



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 23-Mar-2021 | Report No: PIDC230217



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P174733		Moderate	Virtual Cooperatives of Pastoral Livestock Communities
Region	Country	Date PID Prepared	Estimated Date of Approval
EAST ASIA AND PACIFIC	Mongolia	23-Mar-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Mongolia	Ministry of Food Agriculture and Light Industry	

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**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	2.75
<b>Total Financing</b>	2.75
<b>Financing Gap</b>	0.00

**DETAILS**

**Non-World Bank Group Financing**

Trust Funds	2.75
Japan Social Development Fund	2.75

**B. Introduction and Context**

Country Context

**Mongolia is a landlocked country between Russia and China with a territory of 1.5 million square km and a small population of 3.2 million people.** The country is sparsely populated with a population density of 2 people per square km and a road network of 3 km of road per 100 square km of land, both among the lowest worldwide.

Notwithstanding, Mongolia is highly urbanized. About 70 percent of the population lives in urban areas, which is significantly more than the Asian average of approximately 50 percent. Almost 74 percent of Mongolia's territory



consists of pasturelands. Administratively, Mongolia is divided into 21 units called Aimags that are further subdivided into 336 soums, which comprise 1,674 Bags.

**Mongolia has shown impressive economic growth and development, recording positive GDP growth since the early 1990s and one of the highest GDP growth rates worldwide in 2011.** The Gross Domestic Product (GDP) per capita in Mongolia amounted to 4,211 US Dollars per capita in 2019. The mining and the agriculture sectors are critical mainstays of the economy. The mining sector contributes to roughly 20 percent of GDP, employing about 5 percent of the workforce. While the contribution of agriculture declined from 35 percent in the 1990s to just 12.7 percent in 2016, it accounts for about 30 percent employment, pointing to income disparity in the sector.

**External shocks, as well as internal shortcomings in macroeconomic policy, created substantial economic challenges for Mongolia.** After strong growth in 2011–2013, the economic boom started to drop sharply from 2014 due to a deteriorating external environment marked by declining commodity prices and slowing demand for commodities, especially coal, from Mongolia's leading trading partner China. Due to the delay in new mining projects, private investment plummeted as foreign direct investment dried up to less than 2 percent of GDP in 2014–2016 from 40 percent of GDP in 2011. The Government responded to the economic slowdown with higher and ultimately unsustainable public spending. However, the consequences were devastating, as expressed in almost negative growth rates, deterioration of the external sector, increased debt, lower private consumption, and higher poverty rates. Mongolia was one of the first countries to face the economic impacts of COVID-19 due to its close linkage with the Chinese economy, particularly in trade, tourism, and foreign investments. Mongolia is severely affected due to declining revenues from traditional mineral exports, weakening global demand due to rising unemployment and income losses, disruptions in transportation of goods and services, and reduced migration of labor both domestically and internationally. Mongolia is taking steps to maintain functioning food value chains by (i) lowering food import tariffs; (ii) increasing access to finance for food importers; (iii) maintaining food reserves, so the supermarket shelves are currently well-stocked. However, the livestock and agriculture SMEs are under considerable pressure because of supply disruptions, lack of access to finance, and delayed payments by buyers. Agri-exports, particularly meat, cashmere, and wool, are facing weak demands as global demand falls with higher worldwide income losses. The outlook presents an increasing bankruptcy/default risk among SMEs in the short-term and weaker growth projections over the next 18 months. Mongolia's urgent response to COVID-19 was effective in avoiding a large outbreak and offers valuable lessons for vulnerable communities. At the onset of the COVID-19 outbreak in Mongolia, the country acted decisively and went into partial shutdown with only essential businesses remaining open at reduced hours, international travel restrictions, and school closings. The preventative measures against COVID-19 also led to a 90 percent drop of H3N2 flu cases and a decrease in gastrointestinal infections in children.[1]

