

URBAN SERVICES SECTOR ROADMAP (2013–2024)

Strategic Objectives and Targets/ Milestones	Actions/Investments	Responsible Agency	Time Frame	Supporting ADB Project, Parallel Programs
STRATEGIC OBJECTIVE 1: ROADS AND URBAN SERVICES ARE EXPANDED WITHIN SUBCENTERS AND CONNECTIVITY IS IMPROVED				
1. Expand and improve the road network, street lights, bridges, and drainage in and between nine subcenters.	• Design, rehabilitate, and construct roads, sidewalks, drainage culverts, river embankment improvements, and landscaping in Bayankhoshuu and Selbe subcenters.	MUB	2014–2017	MFF tranche 1, street project
	• Design and construct roads in market area and Khaniin Material subcenters, extension of Bayankhoshuu 3–cemetery–Denjin road, and connection Selbe-Chingeltei-Khailaast.	MUB	2016–2020	MFF tranche 2
	• Design and construct roads in Amgalan and Ulyastai subcenters.	MUB	2019–2023	MFF tranche 3
	• Design and rehabilitate existing roads, Selbe and/or Buudal-Dari-Ekh 1-Dari-Ekh 2, District 15 – Ulyastai, Amgalan road; new roads BRT Station to Dari-Ekh 1, and Dari-Ekh 2 to District 15, and those in Amgalan subcenter.			
2. Expand and improve water and sewerage networks in six subcenters	• Design and construct water distribution, internal sewerage network, and collector mains networks in Bayankhoshuu and Selbe subcenters.	MUB	2014–2017	MFF tranche 1
	• Design and construct water supply networks and water supply, sewerage mains, and sewerage collector networks in Khaniin Material and market area subcenters and a water reservoir in market area subcenter.	MUB	2016–2019	MFF tranche 2
	• Design and construct water supply and sewerage network in Amgalan and Ulyastai subcenters, and a reservoir in Ulyastai subcenter.	MUB	2019–2023	MFF tranche 3
3. Introduce district heating systems in five subcenters	• Design and construct internal heating network, heating facilities and heating service connections in Bayankhoshuu and Selbe subcenters.	MUB	2014–2017	MFF tranche 1
	• Design and construct the extension of the internal heating network, heating facilities in Bayankhoshuu and Selbe subcenters, and introduce in market area and Khaniin material subcenters.	MUB	2016–2019	MFF tranche 2
	• Design and construct internal heating network in Ulyastai and Amgalan subcenters.	MUB	2019–2023	MFF tranche 3
4. Gender concerns incorporated in the planning, design, and implementation of utility services	<ul style="list-style-type: none"> • Consultative meetings and gender-specific design features integrated in the design of the utility services. • Women participation in information, education, and communication programs on improved urban and environmental infrastructure and services, and land registration and ownership. 	CDCs, <i>khoroos</i> ¹ and <i>kheseg</i> leaders, USUG, NGOs Community residents	2013–2023	MFF tranches 1, 2, and 3

¹ A *khoroos* is an administrative subdivision of Ulaanbaatar, the capital of Mongolia. The term is often translated as subdistrict or microdistrict.

