

TAR: MON 37697

# Technical Assistance to Mongolia for Preparing the Urban Development and Housing Project (Cofinanced by the Poverty Reduction Cooperation Fund)

August 2005

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 10 August 2005)

Currency Unit	–	togrog (MNT)
MNT1.00	=	\$ 0.0008
\$1.00	=	MNT1,193

## ABBREVIATIONS

ADB	–	Asian Development Bank
CDS	–	city development strategy
FSU	–	former Soviet Union
MCUD	–	Ministry of Construction and Urban Development
O&M	–	operation and maintenance
PRF	–	Poverty Reduction Cooperation Fund
PUSO	–	public urban service organization
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	Targeted intervention
<b>Sector</b>	–	Multisector (water supply, sanitation and waste management )
<b>Subsectors</b>	–	Integrated
<b>Themes</b>	–	Inclusive social development, and environmental sustainability
<b>Subthemes</b>	–	Human development, and urban environmental improvement

## GLOSSARY

ger	–	traditional tent
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## NOTE

In this report, "\$" refers to US dollars.

This report was prepared by E. Honda, Social Sectors Division, East and Central Asia Department.

## I. INTRODUCTION

1. The Government of Mongolia requested the Asian Development Bank (ADB) for technical assistance (TA) to prepare the Urban Development and Housing Project. The TA is included in the Mongolia Country Strategy and Program Update for 2004–2006,<sup>1</sup> and is programmed for 2005.<sup>2</sup> Fact-finding for the TA was undertaken in April 2005 and understanding was reached with the Government on the impact and outcome, scope, cost and financing, implementation arrangements, and terms of reference for the TA. The design and monitoring framework is in Appendix 1.

## II. ISSUES

2. Mongolia experienced rapid urbanization in the second half of the 20th century and this trend accelerated during the transition from a centrally planned to a market-based economy. According to the 2000 census, the urban population was 1.4 million, equivalent to 55% of the national population of 2.5 million. Rapid urbanization is mainly due to rural-to-urban migration. Major destinations of the migrants are Ulaanbaatar and a few large urban centers. Some 60% of the urban population live in Ulaanbaatar, while 10% live in Darkhan and Erdenet. The remaining 30% live in 18 provincial capitals with average populations of 24,000.

3. Under socialist planning, apartment areas were separated from ger areas, a pattern which is still sustained in every urban area in Mongolia. There is a vast disparity in urban infrastructure and services between apartment areas and ger areas. It is estimated that about half of the urban population live in ger areas. Over 90% of ger households have electricity, but virtually none are connected to the central heating network; they use individual coal, dung, or wood-burning stoves for heating and cooking. Water tankers supply neighborhood water kiosks located up to 1 kilometer or more from the farthest households. Many other households simply get their water from the nearest boreholes or open springs. The cost of water obtained from water kiosks is as much as 20 times that paid by apartment households for centrally supplied water. For sanitation, a majority of ger households use pit latrines because they do not have access to the central sewerage or drainage system. Over 70% of ger households lack access to waste removal points.

4. Urban infrastructure and services in apartment areas, while better than those available in ger areas, are typically old and deteriorated. Mongolia had developed basic infrastructure and services in urban areas with financial assistance from the former Soviet Union (FSU), but the program stopped when the FSU collapsed. Many urban areas ended up with infrastructure that was not fully installed and a low or unsatisfactory level of services. At the end of 2000, 40% of the urban population had access to piped water, 39% to district heating, and 35% to piped hot water. Outdated technology as well as limited maintenance and repair work over the last decade has created serious deficiencies that render most of the current infrastructure networks unsustainable for future urban growth.

5. Almost 36% of the population live below the poverty line, which varies between MNT20,200 and MNT26,500 per month depending on location. In urban areas, 30% of the population are poor, and 80–90% of the urban poor live in ger areas. Migration is not only a factor contributing to the growing underclass in urban areas, it is also one of the main

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<sup>1</sup> ADB. 2003. *Country Strategy and Program Update (2004–2006): Mongolia*. Manila.

<sup>2</sup> The TA first appeared in ADB Business Opportunities (Internet edition) on 25 February 2005.

consequences of rural poverty. Most of the in-migrants live in ger areas, and they tend to be poorer, less educated, and have worse living conditions than nonmigrants.

6. Under the centrally planned economy, the locations of settlements, commercial areas, industrial areas, and transport networks were artificially defined. Standards and norms necessary for planning of urban land use, zoning, and construction are inherited from the FSU and do not always fit the natural and social environment of Mongolia. To address this issue, in 2000 the Government started review and revision of the building codes and standards. Implementation of building norms, regulations, and standards is also unsatisfactory with a high number of violations.

7. The new Government, formed as a result of parliamentary elections in 2004, has defined its Action Plan for 2004–2008. In the urban development and housing sector, the Ministry of Construction and Urban Development (MCUD) accords high priority to a program to provide 40,000 families with opportunities to live in housing with improved basic services. The program includes construction and improvement of houses, and upgrading of basic infrastructure. The Government plans to implement this program through domestic resources and external assistance. Establishment of a sustainable market-based housing finance system is also one of the Government's priorities. Long-term mortgage finance through participating commercial banks was launched in 2003 with support from an ADB-financed project.<sup>3</sup>

8. The Government's investment in ger areas has been minimal because ger areas were considered informal and temporary residential areas. However, along with ongoing land privatization, the present Government has come to consider ger areas as formal and permanent residential areas. The Government is planning to provide individual connections to urban infrastructure networks for ger area households especially water supply and sanitation, thus reducing the inequality in urban services between the apartment and ger areas. Investment to improve living conditions in ger areas is expected to increase.