**During the period of adverse economic conditions, past improvements in poverty reduction and human development have been reversed, particularly due to COVID-19.** For instance, the 2008 global economic crisis seriously affected the key export sector mining and the agriculture and livestock sectors. In 2010, extreme winter conditions with extremely low temperatures and high wind velocity (locally called dzud),[2] led to a double-digit contraction in the agriculture sector. In addition to 28.4 percent of the population below the poverty line, a further 11.1 percent of the Mongolian people is clustered just above the national poverty line (1.25 times the poverty line), risking slipping into poverty in the event of any unanticipated shocks. In 2016, only 35.3 percent of households were found to be food secure, and 50.2 percent lived in moderate or severe food insecurity. 43.8 percent of children aged 6–23



months experienced minimum dietary diversity and meal frequency during the previous day. Paradoxically, 44 percent of men, 54 percent women, and 11 percent of the children under five were overweight and obese. The pastoral and nomadic background in Mongolia is associated with unique food consumption patterns, with a high intake of proteins and carbohydrates from meat and milk products but little dietary diversity, leaving the population increasingly susceptible to nutrient deficiencies and excess weight gain. Rising unemployment because of the economic shocks caused by COVID-19 will further increase poverty and threaten food security. Nearly 90 percent of self-employed households earned less income since the COVID-19 pandemic and 70 percent of farmers and herders reported their agricultural income has declined compared to the same time last year. Nearly three quarters of households, in particular 85 percent of the poor, experienced some sort of shocks since end January. Food security is a serious issue for the poor. Half of the poor were uncertain about their ability to obtain food in the past 30 days due to lack of money or rising prices. More than half of poor households expressed concerns of household finances in the next month.

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**Gender disparities persist despite improvements in the policy environment for promoting gender equality since 2005.** The Gender Development Index (GDI) improved from 0.717 in 2005 to 1.043 in 2017, but this improvement is largely driven by women’s average longevity and educational levels which are both higher than men’s. Women are less likely than men to participate in the labor market actively. They also earn less than men and are less active in entrepreneurial endeavors. In Mongolia, women are mostly engaged in small businesses operating in sectors that are vulnerable to import competition, and they lack access to financial services. Men own the majority of corporate business operations while women substantively own 64 percent of SMEs. Women are underrepresented in political representation and leadership position. Women's share in the agriculture-livestock sector is 43 percent and they represented 43 percent of herders in 2018.[3]

**Access to financial services remains challenging, in particular for small and medium enterprises in the agriculture and livestock sector** due to the perceived higher risk in these sectors. Although rural families in Mongolia have considerable movable assets (more than one third have over 200 pastoral animals), the animals are often not accepted as collateral. The bias is even more substantial for women-owned enterprises and in remote areas of the country. Supported by the improving mobile telephone network, digital banking services have sprung up and will improve retail banking services in low population areas without physical bank branch networks. Khan Bank works predominately with small or micro-enterprises, with 8% of its loans devoted to agriculture lending or loans to herders. Xac Bank is another financial service provider that offers financial, including digital payment services to small and medium enterprises and individuals. IFC has supported both banks in expanding their lending and digital finance support for women-led small and micro enterprises and in increasing their lending portfolio to the livestock and agriculture sector. Technology disrupters like LendMN have extended 600,000 micro-loans in rural Mongolia in the short span of two years.

**Telecommunication services have been improving rapidly over recent years.** In 2018, there were 4.22 million mobile phone subscribers in Mongolia, and 47 percent of the population used the internet.[4] About 99.6 percent of Mongolians aged 15-60 or 2.1 million users had mobile phones in 2017, and 79 percent of these or 1.7 million owned smartphone.[5] Telcos like Mobicomm and Unitel are looking into opportunities to expand both content-based services and digital transaction solutions. Growing penetration of telecommunication services together with a high literacy rate of over 98 percent, as well as widespread digital literacy, create favorable conditions for using ICT to facilitate information and service provision in rural Mongolia.



[1] The Diplomat. Mongolia Finds a Silver Living in the COVID-19 Crisis. April 6, 2020. <https://thediplomat.com/2020/04/mongolia-finds-a-silver-living-in-the-covid-19-crisis/>

[2] Dzud refers to extreme winter weather conditions with negative consequences for animals, as they die in large numbers primarily due to starvation being unable to graze and in other cases directly from the cold.

