



Completion Report

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Mongolia: Unleashing the Private Sector to Drive Inclusive Growth in Eastern Mongolia

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TECHNICAL ASSISTANCE COMPLETION REPORT

TA Number, Country, and Name: TA 9751-MON: Unleashing the Private Sector to Drive Inclusive Growth in Eastern Mongolia		Amount Approved: \$600,000	
		Revised Amount: Not applicable	
Executing Agency: Cabinet Secretariat of Mongolia	Source of Funding: Technical Assistance Special Fund (TASF 6)	Amount Undisbursed: \$102,265.61	Amount Used: \$497,734.39
TA Approval Date: 28 June 2019	TA Signing Date: 23 July 2019	TA Completion Date	
		Original Date: 31 December 2021	Latest Revised Date: 31 December 2021
		Financial Closing Date: 18 March 2022	Number of Extensions: 0
TA Type: Knowledge and support TA	Nature of Activity: Capacity development, Policy advice	TA Arrangement:	

Description

Since the start of Mongolia's transition to a market economy in 1991, income and development disparities have emerged between the country's urban and rural areas. In 2018, the rural poverty rate at 34.9% exceeded the national average of 29.6%. Adequate infrastructure was virtually absent in rural areas, as evidenced by the 2018 Logistic Performance Index, which ranked Mongolia 130th out of 160 economies.¹ Not surprisingly, the rural private sector's contribution to the national economy was marginal except for a few large mines. This hampered employment and income-generation opportunities. Consequently, the government made rural development a priority, targeting the promotion of rural industrialization strategies, development of value chains and activities, and fostering socioeconomic equality between urban and rural areas through the optimal utilization of the country's abundant natural resources.² A sustainable regional development policy was required to boost the rural economy, and needed to be underpinned by regional strategies for private sector development. Although the government approved the Mongolia Regional Development Concept (MRDC) in 2001 and Regional Development Management and Coordination Law in 2003 (amended in 2021), the resulting achievements have not met expectations. Against this background, the Prime Minister's Cabinet Secretariat and the Ministry of Economic Development have been tasked with updating the MRDC and preparing policy and regulatory documents that reflect the current development needs. A critical part of the MRDC is to formulate the strategies needed to develop the private sector and to ensure that the scarce public resources are used to deliver the public goods that will drive forward sustainable private economic activity. The Cabinet Secretariat requested the Asian Development Bank (ADB) to provide the knowledge and support technical assistance (TA) in eastern Mongolia. The TA focused on Dornod, Khentii, and Sukhbaatar *aimags* that are heavily dependent on mining, animal husbandry, and services.

Expected Impact, Outcome, and Outputs

The TA's envisaged impact was enhanced private sector participation in achieving the MRDC goals. The TA's intended outcome was enhanced readiness for value-added activities that advance private sector development in the three eastern *aimags*. The expected TA outputs were (i) *aimags'* economic competitiveness and potential assessed, (ii) eastern Mongolia's private sector development strategy formulated, (iii) regional agribusiness cluster models designed, and (iv) coordination and information sharing for economic development between the three eastern *aimags* strengthened.

Implementation Arrangements

The Prime Minister's Cabinet Secretariat was the executing agency of the TA. The Head of the *Aimag* and Rural Coordination Division was the TA focal point. The executing agency established the regional public-private dialogue council (PPDC) to monitor the overall TA progress and provided guidance on project implementation, milestones and deliverables.³ ADB recruited two international (rural development specialist and natural resource economist) and four

¹ World Bank. 2018. *Connecting to Complete: Trade Logistics in Global Economy*. Washington, DC.

² ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

³ The regional PPDC was comprised of representatives from local *aimag* governments in Dornod, Khentii, and Sukhbaatar and local chambers of commerce.

national consultants (TA coordinator, agriculture specialist, livestock and animal health specialist, and research assistant) to coordinate the TA implementation and provide day-to-day administrative and professional and technical support. In consultation with the executing agency, ADB recruited the joint venture of Oyuny Tsomorlig Impex LLC and Khan khulgun LLC for website development.

