

**ASIAN DEVELOPMENT BANK**

**TAR: MON 36477**

**TECHNICAL ASSISTANCE**  
(Financed by the Japan Special Fund)

**TO**

**MONGOLIA**

**FOR THE**

**AGRICULTURE SECTOR STRATEGY STUDY**

**July 2004**

## **CURRENCY EQUIVALENTS**

(as of 15 May 2004)

Currency Unit	–	togrog (MNT)
MNT1.00	=	\$0.0009
\$1.00	=	MNT1,130

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
ASP	–	Agricultural Sector Program
Danida	–	Danish International Development Assistance
FAP	–	Food and Agriculture Policy
GDP	–	gross domestic product
JICA	–	Japan International Cooperation Agency
MOFA	–	Ministry of Food and Agriculture
MOFE	–	Ministry of Finance and Economy
TA	–	technical assistance
TACIS	–	Technical Assistance for the Commonwealth of Independent States
UNDP	–	United Nations Development Programme

## **NOTE**

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

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## I. INTRODUCTION

1. The Government of Mongolia requested the assistance of the Asian Development Bank (ADB), to review the performance of the agriculture sector, refine the sector strategy, and prepare a medium-term investment plan for the sector. A fact-finding mission visited Mongolia in September 2003, and reached an understanding with the Government on the objective, scope, cost and financing, and implementation arrangements for the technical assistance (TA).<sup>1</sup> Appendix 1 shows the TA framework.

## II. ISSUES

2. In 2003, agriculture contributed 20% of Mongolia's gross domestic product (GDP), compared with 15% in 1990. The sector now provides 47% of employment, compared with 33% in 1990, and is responsible for about 30% of total exports. Within agriculture, livestock rearing is the dominant activity, accounting for 72% of agricultural output in 2001. After the national herd was privatized, dependence on livestock increased steadily up to 2001, when 256,600 herding households existed, compared with some 100,000 under the former Soviet Union. The resultant pressure on natural pastures was unsustainable, resulting in declining productivity of livestock.

3. Considerable support for the extensive livestock sector has come from international donors and external funding agencies,<sup>2</sup> which have attempted to address the difficulties associated with transition to an open market economy, including privatization of veterinary services, national programs for animal health improvement, and improved management of natural pasturelands on which the livestock subsector depended and the associated agroprocessing industries were founded. The comparative advantage of the extensive livestock sector has been discussed in many recent sector reviews.<sup>3</sup> However, despite identified advantages, obstacles remain that prevent the sector from reaching its full potential. Issues also remain over pasture management and access by nomadic herders, particularly in relation to the watering points as they are rehabilitated. Herders are reluctant to pay the cost of recently privatized veterinary services, viewing animal health and risk as a public responsibility. Dispersed production units make it difficult to aggregate marketable quantities of traded livestock products, and limited rural infrastructure and distribution networks make it difficult to access production inputs.

4. While reliance on the livestock sector has increased, reliance on cropping has diminished. Between 1989 and 2002, the contribution of the crop subsector to total agricultural output declined from 23% to 10%, with its contribution to GDP falling to 4%. Liberalization of production input prices in the early 1990s substantially increased the cost of wheat production, while farm-gate prices were kept artificially low to enable affordable consumer prices. The Government kept the cereal crop industry alive through subsidized credit and other inputs. Farmers responded to the increasing losses by minimizing inputs with consequent impact on productivity.<sup>4</sup> In 2002, domestic production accounted for only 32.7% of local requirements, while domestic vegetable production accounted for 30.0% of domestic demand.

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* in May 2003.

<sup>2</sup> World Bank Sustainable Livelihoods Project, United Nations Development Programme (UNDP) Sustainable Grasslands Project, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) Veterinary Support Project, Danish International Development Assistance (Danida) Livestock Marketing Projects, and Japan International Cooperation Agency (JICA) Support for Veterinary Research.

<sup>3</sup> The JICA Livestock Sector Study, World Bank Sustainable Livelihoods Design Study, UNDP Sustainable Livelihoods Design Study, Danida Livestock Sector Review, and Technical Assistance for the Commonwealth of Independent States (TACIS) Agriculture Extension Study.