[3] Asian Development Bank (2019): Mongolia: Gender-Responsive Sector and Local Development Policies and Action Ulaanbaatar.

[4] See ITU data on <https://data.worldbank.org/indicator/IT.CEL.SETS> and <https://data.worldbank.org/indicator/IT.NET.USER.ZS>, both accessed on August 11, 2020.

[5] According to a study conducted by the research and consulting firm Mongolian Market Consulting Group (MMCG) referenced in the article <https://www.pressreader.com/mongolia/the-ub-post/20180314/281586651117849>, accessed on August 11, 2020.

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#### Sectoral and Institutional Context

**The Mongolian agriculture and livestock sectors have enormous potential for driving economic diversification and generating broad-based employment and income.** Agriculture accounts for about 12 percent of GDP and employs one-third of the workforce. The livestock sector represents 84 percent of agricultural production. Meat and milk are the primary products of the livestock sector, with 61 percent of livestock output and 7 percent of the country's GDP. Agriculture attributes 7 percent of total exports, which makes it the second-largest export sector after mining.

**The economic transition in Mongolia during 1990-2000 disrupted institutional mechanisms as well as technology extension and service delivery systems in the agriculture and livestock sectors with long-lasting negative impacts.** The decline in veterinary services and phytosanitary surveillance, together with the degradation of pasture lands, adversely affected the quality and composition of livestock, keeping the vast majority of herding households at or near the subsistence level. In 2016, about 56 percent of households had 200 or fewer livestock heads and find themselves trapped in extensive production systems characterized by low-input, low-productivity, and low quality. This way of doing business leaves herders highly vulnerable to production, income, or food shocks. Herd size is correlated with herder households' poverty level. 63 percent of the poorest herder households own less than 200 heads of livestock animals, whereas about one third of the in the top quintile herders own over 500 livestock animals.[1] Pastoralists with less than 200 livestock are less integrated with markets and tend to be poor and highly vulnerable. Fulltime herders with herds of 200 to 500 livestock were not poor, but vulnerable to dzuds and had limited access to capital and pastures. Herders consider 500 animals the threshold for making commercial decisions and investing in productivity improvements. These herders are more likely to have a commercial orientation, management skills, and access to input markets.[2]



**Mongolia has a comparative advantage in its vast pasturelands (110 million hectares) to sustain a grass-fed livestock production system, but pasture degradation increasingly jeopardizes this advantage.** Mongolia's pastoral production system gives the country a massive advantage of a large quantity of organically bred and fed livestock. However, the pasture quality has suffered from severe degradation due to climate change and an average overstocking of 2.3 times above the current carrying capacity. Nearly 65 percent of the rangelands were degraded relative to the ecological potential (reference condition), and nearly 7 percent of the long-term monitoring sites have been reported to suffer from desertification. The country also experienced a sharp decline in fodder availability, from around 20 kg of feed units per head in the late 1980s to just 6.2 in 2016. Information on pasture quality and feed availability would help farmers manage this challenge but are not yet widely used.

