



## Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program

Project Name	Ulaanbaatar Urban Services and Ger Areas Development Investment Program	
Project Number	45007-003	
Country	Mongolia	
Project Status	Active	
Project Type / Modality of Assistance	Grant Loan	
Source of Funding / Amount	<b>MFF Facility Concept 0078-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program</b>	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 56.00 million
	Ordinary capital resources	US\$ 104.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth	
Drivers of Change	Governance and capacity development Private sector development	
Sector / Subsector	<b>Water and other urban infrastructure and services</b> - Water and other urban infrastructure and services	
Gender Equity and Mainstreaming	Effective gender mainstreaming	

## Description

The program approach aims to initiate a redevelopment process in ger areas. Improving infrastructure within the ger area subcenters and connectivity with the city core center is critical for inclusiveness and important to facilitate the movement of people and goods, develop urban corridors, and create clusters of subcenters. Better urban planning combined with a network of infrastructure along priority roads will initiate a structural change of subcenter urban fabric. This will (i) improve residents' access to basic urban services, public space, and socioeconomic facilities; (ii) support local economic development; (iii) allow residents and businesses to take advantage of urban economies; and (iv) provide better housing options. The changes in land use and higher urban density will improve water, sanitation, and heating services delivery.

Road map. Based on government and Municipality of Ulaanbaatar (MUB) priorities to redevelop ger areas, the road map for the program will support the MUB in establishing a network of well-developed subcenters to provide jobs, housing, and economic opportunities with reduced soil and air pollution. It comprises sequenced investments, municipal reforms, and capacity building (policy, planning, and monitoring), with four strategic objectives: (i) expand roads and basic urban services (water, sewerage, and heating) within subcenters and improve connectivity to initiate land use transformation; (ii) increase economic and public services through investments in socioeconomic facilities to meet population needs, increase urban functions, and encourage job creation; (iii) increase service provider efficiency by improving water supply, sewerage, and heating service operations; and (iv) strengthen institutions and capacity by improving urban planning and subcenter development, community awareness, participation and empowerment, service provider operations and management, and program implementation capacity.

Strategic context and sector policy. In February 2013, Parliament approved the Adjustments to the Ulaanbaatar City Urban Development Master Plan 2020 and Development Directions 2030. The master plan produced two important outcomes: (i) integration of ger area development into the city master plan, and (ii) acknowledgement of the value and function of ger area subcenters as key elements of future city growth. The MUB is developing the Ger Area Development Program and established a Ger Area Development Agency, supervised by the vice mayor in charge of urban development and investment. On 30 May 2013, the city council resolution No.10/38 endorsed the program, subcenter locations under project 1, and coordination of the investment program with the city master plan. The MUB proposed a special purpose development vehicle (subcenter redevelopment authority) to facilitate, supervise, and coordinate the redevelopment process of the selected subcenters. In addition, the Ministry of Economic Development's Street Project is to improve road conditions in Ulaanbaatar and includes a ger area component. The National Development Strategy and the New Reconstruction Midterm Program (2008\_2016) constitute the national framework for program implementation. The program is consistent with the Asian Development Bank (ADB) country partnership strategy, 2012\_2016 for Mongolia; ADB's Strategy 2020 priorities, including environmental sustainability and private sector development; as well as the core themes of green, competitive, and inclusive cities of ADB's Urban Operational Plan.

Policy dialogue and capacity development. To supplement the strong policy framework, policy dialogue and capacity development will focus (i) in communities, on community participation, awareness, and empowerment, including design and implementation of the social and gender action plan; and establishment of community development councils (CDCs) and small- and medium-sized enterprise (SME) development councils (SDCs); (ii) in subcenters, on subcenter upgrading, including technical guidance for preparing and implementing local development plans, urban zoning regulation and construction standards, and a development framework with a transparent mechanism to regulate land redevelopment insuring current residents are integrated in the redevelopment plan; and (iii) in the city, on the master plan through ongoing ADB technical assistance to strengthen urban planning capacity. Capacity development for water and wastewater utilities will target (i) improving the MUB and USUG management contract, (ii) defining a clearer tariff road map, and (iii) providing technical support to the Water and Sewerage Regulatory Commission. For heating, the focus will be to ensure financial sustainability and capacity of new and existing heating facilities operators in the selected subcenters and to strengthen provisions in management contracts.

