



# Technical Assistance Report

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Project Number: 48186-009  
Transaction Technical Assistance (TRTA)  
December 2021

## Mongolia: Preparing the Regional Road Development and Maintenance – Phase 3 Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 1 December 2021)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.0003513
\$1.00	=	MNT 2,846.32

## ABBREVIATIONS

ADB	–	Asian Development Bank
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund

## NOTE

In this report, "\$" refers to United States dollars.

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<sup>a</sup> Outposted to the Mongolia Resident Mission

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## **CONTENTS**

	<b>Page</b>
TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE	
I. THE ENSUING PROJECT	1
II. THE TECHNICAL ASSISTANCE	1
A. Justification	1
B. Outputs and Activities	2
C. Cost and Financing	3
D. Implementation Arrangements	3
III. THE PRESIDENT'S DECISION	4
APPENDIXES	
1. Cost Estimates and Financing Plan	5
2. List of Linked Documents	6

## TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 48186-009</b>	
<b>Project Name</b>	Regional Road Development and Maintenance Phase 3	<b>Department/Division</b>	EARD/EASI
<b>Nature of Activity Modality</b>	Project Preparation Regular	<b>Executing Agency</b>	Ministry of Road and Transport Development of Mongolia
<b>Country</b>	Mongolia		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Transport	Transport policies and institutional development		2.00
		<b>Total</b>	<b>2.00</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		<b>ADB Financing</b>	
✓ Promoting rural development and food security		Adaptation (\$ million)	0.00
✓ Strengthening governance and institutional capacity		Mitigation (\$ million)	0.00
✓ Fostering regional cooperation and integration		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 5.c		Some gender elements (SGE)	✓
SDG 11.2		<b>Poverty Targeting</b>	
		Geographic Targeting	✓
<b>4. Risk Categorization</b>	Complex		
<b>5. Safeguard Categorization</b>	Safeguard Policy Statement does not apply		
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>2.00</b>	
Transaction technical assistance: Technical Assistance Special Fund		2.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>2.00</b>	
<b>Currency of ADB Financing: US Dollar</b>			

## I. THE ENSUING PROJECT

1. Mongolia is landlocked between the Russian Federation and the People's Republic of China, with a population of 3.3 million in 2020 and a land area of 1.6 million square kilometers (km<sup>2</sup>), its population density is only 1.9 persons per km<sup>2</sup>. Due to the large distances, sparse population, and severe weather conditions, surface transportation is difficult, and infrastructure is underdeveloped.

2. Mongolia's economic growth has been volatile, with both growth and poverty fluctuating wildly mainly due to Mongolia's dependence on minerals (92.8% of exports). From 2017 to 2019, the country experienced steady gross domestic product growth. However, the coronavirus disease (COVID-19) crisis induced an economic contraction of 5.3%, which led to job losses in all major sectors and increased unemployment and underemployment by 1.4 percentage points in 2020.<sup>1</sup> Poverty has most likely increased further from 28.4% of people who lived in poverty as of 2018. The poor condition of roads in Mongolia aggravates persistent poverty conditions, particularly in rural areas as it restricts access to markets, education, and services. Mongolia has a road network of 112,414 kilometers (km), of which 14,918 km are international and state roads and of these only 7,445 km are paved.<sup>2</sup> Improving access to health services and to domestic and external markets will be crucial to assist with recovery from the COVID-19 crisis and to lay the foundations for diversification in the longer term,<sup>3</sup> particularly in isolated regions such as Western Mongolia. The region suffers from slow development because of its remoteness from the country's political and economic centers, and state roads connecting *aimag* capitals remain unpaved.

3. **Impact, outcome, and outputs.** The project is aligned with the following impact: inclusive economic growth promoted by enhanced local, and regional connectivity in Mongolia.<sup>4</sup> The project outcome will be efficiency and safety of road transport within the project area improved.<sup>5</sup> The project outputs will be: (i) road condition improved, (ii) road asset management capacity improved, and (iii) road safety design and capacity improved.

4. **Cost estimates and financing plan.** The project is estimated to cost \$165 million. Asian Development Bank (ADB) has been requested to finance \$150.0 million from its ordinary capital resources through a project loan. The Government of Mongolia is the borrower of the loan and will finance \$15.0 million including taxes and duties.

