Federation, and a potential market for tourism and other services offer opportunities for economic growth under the right policies and institutions. This will require an increased focus on (i) the development of infrastructure, (ii) the technical expertise required by the private sector, and (iii) cooperation among the *aimags*.

9. The poverty rate in western Mongolia declined from 52.7% in 2010 to 26.0% in 2014 largely due to increased activities in agriculture and retail trade. In terms of ease of doing business, Uvs is ranked 11th, Khovd eighth, and Bayan-Ulgii third among Mongolia's 21 *aimags*.⁷ This demonstrates the western region's commitment to achieving economic growth through private sector development.

10. ADB is currently helping to upgrade infrastructure in western Mongolia through the Western Regional Road Corridor Development Project, which supports the development of 111 kilometers of the region's main road corridor, first in Khovd then in Bayan-Ulgii.⁸ This corridor will (i) provide a vital link to economic opportunities and social services, (ii) improve the competitiveness of the region's exports, and (iii) reduce the high costs of imports needed for production.

⁴ World Bank Group. 2015. *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington, DC.

⁵ World Economic Forum. 2014. *The Global Competitiveness Report 2014–2015*. Geneva; and the International Bank for Reconstruction and Development and the World Bank. 2014. *Connecting to Compete 2014: Trade Logistics in the Global Economy*. Washington, DC.

⁶ An *aimag* is an administrative division of Mongolia.

⁷ Economic Policy and Competitiveness Research Center. 2014. *Mongolia in World Competitiveness Report*. Ulaanbaatar.

⁸ ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to Mongolia for the Western Regional Road Corridor Investment Program*. Manila.

11. Other development partners are providing very limited assistance to the private sector, with only two bilateral organizations implementing TA projects in western Mongolia. The Swiss Agency for Development and Cooperation is helping local governments improve the capacity of herder cooperatives, while German Development Cooperation through Deutsche Gesellschaft für Internationale Zusammenarbeit is providing a capacity building TA to micro, small, and medium-sized enterprises operating in Uvs. The TA will mitigate this shortage and create a more favorable environment for private sector development by supporting partnerships between the government and private sector.

12. The *aimag* governments lack the specialist human resources and financial capacity needed to support private sector development. Their ability to prepare a regional private sector development strategy and to plan and evaluate its implementation is insufficient. Much can be done to promote balanced economic development in western Mongolia by addressing these capacity gaps. Moreover, a well-functioning set of institutional arrangements for regional economic cooperation among the three western *aimags* is missing. Enhanced cooperation would provide synergies in facilitation of the private sector. It would also improve the coordination of public investment, thereby ensuring a more efficient allocation and use of the scarce public resources in rural areas. The TA will draw on successful examples from other countries, as well as lessons learned from ADB support for private sector development programs in developing member countries. Furthermore, to capitalize on earlier work, maximum use will be made of assistance from ADB and other development partners.

13. The proposed TA will support private sector development in the rural western region. The TA will help address the constraints to private sector development that can be alleviated at the local level. It will strengthen coordination between the three western *aimags*, with a focus on improving access to export markets. It will also improve the investment and market analysis capacity of businesses, *aimag* authorities, and other stakeholders.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

14. The impact of the TA is aligned with the government's goal of enhancing economic diversification in agriculture and other nonmining industries in western Mongolia.⁹ The outcome will be enhanced readiness for value-added activities in private sector development in the three western *aimags*. Performance will be assessed from a private sector development strategy submitted to local *aimag* governments for endorsement by 2017.

B. Methodology and Key Activities

15. The TA will extend ADB's engagement with private sector development in Mongolia to the local government level, with a focus on Bayan-Ulgii, Khovd, and Uvs. Specifically, the TA will (i) help local governments promote value-added agriculture and tourism activities, and (ii) help build the capacity of local governments and nonmining private sector participants, including value-chains for investment planning and market analysis through a learning-by-doing approach and in-house training sessions addressing capacity and institutional development while emphasizing project preparation.