Financing modality. An MFF is the proposed financing modality to promote a long-term partnership between ADB, the government, and the MUB to facilitate the development of sustainable, inclusive, and livable ger areas. The MFF will support the policy framework for the redevelopment of ger areas, and provide opportunities for constructive dialogue and capacity development on city planning, policy reforms, and physical and nonphysical investments. It will generate critical mass, predictability, and continuity for basic urban services provision in ger areas, and enable ADB to better respond to MUB needs.

Development coordination. In preparing the program, ADB coordinated closely with development partners involved in Ulaanbaatar's urban sector. Three ADB-financed projects will directly support the program: (i) a bus rapid transit line from the city center to Selbe subcenter; (ii) support for housing and micro-, small-, and medium-sized enterprise financing in ger areas targeted by the program; and (iii) capacity development technical assistance to strengthen MUB urban planning capacity.

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Project Rationale and Linkage to Country/Regional Strategy	<p>In 2012 Ulaanbaatar had a population of 1.3 million. Since the 1990s, it has had limited formal extension of its core, which largely comprises apartment blocks with comprehensive utility services, including dedicated heating, water, and sanitation. However, successive waves of in-migration with ger tents have reshaped the city's geography, with (i) little upgrading or extension of basic urban services; and (ii) government policy, since 2003, to give each citizen about 700 square meters of land. A vast low-density peri-urban area, named ger areas, now extends around the city core, characterized by unplanned settlement of low- and medium-income households with land ownership, unserviced plots, unpaved roads, and poor facilities. The ger area population is estimated at 800,000, representing 60% of Ulaanbaatar or 30% of the country population. Despite their size, ger areas have until recently been considered temporary settlements. However, their official integration in the 2013 city master plan provides the necessary provision to plan the redevelopment of a formal peri-urban area.</p> <p>Living conditions in ger areas are difficult. Poor sanitation households almost exclusively rely on open pit latrines and poor waste collection have created highly unsanitary living conditions. Air pollution is among the most severe in the world, particularly during winter because of inadequate household heating systems and unpaved roads. Access to water, supplied by kiosks operated by the Ulaanbaatar Water Supply and Sewerage Authority (USUG), is limited. In 2011, most of the 40,000 people migrating to Ulaanbaatar settled in ger areas; by 2022 the population is estimated to grow by 400,000 from in-migration and natural growth. Under current situation, the forecasted population increases is a serious threat to the city environment and the health of the population if the situation is not improved.</p> <p>Lack of long-term planning, infrastructure investment, and land use regulation in ger areas have resulted in haphazard development, limited availability of space for public facilities, poor access to socioeconomic services, reduced livelihood opportunities, and insecure neighborhoods. The lack of basic urban infrastructure is constraining rational and dynamic urban development, increasing the costs of doing business and of accessing services. The city core where jobs and services are concentrated now has unprecedented congestion. The service gap between the city core and ger areas means ger residents are poorly integrated in the urban economy; it is one of the most urgent and difficult development challenges. While various government and development partner initiatives have significantly improved living conditions in ger areas, approaches have generally focused on specific sectors, failing to design a sustainable vision and provide integrated solutions for the problems of peri-urban development.</p> <p>Subcenter upgrading. High construction cost, lack of urban planning, and inadequate infrastructure constrain the upgrading of ger areas. These areas are predominately residential with pockets of activity nodes, called subcenters, providing commercial and administrative services. The influence area of a subcenter varies from 30,000 to 100,000 people. Despite the critical function of subcenters in overall spatial and local development, urban services have not been substantially improved. The lack of basic infrastructure limits economic growth and increases negative environmental impacts.</p>
Impact	Improved living conditions in Ulaanbaatar

## Project Outcome

Description of Outcome	A network of livable, competitive, and inclusive subcenters in Ulaanbaatar's ger (yurt or traditional tents) areas
Progress Toward Outcome	The multitranche financing facility (MFF 0078) was approved on 12 Dec 2013. The program's framework financing agreement (FFA) that was signed on 9 Dec 2013 was ratified by the Mongolian Parliament on 23 May 2014. The loan and grant projects under Tranche 1 were approved on 17 Dec 2013 and became effective on 24 Sep 2014. The EIB finance contract of parallel cofinancing of up to Euro 50 million was signed on 30 June 2014 to finance the program's water, wastewater, and sanitation components. For Tranche 2, the government submitted a periodic financing request (PFR) on 16 Nov 2016, and the periodic financing request report (PFRR) was processed by the project team and submitted for Management approval in Mar 2017.

