



Technical Assistance Report

Project Number: 55218-002
Transaction Technical Assistance (TRTA)
November 2021

Mongolia: Preparing the Agriculture Rural Development Project Phase 2

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 26 October 2021)

| | | |
|---------------|---|--------------|
| Currency unit | – | togrog (MNT) |
| MNT1.00 | = | \$0.00035 |
| \$1.00 | = | MNT2,856.33 |

ABBREVIATIONS

| | | |
|--------|---|---|
| ADB | – | Asian Development Bank |
| MOFALI | – | Ministry of Food, Agriculture, and Light Industry |
| TA | – | technical assistance |

NOTE

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

| | |
|-------------------------|---|
| Vice-President | Ahmed M. Saeed, Operations 2 |
| Director General | M. Teresa Kho, East Asia Department (EARD) |
| Director | Thomas Panella, Environment, Natural Resources, and Agriculture Division (EAER), EARD |
| Team leader | Jan F. Hinrichs, Senior Natural Resources Economist, EAER, EARD |
| Team members | Mark R. Bezuijen, Principal Environment Specialist, EAER, EARD Jubie Leah Mae S. Coles, Associate Financial Management Officer, Office of the Director General, EARD Daisy Gavina, Associate Project Analyst, EAER, EARD Enerelt Enkhbold, Senior Investment Officer, Mongolia Resident Mission, EARD Noreen Ruanes, Senior Operations Assistant, EAER, EARD Nogendra Sapkota, Senior Social Development Specialist, EAER, EARD Xiaole Wang, Investment Specialist, Office of the Director General, Private Sector Operations Department |

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

| | | | |
|---|---|--|--|
| 1. Basic Data | | Project Number: 55218-002 | |
| Project Name | Preparing the Agriculture and Rural Development Project Phase 2 | Department/Division | EARD/EAER |
| Nature of Activity Modality | Project Preparation Regular | Executing Agency | Ministry of Food, Agriculture, and Light Industry (MOFALI) |
| Country | Mongolia | | |
| 2. Sector | Subsector(s) | ADB Financing (\$ million) | |
| ✓ Agriculture, natural resources and rural development | Agricultural production | | 0.30 |
| | Land-based natural resources management | | 0.30 |
| | | Total | 0.60 |
| 3. Operational Priorities | | Climate Change Information | |
| ✓ Addressing remaining poverty and reducing inequalities | | GHG Reductions (tons per annum) | 0.000 |
| ✓ Accelerating progress in gender equality | | Climate Change impact on the Project | Low |
| ✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability | | ADB Financing | |
| ✓ Promoting rural development and food security | | Adaptation (\$ million) | 0.00 |
| ✓ Strengthening governance and institutional capacity | | Mitigation (\$ million) | 0.00 |
| | | Cofinancing | |
| | | Adaptation (\$ million) | 0.00 |
| | | Mitigation (\$ million) | 0.00 |
| Sustainable Development Goals | | Gender Equity and Mainstreaming | |
| SDG 2.3, 2.4 | | Some gender elements (SGE) | ✓ |
| | | Poverty Targeting | |
| | | General Intervention on Poverty | ✓ |
| 4. Risk Categorization | Low | | |
| 5. Safeguard Categorization | Safeguard Policy Statement does not apply | | |
| 6. Financing | | | |
| Modality and Sources | | Amount (\$ million) | |
| ADB | | 0.60 | |
| Transaction technical assistance: Technical Assistance Special Fund | | 0.60 | |
| Cofinancing | | 0.00 | |
| None | | 0.00 | |
| Counterpart | | 0.00 | |
| None | | 0.00 | |
| Total | | 0.60 | |
| Currency of ADB Financing: US Dollar | | | |