⁹ For a discussion of the government's goal for and plans in the western region, see Government of Mongolia, Cabinet Secretariat. 2005. *National Strategy for the Western Region Development, 2006–2015*. Ulaanbaatar; and the Government of Mongolia, Ministry of Labor. 2014. *Small and Medium-Sized Enterprise Support Program 2014–2016*. Ulaanbaatar.

16. Output 1 will be the assessment of the *aimags*' economic competitiveness and potential. This will provide a building block for other outputs. The assessment will identify the constraints in each *aimag* to expanding the private sector, such as access to infrastructure and finance, gaps in business and technical skills, trade restrictions, and inexperience within government in facilitating private sector development. It will focus on the potential for private sector led value-added activities in agriculture as well as tourism in each *aimag* suited to their natural resources and other sources of competitive advantage.

17. Output 2 will be the assessment of the readiness of each *aimag*. This output will (i) assess the skills in each *aimag* among businesses and the labor force required to develop priority sectors, including private sector led value-added activities in agriculture (ii) assess the capacity of each *aimag* government to manage a pro-growth economic policy in the context of private sector development, and (iii) prepare a study of public infrastructure needs, with an emphasis on transport, in western Mongolia. This output will help local governments establish (i) evidence-based policy-making practices, (ii) training modules for vocational training institutes, and (iii) on-the-job training for businesses.

18. Output 3 will be the preparation of robust investment and market analyses for selected projects in priority sectors. This output will (i) produce investment and market studies for selected private sector opportunities in priority sectors with a focus on value-added activities and exports, and (ii) train private sector participants in qualitative and quantitative research methodologies and financing plans. Government officials will help review investment and market studies and identify the supporting actions the government and ADB can take, such as in infrastructure development. They will also join training events in order to develop their skills in facilitating private sector development.

19. Output 4 will be the strengthening of coordination and information sharing for economic cooperation among the three western *aimags*. This output will (i) establish institutional arrangements and facilitate collaborative planning among the *aimags*, and (ii) support the formulation of a regional private sector development strategy. Regional conferences will underpin the building of an institutional arrangement that will help local governments formulate development strategies and enhance coordination. The output will also include an international study tour to demonstrate how other governments develop environments that attract private sector participants such as investors.

20. Government officials will lead the design and implementation of key initiatives, with TA consultants playing an active supporting role. Thus, the TA will provide an important learning-by-doing exercise that will (i) build internal capacity, (ii) strengthen the operational framework, and (iii) sustain the TA results. The TA will also apply a participatory approach to the preparation of outputs, such as by supporting collective focus group discussions and workshops for officials and stakeholders.

C. Cost and Financing

21. The TA is estimated to cost \$865,000, of which \$815,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of counterpart staff, office space, meeting and workshop venues, and other in-kind contributions. Proceeds of the TA will be disbursed in accordance with the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

D. Implementation Arrangements

22. The Cabinet Secretariat of Mongolia will be the executing agency. Local *aimag* governments in Bayan-Ulgii, Khovd, and Uvs will be the implementing agencies and will (i) supervise the day-to-day work of the consultants, and (ii) assume overall responsibility for seminars and workshops. A project steering committee composed of the Cabinet Secretariat, *aimag* governments, Ministry of Industry, Mongolian National Chamber of Commerce and Industry, and Economic Policy and Competitiveness Research Center will be established to guide the TA.¹⁰ The TA will be implemented over 24 months, from December 2015 to December 2017.

23. The TA will engage up to 67 person-months of international and national consultants. All consultants will be recruited individually. The international consultants will include (i) a private sector development advisor and team leader, and (ii) an agribusiness specialist, for a total of 17 person-months. The national consultants will include (i) a project management specialist and deputy team leader; (ii) a capacity building and business development specialist; and (iii) three technical specialists in areas such as law, meat processing, and the production of leather and skins, for up to 50 person-months. Procurement of goods and services will follow ADB's Procurement Guidelines (2015, as amended from time to time), and the recruitment of consultants will follow ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The outline terms of reference are in Appendix 3.