## Implementation Progress

Description of Project Outputs	<ol style="list-style-type: none"> <li>1. Roads and urban services are expanded within the targeted subcenters and connectivity between subcenters is improved</li> <li>2. Economic and public services in subcenters are improved</li> <li>3. Service providers become more efficient</li> <li>4. Institutions and capacity for urban development, program management, and service delivery are strengthened <ol style="list-style-type: none"> <li>4.1 Subcenter development and community engagement</li> <li>4.2 Operations and management of service providers improved</li> <li>4.3 Strengthened program implementation capacity</li> </ol> </li> </ol>
Status of Implementation Progress (Outputs, Activities, and Issues)	Implementation of Tranche 1 is ongoing, and implementation for Tranche 2 will commence as soon as PFRR is approved by ADB Management.
Geographical Location	

## Summary of Environmental and Social Aspects

Environmental Aspects	The environmental safeguard category for Project 1 is B---_anticipated impacts from infrastructure components are site-specific and reversible, are not unprecedented in scale, and mitigation measures can be easily designed. An initial environmental examination for Project 1, and an environment assessment and review framework for the entire investment program were prepared and disclosed on ADB's website in accordance with ADB's Safeguard Policy Statement (2009).
Involuntary Resettlement	A land acquisition and resettlement framework for the investment program as a whole and resettlement plans for individual subprojects were prepared and disclosed on ADB's website. In view of the preliminary analysis which indicated significant land acquisition and involuntary resettlement, the involuntary resettlement category for Project 1 is A. During PPTA, efforts were made to minimize resettlement.
Indigenous Peoples	The categorization for indigenous peoples is _C_. The review of the subcenters done by TA 7591 indicated that the population in the project area does not include communities that could be treated as indigenous peoples under the ADB's Safeguard Policy Statement (2009).

### Stakeholder Communication, Participation, and Consultation

During Project Design	Consultation with initial stakeholders included ger area residents, private and public services, service providers in the subcenters, local government, Ulaanbaatar Municipal Government, public utilities (i.e., USUG and heating companies). The PPTA conducted a poverty and social analysis and addressed social safeguards. A socioeconomic survey, affordability survey, stakeholder workshops, focus group discussions, and key informant interviews were also conducted during the PPTA.
During Project Implementation	Relevant sections of the Facility Administration Manual such as social action plan, gender action plan, resettlement plan, environmental management plan, and stakeholder communication strategy provide information on stakeholder communication, participation, and consultation for the investment program.

### Business Opportunities

Consulting Services	The investment program will include a program management facility under which consulting firm will assist MUB in overseeing program development, implementation and management. Consulting firm specializing in engineering and urban services operation will be engaged to develop the capacity of service providers in compliance with ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The firm will be selected based on the quality- and cost-based selection method, using a 90:10 ratio. Individual consultants will be engaged for specialized tasks requiring specific skills which are not widely available. Engagement of consulting firms for Program Management Support Services; Detailed Engineering Design, Tendering and Construction Supervision Services; Community Engagement Services; and Subcenters Planning Services are ongoing.
Procurement	All procurement activities will be undertaken in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). The equipment for PPTA implementation have been procured in accordance with ADB's Procurement Guidelines (2010, as amended from time to time) and in line with JFPR 2011 Policy Guidelines for TA and Grants for Eligible Expenditures and for Ineligible Expenditures and have been turned over to MUB after completion of the PPTA.

### Responsible Staff

Responsible ADB Officer	Heckmann, Arnaud
Responsible ADB Department	East Asia Department
Responsible ADB Division	Urban and Social Sectors Division, EARD
Executing Agencies	<i>Municipal Government of Ulaanbaatar Sukhbaatar Square-11 Ulaanbaatar-46, Mongolia</i>

### Timetable

Concept Clearance	14 Dec 2011
Fact Finding	20 Jun 2013 to 03 Jul 2013
MRM	02 Sep 2013
Approval	12 Dec 2013
Last Review Mission	-
Last PDS Update	30 Mar 2017

### MFF Facility Concept 0078-MON

Financing Plan		Loan Utilization			
Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage

Project Cost	160.00	Cumulative Contract Awards			
ADB	160.00	-	0.00	0.00	%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	-	0.00	0.00	%

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