<sup>4</sup> In 2002, cereals accounted for 92% of the cropped area, of which wheat comprised 97%. Grain production declined by 79% between 1990 and 2002 as average yields fell from 1.12 to 0.76 ton per hectare.

5. Declining productivity is due to (i) unavailability of inputs (including credit), (ii) obsolete equipment, (iii) poor-quality seed material, (iv) inadequate extension services for which farming households and herders are reluctant to pay, (v) limited agricultural research that inhibits technical innovation for improving productivity, and (vi) poorly developed marketing channels that depress farm-gate prices. The combination of these, plus the harsh, unpredictable weather and the perceived high investment risks in agriculture, discouraged private investment in the sector. The collapse of many privatized farms and enterprises resulted in massive unemployment and poverty.<sup>5</sup> Faced with limited private investment, the Government attempted to maintain output levels through market interventions, i.e., directed credit and supply of inputs, which further undermined private sector development. The Government has adopted import substitution policies but without fully assessing the economic costs involved. The emerging opportunities for horticultural production appear to be more economically based,<sup>6</sup> but the Government continues to strive for self-sufficiency in wheat production.

6. In 1995, ADB financed the Agricultural Sector Program (ASP).<sup>7</sup> Its main objectives were to promote competitive and open markets and to provide institutional support to facilitate private sector participation in agriculture. The support contributed to desirable outcomes, particularly in relation to privatization of state farms and enterprises; price liberalization; gradual withdrawal of the Government from the provision of directed credit and subsidized inputs; and private ownership of farmland. However, the ASP did not implement complementary policy actions to promote proactive lending by private banks to agriculture, and credit access in rural areas remained difficult. The retrospective program performance audit report<sup>8</sup> pointed out that due to the importance of access to affordable credit in the transition, the ASP should have included measures to address this issue. The report concluded that the sequencing of ASP objectives could have been improved by first focusing on sector efficiency to lead its recovery rather than on the broader policy issues necessary for transition.

7. These perceived shortcomings were addressed in the design of the Agriculture Sector Development Project,<sup>9</sup> which concludes in 2006, addressing low productivity, lack of marketing channels, and resulting constraints on income-earning opportunities in rural areas through an approach involving (i) provision of support services for production (including credit, improved veterinarian services, and livestock health control) and marketing; and (ii) deepening, refinement, and effective implementation of the policy and legal framework for agriculture. The project intends to support second-generation policy reforms to further promote the private sector's taking over previous state functions.

8. The Government aims to reverse declining productivity to achieve food self-sufficiency by increasing private sector participation and investment. However, the policies and strategies to achieve these goals are not clearly articulated or justified in the Government's Food and Agriculture Policy (FAP),<sup>10</sup> issued in 2003. Recognizing this weakness, the Government requested ADB during the Country Programming Mission of April 2003 to support a review of the

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<sup>5</sup> According to the Living Standards Measurement Survey of 1998, about 36% of the rural and 39% of the urban population was reported to be living below the poverty line.

<sup>6</sup> The TACIS Crop Diversification Project and the recently completed Crop Production Project Design.

<sup>7</sup> ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grants to Mongolia for the Agriculture Sector Program*. Manila.

<sup>8</sup> ADB. 2002. *Program Performance Report on the Agriculture Sector Project*. Manila.

<sup>9</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grant to Mongolia for the Agriculture Sector Development Program*. Manila.

<sup>10</sup> The FAP aims to increase productivity and sector growth by promoting investment in irrigated vegetable production; improving seed quality, crop production techniques, and access to equipment; intensifying agricultural production; and increasing production of cereals, vegetables, and fruits, accompanied by local value-added processing.