24. All relevant government departments and divisions will participate actively in the TA. The TA will also be implemented in close coordination with related rural development projects in western Mongolia supported by ADB and other partners. Development partners' outputs related to the private sector will be used to formulate a private sector development strategy in each *aimag*, and outreach activities will help ensure these partners' understanding and engagement.

25. The TA will be monitored and evaluated based on the implementation of activities and satisfactory delivery of outputs following the agreed timeline and budget allocation. To support monitoring and evaluation, the consultant team will submit inception, midterm, draft final, and final reports to the government and ADB. TA review missions will monitor progress, assess performance, and ensure relevance.

26. The key risks are that (i) political uncertainty weakens the government's ability to promote private sector development in rural areas, (ii) turnover in key staff reduces ownership and institutional memory, (iii) weak public sector capacity delays implementation, (iv) political pressure erodes the *aimags'* willingness to coordinate, and (v) changing market conditions reduce the relevance of the assessments.

IV. THE PRESIDENT'S DECISION

27. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$815,000 on a grant basis to the Government of Mongolia for Fostering Value-Added Activities in Western Mongolia, and hereby reports this action to the Board.

¹⁰ The Cabinet Secretariat is responsible for the administration of the Government of Mongolia and assists in governmental decision making by (i) facilitating intergovernment agencies and line ministries, and (ii) providing guidance and recommendations regarding policy formulation and implementation. Local *aimag* governments report directly to the Cabinet Secretariat.

DESIGN AND MONITORING FRAMEWORK

Impacts the Project is Aligned with:
Economic diversification in agriculture and other nonmining industries in western Mongolia enhanced^a

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Readiness for value-added activities in private sector development in the three western <i>aimags</i> (provinces) enhanced	Private sector development strategy submitted to local <i>aimag</i> governments for endorsement by 2017 (2015 baseline: 0; 2017 target: 1)	Certificates from the three western <i>aimags</i> ' governments	Political uncertainty weakens the government's ability to promote private sector development in rural areas.
Outputs 1. The <i>aimags</i> ' economic competitiveness and potential assessed	1. Assessment of the western region's economic competitiveness and potential submitted to the Cabinet Secretariat and local governments by March 2016 (2015 baseline: 0; 2016 target: 1)	1. Annual reports of the three western <i>aimags</i> ' governments	Turnover in key staff reduces ownership and institutional memory. Weak public sector capacity delays implementation. Political pressure erodes the three western <i>aimags</i> ' willingness to coordinate.
2. The <i>aimags</i> ' readiness assessed	2. Assessment of the <i>aimags</i> ' readiness submitted to the Cabinet Secretariat and local governments by June 2016 (2015 baseline: 0; 2016 target: 1)	2. Annual reports of the three western <i>aimags</i> ' governments	Changing market conditions reduce the relevance of the assessments.
3. Robust investment and market analyses for selected projects in priority sectors prepared	3a. Endorsement of investment and market analyses for selected project opportunities by local chambers of commerce and industry by August 2017 (2015 baseline: 0; 2017 target: 5) 3b. Summary of the market analysis published by October 2017 (2015 baseline: 0; 2017 target: 1)	3a–b. Endorsement letters from local chambers of commerce and industry	
4. Coordination and information sharing for economic cooperation among the three western <i>aimags</i> strengthened	4. At least three coordination and information sharing events held by July 2017 (2015 baseline: 0; 2017 target: 3)	4. Reports of coordination and information-sharing events prepared by local government officials	

