



Technical Assistance Report

Project Number: 53038-003
Transaction Technical Assistance (TRTA)
May 2021

Mongolia: Capacity Building for Food Safety and Traceability

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 16 April 2021)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.00035094
\$1.00	=	MNT2,849.47

ABBREVIATIONS

ADB	–	Asian Development Bank
JFPR	–	Japan Fund for Poverty Reduction
LMIS	–	livestock management information system
MAHIS	–	Mongolian Animal Health Information System
MOFALI	–	Ministry of Food, Agriculture, and Light Industry
TA	–	technical assistance

GLOSSARY

<i>aimag</i>	–	province
<i>soum</i>	–	district

NOTE

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

Vice-President	Ahmed M. Saeed, Operations 2
Director General	James P. Lynch, East Asia Department (EARD)
Director	Thomas Panella, Environment, Natural Resources, and Agriculture Division (EAER), EARD
Team leaders	Jan Hinrichs, Senior Natural Resources Economist, EAER, EARD Shingo Kimura, Senior Natural Resources and Agriculture Specialist, EAER, EARD
Team members	Dorothea Lazaro, Regional Cooperation Specialist, Public Management, Financial Sector, and Regional Cooperation Division, EARD Noreen Ruanes, Senior Operations Assistant, EAER, EARD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
I. THE PROPOSED PROJECT	1
II. THE TECHNICAL ASSISTANCE	1
A. Justification	1
B. Outputs and Activities	1
C. Cost and Financing	2
D. Implementation Arrangements	3
 APPENDIXES	
1. Cost Estimates and Financing Plan	5
2. List of Linked Documents	6

TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 53038-003	
Project Name	Capacity Building for Food Safety and Traceability	Department/Division	EARD/EAER
Nature of Activity Modality	Capacity Development Regular	Executing Agency	Ministry of Food, Agriculture, and Light Industry (MOFALI)
Country	Mongolia		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
		Total	0.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum)	0
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project	Low
✓ Promoting rural development and food security		ADB Financing	
✓ Strengthening governance and institutional capacity		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.5		No gender elements (NGE)	✓
SDG 2.1, 2.3, 2.a		Poverty Targeting	
SDG 10.2		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		0.00	
None		0.00	
Cofinancing		1.00	
Japan Fund for Poverty Reduction (Full ADB Administration)		1.00	
Counterpart		0.00	
None		0.00	
Total		1.00	
Currency of Financing: US Dollar			

I. THE PROPOSED PROJECT

1. In the proposed project, the Asian Development Bank (ADB) will provide a \$30 million sovereign loan to Mongolia to support the improvement of livestock production systems in 20 *soums* (districts) of four *aimags* (provinces) in Central Mongolia. The project will promote pasture rehabilitation and carbon sequestration while increasing the incomes of herder households through the formation and institutionalization of pasture user groups and establishment of rangeland user agreements to promote reduced livestock numbers and increased quality and quantity of outputs. The project will also support the formation of private entities to improve the entire livestock value chain, and will undertake capacity building of the government institutions involved in livestock production so that they are better able to assist the sector.

2. The proposed project's impact will be the competitiveness and sustainability of Mongolia's livestock sector improved (Mongolia Sustainable Development Vision 2030).¹ The project will have the following outcome: efficiency and sustainability of climate-resilient livestock production increased.²

II. THE TECHNICAL ASSISTANCE

A. Justification

3. In support of the sovereign loan, the proposed transaction technical assistance (TA) will provide capacity building to the Ministry of Food, Agriculture, and Light Industry (MOFALI), particularly at the local level, including through training, awareness raising, and technical guidelines. The TA will support the establishment of functioning livestock management and animal health information systems, and a food safety and traceability system along the value chain from herders to meat markets.

4. The sovereign loan will finance investments in facilities and equipment to improve the climate resilience of livestock, pasture, and water management; and improve livestock value chains. The TA will provide knowledge and enhance skills in the Government of Mongolia. These activities cannot be performed under the sovereign loan because of the difficulty to structure on a cost-recovery basis. This TA is listed in the current country operations business plan.³

B. Outputs and Activities

5. TA will support output 3 of the proposed project and include training, awareness raising, and preparation of technical guidelines, as well as the establishment of livestock management and animal health information systems at the local level.