ADB disbursed the TA funds following the *Technical Assistance Disbursement Handbook* (2010, as amended from time to time). ADB handed over to the executing agency all information technology and training equipment procured under the TA.

Conduct of Activities

Output 1: Aimags' economic competitiveness and potential assessed. This output was fully achieved. The consultants (i) defined and assessed the competitive and priority sectors for Dornod, Khentii and Sukhbaatar aimags; and (ii) identified key constraints the local private sector faced. ADB and consultants presented the findings of the research to the executing agency, National Development Agency, local aimag governments and Mongolian National Chamber of Commerce.

Output 2: Eastern Mongolia's private sector development strategy formulated. The output has been delivered. The TA funded a production capacity survey, covering 1,052 enterprises and 1,147 households in the three eastern aimags. Based on the survey results and publicly available data, the consultants prepared and submitted to the executing agency "Local Economy and Private Sector Development Strategy of Eastern Mongolia" report with the focus on economic diversification, including livestock, farming, tourism, food production, and trade.

Output 3: Regional agribusiness cluster models designed. The output was fully achieved. The consultants identified that two subsectors—dairy and meat production can offer good opportunities for agricultural cluster development in eastern Mongolia. The meat (lamb, cattle) production cluster model was based on two existing slaughterhouses in Dornod aimag, six factories in Sukhbaatar aimag, and six slaughterhouses in Khentii aimag. The dairy production cluster model illustrated that despite an abundant number of livestock, there is no existing dairy processing facility that is ready to be integrated into international value chain. However, if natural resources of Dornod and Khentii aimags are successfully reaped, a dairy cluster comprised of 10 or more farms can be established in eastern Mongolia, which is to be linked to the central region of Mongolia. The TA also prepared investment and market studies for five local business enterprises operating in the eastern region. Moreover, the TA conducted 15 training sessions in areas of crop farming, governance, veterinarian services, livestock management and business development with total of 353 people trained.

Output 4: Coordination and information sharing for economic development between the three eastern aimags strengthened. The output has been substantially met. By March 2020, the executing agency and local governments of the three eastern aimags have established three PPDCs which include representatives from public sector, aimag civil representatives' councils, local private sector, and business councils. These PPDCs support local governments to streamline their investment and private sector development operations and has become a communication tool to deliver the messages of local private sector participants to the central and local governments when formulating policies. The TA supported two regional forums and six PPDC meetings from 2019 to 2021. Due to the coronavirus disease (COVID-19), nationwide lockdown was imposed in Mongolia from February 2020 to May 2021, the TA supported fewer capacity building activities than originally planned. The TA developed and handed over a web-based online catalogue (www.monbiz.mn) to the SME Development Agency of Mongolia. The objective of the catalogue is to promote products and services of rural businesses across the country.

Technical Assistance Assessment Ratings

Criterion	Assessment	Rating
Relevance	The TA's outcomes were fully aligned with the government priorities to implement the Regional Development Management and Coordination Law. The TA was aligned with ADB's Strategy 2030 Operational Plan for Priority 6: Strengthening Governance and Institutional Capacity, 2019–2024. ⁴ The TA design was sound and there were no major design deficiencies although implementation was challenging due to the pandemic-related lockdowns and travel restrictions. The TA's design on policy advice and technical support for the rural development planning was timely and relevant.	Relevant
Effectiveness	The TA essentially achieved the expected outcome in enhancing readiness for value-added activities that promote private sector development in the	Effective

⁴ ADB. 2019. *Strategy 2030 Operational Plan for Priority 6: Strengthening Governance and Institutional Capacity, 2019–2024*. Manila.