I. THE ENSUING PROJECT

1. The ensuing project will be aligned with the following impact: competitiveness and sustainability of Mongolia's agriculture sector improved.¹ The outcome of the ensuing project will be value addition on Mongolian agricultural resources increased by project participating enterprises (PPE).² The project is expected to enhance technology adoption of agro-enterprise, to increase primarily the agro-processing capacity and secondly agricultural production in Mongolia, and hence increase value addition to agricultural resources. The increased capacity will lead to employment generation, and indirectly benefit herders, farmers, and primary processors through the PPEs' increased demand for raw materials. An indicative financing amount of \$19.9 million from regular ordinary capital resources and \$37.2 million of concessional ordinary capital resources has been proposed for the ensuing project. The Government of Mongolia, during the country programming mission held in Ulaanbaatar in June 2021, requested the Asian Development Bank (ADB) to provide lending support to prepare the Agriculture and Rural Development Project Phase 2. The ensuing loan is included in ADB's lending pipeline discussed with the Government of Mongolia during the country programming mission held from December 2020 to March 2021.

II. THE TECHNICAL ASSISTANCE

A. Justification

2. The executing agency, the Ministry of Food, Agriculture, and Light Industry (MOFALI), has limited experience with ADB requirements for loan preparation. The transaction technical assistance (TA) will help the government prepare a project design that complies with the ADB requirements and international best practices.³ The TA will undertake the relevant work, tasks, and due diligence for assessing both the technical, economic, and financial feasibility of the project, as well as the environmental and social impacts of the project.

B. Outputs and Activities

3. The major outputs and activities are summarized in Table 1.

Table 1: Summary of Major Outputs and Activities

| Major Outputs | Delivery Dates | Key Activities with Milestones |
|--|---------------------------|---|
| 1. Feasibility of the ensuing project assessed | November to December 2021 | 1.1 Conduct sector assessment, stakeholder analysis, social survey, poverty assessment, and consultations 1.2 Assess technical, economic, and financial feasibility of the project 1.3 Explore private sector linkages for agribusiness for value chain development 1.4 Identify the private sector companies that may be suitable for future investments from PSOD to enhance the development effectiveness 1.5 Due diligence on safeguard requirements 1.6 Assess procurement risk and financial management aspects 1.7 Prepare an inception report |

¹ Government of Mongolia. 2016. *Mongolia Sustainable Development Vision 2030*. Ulaanbaatar.

² PPEs will be selected by financial intermediaries based on selection criteria targeting enterprises with bankable proposal which are aligned with the proposed projects output and outcome statements.

³ The TA first appeared in the business opportunities section of ADB's website on 13 August 2021.

| Major Outputs | Delivery Dates | Key Activities with Milestones |
|---|-------------------------------|--|
| 2. Project design and documents for the ensuing loan prepared | January 2022 to February 2022 | 2.1 Finalize project design, scope costs and implementation arrangements 2.2 Finalize report with all appendices, including IEE reports, DDR and framework on resettlement and ethnic minorities (if applicable) and, EARF, PSA, GAP, an economic and financial analysis report, an FMA report, PPMS, PPRA, and SPP reports and draft RRP including PAM 2.3 Prepare interim report |
| 3. Institutional capacity of the executing and implementing agencies improved | November 2021 to March 2022 | 3.1 Assess institutional capacity and identify training needs 3.2 Conduct capacity building activities 3.3 Prepare final report 3.4 Advance action/start-up support for project implementation |

DDR = due diligence report, EARF = Environment Assessment and Review Framework, FMA = financial management assessment, GAP = gender action plan, IEE = initial environmental examination, PAM = project administration manual, PPMS = project performance management system, PPRA = project procurement risk assessment, PSA = poverty and social analysis, PSOD = Private Sector Operations Department, RRP = report and recommendation of the President to the Board, SPP = strategic procurement planning.

Source: Asian Development Bank.

4. Project innovations are delivered through supporting stronger financial institutions to deliver financing for sustainable and resilient agricultural and food systems that build stronger and safer rural economies. ADB will apply a One-ADB approach cooperating with Sustainable Development and Climate Change Department to find examples of best practices in developing member countries, and with Private Sector Operations Department to explore private sector linkages for agribusiness for value chain development.

