



Technical Assistance Report

Project Number: 54317-001
Knowledge and Support Technical Assistance (KSTA)
October 2020

Mongolia: Managing the Risks of Food Insecurity in Mongolia during the COVID-19 Crisis

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 5 October 2020)

Currency unit	–	togrog (MNT)
MNT1.00	=	\$0.00035
\$1.00	=	MNT2,842.68

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
DFPPDC	–	Department of Food Production, Policy Development, and Coordination
TA	–	technical assistance

NOTE

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

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 54317-001	
Project Name	Managing the Risks of Food Insecurity in Mongolia during the COVID-19 Crisis	Department/Division	EARD/EAER
Nature of Activity Modality	Capacity Development Regular	Executing Agency	Ministry of Food, Agriculture, and Light Industry (MOFALI)
Country	Mongolia		
2. Sector		ADB Financing (\$ million)	
✓ Agriculture, natural resources and rural development	Agricultural policy, institutional and capacity development		0.10
	Agricultural production		0.10
	Agro-industry, marketing, and trade		0.10
Industry and trade	Small and medium enterprise development		0.10
		Total	0.40
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum)	0
✓ Promoting rural development and food security		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.5		No gender elements (NGE)	✓
SDG 2.1, 2.3, 2.4, 2.c			
SDG 8.2, 8.4			
SDG 9.3			
SDG 10.2			
4. Risk Categorization Complex		Poverty Targeting	
		General Intervention on Poverty	✓
5. Safeguard Categorization Safeguard Policy Statement does not apply			
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.40	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.40	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.40	
Currency of ADB Financing: US Dollar			

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will help the Government of Mongolia reduce the adverse impacts of the coronavirus disease (COVID-19) pandemic and other food insecurity risks in Mongolia. The TA will assess the vulnerabilities of Mongolia's food supply chains, provide policy advice, build capacity to manage food insecurity risks during the COVID-19 pandemic, and assist in preparing medium- to long-term strategy and action plan. The strategy and action plan will contribute to establishing more resilient food supply chains against a range of other food insecurity risks and improve the livelihood of poor and vulnerable groups. The Action Plan of the Government of Mongolia for 2020–2024, announced in August 2020 by the newly formed Cabinet, includes ensuring food security and strengthening food supply chains as priority areas.¹ The TA will support Strategy 2030 of the Asian Development Bank (ADB)² and its operational priorities of promoting rural development and food security, and strengthening governance and institutional capacity.³

II. ISSUES

2. **Food insecurity.** The crisis perpetuated by the COVID-19 pandemic increased food insecurity risks among vulnerable and poor households in Mongolia. The share of the population below the poverty line declined from 39% to 28% between 2010 and 2018.⁴ However, 15% of the population is still clustered just above the poverty line. The poor, on average, spend 43% of their household expenditure on food and are particularly vulnerable to increases in food prices. The pandemic's adverse shocks of increased food prices and reduced household incomes exacerbate the risk of malnutrition among Mongolia's vulnerable and poor households, and potentially of reversing gains made since 2010 in reducing poverty and improving livelihoods.⁵

3. **Food price.** The trade disruption associated with the pandemic could trigger food price spikes and price volatility in international markets.⁶ The Russian Federation, a major exporter of wheat to Mongolia, announced the temporary suspension of grain exports in April 2020. The logistical disruptions caused by COVID-19 quarantines and other preventive measures in Mongolia have increased retail food prices. A World Bank survey indicates that 58% of farm households were unable to sell products in April 2020 because of logistical disruptions.⁷ Higher food price is a major contributor to inflation in Mongolia. In March 2020, food price increased by 10.5% from the same period in 2019 and the inflation rate reached 6.4%, of which 27.0% was attributed to the higher prices of meat and meat products.⁸ Three in four poor households were negatively affected by the high prices of major food items (footnote 7).

¹ Government of Mongolia, Cabinet. 2020. *Action Plan of the Government of Mongolia for 2020–2024*. Ulaanbaatar.

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

³ The TA first appeared in the business opportunities section of ADB's website on 7 October 2020.

