

MONGOLIA

URBAN SECTOR FACT SHEET



In 1950, only 20% of Mongolians were living in urban areas. Since then, Mongolia has experienced rapid rural–urban migration, especially after its transition from a centrally planned to a market-based economy in 1991. Today, the urban population represents 70% of the country’s 3 million population, while

the average urbanization ratio in Asia is 50%. Ulaanbaatar accounts for 63% of gross domestic product, almost half of the country’s population, and 66% of the urban population. Except for the cities of Darkhan and Erdenet (each with around 80,000 people), most of the rest of the *aimag* (province) capitals and towns have a population below 25,000. Due to the lack of adequate urban planning and infrastructure investments, rural migrations have formed substandard periurban settlements, called *ger* areas, around Mongolia’s cities.¹

The *ger* areas have spread and expanded through successive migration waves driven by losses of livestock and general loss of livestock productivity, caused by poor veterinary services and extreme climate events such as droughts and severe winter conditions (called *dzuds*). The adoption in 2003 of a policy giving each citizen about 700 square meters of land in urban areas exacerbated the rural–urban migration. Currently, *ger* areas in Ulaanbaatar city represent 60% of the 1.4 million city population, or 30% of the entire country’s population. In some *aimag* capitals, *ger* areas are home to about 80% of the population. Unimproved individual

coal stoves used by most *ger* area residents during winters generate high air pollution levels, which make Ulaanbaatar one of the most polluted cities in the world. The expansion of the *ger* areas in Mongolian cities is compounded by the lack of paved roads, piped water supply, wastewater collection and treatment, social service facilities, and generally underperforming urban service systems and limited resources dedicated to operations, maintenance, and service delivery, which harm the urban environment and reduce the attractiveness to potential urban investments.

Since 1997, the Asian Development Bank (ADB) has worked with the Government of Mongolia in finding and financing solutions to enable municipal governments to expand coverage, and improve quality and reliability of urban services to improve the urban environment and people’s quality of life, and to develop cities as a catalyst of growth to support economic diversification and employment generation. ADB financial and technical support has been provided through grants, loans, and technical assistance amounting to a combined \$300 million.

¹ Named after Mongolian *ger* tents, *ger* areas settlements have poor infrastructure and socioeconomic facilities, and are vulnerable to climate change. Residents use inefficient, individual stoves to burn low-quality coal. They live in low-energy-efficient shelters, making *ger* areas a hot spot for carbon dioxide emission, and Ulaanbaatar one of the most polluted cities in the world during winter. Residents also rely on open pit latrines that create severe soil pollution, impacting residents’ health especially when temperatures rise. They have limited access to water supplied by water kiosks. The absence of green buffer zones and drainage, and the extensive muddy road system make *ger* areas highly prone to flooding in summer. Finally, the critical lack of public space and facilities, commercial areas, and economic amenities create urban areas that are stagnating and do not attract private sector investment.



ULAANBAATAR

Building on its previous urban and housing finance,² ADB works extensively with the Government of Mongolia and the Municipality of Ulaanbaatar to respond to the urgent demand for basic urban services, and to address high pollution levels in *ger* areas. The collaboration started with the integration of *ger* areas for the first time in the Capital City Master plan in 2013, which was followed by the formulation and implementation of a 9-year investment program to support the redevelopment process of *ger* areas.³ This investment program, which is cofinanced by the European Investment

Bank, is built on a comprehensive and integrated approach providing main trunk infrastructure, priority socioeconomic facilities, and public space to upgrade six existing subcenters in *ger* areas. Upgraded subcenters will provide improved access to social and urban services, benefiting 400,000 residents. They will serve as catalysts for growth by attracting private sector investment to stimulate local businesses and jobs creation.

The impact of the investment program is enhanced by parallel interventions through technical assistance to

improve urban planning, optimize the land-use system, improve urban data management, support cultural heritage conservation, foster community participation, implement information and communication technology solutions, and improve water and wastewater services operation. Finally, it will be complemented with a forthcoming operation aiming to transform *ger* areas into low-carbon and climate-resilient ecodistricts that will provide green affordable housing solutions to *ger* area residents, which is currently a significant challenge in Ulaanbaatar.

² The ADB-financed Housing Finance Sector Project was the first project to introduce long-term mortgage lending to Mongolia's banking system. Between 2003 and 2007, the project issued a total of 2,473 mortgage loans amounting to over \$15 million.

³ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility for Mongolia for Ulaanbaatar Urban Services and Ger Areas Development Investment Program*. Manila.



PROVINCIAL TOWNS

In Mongolia's provincial towns, three loans and one grant project were used to improve basic urban services in 17 out of 21 *aimags*, encompassing water supply, sewerage and heating supply systems, urban roads, flood protection, and solid waste management. The projects made provision for safe, reliable, and accessible water supply to *ger* areas, which had a direct positive impact on women and children; and reduced women's time, poverty, and labor inputs, including time spent in caring for sick family members. They have also contributed to a more balanced national urban system and to the development of second-tier cities in the country. The capacity building and institutional reforms carried out by the projects have resulted in improved

planning, management, operation, and maintenance of urban services.