**Cashmere is Mongolia's largest non-mineral export industry after copper and gold. The sector produces about 40 percent of the world's cashmere fibers, and more than one third of the population is involved in the production.** Of these, 90 percent are women, and 80 percent are under 35 years. The main processing stages of cashmere processing are combing/shearing, sorting/scouring, dehairing, dyeing/spinning, and knitting or weaving. The majority of Mongolia's production is first stage processing, and Chinese buyers purchase about 80 percent of the wool for processing. Only about 10 percent of the cashmere products are manufactured in Mongolia. A lack of national strategy, insufficient animal health and breeding services, and a Government support system of head-based subsidies emphasizing quantity over quality have contributed to the decreasing quality of raw cashmere in Mongolia and increased herders' incentives to grow their goat population rather than producing high-quality fiber. Among other quality factors, the longer a cashmere fiber and the smaller its diameter, the higher the quality. However, the price premium for better quality fibers does not always cover its additional production cost. This reduces herders' incentive to produce cashmere of high quality. Therefore, quality improvements must go hand in hand with value chain development, in which cashmere producers deliver buyers' required quality and quantity at agreed prices that are profitable for herders. Herder households' income depends largely on cashmere production which covers on average 71 percent of the household animal production income.[3] Gender analysis in pastoral livestock herding in Mongolia found that women had a higher workload than men. Also, they have a weaker influence than men on household decision making on spending and purchases and participate less in community activities and leadership. Household assets are mostly registered under the husband's name, reducing women's bargaining influence and access to loans. More dated studies about women's roles in cashmere production and marketing found that women are more involved than men in caring for young animals and livestock, and they participate as much as men in all stages of cashmere production. Men, however, are more involved in marketing, which gives them a greater voice and more visibility as cashmere producers in the public sphere. Rising cashmere prices between 2017 to 2020 contributed to poverty reduction in rural areas. However, they also led herders to increase their goat herd sizes, putting additional pressure on already degraded pastures and threatening the sustainability of herders' livestock activities and welfare.[4] With the COVID-19 pandemic, international tourism and demand for cashmere have plummeted, and cashmere prices have dropped by over 50 percent closer to 2016 levels, which has created economic hardship for herders. Responding to the economic shocks, the Mongolian government issued subsidies to herders of about 7 USD per cashmere goat and also offered processors lower interest rates on subsidized loans if they purchase raw cashmere at prices closer to the 2019 level.[5] 10 These quantitative subsidies risk to increase the challenge with animal overpopulation and do not help with improving cashmere quality, which is necessary for increasing the sector's competitiveness. The disruptions in the

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supply chain may also propose a strategic opportunity for processors to strengthen their supply chains with local producers who cannot sell the majority of their produce to China.

**The livestock sector is highly vulnerable to climate change and extreme weather events**, including dzuds. Inadequate nutritional reserves reduce the livestock's resilience to environmental shocks and increase the severity of winter livestock disasters. Strengthening herders' risk management through improved husbandry practices and linking them to early climate warning systems will reduce their vulnerability to these severe storms. The Livestock Commercialization Project is currently upgrading the warning systems and response capabilities of the National Emergency Management Agency (NEMA).

**Sparse population density coupled with nomadic pastoral livelihood systems with extreme winter conditions inevitably increases the cost of face-to-face extension services, delivery of other services, or inputs for the livestock sector, as well as the cost of linking to markets.** The extension service points do not reach into remote areas so that herders lack the knowledge to adopt sustainable husbandry practices that could help them increase herd productivity and resilience. The same applies to services such as veterinarians, breeding specialists, feed or other input suppliers, financial services. Herders also lack information on processing enterprises and their product requirements and tools to coordinate their actions for bundling produce for processors and delivering it at the required time and location in the demanded quality and quantity. Similarly, there is little information available to livestock processing units on possible raw supply that could be sourced from the field. Given the lack of such information, multiple actors are involved in collecting and transporting produce from the herders to processors, which creates waste and is time-consuming and costly. Organizing herders around sustainable livestock practices and linking them to the market could address some of the herders' constraints. Being able to link to groups of herders would also attract private sector interest to secure their animal supply chains both in terms of quantity and quality.

**Mongolia's public livestock extension and research system is centralized, underfunded, non-inclusive and does not meet market and herders' demands.** In addition to the public extension services, private companies, civil society organizations, and development projects work with herders in Mongolia and provide various services. These services may be uncoordinated and have few linkages with public institutions. A unified platform could increase transparency and facilitate linkages among service providers.

**The Government of Mongolia is embarking on a comprehensive e-Agriculture strategy** with the vision to establish a predictable, self-sustainable and well-regulated ICT-driven ecosystem based on the agricultural and livestock value-chain that provides greatest benefit to its participating stakeholders through timely and efficient sharing of information and services. The digital ecosystem will connect the different actors through information, communication and knowledge networks for transforming food systems. As mobile networks, device ownership, and enterprise solutions expand, there are increasing opportunities to deliver relevant, timely, location-based, and weather-sensitive customized content while benefiting from scale and cost advantages. The objectives by 2023 are reduced transaction losses by 60 percent, 90 percent of all produce being appropriately categorized and standardized; overall agriculture output increased by 25 percent; a minimum of 80 percent compliance rate with defined rules and processes; and all investment costs recovered.