sector's performance, policies (especially the FAP and its food self-sufficiency and import-substitution policies), and strategies to identify and address the constraints on and opportunities for sector growth. Particular attention should be given to policy formulation in three important areas: (i) competitiveness of domestic production of wheat and flour, considering the agriculture sector is constrained by, among other things, difficult agro-ecological conditions, lack of a marketing network, poor access to credit, poor quality agricultural inputs, and an unsustainable extension service; (ii) appropriate role of the private sector in farm and livestock support services and input supply, agroprocessing, and marketing for crop and livestock products; and (iii) how the Government can help create a conducive environment to fulfill the intended role of the private sector in agriculture. Imperfect knowledge of these issues has led to adoption of sector goals and strategies that cannot be achieved, considering sector constraints. The Government does not appreciate the economic cost of policies such as achieving food self-sufficiency, or the fiscal implications of pursuing them. Not only does the Government have limited information on the economic cost of some of its proposed activities (the comparative advantage of horticulture production compared with cereal cropping), but also lacks the means of engaging the private sector to determine how it might facilitate private sector participation through policy reform and investment incentives. The TA will help increase the Government's appreciation of these costs but also provide a platform for engaging the private sector and donors in prioritizing future assistance.

9. Based on the sector review findings, and after extensive consultation and policy dialogue with the Government, private sector and international development agencies, realistic and prioritized medium- and long-term sector goals and objectives that can be achieved through clearly defined roles of the public and private sectors will be identified. The Government also requested support to identify initiatives required to achieve the identified sector goals. The TA should also identify areas for potential international development organization support, especially from ADB. The results from this process will be used to develop a sector road map that will help the Government make better-informed decisions in the sector.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

10. The goal is to help the Government promote agriculture sector growth. The purpose is to develop a comprehensive sector strategy and program of investments, TAs, and policy reforms. The TA will also help the Government and ADB develop and share a common informed vision about ADB's specific role in rural development, and in development of the agriculture sector as an important input to ADB's country strategy and program for 2005–2009.

11. Anticipated TA outputs include (i) a review of the crop, livestock, and agro-industry sectors, policies, and strategies; (ii) rigorous analysis of policies and strategies, i.e., food self-sufficiency, import-substitution policies, and deepened policy dialogue using a participatory approach; and (iii) a sector road map with concept papers for investment projects.

#### **B. Methodology and Key Activities**

12. The TA will be implemented using a participatory approach to promote strong ownership of TA outputs by the Government and other stakeholders. The TA will be undertaken over 12 months in two phases. Phase I (problem and opportunity analysis) will identify sector problems and opportunities, and where the Government wants to be in 10 years. Activities include the following:

- (i) Use previous studies and stakeholder consultations to identify potential development opportunities for and constraints on growth. Since considerable information material exists on the livestock sector, the study will focus on gaps mentioned in para. 3, identify constraints on the sector's development, and propose initiatives to address them. Major efforts will be focused on the crop sector, where information gaps are larger and sector potential priorities must be identified more than in other sectors. The TA will be complemented by reports on selected topics where the crop sector needs further study, such as prospects for crop diversification, and farm inputs and marketing. Sector institutional arrangements will be assessed, and key sector policies, i.e., food self-sufficiency and import substitution, will be subjected to economic, financial, and institutional evaluation.
- (ii) Identify and evaluate the economic comparative advantage of crops that warrant further development as well as the comparative advantages of intensive and extensive livestock production systems.
- (iii) Identify the role of the private sector, determine bottlenecks for a more active role of the private sector in agriculture, and propose measures to overcome them. Past and ongoing sector interventions will be reviewed and lessons drawn.

13. Under phase II (strategy development) the sector road map will be developed. The TA will help the Government decide how it wants to go to where it wants to be in 10 years. Under phase II alternative strategies' merits and demerits, and stakeholders' choices and trade-offs will be compared. Based on the findings of phase I activities (i) to (iii), consultations and discussions with policymakers and key stakeholders will be conducted to identify realistic and prioritized medium- to long-term sector goals and objectives and to determine if and how the present policy framework and sector strategies need to change. The TA will include an assessment of external assistance. Proposed areas where external assistance could most effectively support development of policies and investments will be assessed, in particular, to rationalize ADB's role in rural and agricultural development. Phase II activities will therefore include the following:

- (i) Prepare a sector road map based on the identified medium- to long-term sector goals identified through the dialogue process in phase II, and the identified and ranked sector constraints. Identify priority policy, together with physical and capacity-building investment projects to support implementation of agreed-on areas. Prepare concept papers.
- (ii) Conduct other activities, including dissemination of the sector road map and development of strong Government ownership.

