



# Mongolia: Small Expenditure Financing Facility: Project Readiness Enhancement Project (PREP)

Project Name	Small Expenditure Financing Facility: Project Readiness Enhancement Project (PREP)										
Project Number	51423-004										
Country	Mongolia										
Project Status	Proposed										
Project Type / Modality of Assistance	Loan										
Source of Funding / Amount	<table border="1"> <tr> <td colspan="2">Loan: Small Expenditure Finance Facility - Project Readiness Enhancement Project</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 5.00 million</td> </tr> <tr> <td>Ordinary capital resources</td> <td>US\$ 15.00 million</td> </tr> <tr> <td>concessional ordinary capital resources lending / Asian Development Fund</td> <td>US\$ 5.00 million</td> </tr> <tr> <td>Ordinary capital resources</td> <td>US\$ 15.00 million</td> </tr> </table>	Loan: Small Expenditure Finance Facility - Project Readiness Enhancement Project		concessional ordinary capital resources lending / Asian Development Fund	US\$ 5.00 million	Ordinary capital resources	US\$ 15.00 million	concessional ordinary capital resources lending / Asian Development Fund	US\$ 5.00 million	Ordinary capital resources	US\$ 15.00 million
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Strategic Agendas	Inclusive economic growth										
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships										
Sector / Subsector	Agriculture, natural resources and rural development - Agricultural production - Rural market infrastructure Public sector management - Public administration Transport - Multimodal logistics - Road transport (non-urban) - Urban public transport Water and other urban infrastructure and services - Urban sanitation										
Gender Equity and Mainstreaming											
Description	Facility scope. The facility will finance a series of small-scale activities related to one or more of the outputs. Each activity will be linked to the proposed CPS for 2021-2024, priority sectors of the SEFF are agriculture, natural resources and rural development; water and other urban infrastructure and services; public sector management; and transport.										
Project Rationale and Linkage to Country/Regional Strategy	<p>Strategic context. The Asian Development Bank's (ADB) country partnership strategy (CPS), 2017-2020 for Mongolia was the largest ever partnership between ADB and Mongolia, resulting in commitments of \$1.49 billion. Following parliamentary elections in June 2020, the newly elected government has come in with an ambitious development program and action plan designed to close Mongolia's infrastructure gap and launch the country onto a new development trajectory. Mongolia needs an immediate upgrade of basic infrastructure in Ulaanbaatar and other regions to meet its competitiveness and development goals. ADB is the largest development partner in the country and the government has requested ADB's leadership in supporting this program. As such, ADB's new CPS covering 2021-2024, currently under development, is set to be even larger than CPS, 2017-2020.</p> <p>Country portfolio overview. ADB's role as Mongolia's lead development partner by proactively enhancing coordination with development partner agencies that remain engaged in its identified priority sectors. ADB knowledge in addressing its priority areas of inclusive and sustainable economic growth economic diversification, poverty reduction, employment generation, urban development, social protection, environmental protection, climate change response, and disaster risk management. As of 15 February 2021, ADB have an active portfolio of 40 projects financed by 66 loans and grants with a total net value of \$1,705.85 million and 58 active technical assistance projects with total net value \$50,952.00 million.</p> <p>Over the course of the new CPS, 2021-2024, ADB will support several large infrastructure projects greatly increasing the complexity (as well as the size) of ADB's portfolio. These projects include complex projects in urban transport and traffic management in Ulaanbaatar city, satellite city development and associated rail and logistic support projects, export-oriented agriculture and livestock development, and road transport projects. Delivering on a such a complex portfolio will require high level of project design readiness, a strong focus on project administration and in-depth support to the government on procurement and project management.</p> <p>Project startup risks. Mongolia Resident Mission (MNRM) undertook an in-depth review of project management issues in undertaking the CPS Final Review. There are important challenges that need to be addressed in a systematic way to ensure enhanced project implementation and solid portfolio delivery. The current average start-up delays in the portfolio are more than 14 months across all projects. Key factors leading to startup risks include (i) the lack of detailed designs and safeguard documents, (ii) insufficient use of recently approved advance procurement, (iii) systematic delays in establishment of project management units (PMUs), (iv) a lack of continuity of PMU staff from design to implementation, and (v) possible cost overruns and project cancellations. Mongolia also face unique challenge of shorter construction season for civil works. Design readiness will help to plan the project delivery better.</p> <p>Proposed facility and ADB value addition. The small expenditure financing facility (SEFF) presents a unique opportunity for ADB to strengthen project implementation, allowing for ADB to deliver the priorities of the new CPS, 2021-2024. The government has already agreed to the inclusion of the SEFF, agreeing to borrow for project design costs for the first time and underlining the government's commitment to strengthening project administration. The SEFF is preferred since it can respond quickly and responsively to the small financing needs for ensuring project readiness. The government intends to improve project design readiness to avoid startup delays which affect contract awards and disbursement ratios, possible cost overruns, and timely delivery of project benefits to the Mongolian people. The SEFF will allow ADB and the government to greatly enhance project implementation by (i) supporting early design work and advanced procurement actions to alleviate project startup bottlenecks; (ii) strengthen the government's project implementation capacity; (iii) introduce new technologies, standards, and management approaches; and (iv) complete infrastructure investments in conformance with up-to-date performance standards.</p>										
Impact											
Outcome											

Outputs

Output 1: Project implementation readiness for ensuing projects improved. The facility will support project preparation, design activities, and institutional strengthening for future investments under one or more ADB-financed projects. This output will include the Ulaanbaatar traffic and transport improvement, export-oriented logistics improvement in western regions and supply chain management of agriculture and livestock, improvements in regional connectivity projects planned for 2022-2024 approvals under the proposed CPS 2021-2024.

Output 2: New technology, innovation, or improvement in design standards pilot- tested. The facility will support pilot-testing advanced technologies and management approaches to reduce life-cycle costs, improve service efficiency and quality, and minimize negative environmental and social impacts. The development of smart traffic management in Ulaanbaatar is an example of new technology or management approaches activity under the facility.

Output 3: Project efficiency and sustainability enhanced. The facility will improve project efficiency and sustainability, including capacity and implementation support for the new projects, institutional efficiency, governance improvements, preparations of safeguards documents and economic analysis for ensuring project preparations, and operations and management. The institutional arrangement for the proposed mass transit system in Ulaanbaatar city will be the first activity which is planned under the output 3.

Geographical Location Ulaanbaatar

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer Thiruchelvam, Mookiah

Responsible ADB Department East Asia Department

Responsible ADB Division Mongolia Resident Mission

Executing Agencies Ministry of Finance (formerly Ministry of Finance and Economy)  
S.Danzangiin Gudamj 5/1, Zasgiin Gazriin  
II Bair, Ulaanbaatar 15160 Mongolia

Timetable

Concept Clearance 10 Mar 2021

Fact Finding 01 Mar 2021 to 03 Mar 2021

MRM 30 Mar 2021

Approval -

Last Review Mission -

Last PDS Update 10 Mar 2021

Project Page <https://www.adb.org/projects/51423-004/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=51423-004>

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