**In February 2018, the Government launched Mongolia's new four-year Cashmere Program.** Its main objective is to increase the production capacity of cashmere, to increase the production and export of environmentally friendly cashmere products, and to raise the international competitiveness of cashmere products produced in Mongolia. The target is to reduce the export of washed cashmere (mainly going to China) by 50 percent within 4 years and to increase exports of fine cashmere by 175 percent, exports of manufactured products by 140 percent, and the number of jobs in the cashmere industry by 63 percent. Export-led demand for high quality, sustainably produced cashmere products would connect local cashmere producers to national and international buyers and ensure consistent demand for their produce. Herders' capacity will be strengthened to produce higher quality fibers, which would fetch a price premium, thus creating an incentive to improve quality and sustaining herders' livelihoods. The initial steps aimed at improving the washing and dehairing processes of cashmere production. The next steps will advance the spinning process, yarn production, production of knitted products, and exports. Several international development partners are supporting this program. In 2019, Textile Exchange with UNDP and other partners kicked off a Responsible Cashmere Round Table (RCRT). This multi-stakeholder initiative is designed to bring key players together to improve the connections between players in the sector and explore ways to address barriers to success. The players in the round table place emphasis on sustainable cashmere production and efforts to agree on sustainability standards and certification.

**Digital technologies (including ICT) have the potential to disrupt the current way of doing business by shrinking knowledge gaps, time delays, and service delivery inefficiencies while empowering producers and consumers with value chain information.** The pilot will build on the strategic opportunity of the Government's e-strategy and Cashmere Program and use technology to address herders' challenges by linking them virtually to existing and new services. Herders will organize themselves in virtual cooperatives and be trained to document best sustainable livestock husbandry and cashmere production practices on videos. These videos can then be exchanged widely via a digital platform using mobile phones and other low-cost electronic devices. The same platform will also link to distant veterinary or breeding advice services. Connecting with the private sector through the virtual platform will improve input provision for herders and market access for cashmere and goat meat. As virtual cooperatives learn about prospective buyers' quantity and quality requirements and have a way to organize themselves virtually, they can bundle their supplies to meet buyers' demands and organize transportation services more efficiently. As part of COVID-19 response, additional services would be stacked onto the platform such as (i) behavior change campaigns for targeting nutrition, food safety and WASH behaviors, (ii) links to already available mobile payment tools, (iii) early warning services - weather advisory, animal disease outbreak, participatory epidemiology, and (iv) e-commerce solutions. Experiences from other countries have shown that the proposed approach not only empowers the local communities but significantly impacts the livelihoods through improved service delivery, social accountability, technology adoption, and market participation outcomes.

[1] World Bank (2020): Mongolia Poverty Update 2018. Main Report of "Household Socio-Economic Survey 2018", p.46. Available online at <http://documents1.worldbank.org/curated/en/532121589213323583/pdf/Mongolia-Poverty-Update-2018.pdf>, checked on 8/12/2020.





[2] The World Bank (2009): Mongolia Livestock Sector Study. Volume I - Synthesis Report, pp.7-8. Available online at <http://documents1.worldbank.org/curated/en/299141468323712124/pdf/502770ESW0P0960phesis0Report0final.pdf>, checked on 8/12/2020.

[3] World Bank (2020): Mongolia Poverty Update 2018. Main Report of "Household Socio-Economic Survey 2018", p.47. Available online at <http://documents1.worldbank.org/curated/en/532121589213323583/pdf/Mongolia-Poverty-Update-2018.pdf>, checked on 8/12/2020.

[4] World Bank (2020): Mongolia Poverty Update 2018. Main Report of "Household Socio-Economic Survey 2018", p.47. Available online at <http://documents1.worldbank.org/curated/en/532121589213323583/pdf/Mongolia-Poverty-Update-2018.pdf>, checked on 8/12/2020.

