

## ATTACHED TECHNICAL ASSISTANCE

### A. Introduction

1. The proposed capacity development technical assistance (TA) is being processed at the request of the Government of Mongolia in support of the Asian Development Bank (ADB)-funded additional financing of the Agriculture and Rural Development Project. The Ministry of Finance (MOF) is the executing agency and the project management unit (PMU) is the implementing agency for the proposed ADB loan. The TA will accompany the loan. The results framework, implementation arrangements, cost estimate, and terms of reference for the TA were discussed with the MOF, Ministry of Food and Agriculture (MOFA), and Ministry of Industry (MOI) during the consultation mission in January 2015 and have been cleared by them.<sup>1</sup>

2. The proposed TA will support the implementation of the additional financing of the Agriculture and Rural Development Project. Results from the current project showed that Mongolian agro-processing enterprises find it difficult to make products of a quality that meets the standards of international and national high-value markets. The key bottlenecks causing this are that the enterprises generally have limited access to quality raw materials and they lack the capacity to improve the quality of their products. To capture domestic and international high-value markets, project participating enterprises (PPEs) need to ensure stable supply and procurement of quality raw materials as well as improve their technical capacity to process these raw materials into high-quality products. The proposed TA will finance consulting services for implementation of project activities under project outputs 2–4.<sup>2</sup> The outcome will be value addition on Mongolian agricultural resources increased by PPEs, resulting in employment generation. However, significant capacity development will be required to ensure successful implementation and sustainability of these value chain development activities initiated by the project. The proposed TA is being designed to provide the required support. It will be implemented over 3 years, from April 2016 to March 2019.

### B. Outputs and Key Activities

3. The TA will support the following major project outputs and related activities:

(i) **Production capacity of herders and farmers improved.** Herders, farmers, and primary processors of agriculture products who provide raw materials and primary processed products to PPEs will produce materials of higher quality and improve productivity. The activities are as follows:

- (a) Conduct a skills gaps and needs analysis to assess the types of technical training that herders, farmers, and primary processors require to assist them to improve their production systems;
- (b) Based on the findings from the analysis, update existing training materials and develop new training materials to fit the training needs identified;
- (c) Select herder and farmer cooperatives as well as primary processors who have the potential to supply raw materials and/or primary processed materials to PPEs (they will not only receive training and capacity

<sup>1</sup> A pre-fact-finding mission was conducted in February 2014, and later elevated to fact finding upon concurrence by the Ministry of Economic Development in June 2014. Because of the change in the government in late 2014, the consultation mission was conducted to confirm the agreements made for the fact finding.

<sup>2</sup> While the TA will finance consultants, the training for capacity development for agro-enterprises, herders, farmers, and primary processors under project outputs 2 and 3 will be separately financed by the Asian Development Fund loan because of TA budget constraints.

development from the project but will also form supply contracts with PPEs); and

- (d) Implement the training program.

(ii) **Enterprises' marketing and technical capacity improved.** PPEs are producing high-quality premium value products to domestic and international markets. The activities are as follows:

- (a) Undertake an assessment of PPEs for current and potential products which will or could be offered for premium value markets, nationally or internationally, as well as business development skills gap analysis;
- (b) Work with selected PPEs in leather and animal fiber subsectors to demonstrate the implementation of changes needed for achieving premium value product processing;
- (c) Develop technical guidelines for enterprises and animal fiber and leather industries which will guide them on product quality issues and premium product processing;
- (d) Based on the assessment, develop and implement the training program to develop the capacity of PPEs for business development and premium value product processing;
- (e) Update technology and techniques for wool and cashmere, leather, and garment technical institutes; and
- (f) Implement a sector-wide monitoring program to follow up on product quality improvement.

(iii) **Mongolian product brand(s) developed.** To develop the brand(s) and increase awareness about Mongolian agro-processed products, establishment and recognition of Mongolian products which have a certified quality standard will increase their value and market share. The activities are as follows:

- (a) Undertake an assessment of PPEs to determine available products for export or for the local premium value market;
- (b) Facilitate matchmaking between the PPEs and international brands and premium product buyers to help PPEs to engage in new market opportunities, as well as raise awareness of buyers about Mongolian premium products; and
- (c) Promote established cashmere goods with the Mongolian Noble Fiber certification mark to major international premium value buyers as a means of certifying the quality of Mongolian products.