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STRATEGIC OBJECTIVE 2: ECONOMIC AND PUBLIC SERVICES ARE INCREASED				
1. Improve socioeconomic facilities in five subcenters	<ul style="list-style-type: none"> Design and rehabilitate <i>khoroov</i> building, and design and construct 40 transit apartments in Selbe and Bayankhoshuu subcenters. Design and construct kindergartens and playgrounds in Bayankhoshuu and Selbe subcenters. Design and construct socioeconomic infrastructure in market area, Khailaast, and Chingeltei subcenters. Design and construct socioeconomic infrastructure in Amgalan and Ulyastai subcenters. 	MUB	2014–2017	Financed by the MUB
		MUB	2014–2017	MFF Tranche 1
		MUB	2015–2019	MFF Tranche 2
		MUB	2018–2023	MFF Tranche 3
2. Support for SMEs	<ul style="list-style-type: none"> Design and construct business incubators and/or vocational training centers, and open/green areas in Bayankhoshuu and Selbe subcenters. 	MUB	2014–2017	MFF Tranche 1
• Construction of supporting facilities	<ul style="list-style-type: none"> Link businesses in <i>ger</i>² areas with sources of microfinance. 	MUB, Commercial bank	2013–2015	Proposed ADB-PSOD loan to XAC-Bank
• Design and implement SME development plan for Bayankhoshuu and Selbe	<ul style="list-style-type: none"> Preparation, social mobilization and design of plan—organizing SDCs; update skills training curriculum; sign agreements with training institutions. Implementation—manpower association established to link community groups with construction companies. Operations and maintenance and estate management curriculum implemented Monitoring and evaluation system established. 	MUB-PMO	2013–2014	Tranche 1
• Link into existing programs of microfinance	<ul style="list-style-type: none"> Access microfinance for SMEs through proposed program of a large commercial bank. 	SRA and/or commercial bank	2013 onwards	Proposed ADB-PSOD loan to commercial bank
3. Mainstream gender considerations in the planning and implementation of social and economic services in the subcenters	<ul style="list-style-type: none"> Women participated in the consultative meetings on the planning and design of subcenters. Gender-specific and accessibility design features for women, children, elderly, and persons with disabilities are integrated in the design. Women, youth, and persons with disabilities benefit from vocational training. 	CDCs, <i>khoroov</i> and <i>kheseg</i> leaders, MUB, NGO, residents	2015–2022	MFF Tranches 2 and 3
STRATEGIC OBJECTIVE 3: SERVICE PROVIDERS BECOME MORE EFFICIENT				
3.1 Water and sanitation regulatory and institutional reforms				
1. Better governance and regulation of WSS service	<ul style="list-style-type: none"> Appoint consultants to assist in improving contracts of OSNAAG <i>kantors</i> and USUG to include targets in OSNAAG management 	MUB, USUG, OSNAAG, WSRC,	2014	MFF Tranche 1

² Named after *ger* tents, there are three types of *ger* areas: (i) central *ger* areas (located near the built-up core of the city), (ii) mid-*ger* areas, and (iii) fringe *ger* areas. The population in Ulaanbaatar's mid-*ger* areas is estimated at 400,000 people.

Strategic Objectives and Targets/ Milestones	Actions/Investments	Responsible Agency	Time Frame	Supporting ADB Project, Parallel Programs
providers: • Management contracts	contracts and USUG director performance contract. • Appoint consultants to establish data baseline for determining performance targets • Set 3–5-year term for contracts.	MCUD, MED (IPPP department)		
• Provide incentives to improve performance	• In revised contracts, tie compensation of USUG director to achievement of targets in performance contracts.	MUB, USUG, OSNAAG	2014	MFF Tranche 1
• Give service providers the resources needed	• Develop tariff path and conduct consultations with consumers on tariff paths. • In revised contracts, include a tariff path for full costs recovery—if tariffs are not full-cost recovery, include provisions for subsidies from the MUB. • Include in contracts commitments from the MUB and the MOF on CAPEX, tied to 5-year CAPEX plans.	WSRC, MCUD, MED (IPPP department)	2014	MFF Tranche 1
• Re-tender contracts competitively	• Re-tender contracts competitively, according to requirements in Concessions Law and PPP Policy.		2017–2019	MFF Tranche 2
2. Consolidate OSNAAG <i>kantors</i> and integrate with bulk supplier	• Study benefits and feasibility of consolidating some <i>kantors</i> into a single service area. • Where feasible, merge <i>kantors</i> . • Where feasible, integrate <i>kantors</i> into USUG.	MUB, USUG, OSNAAG Authority, OSNAAG <i>kantors</i> , WSRC, MCUD, MED (IPPP department)		MFF Tranches 2 and 3
3. Consider opportunities for PPPs	• Appoint consultants to review PPP arrangements for entire system, once OSNAAG <i>kantors</i> are merged and integrated into USUG.		2019–2021	
4. Capacity building and/or institutional strengthening of WSRC	• Appoint consultants to provide capacity building on tariffs, service quality, licensing, public communications and outreach.	WSRC, MCUD	2014–2017	MFF Tranche 1
5. Operational improvements within USUG	• Installation of equipment for operational control; enhancements at the operational control center; and operational improvements at the central waste water treatment plant. • Shift wastewater charges from water consumption to pollution based; and implement a nonrevenue water reduction program.	USUG	2014–2017	MFF Tranche 1
6. Capacity building and/or institutional strengthening of USUG	• Introduce tariffs over time that fully covers all costs. • Institutionalize business planning. • Review and revise organizational staffing structure and reporting. • Review competencies of USUG staff and develop program of capacity development.	USUG	2014–2017	MFF Tranche 1
3.2 Heating services regulatory and institutional reform				
1. Procure new heating facilities operators through competitive international tender—on DBFO	• Appoint transaction advisor for competitive tender for lease contractor to operate new heating facilities. • Include in contracts targets for service quality and reliability, a tariff path which, in combination with subsidy commitments from	MUB (including Heating facilities Department), ERC, MED	2014–2017	MFF Tranche 1