6. **Output 3: Livestock sector regulatory framework and capacity enhanced.** The TA will support the government by:

- (i) Establishing a pilot livestock management information system (LMIS) in the project *aimags* and *soums*, and organizing workshops and meetings at the national and *aimag* levels to inform systems development and roll out use of the LMIS. The geographic information system-based LMIS will include (a) quantitative, qualitative,

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

² The design and monitoring framework is in Appendix 1.

³ The TA first appeared in the business opportunities section of ADB's website on 16 March 2021.

and spatial information related to livestock production, pastureland use, pasture reserve land, water points, animal shelters, and herder communities; and (b) geographic data on the establishment and operation of herder groups and rangeland use agreements, other relevant herder communities, water points, pasture reserve areas, and livestock and fiber outputs. Data will be initially collected on a pilot basis for the project area. The system will be linked to data and information on rangeland monitoring and ecological recovery collected at 1,550 points of the National Agency for Meteorology and Environmental Monitoring through a line point method; and at 4,000 points of the Agency for Land Management and Administration, Geodesy, and Cartography through a photo-monitoring methodology. The system will integrate data on livestock from the National Statistical Office, enable analysis of an integrated pasture use management system, and support the implementation of subprograms. The system will create pastureland use and cadastral maps by region, *aimag*, and *soum*; determine the number and types of livestock that can be supported in the area in a sustainable manner; and create a database to incorporate all information. The system will generate information that can be used to develop targets, monitor progress, and report on livestock productivity and livestock-carrying capacities consistent with sustainable systems and natural resource conservation. The system will provide information that can contribute to the estimation of greenhouse gas emissions from livestock and of soil carbon capture.

- (ii) Establishing a system of carcass quality, traceability, and feedback to suppliers, including animal identification systems and animal health compliance. This will enable suppliers and processors to comply with market requirements. The TA will support a series of stakeholder workshops and meetings at national and *aimag* levels to inform systems development as well as rollout and use of the system. It will support consultants in developing (a) carcass quality, traceability, and feedback systems; (b) livestock identification systems; and (c) animal health systems. It will also enable them to conduct a field study of currently operating supplier–processor linkages to inform the systems development process.
- (iii) Strengthening the capacity of the General Authority of Veterinary Services to trace livestock and livestock products through the establishment of the Mongolian Animal Health Information System (MAHIS) in the project area. The MAHIS will improve the quality of local veterinary services to meet food safety standards. The MAHIS integrates several subsystems to assure animal health, quality and hygiene of products, and traceability. Establishment of the MAHIS also involves the enrolment of processors in the system. This activity supports the rollout and use of the MAHIS in the project areas, as well as training sessions and meetings to support the use of the system in the field.

C. Cost and Financing

7. The TA is estimated to cost \$1.0 million, of which \$1.0 million will be financed on a grant basis by the Japan Fund for Poverty Reduction (JFPR). The key expenditure items are listed in Appendix 2.

8. The following are ineligible items under the JFPR: (i) purchase of vehicles, (ii) salaries for civil servants, (iii) foreign travel, (iv) scholarships or long internships, (v) detailed engineering

design, (vi) civil works and other related expenses, and (vii) those under ADB’s List of Ineligible Items (or Negative List) and Prohibited Investment Activities List.⁴