⁴ Government of Mongolia, National Statistics Office. 2020. *Mongolia Poverty Update 2018*. Ulaanbaatar.

⁵ This risk became obvious during the 2008–2009 food and financial crisis in which households allocated a higher share of expenditure to food and resulted in a less nutritious diet.

⁶ Food and Agriculture Organization of the United Nations. 2020. [Joint Statement by QU Dongyu, Tedros Adhanom Ghebreyesus and Roberto Azevedo, Directors-General of FAO, WHO and WTO](#).

⁷ World Bank Group. [Results of Mongolia COVID-19 Household Response Phone Survey \(Round 1\) \(English\)](#).

⁸ Government of Mongolia, National Statistics Office. 2020. *Social and Economic Situation of Mongolia (as of May 2020)*. Ulaanbaatar.

4. **Household income.** Mongolia's gross industrial output declined by 20% and exports declined by 42% in the first quarter of 2020 compared to the same period in 2019.⁹ The World Bank survey found that 70% of farmer and herder households experienced a decline in agricultural income in May 2020 compared to the same month last year (footnote 7). ADB forecasts that Mongolia's economy will contract, reducing the gross domestic product growth rate from 5.2% in 2019 to -2.6% in 2020.¹⁰ In Mongolia, small and medium-sized enterprises dominate employment in the urban sector, and small-scale herders dominate employment in the rural sector. The economic slowdown caused by the prolonged pandemic is very likely to raise the unemployment rate and reduce the purchasing power of vulnerable and poor households.

5. **Social assistance.** In response to the COVID-19 pandemic, the government took short-term relief measures to increase assistance to vulnerable and poor households. On 1 May 2020, it temporarily increased the amount of food vouchers for the low-income population by 50%, along with the child allowance and the allowances to orphans, disabled people, and certain single parents.¹¹ Throughout the COVID-19 crisis, Mongolia needs to carefully monitor the function of food supply chains and assess the food security situation among vulnerable and poor households to allow for rapid responses. The short-term relief measures should be accompanied by medium- to long-term measures to increase resilience to food insecurity risks, particularly considering the limited fiscal sustainability in Mongolia to provide ad hoc income support to vulnerable populations in the future.

6. **Food supply chains.** The strict quarantine measures and trade disruptions caused by the COVID-19 pandemic make maintaining food supply chains challenging. The restrictions on the movement of people, goods, and services, as well as other preventive measures (e.g., social distancing), disrupt domestic food supply chains. Food supply chains consist of primary producers, food manufacturing factories, whole sellers, retailers, and agricultural production input suppliers (e.g., irrigation facilities). Mongolia has one short growing season so not having a timely supply of agricultural production inputs would disrupt grain production. The following vulnerabilities of Mongolia's food supply chain are likely to exacerbate supply disruptions during the crisis: a weak logistical and storage network, poor access to financial services among small and medium-sized enterprises and small-scale herders, and high dependency on food imports from the Russian Federation and the People's Republic of China.¹² The lack of a price monitoring system along the food supply chains (including production inputs, production, processing, wholesale, and retail) also makes it difficult to assess the pandemic's impact on food supply chains and to identify the food insecurity risks.

7. **Vulnerabilities.** The COVID-19 crisis has provided an opportunity to learn more about the vulnerabilities in Mongolia's food supply chains. In addition to the logistical and trade disruptions, Mongolia faces a range of food insecurity risks including extreme weather, natural hazards, pests,

⁹ Government of Mongolia, National Statistics Office. 2020. *Social and Economic Situation of Mongolia (as of May 2020)*. Ulaanbaatar.

¹⁰ ADB. 2020. *Asian Development Outlook Update 2020: Wellness in Worrying Times*. Manila (September).

¹¹ On 27 March 2020, the government launched a countercyclical development expenditure program and announced its intention to introduce measures with a cost of MNT5.1 trillion. The program includes three areas of support: social protection measures to support citizens, support to vulnerable businesses and fiscal stimulus measures, and public health protection.