14. A policy advisor recruited under the TA will undertake initial research (policy impact analyses) on the major policy issues facing the Government, i.e., food self-sufficiency and import-substitution policies and strategies, and regulatory reforms to promote private sector investment in the rural areas. Deliberations with the Government will aim to (i) ensure awareness and appreciation of the TA outputs, (ii) provide advisory support and further clarify issues on agricultural sector reforms, and (iii) provide credible insights of the lessons learned and best practices for reform initiatives.

15. Extensive consultations through stakeholder meetings and focus group discussions will be conducted with the central and local governments, private sector, research institutions, civic organizations, farmers' associations, and international development organizations. Greater ownership, understanding, adoption, and commitment to the strategic documents that are developed in partnership with the Government and the private sector will be pursued.

### **C. Cost and Financing**

16. The total cost of the TA is estimated at \$433,000 equivalent, of which \$282,000 is the foreign exchange cost and \$151,000 equivalent the local currency cost. The Government has requested ADB to finance \$350,000 equivalent, covering the entire foreign exchange cost amounting to \$282,000 and the local currency cost amounting to \$68,000 equivalent. The TA will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government will finance the balance of the local currency cost, equivalent to \$83,000. Appendix 2 provides detailed cost estimates and financing plan.

### **D. Implementation Arrangements**

17. The Executing Agency will be the Ministry of Food and Agriculture (MOFA). A steering committee, chaired by the Ministry of Finance and Economy (MOFE), will comprise other senior representatives from MOFA, MOFE, and Ministry of Nature and Environment; other central and local government agencies; research institutes; and other stakeholders. The TA will be implemented over 12 months, from August 2004 to July 2005.

18. ADB will finance eight consultants—four international and four domestic—for a total of 27 person-months, to be provided by an international consulting firm, to be recruited in accordance with ADB's *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers* and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants, using the quality- and cost-based selection method and biodata technical proposals. The international consultants (14 person-months) will include (i) an agricultural economist and regional planner cum team leader (4 person-months), (ii) a crop and rural development specialist (2 person-months), (iii) a livestock development specialist (4 person-months), and (iv) a policy advisor (4 person-months). The domestic consultants (13 person-months) will include (i) an agro-industry and agroprocessing specialist (3 person-months), (ii) an agronomist and agriculture support service specialist (3 person-months), (iii) a livestock development specialist (3 person-months), and (iv) an economist (4 person-months). The outline terms of reference are in Appendix 3. Within 45 days of mobilization, a report outlining the sector goals, priorities, areas of potential support, and proposed ADB interventions will be prepared. The findings will be used as inputs to the country strategy and program for 2005–2009. Inception, interim, and draft final and final reports will be prepared. Procurement of equipment required for the consultants to carry out their work will be done following ADB's *Guidelines for Procurement*.

## **IV. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$350,000 on a grant basis to the Government of Mongolia for the Agriculture Sector Strategy Study, and hereby reports this action to the Board.

### TECHNICAL FRAMEWORK

<b>Design Summary</b>	<b>Performance Indicators</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p><b>Sector Goal</b> Help the Government of Mongolia promote growth of the agriculture sector.</p>	<p>Agriculture sector growth increases on average by 3% per annum.</p>	<p>Government reports on economic and sector performance.</p>	<p>Government priority on the role of food and agriculture in promoting economic growth and reducing poverty remains in place.</p>
<p><b>Purpose</b> Develop a comprehensive strategy and program of investments, technical assistance, and policy reforms.</p>	<p>The Government and key stakeholders accept policies and strategies and reach a consensus on the sector's vision and required developmental actions.</p>	<p>Draft final and final reports of the consultants.  ADB's 2005–2009 CSP report for Mongolia.</p>	<p>The leadership and support of top Government officials in developing the support plan for development of the sector remain in place.</p>
<p><b>Outputs</b> (i) Review of the agricultural sector, policies, and strategies.</p>	<p>A sector review paper summarizes trends in performance, key issues, constraints and opportunities, and lessons learned from past and ongoing interventions.</p> <p>Growth areas are identified in agriculture sector with focus on improved productivity, crop diversification, livestock, agroprocessing, and marketing.</p> <p>Evaluation of sector policies, institutions, and ongoing sector reforms.</p>	<p>Draft final and final reports of the consultants.  ADB's CSP report for Mongolia.</p> <p>Mission dialogue with agencies, farmers, private sector, and other stakeholders.</p> <p>TA reports of the consultants.</p>	<p>The spirit of cooperation between the officials of Government and ADB continues at a high level.</p> <p>All sector stakeholders, particularly potential private sector players, fully participate in several stakeholder consultations and workshops during TA implementation.</p>