C. Cost and Financing

5. The TA is estimated to cost \$670,000 of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7) and \$100,000 will be financed on a grant basis by ADB's TASF 6. The key expenditure items are listed in Appendix 1.

6. The government will provide counterpart support in the form of counterpart staff, data collection, logistic support in arranging workshops and field visits, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

7. ADB through the Environment, Natural Resources, and Agriculture Division of ADB's East Asia Department will administer and coordinate the implementation of the TA. A multisector steering committee, chaired by the MOFALI State Secretary, including representatives from central agencies and the Mongolian Chamber of Commerce, will guide the project. A project implementation unit will be established at MOFALI to coordinate and implement the project. The TA will be implemented over 12 months, from November 2021 to October 2022. Equipment for the TA consultants will be procured following ADB Procurement Policy (2017, as amended from time to time), and its associated staff instructions. Disbursement under the TA will be in line with ADB's *Technical Assistance Disbursement Handbook* (2020, as amended from time to time). MOFALI will provide office space for consultants for the TA.

8. Implementation arrangements are summarized in Table 2.

Table 2: Implementation Arrangements

| Aspects | Arrangements | | |
|---|--|---|-----------|
| Indicative implementation period ^a | November 2021–October 2022 | | |
| Executing agency | Ministry of Food, Agriculture, and Light Industry | | |
| Implementing agency | Ministry of Finance | | |
| Consultants | To be selected and engaged by ADB | | |
| | Individual: Individual selection | International expertise (7 person-months) | \$152,850 |
| | Individual: Individual selection | National expertise (34 person-months) | \$242,160 |
| Procurement ^b | To be procured by consultants | | |
| | Request for quotation | Office computers and furniture, 2 contracts | \$6,000 |
| Disbursement | Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time). | | |
| Asset turnover arrangement upon TA completion | Equipment will be handed over to the Ministry of Food, Agriculture, and Light Industry upon completion of TA activities. | | |

ADB = Asian Development Bank, TA = technical assistance.

^a Implementation period starts from the expected month of commitment or signing.

^b Procurement Plan (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.

9. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions.⁴ Individual selection procedure will be used for consultant section to ensure timely and high-quality consultant mobilization. The use of lumpsum provision for out-of-pocket expenses will be used for administrative efficiency and to simplify the disbursement process.

10. Procurement will follow the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.

⁴ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

| Item | Amount |
|--|---------------|
| Asian Development Bank^a | |
| 1. Consultants | |
| a. Remuneration and per diem | |
| i. International consultants | 143.85 |
| ii. National consultants | 215.16 |
| b. Out-of-pocket expenditures | |
| i. International travel | 9.00 |
| ii. National travel | 27.00 |
| 2. Surveys | 36.00 |
| 3. Equipment ^b | 6.00 |
| 4. Training, seminars, and conferences ^c | 30.00 |
| 5. Miscellaneous administration and support costs ^d | 40.60 |
| 6. Contingencies | 92.39 |
| Total | 600.00 |

Note: The technical assistance (TA) is estimated to cost \$670,000, of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, data collection, logistic support in arranging workshops and field visits, and other in-kind contributions. The value of the government contribution is estimated to account for 10.4% of the total TA cost.

^a \$600,000 financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7) and \$100,000 will be financed by ADB's TASF 6.

^b Will be handed over to the Ministry of Food, Agriculture, and Light Industry upon completion of the transaction technical assistance.

| Type | Quantity | Cost |
|--|----------|---------|
| Office equipment (including laptops, modem, copier, and printer) | 1 set | \$3,000 |
| Office furniture (including desks, chairs, and stationery) | 1 set | \$3,000 |

^c These costs may include representation costs, such as food and beverages, interpretation and translation costs, and engagement of resource persons, including Asian Development Bank staff who will serve as resource persons and/or facilitators in the workshops. Planned trainings will be in country and in person.

^d Includes general operation costs, office accommodation rental, office supplies, report preparation, administration assistants, interpretation, and translation costs.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55218-002-TARreport>

1. Terms of Reference for Consultants