## II. THE TECHNICAL ASSISTANCE

### A. Justification

5. The proposed TA will help prepare the proposed ensuing project and develop the capacity of the executing and implementing agencies to implement the project. The TA will ensure that the project will be prepared to acceptable technical, safeguards, and procurement standards. The ensuing project is expected to meet the "high readiness" criteria before Board consideration.<sup>6</sup>

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<sup>1</sup> National Statistics Office. Statistical Information Services. 2021. ADB estimates.

<sup>2</sup> Ministry of Road and Transport Development.

<sup>3</sup> ADB. 2021. *Country Partnership Strategy: Mongolia, 2021–2024—Laying Resilient Foundations for Inclusive and Sustainable Growth*. Manila.

<sup>4</sup> This project-related impact statement aligns with Mongolia's Government Action Plan's strategy to expand road and transportation networks to enable economic growth and increase exports (para. 15).

<sup>5</sup> The design and monitoring framework is in Appendix 1.

<sup>6</sup> The TA first appeared in the business opportunities section of ADB's website on 3 December 2021.

## B. Outputs and Activities

6. **Output 1: Technical due diligence on ensuing project completed.** This output will include due diligence of the road designs prepared by the executing agency—the Ministry of Road and Transport Development (MRTD)—proposing amendments to ensure the design is consistent with internationally-accepted standards for such projects and suitable for ADB financing. The proposed amendments will incorporate the findings of the road safety audits, road safety behavioral assessment and iRAP assessments,<sup>7</sup> the climate risk assessment and permafrost studies, climate mitigation measures, cultural heritage and environmental surveys, axle load control measures, and other design improvements as required. Cost estimate will be provided for the proposed changes.

7. **Output 2: Feasibility study on ensuing project prepared.** This output will include finalizing the project scope and detailed cost estimates, conducting economic and financial analysis, conducting strategic procurement planning and preparing contract packaging, assessing the institutional and financial management capacity of the executing and implementing agencies, preparing safeguards documentation for the environmental and social aspects of the project consistent with ADB's Safeguard Policy Statement 2009, and preparing a social development and gender action plan following ADB's guidelines for such analyses. It will also include preparing an environmental impact assessment following domestic requirements, updating the sector assessment for rural roads, and designing the road safety engineering, climate adaptation and mitigation, and road asset management capacity strengthening components and the community-based maintenance program component envisaged under the ensuing project. It will also include the preparation and implementation of a project communication strategy and action plan.

8. **Output 3: Project management capacity of the executing and implementing agencies improved.** This output will include assisting the implementing agency in the establishment of a project implementation unit and providing it with initial training, to enable project readiness on contract management, financial management, ADB's safeguards policies, gender and social development, climate adaptation, road safety, and road asset management. It will also analyze staff needs and develop a capacity development plan (including system requirements and adeptness with ADB policies and procedures on procurement, financial management, safeguards, and others), and develop the terms of reference for a project management consultant firm that will support project implementation.

9. **Output 4: Procurement support provided.** This output will include capacity strengthening for the implementing agency in ADB procurement processes and policies, designing the procurement arrangements for the project, preparing contract-specific bidding documents, terms of reference and requests for proposals, assisting the government with obtaining government and ADB approvals, and preparing final versions for issue to potential bidders. It will also include assisting the government with advertising the contracts, preparing and managing pre-bid meetings and site visits, receiving and evaluating bids and proposals, and preparing bid evaluation reports for government and ADB approval, negotiations with selected firms, and finalizing contract documentation for award.

10. The inclusion of climate adaptation and mitigation principles into the road design from feasibility stage will be a new approach which will improve the design quality and sustainability. In particular, the project will incorporate innovative design features to reduce the impact of the

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<sup>7</sup> The iRAP methodology is a global risk mapping and star rating standard for infrastructure safety. iRAP methodologies and software are published in the public domain for free use by partners globally.

road design on permafrost melt. Roadside tree planting will offset carbon emissions from road construction operation and maintenance, and will provide additional benefits, such as improved air quality and reduced erosion. The combination of road safety audit, road safety assessment and road safety behavioral surveys from the feasibility stage of the project will enable innovative safety features which address safety for all road users, and that are centered on community needs, which is an innovative approach to improving the safety of road projects in Mongolia.

### C. Cost and Financing

11. The TA is estimated to cost \$2,000,000, of which (i) \$1,600,000 which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7) and (ii) 400,000 will be financed on a grant basis by ADB's TASF 6. The key expenditure items are listed in Appendix 1. The government will provide counterpart support in the form of counterpart staff, office supplies, secretarial assistance, meeting rooms, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

### D. Implementation Arrangements

12. ADB will administer the TA. The Sustainable Infrastructure Division of the East Asia Department will select, supervise, and evaluate consultants.