Design Summary	Performance Indicators	Monitoring Mechanisms	Assumptions and Risks
<p>(ii) Rigorous policy analysis and deepened policy dialogue using a participatory approach.</p> <p>(iii) Sector road map.</p>	<p>Economic comparative advantages of proposed growth areas have been evaluated.</p> <p>Increased role of private sector in agriculture, and measures to promote it are identified.</p> <p>Areas and projects for international assistance are identified.</p> <p>The TA policy advisor meets regularly with key policymakers and analysts to discuss broad policy trends and major issues.</p> <p>Policy impact analysis is carried out on main sector policies, i.e., food self-sufficiency and import substitution, considered by the Government.</p> <p>Medium- to long-term goals for the agriculture sector, inclusive of their indicators, and discussed and agreed for donor support.</p> <p>Key policy barriers to achieve the agreed-on medium-term goals are identified and ranked.</p> <p>Policy and institutional reforms measures are identified and included in the road map, with a time frame for their</p>	<p>Review of reports submitted by the policy advisor under the TA.</p> <p>Review of the draft final report for phase I.</p> <p>Mission participation in stakeholder consultations and workshops.</p> <p>Mission dialogue with agencies, farmers, private sector, and other stakeholders.</p>	



<b>Design Summary</b>	<b>Performance Indicators</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
	Office facilities, support for seminars, and workshops.		reports of pertinent laws and regulations, and ongoing and completed projects financed by development partners are available.

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country and strategy program, GDP = gross domestic product, MOFA = Ministry of Food and Agriculture, TA = technical assistance.

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	225	0	225
ii. Domestic Consultants	0	48	48
b. International and Local Travel	35	5	40
c. Reports and Communications, Translation, and Interpretation	3	3	6
2. Equipment <sup>b</sup>	4	0	4
3. Seminars and Workshops	0	5	5
4. Miscellaneous Administration and Support	3	3	6
5. Contingencies	12	4	16
<b>Subtotal (A)</b>	<b>282</b>	<b>68</b>	<b>350</b>
<b>B. Government Financing</b>			
1. Counterpart Staff, Per Diem, and Travel	0	15	15
2. Project Office	0	9	9
3. Miscellaneous Administration and Support Costs	0	10	10
4. Survey Data and Studies	0	9	9
5. Seminars and Workshops	0	10	10
6. Contingencies	0	30	30
<b>Subtotal (B)</b>	<b>0</b>	<b>83</b>	<b>83</b>
<b>Total</b>	<b>282</b>	<b>151</b>	<b>433</b>

<sup>a</sup> Financed by the Japan Special Fund, funded by the Government of Japan.

<sup>b</sup> Includes two desktop computers (with standard software and internet access), one printer, and one copy machine. The equipment is for the use of consultants and will be turned over to the Ministry of Food and Agriculture on completion of the advisory technical assistance.

<sup>c</sup> About two workshops with stakeholders will be conducted.

Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Consultants' Qualifications and Inputs