Criterion	Assessment	Rating
	three eastern <i>aimags</i> . A strategy on Eastern Mongolia private sector development which incorporated TA recommendations was submitted to the Cabinet Secretariat in December 2021 for approval in accordance with the outcome indicator. The strategy will help the government of Mongolia formulate regional development policy and attract investments in rural provinces by promoting the private sector's activity. The government's capacity to design and implement policy actions based on research and evidence is weak. The TA-financed activities filled this gap by helping formulate private sector development and investment policies for the eastern region.	
Efficiency	The TA was efficiently completed without extension despite disruptions caused by the COVID-19 pandemic. All planned outputs were completed utilizing 83% of TA funds. The unutilized funds were from savings on equipment and consultant categories, low use of Miscellaneous TA administration costs, and untapped contingencies allocation. There were substantial associated socioeconomic benefits in terms of the development of the eastern Mongolia private sector development strategy and capacity development of local <i>aimag</i> governments and rural businesses. The regional private sector development strategy is the first and only evidenced-based policy document in the context of Mongolia's eastern region. Moreover, there had not been any specific online catalogue intended to promote rural businesses prior to the online catalogue developed under the TA.	Highly efficient
Overall Assessment	The TA achieved its outputs and outcome. There were no implementation delays, and all project activities were completed within the budget. The TA was instrumental in the government formulating its high-priority policy actions to improve rural development and economic diversification by improving coordination between the central government and the local private sector. Direct benefits include (i) development of the eastern Mongolia private sector development strategy based on empirical findings; (ii) building institutional and human resource capacity; and (iii) launch of a web-based online catalogue intended to promote non-mining, rural enterprises.	Successful
Sustainability	The Government of Mongolia amended the Regional Development Management and Coordination Law in 2021 to coordinate investment policies and improve connectivity and infrastructure in rural areas. The government's approval of the regional development policy for each <i>aimag</i> , including the three eastern <i>aimags</i> , is pending. However, the Government of Mongolia is highly likely to approve a regional development strategy and regional integration roadmaps in 2023 as indicated in the Government's long-term policies-Vision 2050 and the Regional Development Management and Coordination Law.	Likely sustainable

Lessons Learned and Recommendations

Management of staff and consultants	The twinning of international and national consultants on the same field of expertise proved to be a useful approach for transferring international best practices to Mongolia in the national context. The national consultants played a crucial role during the international travel restrictions and ensured the continuity of the TA activities and easily communicated with rural enterprises and other stakeholders.
Knowledge building	All surveys and reports produced under the TA need to be widely circulated among policy makers, government agencies and business councils.
Stakeholder participation	The TA was crosscutting in its stakeholder focus and engagement. It is important for TAs to have close consultation with and active participation of different stakeholders, such as government agencies and the private sector.
Replication and/or scaling up	The Government of Mongolia can replicate the model of PPDC created under the TA in other regions of the country to enhance public-private dialogues.

Follow-up Actions

The assessment reports and findings produced by the TA will be used to prepare future agriculture, urban and rural development projects of ADB. Some of these can be considered in ADB's sovereign project in agriculture⁵ and in nonsovereign operations.

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⁵ Proposed Agriculture and Rural Development Project Phase 2, planned for commitment in 2023.

