



## Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1

Project Name	Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1																
Project Number	45007-004																
Country	Mongolia																
Project Status	Active																
Project Type / Modality of Assistance	Loan																
Source of Funding / Amount	<table border="1"><tr><td colspan="2"><b>Grant 0380-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b></td></tr><tr><td>Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility</td><td>US\$ 3.70 million</td></tr><tr><td colspan="2"><b>Loan 3098-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b></td></tr><tr><td>Ordinary capital resources</td><td>US\$ 27.50 million</td></tr><tr><td colspan="2"><b>Loan 3099-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b></td></tr><tr><td>concessional ordinary capital resources lending / Asian Development Fund</td><td>US\$ 22.50 million</td></tr><tr><td colspan="2"><b>Loan: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b></td></tr><tr><td>European Investment Bank</td><td>US\$ 28.38 million</td></tr></table>	<b>Grant 0380-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b>		Urban Environmental Infrastructure Fund under the Urban Financing Partnership Facility	US\$ 3.70 million	<b>Loan 3098-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b>		Ordinary capital resources	US\$ 27.50 million	<b>Loan 3099-MON: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b>		concessional ordinary capital resources lending / Asian Development Fund	US\$ 22.50 million	<b>Loan: Ulaanbaatar Urban Services and Ger Areas Development Investment Program - Tranche 1</b>		European Investment Bank	US\$ 28.38 million
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Strategic Agendas	Environmentally sustainable growth Inclusive economic growth																
Drivers of Change	Governance and capacity development Partnerships Private sector development																
Sector / Subsector	<b>Energy</b> - Energy utility services <b>Transport</b> - Urban roads and traffic management <b>Water and other urban infrastructure and services</b> - Urban policy, institutional and capacity development - Urban slum development																
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>
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Impact	Improved living conditions in Ulaanbaatar
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## Project Outcome

Description of Outcome	A network of livable, competitive, and inclusive subcenters in Ulaanbaatar's ger areas
Progress Toward Outcome	<p>The commitment, ownership, and support from the Government and Municipality of Ulaanbaatar toward the program and its road map remains very high. Most of the detailed design for Tranche 1 has been completed and received the approval of the State expertise. Contracts for two of the three EIB-financed civil works packages for the construction of sewerage network collectors for Bayankhoshuu and Selbe subcenters were awarded in Mar 2016. The bidding process for the first ADB-financed plant package (WWOI) was completed and contract was awarded in Oct 2016. Two civil works packages (heating plant [SHF06] and three bridges [SBR08] in Selbe subcenter) are at an advanced stage of bidding process. An additional component for the pilot affordable housing project was included and the package was advertised in Feb 2017. Four of five consulting services packages were completed and the remaining one is ongoing. Missions fielded include an inception mission Jan/Feb 2015, review missions in Jun 2015 and Jun 2016, and midterm review mission in Feb 2017. Civil works construction is expected to be substantially completed by 2018 and loan closing date is scheduled in December 2019.</p>

## 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. Institutional strengthening and capacity building <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)	All project outputs are in progress.
Geographical Location	

## Safeguard Categories

Environment	B
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Involuntary Resettlement	A
Indigenous Peoples	C

## Summary of Environmental and Social Aspects

Environmental Aspects	Project 1 is categorized B for environment. An initial environmental examination was disclosed. It complies with ADB's Safeguard Policy Statement (2009) and is deemed adequate. Environmental impacts are anticipated during construction, including dust and noise (arising from earthworks, transport, and handling of aggregate materials and waste), temporary traffic disturbance, risks to community and occupational health and safety, and impacts of the heating subcomponent operations (gas emissions, ash, and slag). Mitigation measures defined in the environmental management plan, such as construction site management and regular monitoring of the project's environmental performance during construction and operation, will reduce anticipated impacts and other construction-related health and safety concerns to acceptable levels. Subsequent projects are expected to be categorized B for environment.
Involuntary Resettlement	The resettlement framework prepared for the program outlines procedures required to prepare satisfactory land acquisition and resettlement plans (LARPs) and stipulates arrangements for consultation and public participation, grievance redress, and monitoring and evaluation. Project 1 is categorized A for resettlement. LARPs were prepared for Bayankhoshuu and Selbe subcenters and disclosed to the affected people in their local language. Copies of the LARPs are available in subdistrict and community offices in the project 1 area. While road design is optimized to minimize the resettlement impact, small strips of land (3,800 square meters) will be acquired to widen roads in the two subcenters. The project will affect about 12 residential structures, 32 toilets, 21 ground attachments, five gers, and 75 fences; and a total of 75 households and 379 people. The LARPs will be updated based on a census of affected persons and a detailed measurement survey during project implementation.
Indigenous Peoples	Project 1 is categorized C for indigenous people. Subsequent projects are expected to be categorized C.

## Stakeholder Communication, Participation, and Consultation

During Project Design	Consultation with initial stakeholders included ger area residents, private and public services, services 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.

## 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	-
Fact Finding	-
MRM	02 Sep 2013
Approval	17 Dec 2013
Last Review Mission	-
Last PDS Update	28 Mar 2017

## Grant 0380-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
17 Dec 2013	30 Jun 2014	24 Sep 2014	30 Jun 2018	-	-

Financing Plan		Grant Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	26.14	Cumulative Contract Awards			
ADB	0.00	17 Dec 2013	0.00	3.58	97%
Counterpart	22.44	Cumulative Disbursements			
Cofinancing	3.70	17 Dec 2013	0.00	0.74	20%

### Loan 3098-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
17 Dec 2013	30 Jun 2014	24 Sep 2014	30 Jun 2018	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	27.50	Cumulative Contract Awards			
ADB	27.50	17 Dec 2013	0.00	0.00	0%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Dec 2013	1.64	0.00	6%

### Loan 3099-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
17 Dec 2013	30 Jun 2014	24 Sep 2014	30 Jun 2018	-	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	22.50	Cumulative Contract Awards			
ADB	22.50	17 Dec 2013	0.00	7.72	38%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Dec 2013	0.00	5.42	27%

Project Page	<a href="https://www.adb.org/projects/45007-004/main">https://www.adb.org/projects/45007-004/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=45007-004">http://www.adb.org/forms/request-information-form?subject=45007-004</a>
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