¹² ADB. [Mongolia: Tavan Bogd COVID-19 Wheat Supply Chain Liquidity Support Project](#) (\$15 million). In response to the anticipated supply chain disruption, ADB and Tavan Bogd Group companies signed a loan in September 2020 to support the wheat supply chain in Mongolia during the COVID-19 pandemic. The proposed TA will explore possible collaborations with the abovementioned project in monitoring food supply chains and identifying ADB's investment opportunities in the preparation of rapid response plans, and medium- to long-term strategy and action plan to strengthen the resilience of food supply chains to food insecurity risks.

and diseases. Agricultural production relies heavily on natural resources and climate conditions. Managing food insecurity requires a holistic strategy to reduce, mitigate, and cope with a range of risks.¹³ Finding the right balance between domestic production, imports, and emergency stocks is fundamental. Using natural resources sustainably and managing climate change risks are essential elements of resilient food supply chains. Mongolia's weak biosecurity and food safety arrangements are amplifying the risks to animal and human health.¹⁴ Modernizing sanitary conditions, maintaining biodiversity, managing animal disease risks, and protecting the workers from health risks have become important policy agendas in Mongolia. Public and private sectors need to work together to explore the use of digital technologies to develop modern and resilient food supply chains.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The TA is aligned with the following impact: adverse impacts of the COVID-19 pandemic and other food insecurity risks in Mongolia reduced. The TA will have the following outcome: opportunities to strengthen the resilience of food supply chains to food insecurity risks identified.¹⁵

B. Outputs, Methods, and Activities

9. **Output 1: Vulnerabilities of Mongolia's food supply chains assessed.** This output will support (i) monitoring prices along food supply chains, including production inputs, production, processing, wholesale, and retail; (ii) assessing the impacts of the COVID-19 pandemic on food supply chain disruptions;¹⁶ (iii) holistically assessing vulnerabilities in food supply chains against a range of food insecurity risks; (iv) assessing access to financial services for participants of the food supply chains; and (v) identifying opportunities for public and private partnership to apply digital technologies to monitor prices along food supply chains and to strengthen the resilience of food supply chains.

10. **Output 2: Strategy and action plan to strengthen the resilience of food supply chains to food insecurity risks in Mongolia produced.** This output will support (i) the preparation of a rapid response plan to address food insecurity risks during the COVID-19 pandemic, including strengthening social assistance systems and credit provisions to working capitals through food supply chains; (ii) the preparation of a strategy and action plan, including policy recommendations and investment opportunities to establish more resilient food supply chains against a range of food insecurity risks such as improving logistics and storage systems, strengthening food safety and biosecurity arrangements, using natural resources sustainably and managing climate risk, and coordinating policy mechanisms between different government agencies; (iii) the preparation of a feasibility study to establish a price monitoring system along

¹³ Mongolia's Third National Communication to the United Nations Framework Convention on Climate Change projects potentially very significant wheat yield declines in the range of 20%–50% by 2080. Research conducted in the neighboring Inner Mongolia Autonomous Region of the People's Republic of China suggests these losses are already being driven by rising temperatures and declining rainfall in the growing season.

¹⁴ Although the origin of COVID-19 is unknown, the World Health Organization estimates that at least 61% of infectious diseases are zoonotic or originate from animals.

¹⁵ The design and monitoring framework is in Appendix 1.

¹⁶ The Food and Agriculture Organization of the United Nations Representation in Mongolia conducted a rapid assessment of food security situation among rural herders and farmer households in April 2020. The National Statistics Office of Mongolia and the World Bank also carried out the COVID-19 impact survey on a national sample of 1,334 households in May 2020. The TA will explore collaboration with the study and will complement the assessment through monitoring the function of wider food supply chains and rural livelihoods.

food supply chains and emergency stock systems; and (iv) a knowledge sharing event among public and private stakeholders to form coordinated actions to build more resilient food supply chains in Mongolia.¹⁷

C. Cost and Financing

11. The TA is estimated to cost \$410,000, of which \$400,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 2. The government will provide in-kind support in the form of counterpart staff remuneration, office space and supplies, data and information, meeting venues, value-added tax and duty exemptions for imported goods and equipment to be procured under the TA, and other in-kind contributions.