DESIGN AND MONITORING FRAMEWORK

Impact Private sector participation in achieving the Mongolia Regional Development Concept goals enhanced		
Results Chain	Performance Indicators with Targets and Baselines	Achievements
Outcome Readiness for value-added activities that advance private sector development in the three eastern <i>aimags</i> (provinces) enhanced	Eastern Mongolia private sector development policy document submitted to the Cabinet Secretariat by 2021 (2019 baseline: 0)	Achieved. ADB submitted the strategy to the Cabinet Secretariat in December 2021.
Outputs 1. <i>Aimags'</i> economic competitiveness and potential assessed 2. Draft Eastern Mongolia private sector development strategy formulated 3. Regional agribusiness cluster models designed 4. Coordination and information sharing for economic development between the three eastern <i>aimags</i> strengthened	<p>1a. Assessment produced by Q1 2020, including the identification of competitive and priority sectors and of challenges related to local MSMEs (2019 baseline: no assessment)</p> <p>2a. Assessment of the demand and supply situation in the three <i>aimags</i> and a production capacity survey completed by Q3 2020 (2019 baseline: no assessment)</p> <p>3a. Road map for export-oriented agribusiness cluster submitted to the local <i>aimag</i> governments by Q3 2021 (2018 baseline: no road map provided)</p> <p>3b. At least 60 public and private sector staff, of which at least 55% are women, report increased skills and knowledge in areas of agronomy, cluster, financial planning, farming, and agribusiness technologies by 2021 (2019 baseline: NA)</p> <p>3c. At least five market and investment studies produced by Q2 2021 (2019 baseline: NA)</p> <p>4a. At least three additional <i>aimag</i> public-private councils established by Q1 2020 (2019 baseline: 1)</p> <p>4b. At least 70 public and private sector officials attending four regional conferences have increased awareness on joint investment planning and information sharing by 2021 (2019 baseline: NA)</p>	<p>1a. Achieved. The eastern Mongolia competitiveness assessment report was completed and submitted to the Cabinet Secretariat and local <i>aimag</i> governments in Q3 2020.</p> <p>2a. Achieved. The consultants completed the demand and supply, production capacity survey in June 2021 and presented the findings to the government in June and October 2021.</p> <p>3a. Achieved. The final version of the Road Map for Export-Oriented Agribusiness Cluster Models was submitted to the three eastern <i>aimags</i> in December 2021.</p> <p>3b. Achieved. The consultants trained in total 353 public and private sector participants, of which 177 are women (50.1%) in areas of agronomy, cluster, financial planning, governance, farming, and business development.</p> <p>3c. Achieved. Five market and investment studies were prepared and submitted to the local private enterprises in November 2021.</p> <p>4a. Achieved. Three PPDCs were established and endorsed by civil representative councils in the three eastern <i>aimags</i> by Q2 2020.</p> <p>4b. Achieved. 92 public and private sector officials attended three regional conferences. Due to the travel restrictions, the TA was restricted to less than four regional conferences in Dornod, Khentii, and Sukhbaatar <i>aimags</i>.</p>

Results Chain	Performance Indicators with Targets and Baselines	Achievements
	4c. A web-based online catalogue developed and becomes operational by 2021 (2019 baseline: NA)	4c. Achieved. web-based online catalogue (www.monbiz.mn) was launched in May 2021.
Actual Key Activities with Milestones 1. Aimags' economic competitiveness and potential assessed 1.1 Mobilized consultants by Q4 2019 and Q2 2021. 1.2 Produced draft report by Q3 2020. 1.3 Produced final report in Q3 2020. 2. Eastern Mongolia private sector development strategy formulated 2.1 Completed research design in Q1 2020 and mobilized surveyors in Q1 2020. 2.2 Completed regional demand and supply survey and production capacity survey as part of output 2 in Q2 2020. 2.3 Completed economic and social analysis of the data collected from the survey in Q4 2020. 2.4 Produced the regional private sector development policy document in Q2 2021. 3. Regional agribusiness cluster models designed 3.1 Produced a road map for agribusiness cluster models in December 2021. 3.2 Completed investment and market studies in November 2021. 3.3 Provided 15 training sessions in 2020-2021. 4. Coordination and information sharing for economic development between the three eastern aimags strengthened 4.1 Created PPDCs in Dornod, Sukhbaatar and Khentii aimags, and a centralized public-private dialogue council in Q2 2020. 4.2 Organized three regional conferences by Q4 2021. 4.3 Developed and launched online catalogue in May 2021.		
Actual Inputs Asian Development Bank: \$497,734.39 Government: \$5,000 (estimated in-kind contribution from the government in the form of counterpart staff and secretarial assistance)		

ADB = Asian Development Bank; MSME = micro-, small- and medium-sized enterprise; NA = not available; PPDC = public-private dialogue council; Q = quarter.

Source: Asian Development Bank.

TECHNICAL ASSISTANCE COST

Table A2.1: Technical Assistance Cost by Activity
(\$'000)

Item	Amount	
	Original	Actual
1. Consultants	496.0	398.78
2. Equipment	45.0	21.29
3. Training, seminars, and/or conferences	16.0	26.75
4. Surveys	35.0	50.75
5. Miscellaneous TA administration	3.0	0.17
6. Contingency	5.0	0.00
Total	600.0	497.73

Note: Numbers may not sum precisely because of rounding.
Source: Asian Development Bank.

Table A2.2: Technical Assistance Cost by Fund
(\$'000)

	TASF 6
1. Original	600.00
2. Actual	497.73
3. Unused	102.26

TASF = Technical Assistance Special Fund.
Source: Asian Development Bank.