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basis	<ul style="list-style-type: none"> MUB, allow for full cost recovery. Set tariffs on basis of metered consumption-based on buildings. Include in contracts provision for easements and rights of way. 	(IPPP department)		
2. Better governance and regulation of heating service for existing heating facilities in Bayankhoshuu and Selbe:	<ul style="list-style-type: none"> Appoint legal and/or regulatory consultants to assist in improving contracts of heating facilities to include service targets related to service quality. Appoint engineering and/or accounting consultants to establish data baseline for determining performance targets. Set 3–5 year term for contracts. 	MUB (including Heating facilities Department), ERC, MED (IPPP department)	2014	MFF Tranche 1
<ul style="list-style-type: none"> Management contracts 	<ul style="list-style-type: none"> In revised contracts, include a tariff path where such tariff allows for full recovery of costs. If tariffs are not full-cost recovery, include in contract provisions for subsidies from the MUB. Include in contracts commitments from the MUB on CAPEX, tied to 5-year CAPEX plans 	MUB (including heating facilities Department), ERC, MED (IPPP department)	2014	MFF Tranche 1
<ul style="list-style-type: none"> Allow service providers to access resources needed 	<ul style="list-style-type: none"> Re-tender contracts competitively, according to requirements in Concessions Law and PPP Policy. 	MUB ERC, MED	2017–2019	MFF Tranche 2
<ul style="list-style-type: none"> Re-tender contracts 				
STRATEGIC OBJECTIVE 4: INSTITUTIONAL STRENGTHENING AND CAPACITY BUILDING				
4.1 Improved subcenter development and Community engagement				
1. Establishing the SRA	<ul style="list-style-type: none"> Resolution of the City Council to set up SRA Appoint and/or recruit staff to SRA. 	MUB	2013–2014	MFF Tranche 1
2. Improve subcenter planning and development process, institutionalize <i>ger</i> area redevelopment process and build capacity of GADA and SRA	<ul style="list-style-type: none"> Hire consultants to implement a program of capacity development for GADA, Housing Project, and SRA. Merge GADA and/or Housing Project and SRA into one city-owned enterprise responsible for <i>ger</i> area development. Hire consultants to build capacity at GADA and SRA. Institutionalize the subcenter redevelopment design and implementation process. 	MUB	2013–2016	MFF Tranche 1
3. Finalize subcenter selection and undertake feasibility studies for investments under tranches 2 and 3	<ul style="list-style-type: none"> Finalize subcenters for inclusion in tranche 2; and hire consultants to prepare feasibility studies for financing under tranche 2. Finalize subcenters for inclusion in tranche 3; and hire consultants to prepare feasibility studies for financing under tranche 3. 	PMO	2017–2018–2019	MFF Tranche 1 and 2
4. Urban planning capacity improvement	<ul style="list-style-type: none"> Hire consultants for urban planning capacity improvement. Assess institutional arrangement and develop a road map for organizational restructuring Install GIS and/or geospatial center within 	MUB	2013–2015	Proposed JFPR-financed capacity development