<p>Activities with Milestones</p> <p>1. The three western <i>aimags</i>' economic competitiveness and potential assessed</p> <p>1.1. Prepare the assessment methodology of the three western <i>aimags</i>' economic advantages and disadvantages (by month 3)</p> <p>1.2. Complete the assessment, literature review, and focus group meetings (by month 5)</p> <p>1.3. Identify priority sector opportunities with good economic potential and assess each <i>aimag</i>'s economic development weaknesses and strengths (by month 7)</p>
<p>2. The aimags' readiness assessed</p> <p>2.1. Prepare the assessment methodology of the three western <i>aimags</i>' human capital, institutional setting, and infrastructure needs (by month 8)</p> <p>2.2. Finalize the assessment, literature review, and focus group meetings (by month 10)</p> <p>2.3. Consult with stakeholders on the findings of the readiness assessment (by month 10)</p>
<p>3. Robust investment and market analyses for selected projects in priority sectors prepared</p> <p>3.1. Screen private sector projects and conduct interviews with stakeholders and potential private sector participants (by month 11)</p> <p>3.2. Select private sector projects and consult with local governments and chambers of commerce (by month 11)</p> <p>3.3. Prepare an outline training curriculum for local government staff, NGOs, and private sector participants on investment and market analysis, economic research, and financial management (by month 13)</p> <p>3.4. Conduct training sessions for government staff, NGOs, and private sector participants based on the prepared curriculum (by month 16)</p> <p>3.5. Prepare investment and market analyses for selected project opportunities and consult with stakeholders (by month 18)</p> <p>3.6. Finalize investment and market analyses (including transport costs) for selected private sector projects (by month 20)</p>
<p>4. Effective institutional arrangements for economic cooperation among the three western <i>aimags</i> established</p> <p>4.1. Identify and assess institutional readiness for the three western <i>aimag</i>'s regional economic cooperation (by month 18)</p> <p>4.2. Conduct at least three consultative meetings among the three western <i>aimag</i> governments (by month 23)</p> <p>4.3. Support one international study tour within Asia to share experience and knowledge regarding the government's role in creating a favorable environment for private sector development (by month 16)</p>
<p>Inputs</p> <p>ADB: \$815,000</p> <p>Cofinancier: \$50,000 (<i>aimag</i> governments)</p> <p>Note: The government will provide counterpart support in the form of office space, meeting and workshop venues, counterpart staff, other services to the consultants, help arranging meetings with counterpart agencies, and other in-kind contributions.</p>

ADB = Asian Development Bank, NGO = nongovernment organization.

^a National Strategy for the Western Region Development, 2006–2015; Small and Medium-Sized Enterprise Support Program, 2014–2016; and Socioeconomic Development Strategies, 2009–2021 of the three western *aimags*—Bayan-Ulgii, Khovd, and Uvs.
Source: ADB.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	462.0
ii. National consultants	147.0
b. International and local travel	59.0
c. Reports and communications	9.0
2. Equipment ^b	8.0
3. Training, seminars, and conferences ^c	21.0
4. Surveys	35.0
5. Miscellaneous administration and support costs ^d	9.0
6. Contingencies	65.0
Total	815.0

Note: The technical assistance (TA) is estimated to cost \$865,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office space, and other in-kind contributions. The value of the government contribution is estimated to account for 5.8% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b Equipment

Type	Quantity	Cost
Printers	3	\$1,300
Desktop computers	3	\$1,800
Other training and office equipment	To be determined	\$4,900

Equipment will be procured according to ADB's Procurement Guidelines (2015, as amended from time to time) using the shopping method. It will be used for the purpose of capacity-building training sessions and business and investment analysis to be carried out under the TA, and will be turned over to the implementing agencies upon physical completion of the TA.

^c Three regional conferences with a total of 150 participants, including government officials, private companies, and international investors, will be held; a study tour within Asia will be carried out; and business development workshops for micro, small, and medium-sized enterprises will be organized.

^d Miscellaneous administration and support costs include translation and interpretation costs.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Overview

1. The consultants will be responsible for producing the technical assistance (TA) outputs and deliverables effectively and on time, consistent with the design and monitoring framework, and for organizing and carrying out all TA activities, including workshops and market analysis and research.