1. A total of 27 person-months of consultants' services will be provided by an international consulting firm, to be recruited in accordance with ADB's *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers*, and other arrangements satisfactory to ADB for the selection and engagement of domestic consultants, using the quality- and cost-based selection method, and biodata technical proposals. The international consultants (14 person-months) will include (i) an agricultural economist and regional planner cum team leader (4 person-months), (ii) a crop and rural development specialist (2 person-months), (iii) a livestock development specialist (4 person-months), and (iv) a policy advisor (4 person-months). The domestic consultants (13 person-months) will include (i) an agro-industry and agroprocessing specialist (3 person-months) (ii) an agronomist and agriculture support services specialist (3 person-months), (iii) a livestock development specialist (3 person-months), and (iv) an economist (4 person-months).
2. The international agricultural economist and regional planner (team leader) will have extensive experience in conducting comprehensive agricultural and rural sector reviews in transitional and market economies. These reviews should have encompassed sector performance, issues, and opportunities. The consultant should have experience in facilitating participatory strategy formulation and have strong analytical, written, and oral communication skills. The consultant should also have good experience in facilitating participatory strategy formulation for rural development, particularly in transition economies. The strategy formulation should use a participatory approach involving farmers, rural communities, local governments, the private sector, academia, government agencies, and international organizations.
3. The policy advisor should be a reputable agricultural policy expert with extensive experience in conducting rigorous policy studies and dialogue on sector reforms and strategy formulation in transitional and developing market economies. The consultant should be recognized by key Government policymakers and have keen awareness of the concerns, constraints, and priorities of the policymakers, and an accurate perspective of the role of agriculture and rural sectors in the economy.
4. The international crop and rural development and livestock development specialists should have extensive experience in agriculture and rural development, and livestock projects in transitional and developing countries.
5. Knowledge of relevant institutions and working experience in Mongolia will be preferred.
6. The domestic consultants, who will possess adequate and relevant academic qualifications, and experience working in their fields of expertise and with international organizations, will complement and support the international consultants in facilitating sector problem analysis, participatory strategy formulation, and formulation of a sector road map.
7. Inputs by resource persons and research assistants with specific expertise such as sociology, legal, and regulatory issues, and survey implementation could supplement the consultants' work. The team leader will propose engagement of resource persons as short-term consultants or research assistants, depending on the complexity of their tasks. ADB will engage the resource persons, if necessary.

## **B. Work Approach**

8. The consultants should ensure strong ownership of the outputs of the technical assistance (TA) by all involved stakeholders, i.e., local and central governments, line agencies, private sector, civil society, academia, farmers' and herders' associations, and international development organizations. Frequent stakeholder meetings will be held, culminating in workshops to be attended by stakeholders to discuss and disseminate the TA findings and recommendations of phases I and II.

## **C. Terms of Reference**

9. The TA outputs are (i) a review of the agricultural sector, policies, and strategies; (ii) rigorous analysis of policies and strategies, i.e., food self-sufficiency, import-substitution policies, and deepened policy dialogue using a participatory approach; and (iii) a sector road map as a guide for short- and medium-term sector policy and investment interventions for the Government. Activities include the following:

- (i) Review the agriculture sector using previous studies and stakeholder consultations to identify potential development opportunities for and constraints on growth. Since considerable information material exists on the livestock sector, the study will focus on gaps mentioned in para. 3 of the main text, identify constraints on the sector's development, and propose initiatives to address them. Major efforts will be focused on the crop sector, where information gaps are larger and sector potential priorities must be identified more than in other sectors. The TA will be complemented by reports on selected topics where the crop sector needs further study, such as prospects for crop diversification, and farm inputs and marketing. Sector institutional arrangements will be assessed, and key sector policies, i.e., food self-sufficiency and import substitution, will be subjected to economic, financial, and institutional evaluation.
- (ii) Identify and evaluate the economic comparative advantage of crops that warrant further development as well as the comparative advantages of intensive and extensive livestock production systems.
- (iii) Identify the role of the private sector, determine bottlenecks for a more active role of the private sector in agriculture, and propose measures to overcome them.

10. The support for deepened policy analysis and dialogue will provide an in-depth analysis of the Government's sector policies and facilitate extended discussions between the policy advisor to be engaged under the TA and key policymakers on the validity and justification of these policies in terms of the intended sector goals and the potential need to readdress them if necessary. The sector road map proposes a program of policy reforms and priority investments, including their time frame for their implementation. The road map will be formulated based on the sector assessment and stakeholder consensus of the sector's medium- to long-term goals and prioritized constraints to overcome. This document should not be longer than 10 pages.

11. The consultants' activities are grouped into two parts. The first will focus on formulating the sector road map, the second on deepening sector policy dialogue.