D. Implementation Arrangements

9. ADB will delegate administration of the TA to the MOFALI, which will be the executing agency. The MOFALI will select consultants, procure goods and services, sign and administer contracts (including payments), manage consultants and suppliers, and prepare the TA completion report. Consultants will be selected in accordance with ADB’s Procurement Policy (2017, as amended from time to time) and its associated project administration and/or staff instructions.⁵ The consulting firms will be selected using quality- and cost-based selection, with a quality–cost ratio of 90:10 and using a simplified technical proposal. The executing agency has confirmed that it will not extend the same privileges and immunities granted to consultants under non-delegated TA operations to consultants performing missions under delegated TA operations. The consulting service recruitment notice and request for proposals will indicate (i) the inapplicability of ADB’s privileges and immunities, and (ii) the requirement for consultants to pay taxes and duties on the amount paid under their consulting services contract. All TA-financed goods and equipment such as information and communication technology-related equipment will be procured in accordance with the ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). The equipment will be handed over to the MOFALI upon TA completion. ADB will disburse funds to the executing agency through advance fund and statement of expenditures procedures, in line with the *Technical Assistance Disbursement Handbook* (2020, as amended from time to time). The executing agency is required to keep a separate account for the TA project and to submit annual audited project financial statements. The executing agency should submit the annual audited project financial statement to ADB within 6 months from the end of their fiscal year, for review and necessary action. ADB has conducted the necessary due diligence, including procurement and financial management capacity assessments, and confirmed that the executing agency has the necessary capacity to administer the TA. The assessments have been guided by the due diligence for the Climate-Resilient Livestock Sector Development Project, which will be implemented by the same executing agency. The results of the assessments as well as detailed disbursement and financial reporting and auditing arrangements are provided in the project administration manual.⁶ The implementation arrangements are summarized in the table.

Implementation Arrangements

Aspects	Arrangements
Indicative implementation period	July 2021–June 2024
Oversight body	A multisector steering committee, chaired by the MOFALI State Secretary, including the Director General of Livestock Policy Implementation Coordination Department as deputy chair and representatives from other central agencies and participating <i>aimags</i> and professional associations, will provide guidance to the loan project and the transaction TA. The steering committee will include members from the Food Production Development Policy and Coordination Department, GAVS, and ADB resident mission.
Executing agency	MOFALI
Key implementing agency	Livestock Development Policy Implementation Coordination Department of the MOFALI

⁴ ADB. 2009. *Safeguard Policy Statement*. Manila.

⁵ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

⁶ Project Administration Manual (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the president to the Board of Directors).

Aspects	Arrangements		
Implementation units	<p>A project management unit will be established in the MOFALI to coordinate and oversee project detailed implementation.</p> <p>Staff: The project management unit will be staffed by 11 individual consultants hired under the sovereign loan.</p> <p>Four project implementation units will be established at <i>aimag</i> agriculture departments to implement loan and TA project activities in target project <i>aimags</i> and <i>soums</i>.</p>		
Consultants	To be selected and engaged by the executing agency		
	Quality- and cost-based selection	Two contracts	\$0.95 million
Advance contracting	No contracts are likely to be awarded in advance contracting.		
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank; GAVS = General Authority of Veterinary Services; MOFALI = Ministry of Food, Agriculture, and Light Industry; TA = technical assistance.

Source: ADB.

10. **Consulting services.** The MOFALI will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. The consultants will procure goods required for capacity building activities to be undertaken as part of the TA. ADB's privileges and immunities are not applicable to the consultants, and they are responsible for fulfilling their Mongolian tax obligations.

11. **Cofinancier requirements.** ADB will administer the TA in compliance with the JFPR's Policy Guidelines for Technical Assistance Grant.⁷

⁷ ADB. 2020. *Policy Guidelines for Technical Assistance Grant*. Manila; and JFPR. 2019. *Guidance Note on Japanese Visibility*. Manila.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Japan Fund for Poverty Reduction^a	
1. Consultants	
a. Remuneration and per diem	
i. National consultants	492.2
b. Out-of-pocket expenditures	
i. International and local travel	30.0
ii. Goods (rental and/or purchase)	5.5
iii. Training, seminars, and conferences ^b	377.1
2. Goods (rental or purchase) ^c	48.0
3. Contingencies	47.2
Total	1,000.0

Note: The technical assistance (TA) is estimated to cost \$1,000,000, of which contributions from the Japan Fund for Poverty Reduction are presented in the table.

^a Administered by the Asian Development Bank.

^b Includes interpretation and translation costs.

^c Equipment purchased under the TA will be turned over to the executing agency upon completion of the transaction TA activities.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=53038-003-TARreport>

1. Terms of Reference for Consultants