



Mongolia: Climate-Resilient and Sustainable Livestock Development Project

Project Name	Climate-Resilient and Sustainable Livestock Development Project								
Project Number	53038-001								
Country / Economy	Mongolia								
Project Status	Approved								
Project Type / Modality of Assistance	Loan								
Source of Funding / Amount	<table border="1"><tr><td colspan="2">Loan 4071-MON: Climate-Resilient and Sustainable Livestock Development Project</td></tr><tr><td>Concessional ordinary capital resources lending</td><td>US\$ 7.00 million</td></tr><tr><td colspan="2">Loan 4072-MON: Climate-Resilient and Sustainable Livestock Development Project</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 23.00 million</td></tr></table>	Loan 4071-MON: Climate-Resilient and Sustainable Livestock Development Project		Concessional ordinary capital resources lending	US\$ 7.00 million	Loan 4072-MON: Climate-Resilient and Sustainable Livestock Development Project		Ordinary capital resources	US\$ 23.00 million
Loan 4071-MON: Climate-Resilient and Sustainable Livestock Development Project									
Concessional ordinary capital resources lending	US\$ 7.00 million								
Loan 4072-MON: Climate-Resilient and Sustainable Livestock Development Project									
Ordinary capital resources	US\$ 23.00 million								
Operational Priorities	OP1: Addressing remaining poverty and reducing inequalities OP2: Accelerating progress in gender equality OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability OP5: Promoting rural development and food security OP6: Strengthening governance and institutional capacity								
Sector / Subsector	Agriculture, natural resources and rural development / Livestock								
Gender	Effective gender mainstreaming								
Description	The Government of Mongolia, during the country programming mission held in Ulaanbaatar in April 2018, requested the Asian Development Bank to provide lending support to prepare the Climate-Resilient and Sustainable Livestock Development Project. The project is included in ADB's country operations business plan for Mongolia for 2019-2021.								
Project Rationale and Linkage to Country/Regional Strategy	<p>Mongolia has witnessed a gradual decline in poverty levels since the early 1990s, when an estimated 40.0% of the total population was found to be poor. While the incidence of poverty fell significantly from 38.8% in 2010 to 21.6% in 2014, recent estimates indicate that it has climbed back to 28.4%. The poverty rate is also higher in rural areas (35.0%) compared to urban areas (27.0%). In addition, only 35.3% of households were food secure in 2016 while half the population experienced moderate to severe food insecurity. The high incidence of poverty and food insecurity in rural areas is particularly alarming, where majority of the poor are dependent on agriculture and extensive livestock production to sustain livelihoods.</p> <p>The agriculture sector remains a key backbone of the economy. In 2016, agriculture accounted for over 12.0% of gross domestic product, with the sector growing at a similar rate (compounded annually) over the period from 2007 to 2016. The share of livestock in agriculture output is 84.2%, providing employment to one third of Mongolia's economically active population. Currently, meat and milk are the primary products of the livestock subsector, contributing to 61.0% of livestock output and 7.0% of gross domestic product. In contrast, mining comprises 4.2% of total employment. As such, the agriculture sector translates far more directly into improved lives for vulnerable Mongolians than mining and has the potential to reduce rural poverty, boost incomes, and diversify economic growth through food production and export of high-quality meat and wool products. The Asian Development Bank (ADB) supports Mongolia's economic diversification with several projects encouraging labor-intensive growth through utilizing and preserving Mongolia's natural capital outside the mining sector, especially by small and medium-sized enterprises engaged in agribusiness value chains and building climate resilience of the livestock subsector.</p> <p>Despite the significant importance of agriculture and particularly the livestock subsector, several constraints and risks threaten the sustainability and competitiveness of the sector. The lack of a regulatory framework, enforcement capacity, and coordinated policies of central and local level administrations to control livestock numbers within the carrying capacity of grasslands, has created an alarming situation where 70.0% of Mongolia's pastureland is now degraded. These constraints are further exacerbated by extreme climatic events such as droughts and dzuds, which have resulted in significant livestock deaths and removed the means of livelihood for a large number of herder households. The Government of Mongolia is preparing policy actions to adjust the livestock flock structure and grassland use rights to reduce pasture deterioration.</p> <p>The livestock subsector is dominated by an extensive livestock production system dependent on access to pasturelands. Lack of appropriate water points, animal shelter, and feeding throughout the winter leads to concentrated use of surrounding pasture and undermines pasture management during winter. This remains a key concern for herders in view of climate change induced frequency increase of severe weather events. The absence of coordinated grazing management between herders has impaired the development of more climate-resilient and profitable livestock production and marketing systems.</p> <p>Mongolia also faces various challenges throughout the meat value chain in accessing export markets that are vital for lifting incomes and overall sector growth. First, transboundary animal diseases are prevalent, and the Mongolian veterinary system has been unable to effectively manage outbreaks. These animal disease outbreaks have led Mongolia's neighbors to periodically ban Mongolian meat exports. Second, some Mongolian meat, especially beef, is unable to compete in export markets on quality due to livestock producers' limited nutrition and breeding practices. Third, Mongolia's food hygiene practices and sanitary standards fall short of international standards, only 10% of meat supply in the country in 2017 were met by meat made at abattoirs and remaining were prepared in an informal way. Mongolia's veterinary, breeding, and agriculture extension services, and livestock production systems will therefore require significant investment and improvement. Furthermore, while Mongolia's new law on Animal Health entered into effect in June 2018, secondary legislation is still underway and national veterinary structure needs to be enhanced for effective surveillance and animal disease control.</p> <p>As a result of these constraints, Mongolia exported only 70,400 tons of meat in 2018, despite an endowment in excess of 66 million heads of livestock that produced 448 thousand tons of meat. Given that Mongolia's domestic production of meat far exceeds consumption estimated at 269,000 tons annually, simply increasing productivity along the value chain without accessing new markets could lower prices and potentially hurt herder incomes. The current demand-supply configuration, combined with Mongolia's proximity to major markets in Northeast and Central Asia, and reputation for pastoralist traditions suggests that there is potential to significantly boost exports and incomes if the key binding constraints are addressed in a sustainable manner.</p>								
Impact	Competitiveness and sustainability of Mongolia's livestock sector improved (Mongolian Sustainable Development Vision 2030)								
Project Outcome									
Description of Outcome	Efficiency and sustainability of climate-resilient livestock production increased								
Progress Toward Outcome									
Implementation Progress									

Description of Project Outputs	Livestock sector policy, regulatory framework, and capacity enhanced Climate resilience of livestock, pasture, and water management improved Meat and dairy value chains strengthened
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Nation-wide

Safeguard Categories	
Environment	B
Involuntary Resettlement	B
Indigenous Peoples	C

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities	
Consulting Services	Engagement of consultants will follow ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).
Procurement	Procurement of goods and services will follow ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Responsible ADB Officer	Hinrichs, Jan F.
Responsible ADB Department	East Asia Department
Responsible ADB Division	Mongolia Resident Mission
Executing Agencies	Ministry of Food, Agriculture, and Light Industry (MOFALI)

Timetable	
Concept Clearance	30 Jul 2019
Fact Finding	23 Nov 2020 to 01 Dec 2020
MRM	05 Mar 2021
Approval	01 Jun 2021
Last Review Mission	-
Last PDS Update	27 Sep 2021

Project Page	https://www.adb.org/projects/53038-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=53038-001
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