### **1. Road Map Formulation**

12. The consultants will do the following:

- (i) Review agriculture and rural sector development trends and challenges. The review will incorporate findings of existing sector studies. The consultants will review existing Government sector programs and strategies and undertake initial dialogue with all stakeholders.
- (ii) Conduct a kick-off meeting with key stakeholders to reconfirm the envisaged TA outputs, methodological approach, and implementation arrangements. The meeting will also determine the activities of the working group that will oversee the TA work. Within 3 weeks of TA implementation, the consultants will submit a brief inception report outlining the findings of the initiating meetings, a detailed TA work plan, resource requirements, and implementation issues.
- (iii) Assess the performance of the agriculture sector to identify potential development opportunities for and constraints on sector growth. The assessment will be complemented by detailed studies on selected topics such as prospects of crop diversification, challenges in providing credit, farm inputs, and adequate marketing. Sector institutional arrangements will be assessed, and sector policies and ongoing sector reforms on the crop, particularly cereal and vegetable, and livestock subsectors subjected to economic, financial, and institutional evaluation.
- (iv) Identify and evaluate the economic comparative advantage of crops that warrant further development as well as the comparative advantages of intensive and extensive livestock production systems and their relevance to Mongolian conditions. Identify bottlenecks for a more active role of the private sector in agriculture and proposing measures to overcome them.
- (v) Review past and ongoing sector interventions to extract lessons learned.
- (vi) Hold dialogue with key planners in the Ministry of Finance and Economy, Ministry of Food and Agriculture, and other relevant stakeholders to discuss the agriculture and rural development sector objectives in the medium to long term.
- (vii) Based on the findings of activities (i) to (vi), conduct consultations and discussions with policymakers and key stakeholders to identify realistic priority medium- to long-term sector goals and objectives and agree on if and how the present policy framework and sector strategies need to change. The consultations with the sector key stakeholders should widen stakeholder common views on sector targets; key challenges; and priority actions (reforms, capacity building, and physical investments) required in the sector. The consultation should identify specific and measurable reform programs with a specific time frame.
- (viii) Assess the areas where external assistance could most effectively support development of policies and investments identified in activity (vii), in particular, identifying the role that ADB can play in rural and agriculture development.
- (ix) Formulate a sector road map based on the medium- to long-term sector goals identified in phase I, and the identified and ranked key sector barriers to achieving the agreed-on goals. Identify priority policy, physical, and capacity-building investment projects to support implementation of agreed-on areas, with a time frame for their implementation. Prepare concept papers for these projects.
- (x) Within 45 days of mobilization, submit a report outlining the sector goals, priorities, areas of potential support, and proposed ADB intervention. The findings will be used as inputs to the country strategy and program for 2005–2009.
- (xi) Within 2 months of TA implementation, submit an interim report containing the sector overview report and reports on selected thematic studies.

- (xii) Within 3.5 months of TA implementation, submit a draft final report containing the findings of the interim report refined after receiving ADB's comments, a road map, and concept papers of investments included in the road map.
- (xiii) Conduct national workshops for stakeholders to discuss and disseminate the TA findings and recommendations of phases I and II.

## **2. Deepening Policy Dialogue**

13. The consultants will do the following:

- (i) Conduct regular discussions with key Government policymakers and analysts and stakeholders to (a) ensure stakeholder appreciation of the TA outputs, (b) provide advisory support and help the Government further clarify key issues impeding successful implementation of agriculture sector reforms, and (c) provide insights into the lessons learned and best practices on reform initiatives and strategic planning in other countries.
- (ii) Prepare interim and final reports on the output of the policy analysis and dialogue carried out during the TA, within 6 and 12 months, respectively. The reports will outline accomplishments of policy dialogue, results of policy analysis performed by the policy advisor, and a proposed plan to refine sector policies.
- (iii) Conduct seminars to update stakeholders, including staff of ADB and other international development institutions, of the policy analysis results on the agriculture sector.

## **D. Consultant Work Arrangements**

14. The TA will be implemented over 12 months, from August 2004 to July 2005. Phases I and II (preparation of the sector road map and concept papers) will be carried out from August to November 2004, while the other activities of phase II—i.e., dissemination of the sector road map and deepening of policy dialogue—will occupy the rest of the TA implementation period. The policy advisor's activities will be carried out intermittently over the entire TA implementation period. All draft and finalized documents produced by the consultants will be translated into Mongolian. The consultants will arrange interpretation and translation.