[5] Hafey, Jacob (2020): COVID-19 and Cashmere: Rethinking One of Mongolia's Largest Industries. The Diplomat. Available online at <https://thediplomat.com/2020/05/covid-19-and-cashmere-rethinking-one-of-mongolias-largest-industries/>, updated on 8/12/2020, checked on 8/12/2020.

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#### Relationship to CPF

**The project supports the World Bank's twin goals of ending extreme poverty and promoting shared prosperity.** It complements WBG strategy on helping countries address the COVID-19 crisis and transition to recovery through a combination of saving lives threatened by the pandemic; protecting the poor and vulnerable; securing foundations of the economy; and strengthening policies and institutions for resilience while staying focused on results. It is also closely aligned with the World Bank Country Partnership Strategy (CPS) for Mongolia for the period FY2013–2017. It is in line with Pillar 2: Build a Sustained and Diversified Basis for Economic Growth and Employment in Urban and Rural Areas. The Project would support Outcome 2.1: Enhancing the investment climate and financial intermediation by working with SMEs. It will also contribute to Outcome 2.2 – Create more opportunities in the rural economy for enhanced livelihoods through a productive, healthier, and sustainable livestock sector and promoting higher quality and higher value agribusinesses. It also contributes to Pillar 3: Address Vulnerability through Improved Access to Services and Better Service Delivery, Safety Net Provision and Improved Disaster Risk Management by targeting poor and vulnerable households; increasing incomes through employment creation and livestock productivity improvements; enhancing nutrition outcomes through improved diet diversity, and mitigating pandemic and climate risks in rural areas. It is also consistent with the observations in the Performance and Learning Review (PLR) of the CPF concluded in FY16. It will also address constraints for herders in financial and market access and livestock production selected project soums and help to increase household incomes.

### C. Project Development Objective(s)

#### Proposed Development Objective(s)

To improve livelihoods of remote pastoral livestock communities in targeted locations by harnessing digital technologies and services.



### Key Results

1. Rural herders organized into virtual cooperatives (Number, gender disaggregated)
2. Rural herders (extension and market) accessing services rolled out through the digital platform (Number, gender disaggregated)
3. Rural herders adopting sustainable livestock management practices (Number, gender disaggregated)
4. Enhanced capacities of women doing business and better market linkages (Number)

### D. Preliminary Description

#### Activities/Components

The project activities are organized into three components that would be implemented over a four years period.

**Component 1: Mobilizing poor herders into virtual cooperatives (US\$ 1.50 million).** The key objective of this component is to strengthen the social mobilization of herder organizations by empowering herders with information and improving their access to livelihood services by creating a trusted digital platform (virtual cooperative). Similar to cooperatives known from the physical world, a virtual cooperative is a voluntary association of agricultural producers who act together to provide services to its members that solve jointly identified business challenges. Those challenges may include sourcing inputs, accessing processing equipment, finding buyers for their produce, or organizing its transportation. In the virtual realm, assemblies, decision-making, and information exchange happen virtually, and the internet platform will be designed to organize joint action that the cooperative prioritized for its members. During preparation, the pilot will analyze existing gender gaps among herders, including in accessing and using ICT, and develop approaches to ensure the participation of women in virtual cooperatives. To overcome issues of herders' trust in a digital platform, the project will take a participatory approach for formulating the virtual cooperatives' governance structure, roles and responsibilities of and relationship among all parties, the rules for offering, accessing and paying services through the platform, as well as for data protection. When developing the governance structure, due attention will also be given on developing suitable models for financing platform services. The participation of herders and other players in this process will build trust among the herders and other platform participants.

**Capacity building:** It will help pilot innovative mobilization of herders into virtual cooperatives, use digital channels for streaming technology extension, agri-service delivery, connect them with local governance systems and build business linkages with the private sector for improved market access. This approach complemented with periodic face-to-face interactions will ensure connectedness between pastoral communities throughout their transhumance trails and improve the quality of outreach and service delivery. The component will enhance capacity building and other knowledge services by strengthening the capacity of herders to develop locally relevant and culturally appropriate content and adjust their business processes to maximize their benefits from the digital platform. The project will provide professional training on video production, on using the platform, on (virtual) collective action to pool input provision, organizing a certain amount of livestock of the required quality for a processing enterprise at a specified time. The participatory



approach will ensure that the content is relevant for herders and meets their knowledge needs. In this activity block, the pilot will use existing knowledge on best practices from research institutions and agricultural universities, national extension centers, ongoing projects in the cashmere sector, as well as from collectors, buyers, and processors. The pilot will also build the capacity of other linked service providers to offer their services via the platform and maximize its use for their purposes as well as on the platform's institutional and operational framework.