More recently, ADB has been supporting local governments to improve wastewater services and address urgent infrastructure needs in priority *aimag* capitals and towns. Inadequate wastewater treatment systems in *aimag* centers will be replaced with modern technology to meet government standards for treated wastewater discharge. Altogether, including upcoming loans, wastewater treatment plants in 10 cities will be replaced.

ADB also assisted the Ministry of Construction and Urban Development in the preparation of the Mongolia

National Urban Assessment. Currently, ADB is preparing—with the financial support of the Government of Japan—technical assistance to formulate an urban and spatial development plan for each *aimag*; and to design a large-scale, 10-year investment program to promote the development of priority regional urban clusters. The investment program will tailor integrated development approaches, investments, and institutional support to create synergies between local economic potential and urban development aimed at mitigating urban pollution, improving territorial competitiveness, generating employment, decreasing the migration to Ulaanbaatar, and improving economic diversification.



Mongolia: ADB Operations in the Urban Sector

(as of 31 August 2017)

No.	Project Approval Number	Project Name	Milestone Dates (dd/mm/yy)		
			Net Amount (\$ million)	Approved	Closed
Loans					
1	1560	Provincial Towns Basic Urban Services	6.80	30 Sep 97	6 Jan 03
2	1907	Integrated Development of Basic Urban Services in Provincial Towns	20.10	6 Aug 02	18 Nov 09
3	2301	Urban Development Sector Project	28.20	19 Dec 06	18 Dec 15
4	2301	Urban Development Sector Project	7.03	18 Nov 09	6 Sep 14
5	1847	Housing Finance	17.40	18 Oct 01	24 Aug 08
6	3244	Darkhan Wastewater Management	9.45	16 Dec 14	30 Nov 20
7	3245	Darkhan Wastewater Management	9.05	16 Dec 14	30 Nov 20
8	3388	Southeast Gobi Urban and Border Town Development - Additional Financing	19.43	22 Apr 16	30 Jun 20
		Subtotal	117.46		
Grants					
9	9015	Improving the Living Environment of the Poor in <i>Ger</i> Areas of Mongolia's Cities	2.20	7 May 02	23 Feb 08
10	9106	Community-Driven Development for Urban Poor in <i>Ger</i> Areas	1.50	2 Mar 07	9 Jul 12
11	0204	Southeast Gobi Urban and Border Town Development	15.00	19 Apr 10	31 May 18
		Subtotal	18.70		
Multitranchise Financing Facility					
12	78	Ulaanbaatar Urban Services and <i>Ger</i> Area Development Investment Program	163.70	12 Dec 13	31 Dec 19
		Subtotal	163.70		
Technical Assistance					
1	2582	Provincial Towns Basic Urban Services	0.60	07 Jun 96	30 Jun 02
2	2881	Capacity Building for the Provisions of Urban Services in Provincial Towns	0.82	30 Sep 97	06 Jan 03
3	2890	Housing Sector Policy	0.15	08 Oct 97	18 Oct 01
4	3406	Housing Sector Finance	0.60	02 Mar 00	31 May 03
5	3685	Integrated Development of Basic Urban Services in Secondary Towns	0.70	19 Jul 01	31 Jan 03
6	4352	Development an Urban Development and Housing Sector Strategy	0.35	02 Jul 04	28 Mar 06
7	4632	Urban Development and Housing	0.40	18 Aug 05	31 Aug 07
8	7216	Southeast Gobi urban and Border Town Development	0.40	09 Dec 08	23 Feb 11
9	7591	Ulaanbaatar Water and Sanitation Services and Planning Improvement	0.60	03 Sep 10	29 Nov 12
10	7970	Ulaanbaatar Urban Services and <i>Ger</i> Areas Development Investment Program	1.50	13 Dec 11	30 Sep 14
11	7970	Ulaanbaatar Urban Services and <i>Ger</i> Areas Development Investment Program (Supplementary)	0.20	25 May 12	17 Sep 14
12	8467	Ulaanbaatar Urban Planning Improvement	1.50	01 Oct 13	31 Dec 16
13	8841	Darkhan Urban Utility Institutional Improvement Action Plan	0.40	16 Dec 14	30 Jun 17
14	9030	Ulaanbaatar Affordable Housing and Urban Renewal	1.00	10 Dec 15	30 Jun 18
15	9100	Management and Reuse of Sewage Sludge from On-Site Sanitation Facilities and Decentralized Wastewater Treatment Plants	1.00	22 Apr 16	30 Nov 18
16	9451	Preparing the <i>Aimag</i> and <i>Soum</i> Centers Regional Development Investment Program	1.50	5 Dec 17	30 Dec 18
		Subtotal	11.72		
		TOTAL	311.58		

Source: Asian Development Bank.



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