D. Implementation Arrangements

12. ADB will administer the TA. ADB's East Asia Department will select, supervise, and evaluate consultants and monitor the quality of their work. The Ministry of Food, Agriculture and Light Industry will be the executing agency, and its Department of Food Production, Policy Development, and Coordination (DFPPDC) will be the implementing agency. The DFPPDC will provide guidance and necessary inputs to consultants, such as data and relevant information, and day-to-day oversight for the successful implementation of the TA. The DFPPDC will also form and chair a technical advisory group, including other concerned departments and ministries, to review the work of TA consultants.

13. The implementation arrangements are summarized in the table.

Implementation Arrangements			
Aspects	Arrangements		
Indicative implementation period	October 2020–April 2022		
Executing agency	Mongolia's Ministry of Food, Agriculture and Light Industry		
Implementing agency	The Ministry of Food, Agriculture and Light Industry's Department of Food Production, Policy Development, and Coordination		
Consultants	To be selected and engaged by ADB		
	Firm: Quality- and cost-based selection (90:10)	Consulting firm (output-based proposals)	\$360,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance.

Source: ADB.

14. **Consulting services.** ADB will engage a consulting firm following the ADB Procurement Policy (2017, as amended from time to time) and its associated procurement staff instructions using a biodata technical proposal and the quality- and cost-based selection method.¹⁸ The quality–cost ratio will be 90:10 because of the high technical complexity of the consulting assignment.

¹⁷ The preparation of a strategy and action plan, as well as the organization of capacity building events will be coordinated with other ADB projects in agriculture, natural resources, and rural development, such as: ADB. [Mongolia: Vegetable Production and Irrigated Agriculture Project](#); and ADB. [Mongolia: Preparing the Climate-Resilient and Sustainable Livestock Development Project](#).

¹⁸ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

IV. THE PRESIDENT'S DECISION

15. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis to the Government of Mongolia for Managing the Risks of Food Insecurity in Mongolia during the COVID-19 Crisis, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Adverse impacts of the COVID-19 pandemic and other food insecurity risks in Mongolia reduced (Defined by TA)			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<p>Outcome Opportunities to strengthen the resilience of food supply chains to food insecurity risks identified</p>	<p>By 2022:</p> <p>a. Assessment of the vulnerabilities of the food supply chains in Mongolia endorsed by MOFALI (2020 baseline: 0)</p> <p>b. At least one policy recommendation to strengthen the resilience of food supply chains to food insecurity risks adopted for implementation by MOFALI (2020 baseline: NA) (OP 1.3.3)</p>	<p>a.–b. MOFALI announcements, publications, and reports</p>	<p>R: Changes in local or national political leadership with new priorities disrupting project activities and actions</p>
<p>Outputs</p> <p>1. Vulnerabilities of Mongolia's food supply chains assessed</p> <p>2. Strategy and action plan to strengthen the resilience of food supply chains to food insecurity risks in Mongolia produced</p>	<p>By 2022:</p> <p>1a. Monitoring report on prices along food supply chains produced (2020 baseline: no monitoring report)</p> <p>1b. Assessment report on the impacts of COVID-19 on food supply chain disruptions produced (2020 baseline: no assessment report)</p> <p>1c. Holistic assessment report on vulnerabilities of Mongolia's food supply chains against a range of food insecurity risks produced (2020 baseline: no assessment report)</p> <p>2a. Policy brief with a rapid response plan to address food insecurity risks during the COVID-19 crisis prepared (2020 baseline: no policy brief) (OP 6.1.3)</p> <p>2b. Strategy and action plan on establishing more resilient food supply chains against a range of food insecurity risks prepared (2020 baseline: no action plan)</p> <p>2c. At least 30 public and private stakeholders participating in one knowledge sharing event report improved knowledge and understanding on opportunities and challenges to build more resilient food supply chains organized (2020 baseline: 0) (OP 6.1.1)</p>	<p>1a.–c. TA progress and final technical reports</p> <p>2a.–c. TA progress and final technical reports, government announcements and publications, and media coverage</p>	<p>R: Potential differences in priorities and incentives between different government bodies may delay consensus on policy assessment and recommendations</p>