**Digital service stack:** The project will take a participatory approach for developing and delivering a stack of digital services. Using herders' inputs and iterative feedback, the project will develop a stack of digital services with Digital Green designing an appropriate interface that suits local needs. It will apply digital innovation to reach otherwise left out, remote herders, and promote sustainable livestock management and cashmere wool production practices and disseminate price and quality and other information that herders identified as relevant for them. The IT solution will offer alternative suitable access channels that herders have identified as desirable, such as mobile applications, SMS, online and offline videos, voice recordings, as well as a variety of devices and channels for access (such as smartphones, tablets, or computers, helplines, etc.). This subcomponent will help develop a **Virtual Training Academy**: Jointly with herders, livestock researchers, and practitioners in the sector, it will develop digital libraries of indigenous knowledge on livestock production and breeding practices. It is envisaged to form partnerships with existing institutions that already provide locally relevant extension content, such as, for example, the Mongolian University of Life Sciences and other institutions collaborating in the Responsible Cashmere Round Table (RCRT).

### **Component 2: Linking herders with markets (US\$ 1.00 million)**

This component will finance virtual cooperatives based on institutional performance criteria for availing high-quality services from technical assistance providers, common facilities center, acquiring small scale equipment and production facilities used for improving animal welfare or livestock product processing, working capital for collective production and market activities, etc. The delivery approach is mostly through forging partnerships with existing public and private actors and may include organizing an innovation challenge to crowdsource disruptive ideas for piloting service provision in the domain of virtual cooperatives.

**Digital financial services:** The project will collaborate with existing digital financial services providers to pilot design and distribute sustainable livestock finance products on a virtual cooperative platform to improve their outreach to isolated herder communities. This model for digital livestock finance will have a high potential to be replicated by other players;

**Livestock services:** Develop partnerships with public and private players for delivering services through the platform. Players include animal health services, market information (such as prices, information on processing enterprises and their requirements), weather and climate advisory, providers of digital payment services, nutrition information, or One Health approaches. Offering an integrated interface and a one-stop point for fragmented services will help facilitate the convergence of public and private services.



**Marketing services:** The project will prepare virtual cooperatives for participation in high impact value chains by promoting principles of animal welfare, sustainable livestock practices, grass-fed organic livestock, fair trade, and responsible sourcing mechanisms. Support will be provided to the targeted livestock producers for (i) improving their product quality and safety, (ii) building a traceability system for responsible practices and chain of custody mechanism, and (iii) instituting a third-party certification process for marketing premium quality animal fiber.

**Component 3: Project Management (US\$ 230,000).** This component will support the project's implementation. It will support the coordination of project activities of Digital Green, digital service providers, and the local facilitating agencies. The Project Management Unit will be staffed and equipped to enable it to effectively carry out monitoring and evaluation, environmental and social safeguards management, and the fiduciary functions of the project under the guidance of MOFALI. The component will finance incremental staff, consultants, operating costs, technical assistance (TA), training, monitoring and evaluation (M&E) activities, baseline and final impact assessments, information dissemination, and annual audits.