13. Implementation arrangements are summarized in Table 2.

**Table 2: Implementation Arrangements**

Aspects	Arrangements		
Indicative implementation period	January 2022–December 2023		
Executing agency	Ministry of Road and Transport Development (MRTD)		
Implementing agency	Road Policy Implementation and Coordination Department of the MRTD		
Consultants	To be selected and engaged by ADB		
	Firm (international): Preparing the Regional Road Development and Maintenance Phase 3 Project	QCBS 90:10 FTP (international 36 person-months; national 80 person-months)	\$1,630,000
	Individual (international): Project Management Specialist	ICS (4 person-months)	\$92,000
	Individual (international): Procurement Specialist	ICS (4 person-months)	\$92,000
	Individual (national): Project Coordinator	ICS (6 person-months)	\$50,000
	Individual (national): Ornithologist	DC (3.5 person-months)	\$31,000
	Firm (national): Cultural heritage and archaeological survey	DC (national 7 person-months)	\$55,000
Advance contracting	Selection of consultants will commence through advance contracting. Negotiation and signing of the contracts will only occur after the TA becomes effective.		
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

Aspects	Arrangements
Asset turnover or disposal arrangement upon TA completion	Equipment will be turned over to the EA at the end of the TA.

ADB = Asian Development Bank, DC = direct contracting, ICS = individual consultant selection, QCBS = quality and cost-based selection, FTP = full technical proposal, TA = technical assistance.

Source: Asian Development Bank.

14. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated procurement staff instructions.<sup>8</sup> The consultants will procure office and survey equipment using request for quotation procedures in accordance with ADB Procurement Policy (2017, as amended from time to time). ADB will select (i) an international consulting firm based on the quality- and cost-based selection method using a 90:10 quality-cost ratio with full technical proposal, (ii) an international project management specialist using the individual selection method, (iii) an international procurement specialist using the individual selection method, (iv) a national project coordinator using the individual selection method, (v) a national ornithologist using direct contracting, and (vi) a national cultural heritage and archeological survey institute using direct contracting. The national ornithologist, Mr. Purevsuren Tsolmonjav, will be recruited through direct contracting to complete the next phases of the survey he initiated in September 2021. The Institute of Archeology of the Mongolian Academy of Science will be recruited through direct contracting since it is the only certified organization to conduct cultural heritage and archeological surveys.

15. The international consulting firm will be responsible for activities under outputs 1, 2 and 3, and is expected to work alongside and incorporate inputs from other consultants recruited by ADB to support the preparation of the ensuing project. This includes working with: (i) international procurement specialist, who will provide inputs to the firm and lead activities under output 4; (ii) national ornithologist, who will complete ornithological surveys that will be part of the environmental impact assessment; (iii) Institute of Archeology of the Mongolian Academy of Science, which will conduct archeological surveys; (iv) project management specialist, who will provide support to ADB and MRTD, setting the technical direction of all consultants' work and providing quality assurance of consultants' reports; and (v) project coordinator, who will be the main liaison between MRTD, ADB and consultants.

### III. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$2,000,000 on a grant basis to Mongolia for preparing the Regional Road Development and Maintenance Phase 3 project, and hereby reports this action to the Board.

<sup>8</sup> Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).



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

Item	Amount <sup>b</sup>
<b>A. Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	1,005.0
ii. National consultants	534.0
b. Out-of-pocket expenditures	
i. International and local travel	129.0
ii. Office space rental and related facilities	20.0
iii. Goods (rental and/or purchase) <sup>c</sup>	20.0
iv. Surveys	50.0
v. Training, seminars, and conferences <sup>d</sup>	32.0
vi. Reports and communications	27.5
vii. Miscellaneous administration and support costs	44.5
2. Miscellaneous technical assistance administration costs <sup>e</sup>	50.0
3. Contingencies	88.0
<b>Total</b>	<b>2,000.0</b>

Note: The technical assistance (TA) is estimated to cost \$2.0 million, of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, office supplies, secretarial assistance, meeting rooms, and other in-kind contributions.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7).

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

<sup>c</sup> Goods may include office and survey equipment to be turned over to the executing agency at the end of the TA.

<sup>d</sup> Includes international and domestic travel, rental of facilities, interpretation and logistics, travel cost of ADB staff acting as resource persons, etc.

<sup>e</sup> Includes cost of translation, interpretation, Office 365 software licenses, communications, and others.

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=48186-009-TARreport>

1. Terms of Reference for Consultants