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	<ul style="list-style-type: none"> municipal departments/agencies. Ensure planning activities are prepared according to common base map. Harmonization of geospatial tools in use by different agencies in one integrated system. 			technical assistance, approved May 2013
5. Integrate gender considerations in community-driven urban planning particularly in subcenter redevelopment	<ul style="list-style-type: none"> Collect sex-disaggregated baseline data. Community action planning for subcenters integrated in the development plans. Develop a gender action plan for projects 2 and 3. 	CDCs, <i>khoroov</i> and <i>kheseeg</i> leaders, MUB, NGOs, Residents	2013 onwards	MFF Tranches 1 and 2
6. Community awareness and participation in subcenter development improved	<ul style="list-style-type: none"> Capacity building of CDCs and/or SDCs. Train staff of CDCs and/or SDCs. Prepare guidelines for CDCs to engage into community contracts. Formation of a manpower association and provide training. Legal registration of the CDCs and/or SDCs. CDCs and SDCs mobilizing funds. 	CDCs, <i>khoroov</i> and <i>kheseeg</i> leaders, MUB—PMO	2014–2018	MFF Tranche 1
7. Land management improvements	<ul style="list-style-type: none"> Develop appropriate methodology and regulations for land and property valuation in <i>ger</i> areas. Design and/or develop compensation packages for those land pooling. Develop arrangement for land pooling. Draft urban zoning regulations for <i>ger</i> areas—urban use zones, including land use ratios. Draft new Urban Redevelopment Law, a law governing new town construction, and a Law on Land Acquisition with Compensation Based on Public Need. Approve legislative changes for land management. 	MUB—PMO, Mayor's Office, Chief Architect, Ministry of Justice, MCUD National Parliament City Council	2013–2014	MFF Tranche 1
8. Development and financing of affordable housing in Ulaanbaatar	<ul style="list-style-type: none"> Consultants complete review, revision and implementation of recommendations of the study and/or technical assistance on developing an affordable housing strategy for Ulaanbaatar. Access microfinance for <i>ger</i> area housing improvements, utility connections and technical rooms through proposed program of a large. Establish and manage savings for loans programs within subcenters. Initiate and complete a program of plot registration in all subcenters. 	MUB, MIK, MCUD, MED	2015 onwards	World Bank-funded TA under Clean Air Project
		MUB, Commercial bank	2013 onwards	ADB-PSOD loan to XacBank MCC Plot Registration Project
4.2 Strengthened Program Implementation Capacity				
1. PMO Institutional strengthening	<ul style="list-style-type: none"> Hire consultants to strengthen the PMO in program management, implementation and monitoring. 	MUB	2013	MFF Tranche 1
2. Staff the PMO	<ul style="list-style-type: none"> Job descriptions for PMO staff. Appoint local staff to the PMO. 	MUB	2013–2014	Pre-loan activity
3. Training to PMO and SRA staff	<ul style="list-style-type: none"> Develop on the job training programs. Develop formal training programs. 	MUB-PMO, Training	2014–2018	MFF Tranche 1,

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	<ul style="list-style-type: none"> Select staff for participation in formal training programs. 	Institutes		possibly MFF Tranche 2
4. Strengthened participation of women	<ul style="list-style-type: none"> 50% of PMO professional staff are women. 	MUB	2015 onwards	MFF Tranche 2

ADB = Asian Development Bank, CDC = community development councils, GADA = Ger Area Development Agency , JFPR = Japan Fund for Poverty Reduction, MCUD = Ministry of Construction and Urban Development , MED = Ministry of Economic Development, MFF = multitranches financing facility, MOF = Ministry of Finance, MUB = Municipality of Ulaanbaatar, NGO = nongovernment organizations, PMO = program management office, PPP = public-private partnerships, SDC = small- and medium-sized enterprise development councils, SRA = subcenter redevelopment authority, USUG = Ulaanbaatar Water Supply and Sewerage Authority

Sources: Relevant agencies of the Municipality of Ulaanbaatar and national government agencies.