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**Cost and Financing Table**

<b>Responsibility</b>	<b>Components</b>	<b>Amount (US\$ million)</b>
<i>Recipient executed activities</i>	<i>Component 1: Mobilizing and strengthening virtual cooperatives</i>	<i>1.50</i>
	<i>Component 2: Linking herders with markets</i>	<i>1.00</i>
	<i>Component 3: Project Management</i>	<i>0.23</i>
<i>Bank executed activities</i>	<i>Administrative fee</i>	<i>0.27</i>
	<b>Total</b>	<b>3.00</b>

**Project Roll-out**

**Technical Support Agency:** The project will hire Digital Green - a non-profit development organization with global impact - brings together technology and social organizations to improve agriculture, health, and nutrition. Digital Green will take the lead on (i) conceptualizing, developing, and deploying the digital platform for use of the project, (ii) training of local partners and key agencies in developing high-quality knowledge content and service stack in the areas of animal health, livestock productivity, women enterprise training in wool and cashmere sectors, diet, nutrition and health counseling for women beneficiaries, etc., (iii) facilitate collaboration with other digital service providers for integrating with the digital platform, (iv) providing technical oversight and reports to MOFALI/World Bank. Digital Green specializes in collaborating with local governments and mobilizing rural communities to jointly digital solutions that are 'of the community' and 'for the community'. Digital Green has proven experience working with poor and vulnerable households and is actively engaged in India, Ethiopia, Afghanistan, Bangladesh, Ghana, Guinea, Malawi, Mozambique, Niger, Senegal, and Tanzania. They have also collaborated with several World Bank projects in



agriculture and rural development sectors for revitalizing extension systems and information, education, and communication (IEC) campaigns, backed by behavioral insights research.

**Facilitating Agencies:** The project will hire Facilitating Agencies (FAs), as needed, NGOs, CSOs, professional associations, and/or development agencies to mobilize rural herder communities into virtual cooperatives, build their capacities, facilitate the delivery of services to herder cooperatives. The pilot will consider partnering with successful fintech and IT start-ups in Mongolia, such as NEST Academy and START Mongolia. Competitive recruitment or a mini-innovation challenge may help to identify potential partners with innovation potential that could work with PIU and Digital Green and help to create a local ecosystem to accompany Digital Green. This approach would also build local capacity to maintain and update the platform after the pilot project ends.

**Sequencing of activities and virtual service provision.** In order to establish the enabling ecosystem for the virtual platform, the pilot will initially focus on Component 1 which develops virtual mobilization, the virtual training academy, and the governance structure of the platform. Additional services to be delivered through the platform under Component 2 would be sequenced later, based on herders’ feedback and lessons learned on the experience with introducing the technologies and virtual processes.

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**Environmental and Social Standards Relevance**

**E. Relevant Standards**

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

**Legal Operational Policies**



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Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

Environmental and social screening was conducted based on the project AIN and project proposal from Digital Green, which indicate how the project activities will bring overall environmental and social benefits by improving livestock practices sustainability and herders' livelihoods. Both Environmental and Social Risk has been classified as Moderate. ESS1 is relevant, as the proposed TF funded activities mainly involve outreach to small and low income herders through information & communication technology (ICT), with only small scale infrastructure for animal health and cashmere processing. Stakeholder engagement and public consultation is a central element of the project. ESS2 is relevant in guiding labor standards and occupational health and safety, applying to project workers and organizations commissioned by the project. ESS3 is relevant, as the small-scale civil works associated with equipment installation or facility improvement will generate some dust, wastewater and solid wastes, and the operation of livestock production and cashmere wool production facilities will bring impacts and pressures on the environment, including consumption of water, management of chemicals, generation of solid wastes, wastewater, and various air emissions. ESS4 is relevant to ensure that preventative measures are built into project design against pandemics caused by animal raising and in response to COVID19. ESS5 is not relevant because the TF excludes all activities that may require land acquisition or adversely impact land rights. Also, there will be no restriction of access to livelihoods. ESS6 is relevant because the project will address sustainable management of livestock husbandry, which is a form of primary production of living natural resources. ESS7 is relevant based on the information that the project will be implemented in Bulgan and Uvs, where there is a potential ethnic minority presence. ESS8 is not relevant as the project is not expected to support any construction or rehabilitation activities that would involve the movement of earth (thereby potentially having an impact on tangible cultural heritage), or other activities that could have an impact on intangible cultural heritage. ESS9 is not relevant as no financial intermediaries will be used. ESS10 is central to the project in terms of stakeholder engagement. An SEP and ESCP will be developed by the borrower to manage community participation, and ensure vulnerable groups such as small and remote herders and women equal access to project benefits.

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