



Mongolia: Aimag and Soum Centers Regional Development Investment Program (formerly Mongolia Secondary Cities and Soum Centers Development Investment Program)

Project Name	Aimag and Soum Centers Regional Development Investment Program (formerly Mongolia Secondary Cities and Soum Centers Development Investment Program)	
Project Number	49430-005	
Country	Mongolia	
Project Status	Proposed	
Project Type / Modality of Assistance	Loan	
Source of Funding / Amount	MFF Facility Concept: Aimag and Soum Centers Regional Development Investment Program	
	concessional ordinary capital resources lending / Asian Development Fund	US\$ 134.00 million
	Ordinary capital resources	US\$ 226.00 million
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Industry and trade - Industry and trade sector development - Small and medium enterprise development Transport - Road transport (non-urban) - Urban roads and traffic management Water and other urban infrastructure and services - Other urban services - Urban policy, institutional and capacity development - Urban sewerage - Urban slum development - Urban solid waste management - Urban water supply	
Gender Equity and Mainstreaming	Effective gender mainstreaming	
Description	The program will be aligned with the following impact: more sustainable development in Mongolia, driven by multisector economy and ecological balance achieved. The outcome is population and private sector in targeted regional urban clusters benefit from improved urban and economic facilities and services. The outputs of the program are (i) municipal infrastructure and urban services in targeted areas improved, (ii) economic infrastructure and facilities in targeted areas improved, (iii) road linkages within targeted urban regions increased, and (iv) capacity in program and institutional management strengthened.	

Project Rationale and Linkage to Country/Regional Strategy

The program aims to improve basic urban services and promote the local economy in priority aimag (province) capitals and soum (subunit of an aimag) centers of Mongolia. The geographically targeted and integrated approach of the program will focus on priority regional urban clusters (RUCs) that have the potential to promote a more resilient and diversified economy to deliver inclusive and sustainable growth.

The strong dependency of Mongolia's economy to primary sectors of agriculture and mining makes its economy highly volatile and cyclical because of harsh weather and changing global market prices for commodities. Thus, Mongolia urgently needs economic diversification. The secondary sector, which encompasses manufacturing and construction, has experienced similar volatility over the past 15 years indicating its close links with the mining and other primary sector activities and limited diversification into higher value products for domestic and foreign markets. There are significant untapped potentials in light and green industry, agro-industry, forestry, trade, and tourism which are underdeveloped, and prevent aimag and soum centers from playing a more significant role in job creation, economic diversification, territorial balance, and migration control.

Most infrastructure was built during the Soviet-era from 1925 to 1991. Since then, limited infrastructure improvements to accommodate the demands of the growing population have been made. Urban growth was not controlled by adequate urban planning regulations. The gaps between urban services supply and demand are mainly caused by (i) lack of urban services being extended to informal and unserved peri-urban settlements, (ii) underperforming water production and wastewater treatment systems, and (iii) limited resources dedicated to operations, maintenance, and service delivery. Some efforts to fill the gaps have been made, for example through previous and ongoing Asian Development Bank (ADB)-financed projects, but aimag and soum centers still need financial and technical support to better manage and deliver their infrastructure and urban services gaps.

Current economic difficulties call for immediate action to restore macroeconomic stability and ensure social stability, thus, long-term actions and investments to promote efficient urban development and a robust local economy need to be implemented now. Otherwise, population growth and activity in Ulaanbaatar will continue to be coupled with unexploited local economy and a high dependency on volatile economic activity. Due to slow development, rural areas will not retain its population, thus aggravating the migration to Ulaanbaatar. Disconnection between urban and rural economy will further increase and services in abandoned areas will be less financially viable to sustain. The overall equilibrium of Mongolia will be affected and inequality and poverty will worsen. Further, the situation will be exacerbated due to Mongolia's vulnerability to climate change.

ADB's country partnership strategy for Mongolia, 2017-2020 indicates the necessity to develop a more resilient and diversified economy that can consistently deliver rapid, inclusive, and sustainable growth. To support this, the National Urban Assessment (NUA) for Mongolia has identified priority RUC systems as key assets to catalyze local urban economic growth. Upgrading infrastructure and creating synergies between economic and urban development in the RUCs will increase economies of agglomeration and critical mass, making RUCs a powerful engine of socioeconomic improvement. Tailoring investments and institutional support that are adapted to local needs and potentials of the RUC will (i) address urban services bottlenecks to ensure a livable and non-polluting urban environment, (ii) improve territorial competitiveness and balance the country's territorial development, (iii) decrease the migration to Ulaanbaatar, (iv) improve economic and industrial diversification, (v) improve the country's resilience and adaptability to climate change, (vi) enhance job opportunities created by the interface between urban and rural economies, and (vii) improve the livelihoods of low-income and vulnerable groups.

Impact	More sustainable development in Mongolia, driven by multisector economy and ecological balance achieved.
Outcome	Population and private sector in targeted regional urban clusters benefit from improved urban and economic facilities and services.
Outputs	municipal infrastructure and urban services in targeted areas improved economic infrastructure and facilities in targeted areas improved road linkages within targeted urban regions increased capacity in program and institutional management strengthened.
Geographical Location	Mongolia

Summary of Environmental and Social Aspects

Environmental Aspects	Initial categorization for environment is B. An initial environmental examination and an environmental assessment and review framework will be prepared and disclosed on ADB's website in accordance with ADB's Safeguard Policy Statement (2009). A climate risk and vulnerability assessment will be conducted.
Involuntary Resettlement	Initial categorization for resettlement is B. A resettlement plan will be prepared for the first tranche and a resettlement framework for the investment program.
Indigenous Peoples	Initial categorization for indigenous peoples is C. An initial review of the population in the targeted areas indicated that no ethnic minority community will be affected by the first tranche. This will be confirmed during TA implementation. An indigenous people planning framework will be prepared, if necessary.

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer	Heckmann, Arnaud
Responsible ADB Department	East Asia Department
Responsible ADB Division	Urban and Social Sectors Division, EARD
Executing Agencies	<i>Ministry of Construction and Urban Development Ulaanbaatar 211238 Barilgachdyn Talbai 3 Mongolia</i>

Timetable

Concept Clearance	12 Sep 2017
Fact Finding	17 Jun 2019 to 28 Jun 2019
MRM	20 Aug 2019
Approval	-
Last Review Mission	-
Last PDS Update	27 Sep 2018

Project Page	https://www.adb.org/projects/49430-005/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=49430-005
Date Generated	09 November 2018

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.