15. The international agricultural economist and regional planner cum team leader will (i) provide overall leadership in conducting the TA and provide direction and support to the team of international and domestic consultants; (ii) develop the TA methodology; (iii) identify the background studies required under the TA; (iv) monitor the work progress; (v) review existing studies and sector initiatives, policies, and programs carried out by major stakeholders; (vi) together with the policy advisor engaged under the TA, review and assess agricultural and other macroeconomic policies, including trade and price policies, fiscal policies, credit policies, investment policies, and the regulatory environment impinging on the agriculture sector; (vii) carry out a comparative advantage analysis of main crops for potential development support; (viii) prepare the sector overview paper; (ix) based on the sector review of the agricultural sector, identify major key constraints and opportunities, and propose interventions where international development organizations, particularly ADB, can have the best impact on agriculture and rural development; (x) draft a sector road map with concept papers for investments included there; (xi) help organize and implement workshops to ensure full participation of stakeholders from public and private sector agencies, and of other key stakeholders; and (xii) prepare and submit on time the required inception, interim, draft final, and final reports.

16. The international crop and rural development specialist, together with the two domestic consultants under the TA (the agronomist and agriculture support service specialist and the agro-industry and agroprocessing specialist) will (i) prepare selected background studies required under the TA; (ii) evaluate the experience of, and identify lessons learned in, (a) ongoing and completed studies and investment projects for intensifying agricultural production and improving provision of production input supplies, including working capital and term credit; (b) creation of a national seed reserve based on open-market principles; (c) research to improve agricultural productivity; (d) promotion of investment in equipment; (e) development of marketing outlets, including downstream processing of primary products, and delivery and distribution of inputs to farmers and industries; and (f) successful agro-industries and agroprocessing, for incorporation into new investment projects; (iii) provide direct support to the agronomist-cum-agriculture support service specialist in (a) evaluating the results of research on farming systems for crops and livestock, and recommend areas for further research, particularly on diversifying agriculture and improving feed and pasture development; and (b) evaluating the capacity and effectiveness of agricultural support services, including veterinary and livestock services and input supply, agricultural research, credit, marketing, storage, processing, and training facilities, and recommending measures to strengthen their capacity and effectiveness; and (iv) help the agro-industry and agroprocessing specialist identify new investment projects, involving high-value crops; irrigated fruits and vegetables; milk and meat livestock development, including value-added processing; and specific interventions to improve animal health, nutrition, genetics, management, and pastures.

17. The livestock development specialist, together with the domestic counterpart, will (i) identify the lessons learned in ongoing and completed investment projects in the livestock sector to increase agricultural production and income and reduce poverty, for incorporation into new investment projects under the livestock subsector; (ii) review the findings of ADB TA 2602-MON,<sup>1</sup> involving proposals to provide incentives for the livestock subsector, policy changes, and institutional strengthening; (iii) assess productivity levels in livestock meat and meat product manufacturing, and formulate interventions to improve animal health, nutrition, genetics, management, and processing; (iv) evaluate the international competitiveness and comparative advantage of livestock and livestock products, and make projections of supply and demand in the short and medium term, and of export potential; (v) evaluate the constraints hampering the growth of production of major livestock products; and (vi) prepare concept papers for investment proposals in the livestock sector, to be included in the sector road map, involving the active participation of the private sector in delivery and distribution of agricultural inputs (including veterinary medicines and vaccines) and support services to farmers and industries to increase livestock productivity and the quality of livestock products.

18. The international policy advisor will carry out the activities described in para. 13 and provide support to the consultant team on analysis and formulation of relevant and required global and subsector policies. The domestic economist will support the advisor in undertaking data collection, policy analysis, and dialogue. Inputs of both consultants will be provided intermittently over 12 months to allow flexible and appropriate timing for policy dialogue.

19. The domestic consultants will complement the work of the international consultants. The consultants will help disseminate the TA findings and recommendations.

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<sup>1</sup> ADB. 1996. *Study of Extensive Livestock Production Systems*. Manila.