POLICY FRAMEWORK

№	Proposed Policy Actions	Policy Implementation Steps	Timeframe	Observations
1. Improved Urban Planning & Subcenter Development				
1.1	Establish dedicated subcenter redevelopment agency as key body responsible for subcenter redevelopment.	Consulting services will provide advice on establishing such agency.	2013–2014	
1.2	Prepare policy to improve urban and land management.	The program will in consultation with the community prepare urban and land management policy to guide development through land use zoning, land use ratios, and methodology for land readjustment.	2013–2014 2013–2015	Consultants to be appointed under the loan to assist with policy formulation and work with community to develop land use plans.
1.3	Develop capacity development program for agencies responsible for fulfilling urban planning functions.	Prepare a road map for organizational restructuring of urban planning functions to encourage cross sector integration and harmonization of geospatial tools.	2015 onwards	Proposed JFPR-financed capacity development technical assistance, approved May 2013.
1.4	Development and financing of affordable housing in Ulaanbaatar.	Review the outputs of the World Bank-funded preparation of Affordable Housing Strategy for Ulaanbaatar, and integrate key findings within <i>ger</i> area redevelopment policy.		
2. Water and Sanitation Regulatory and Institutional Reform				
2.1	Develop international best practice performance criteria for contract management.	The program will support reform of OSNAAG <i>kantors</i> and USUG through introduction by the MUB of director performance contracts that relate to service quality, reliability, nonrevenue water, collections, and other operational and financial challenges.	2014–2019	Consultants to be appointed under the loan to assist with policy reforms and establish the baseline data for performance targets. Support provided to improve the capacity of WSRC.
2.2	Consolidate OSNAAG <i>kantors</i> , and integrate with bulk supplier.	The MUB will study benefits and feasibility of consolidating <i>kantors</i> into one service area, and consider merging <i>kantors</i> , and/or integration into USUG.	2017–2019	MUB to be assisted by consultants under the loan to strengthen capacity of USUG and OSNAAG. This will lead to improved operating performance.
2.3	Develop approaches for PPP of entire water and sanitation system.	The MUB will study and develop PPP opportunities for the system, once OSNAAG <i>kantors</i> are merged and integrated into USUG.	2019–2021	
2.4	Develop a program and implement institutional and tariff policy reforms.	The MUB will introduce tariffs that fully cover costs, and institutionalize business planning. Review organizational/staffing structures, reporting lines, and competencies of USUG staff, and develop program of capacity development.	2014–2017	
2.5	Implement operational	The MUB management and USUG staff will	2014–2017	

№	Proposed Policy Actions	Policy Implementation Steps	Timeframe	Observations
	improvements within USUG.	implement performance based operational improvements within the central wastewater treatment plant and the operational control center. Changing wastewater charges from water consumption to pollution based, and implementing a nonrevenue water reduction program.		
3. Heating Services Regulatory and Institutional Reform				
3.1	Procure new heating facilities operators for <i>ger</i> areas not connected to the central, networked system.	The MUB will adopt a competitive tender process to select the operator/s and involve contracts that set targets for service quality and reliability, and a tariff path which, in combination with subsidies from MUB, allows full cost recovery.	2014	Transaction advisors and consultants to be hired under the loan. Support provided to improve the capacity of ERC.
3.2	Better governance and regulation of heating service for existing heating facilities in Bayankhoshuu and Selbe through improved management contracts	MUB will prepare and retender contracts that reflect international best practice standards, giving service providers the resources needed to achieve targets. The contracts will involve targets based on service quality, and a tariff path that, with subsidies from MUB, enables full cost recovery.	2017–2019	

ERC = Energy Regulatory Commission, JFPR = Japan Fund for Poverty Reduction, MUB = Municipality of Ulaanbaatar, PPP = private-public partnership, SRA = subcenter redevelopment authority, USUG = Ulaanbaatar Water Supply and Sewerage Authority, WSRC = Water Supply Regulatory Commission.