<p>Key Activities with Milestones</p> <p>1. Vulnerabilities of Mongolia’s food supply chains assessed</p> <p>1.1 Assess the price formation along food supply chains, including production inputs, production, processing, and retail, during the COVID-19 crisis (Q4 2020–Q1 2021)</p> <p>1.2 Examine the impacts of COVID-19 on supply chain disruptions (Q4 2020–Q1 2021)</p> <p>1.3 Submit the holistic assessment report on the vulnerabilities of food supply chains against a range of food insecurity risks including an assessment of the access to financial services along food supply chains, and the identification of opportunities for public and private partnership to apply digital technologies (Q3 2021)</p> <p>2. Strategy and action plan to strengthen the resilience of food supply chains to food insecurity risks in Mongolia produced</p> <p>2.1 Drawing on findings from the research and diagnostic study on the impacts of COVID-19 on food supply chain disruptions, prepare a rapid response plan to address food insecurity risks during the COVID-19 crisis (Q2 2021)</p> <p>2.2 Prepare a strategy and action plan, including policy recommendations to establish more resilient food supply chains against a range of food insecurity risks including the feasibility of establishing a price monitoring system along food supply chains and emergency stock systems (Q4 2021–Q1 2022)</p> <p>2.3 Organize a knowledge sharing event among public and private stakeholders to form coordinated actions to build more resilient food supply chains (Q1 2022)</p> <p>TA Management Activities</p> <p>Mobilize the consultant team by Q1 2021</p> <p>Periodic implementation reports prepared by a TA consultant firm between Q1 2021 and Q1 2022</p> <p>Completion report prepared by ADB by Q3 2022</p>
<p>Inputs</p> <p>ADB: \$400,000 (TASF-other sources)</p> <p>Note: The government will provide in-kind support in the form of counterpart staff remuneration, office space and supplies, data and information, meeting venues, value-added tax and duty exemptions for imported goods and equipment to be procured under the TA, and other in-kind contributions.</p>
<p>Assumptions for Partner Financing</p> <p>Not applicable</p>

ADB = Asian Development Bank, COVID-19 = coronavirus disease, MOFALI = Ministry of Food, Agriculture and Light Industry, NA = not applicable, OP = operational priority, Q = quarter, R = risk, TA = technical assistance.

Contribution to Strategy 2030 Operational Priorities:

OP 1.3.3 Measures for increased inclusiveness supported in implementation (number)

OP 6.1.1 Government officials with increased capacity to design, implement, monitor, and evaluate relevant measures (number)

OP 6.1.3 Measures supported in implementation that promote resilience and responsiveness to economic shocks in a timely manner (number)

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3 of the TA report. In addition to the OP indicators tagged in the DMF, this TA will contribute results for:

OP 5.2.2 Storages, agri-logistics, and modern retail assets established or improved (number)

Source: ADB.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Amount
Asian Development Bank^a	
A. Consultants	
1. Remuneration and per diem	
a. International consultants	90.0
b. National consultants	150.0
2. Out-of-pocket expenditures	
a. International and local travel	15.0
b. Surveys	25.0
c. Training, seminars, and conferences ^b	60.0
d. Reports and communications ^c	10.0
e. Miscellaneous administration and support costs	10.0
B. Contingencies	40.0
Total	400.0

Note: The technical assistance (TA) is estimated to cost \$410,000, of which contributions from the Asian Development Bank (ADB) are presented in the table. The government will provide in-kind support in the form of counterpart staff remuneration, office space and supplies, data and information, meeting venues, value-added tax and duty exemptions for imported goods and equipment to be procured under the TA, and other in-kind contributions. The value of the government contribution is estimated to account for 2.4% of the total TA cost.

^a Financed by ADB's Technical Assistance Special Fund (TASF-other sources).

^b Costs may include food and beverages, interpretations and translations, training materials, printing of materials, engagement of resource persons (including ADB staff) and/or facilitators, and other administrative and logistics costs.

^c Costs may include report preparation and interpretation and/or translation expenses.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54317-001-TARreport>

1. Terms of Reference for Consultants
2. Contribution to Strategy 2030 Operational Priorities