2. The executing agency and implementing agencies will coordinate with government authorities, private sector participants, and potential investors, and will assign counterpart staff to assist the consultants. The implementing agencies will supervise the day-to-day work of the consultants and assume overall responsibility for seminars and workshops organized in Uvs, Khovd, and Bayan-Ulgii.

3. All consultants will be recruited individually in accordance with the Asian Development Bank (ADB) Guidelines on the Use of Consultants (2013, as amended from time to time). The team leader and deputy team leader, in cooperation with the implementing agencies and ADB project officer, will oversee, coordinate, and monitor the consultants' work. Accordingly, the consultants will maintain close working relations and regularly discuss project progress and findings with the implementing agencies and ADB regarding their outputs. The project steering committee will meet with consultants and ADB staff to provide guidance to the consultants and review their outputs. The consultants will help ensure that knowledge products and research reports are disseminated (for example, via workshops and conferences, and on government and ADB websites), and made available to stakeholders.

B. International Consultants

4. **Private sector development advisor and team leader** (9 person-months, intermittent). The consultant should have (i) a postgraduate degree in economics, social sciences, or other related field; (ii) at least 7 years of relevant experience in private sector development, evaluation methods, and corporate finance; and (iii) in-depth knowledge of rural development and strategy formulation for private sector development in developing countries. Relevant project experience in Mongolia is desirable. The advisor will lead the team of consultants reporting to the executing agency, implementing agencies, and ADB, and will do the following:

- (i) implement the TA under the guidance of local governments and ADB, with a focus on coordination, capacity development and training, communication, and information sharing among government staff, local governments, investors, private sector participants, and other stakeholders;
- (ii) review the literature on the economic competitiveness of the three western *aimags* and carry out an economic competitiveness assessment for each *aimag* to identify priority economic sectors;
- (iii) carry out market and investment analyses for selected projects in priority sectors;
- (iv) prepare a knowledge product on transport costs in coordination with the national consultants;
- (v) carry out economic capacity and institutional assessments for priority sectors in the *aimags*;
- (vi) transfer skills and build the capacity of government staff, local governments, and rural private sector participants using the learning-by-doing approach;

- (vii) train the Mongolian National Chamber of Commerce and Industry on management and institutional arrangements, and train local private sector participants on project management and financial planning; and
- (viii) prepare and disseminate the required reports, including the final TA report and policy recommendations, to the *aimag* governments, with inputs from other consultants and under the guidance of the Cabinet Secretariat and ADB.

5. **Agribusiness specialist** (8 person-months, intermittent). The specialist should have (i) a postgraduate degree in agriculture, economics, or a related field; and (ii) at least 7 years of substantial experience in agribusiness, project management, and marketing. Relevant project experience in Mongolia is desirable. The specialist will report to the executing agency, implementing agencies, ADB, and team leaders, and will do the following:

- (i) transfer skills and build the capacity of government staff, local governments, and rural private sector participants through a learning-by-doing approach;
- (ii) carry out market and investment analyses for selected projects in priority sectors;
- (iii) work with local governments' lawyers and staff to improve the *aimags'* socioeconomic development strategies;
- (iv) provide training to agribusinesses operating in priority sectors; and
- (v) conduct prefeasibility studies for selected agriculture-related projects.

C. National Consultants

6. **Project management specialist and deputy team leader** (18 person-months, intermittent). The deputy team leader should have (i) a postgraduate degree in economics, law, or other relevant field; (ii) at least 3 years of extensive experience; and (iii) in-depth knowledge of private sector development in rural areas and agribusiness in Mongolia, including related regulatory and financing issues. The deputy team leader will support the team leader and agribusiness specialist across all of his or her roles and responsibilities, and coordinate the input of other national consultants on a day-to-day basis. The specialist will be the deputy leader of the consultant team reporting to the executing agency, implementing agencies, and ADB, and will do the following:

- (i) arrange and carry out training sessions for local government staff and private sector participants on project management, working capital management, and market data mining;
- (ii) help manage selected projects in priority industries and design a financing plan as well as institutional arrangements among stakeholders;
- (iii) transfer skills and build the capacity of government staff, local governments, and rural private sector participants through a learning-by-doing approach;
- (iv) carry out market and investment analyses for selected projects in priority sectors;
- (v) provide relevant inputs in the preparation of the required reports, including the final TA report;
- (vi) help prepare a knowledge product on transport costs; and
- (vii) organize and participate as an interpreter and advisor in field trips and the overseas study tour, if applicable.