## C. Cost and Financing

4. The TA is estimated to cost \$2.33 million, of which \$2.00 million will be financed on a grant basis by the Japan Fund for Poverty Reduction and administered by ADB. The government will provide counterpart support in the form of office accommodation and other in-kind contributions.

**Table 1: Cost Estimates and Financing Plan**  
(\$'000)

<b>Item</b>	<b>Amount</b>
<b>Japan Fund for Poverty Reduction<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	891.0
ii. National consultants	775.1
b. International and local travel	72.8
2. Miscellaneous administration and support costs	170.6
3. Representative for contract negotiations	10.5
4. Contingencies	80.0
<b>Total</b>	<b>2,330.0</b>

<sup>a</sup> Administered by the Asian Development Bank.

Source: Asian Development Bank estimates.

#### **D. Implementation Arrangements**

5. The MOFA and the MOI will be the executing agencies for the TA. Because of the nature of the attached TA, the project steering committee for the TA will be the same as the one for the project, comprising representatives from the MOF (which chairs the committee); MOFA; MOI; the Ministry of Environment, Green Development and Tourism; and the Bank of Mongolia, and will oversee project implementation. The project director of the PMU will be the project steering committee secretary, who will also be responsible for overall project management. Two technical advisory subunits (one for project output 2 and the other for project outputs 3 and 4) headed by the PMU project director will be responsible for the TA implementation.

6. ADB will engage a consulting firm to provide 414 person-months of inputs (55 person-months international and 359 person-months national). The experts will be engaged as capacity builders to provide training and coaching which is in line with project outputs 2–4. For efficient management, the consultants will be organized into those two technical advisory subunits. Consultants engaged for the technical advisory subunit for project output 2 will provide capacity development for cooperatives, herders, and farmers to improve their production capacity and quality of their raw products. This group will be coordinated by the national agribusiness specialist. Consultants engaged for the technical advisory subunit for project outputs 3 and 4 will provide capacity development for PPEs to improve the quality of their processing and business practices such as marketing and branding. An overview of the required consulting services is summarized in Table 2.<sup>3</sup>

<sup>3</sup> Terms of reference for individual consultants are described in the supplementary appendix.

**Table 2: Summary of Consulting Services**

<b>Area of Expertise</b>	<b>Duration (person-months)</b>
<b>A. International</b>	
1. Marketing and Branding Specialist	13
2. Fiber Specialist	14
3. Leather/Tannery Specialist	8
4. Leather Goods Specialist	12
5. Garment Specialist	8
<b>Subtotal (A)</b>	<b>55</b>
<b>B. National</b>	
1. Agribusiness Specialist/Team Coordinator for Output A <sup>a</sup>	59
2. Agribusiness Specialist	48
3. Milk and Dairy Specialist	19
4. Meat Specialist	19
5. Sea Buckthorn Specialist	17
6. Bee Farm Specialist	17
7. Marketing and Branding Specialist/Team Coordinator for Outputs B and C <sup>b</sup>	59
8. Fiber Specialist	51
9. Leather/Tannery and Goods Specialist	51
10. Garment Specialist	19
<b>Subtotal (B)</b>	<b>359</b>
<b>Total (A+B)</b>	<b>414</b>

<sup>a</sup> Project output 2.

<sup>b</sup> Project outputs 3 and 4.

Source: Asian Development Bank.

7. The consultants will be engaged by ADB in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The consulting firm will be selected on the basis of full technical proposal using the quality- and cost-based selection method. Given the highly specialized nature of some of the proposed TA tasks, a quality–cost ratio of 90:10 will be followed. The outline terms of reference for consultants are accessible from Appendix 5 of the project administration manual.<sup>4</sup> All disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

8. The proposed TA will make use of the existing donor coordination mechanism in Mongolia so as to coordinate project development efforts as well as align and harmonize the contributions of donors. Public disclosure of project documents as well as project activities will be made available through the project website. The PMU will work with the MOFA and MOI to communicate with stakeholders, including business associations, regarding matters related to the project. Regular dialogues and communication with the project participating banks will provide a channel for updating these banks on the overall progress of the project as well as to provide a feedback mechanism for resolving issues regarding PPEs' implementation of value chain investments. The PPEs, with PMU assistance, will prepare value chain investment proposals that include participatory measures and consultations with local communities, labor force, suppliers, herder groups, local government, and other stakeholders.

<sup>4</sup> Project Administration Manual (accessible from the list of linked documents in Appendix 2 of the RRP).