7. **Capacity building and business development specialist** (17 person-months, intermittent). The specialist should have (i) a master's degree or higher qualification in finance, economics, management, marketing, or other relevant field; and (ii) at least 4 years of relevant experience. The specialist will report to the executing agency, implementing agencies, ADB, and team leaders, and will do the following:

- (i) carry out market and investment analyses for selected projects in priority sectors under the guidance of the team leaders;
- (ii) transfer skills and build the capacity of government staff, local governments, and rural private sector participants through a learning-by-doing approach;
- (iii) conduct a labor market assessment for each *aimag* and prepare human resource development strategies based on the results;
- (iv) help local governments and private sector participants promote sales channels and advise on supply chain development;
- (v) prepare training modules tailored to the needs of private sector participants;
- (vi) arrange and organize training sessions and workshops to build the capacity of private sector participants and local governments in the areas of market analysis, marketing, research and development, and innovative products; and
- (vii) facilitate communication and meetings between project stakeholders and organize workshops under the project.

8. **Technical specialists** (three consultants, up to 5 person-months each, intermittent). The three technical specialists should have (i) postgraduate degrees in agriculture, engineering, or another related field; and (ii) substantial experience in project management and agribusiness. They will work closely with local governments and private sector participants in the areas of agriculture, infrastructure, and investments as needed. Specific areas—such as sea buckthorn, meat processing, and the production of skins and leather—will be determined based on assessments carried out by national consultants and project needs. The specialists will transfer skills and build the capacity of government staff, local governments, and rural private sector participants using a learning-by-doing approach, and will help the project team carry out market and investment analyses and economic assessments. One of the specialists will have an undergraduate degree in law and at least 5 years of working experience, and will help process projects on legal issues.

D. Reporting Requirements

9. The team leader will be responsible for ensuring that all reports, documents, and submissions produced under the TA are acceptable and meet high professional standards. All required reports that document and assess TA activities are to be in English and suitable for publication. With the support of the TA consultants, the team leader will submit the following:

- (i) **Inception report** (maximum of five pages plus appendixes). This report will generally follow the format of the TA report and provide a clear plan for implementing the TA, challenges to its success, and a summary of its performance. It will, as fully as possible, (a) confirm the overall TA rationale and design; (b) recommend ways to improve the TA performance, including adjustments to the consultants' terms of reference; and (c) detail the TA implementation schedule.
- (ii) **Quarterly progress notes** (maximum of five pages). These brief notes will inform the government and ADB of the TA implementation status.
- (iii) **Midterm report** (maximum of 15 pages plus appendixes). This report, which will generally follow the format of the TA report, will inform the government and ADB of (a) the implementation status of the terms of reference, (b) plans for achieving the TA objectives, and (c) a personnel schedule including any relevant accomplishments. This report will record progress in the TA activities, outputs, and outcomes directly against the design and monitoring framework, and will provide a detailed TA implementation schedule.

- (iv) **Draft final report** (maximum of 20 pages plus appendixes). This report, which will generally follow the format of the TA report and be submitted 2 months before project completion, will (a) summarize the TA activities and results against the design and monitoring framework, and (b) recommend any additional steps necessary to sustain the TA results.
- (v) **Final report** (maximum of 20 pages plus appendixes). The consultants will submit this report within 1 month of receiving the comments on the draft final report from the government and ADB, and will respond to the comments received.