9. ADB has assisted the urban development and housing sector through loan, TA, and grant projects for basic urban services improvements in the provincial capitals, housing finance, living environment improvements in ger areas, cadastral survey and land registration, and regional development planning. ADB has been one of the main sources of external assistance for the sector. The World Bank is implementing the Second Ulaanbaatar Services Improvement Project. Its objective is to improve the quality of life of the urban poor in ger areas of Ulaanbaatar by providing basic urban services in a sustainable manner. The World Bank, in cooperation with the Cities Alliance, is also developing city development strategies (CDSs) in five provincial capitals. Among other agencies, the Japan International Cooperation Agency, United Nations Development Programme, United States Agency for International Development and German Gesellschaft für Technische Zusammenarbeit are active in the urban sector.

10. In view of continued high rural-to-urban migration, and the continued high priority accorded by the Government to the urban development and housing sector, ADB conducted an advisory TA<sup>4</sup> to formulate an urban development and housing sector strategy for 2005–2008. This TA is based on the strategic priorities and priority investments and institutional capacity development highlighted under the advisory TA.

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<sup>3</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Mongolia for the Housing Finance Sector Project*. Manila. A total of 1,465 mortgage loans have been made by five participating commercial banks, resulting in full disbursement and/or commitment of funds by March 2005.

<sup>4</sup> ADB. 2004. *Technical Assistance to Mongolia for the Urban Development and Housing Sector Strategy*. Manila.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Impact and Outcome**

11. The objective of the TA is to prepare a project that will improve living conditions and the quality of life of the urban population, with a particular focus on the urban poor, and that is suitable for ADB financing. The ensuing project will assist the Government to (i) provide sustainable and affordable infrastructure and services for the urban poor, especially in ger areas; (ii) promote community participation in project preparation, implementation, and post-project operation and maintenance activities; and (iii) improve urban planning and management and the capacity of government agencies to provide and operate urban services. Impacts on the environment, involuntary resettlement, and indigenous peoples will not be significant. However, assessment will be carried out under the TA and, if necessary, mitigation measures/plans will be prepared and included in the project design. A summary initial poverty and social analysis is in Appendix 2.

#### **B. Methodology and Key Activities**

12. The TA will make use of the available sector study results, including the sector strategy for 2005–2008 developed under TA 4352-MON: Urban Development and Housing Sector Strategy. It will focus on identifying concrete measures that can be readily operationalized through discussions with concerned key Government officials and other stakeholders. The TA will be conducted in close coordination with activities assisted by other external funding agencies. Although the scope of the ensuing project will be determined after the completion of the TA, the project is expected to comprise two parts: part A: Ger area development, and part B: Institutional development. A participatory approach will be adopted to ensure ownership and commitment of local agencies and beneficiaries. A sector loan approach will be considered in Ulaanbaatar and other selected viable target cities for implementing part A. To be qualified for funding, interested local governments will be required to show their willingness to actively involve local communities in the planning, decision making, financing, implementation, and maintenance of subprojects by fulfilling a series of preproject conditions to be identified under the TA.

13. For part A, based on an assessment of the socioeconomic conditions in urban centers and level of urban services delivery, the TA will (i) investigate alternative technologies of infrastructure (water supply, sanitation, solid waste management, heating, hot water supply, roads, and storm water drainage), considering environmental impacts, costs, affordability, and institutional arrangements; (ii) review the ongoing pilot ger area neighborhoods restructuring that aims to introduce a grid-based circulation system and provide neighborhood-financed and-managed infrastructure and services, propose improvements, and prepare detailed guidelines; (iii) review the proposals for economic, infrastructure, and housing development prepared under the CDSs, and prepare packages suitable for ADB financing; (iv) prepare indicative subproject components for developing ger areas, and formulate guidelines to help local governments prepare subproject proposals to ensure broad consistency in the types of subprojects and visible development impacts in the target ger area communities; (v) assess the affordability and effective cost recovery mechanism, and determine the optimum institutional relationship, funds flow mechanism, and effective targeting to support low-income families improve urban services, and purchase new plots, build or improve houses; and (vi) identify target cities other than Ulaanbaatar based on criteria including level of poverty and economic viability. Feasibility studies for core subprojects in the target cities will be conducted to (i) prepare preliminary engineering designs and cost estimates, (ii) assess financial and economic viability and

sustainability, (iii) assess environmental and social soundness, (iv) develop a design and monitoring framework and implementation arrangements, and (v) establish a set of criteria and guidelines to select subprojects to be proposed by interested local governments. In assessing socioeconomic benefits, an impact of reduced costs for improved public services on per area family income will be analyzed.

14. In part B, the TA will (i) review the revised planning, zoning, and building codes and standards, design a dissemination program, and propose effective measures for implementation; (ii) review the existing CDS reports and prepare a program to improve urban planning approaches through an expansion of the CDS approach; (iii) develop education and training programs for government agencies and local communities to increase awareness on public health, environmental management, and alternative technologies for urban infrastructure and services; (iv) develop capacity development plans for local public urban service organizations (PUSOs) that are responsible for providing and maintaining urban infrastructure and services; (v) review past and ongoing housing area development schemes, propose improvements, and revise existing guidelines, with emphasis on public-private partnership; (vi) assess the need for further support in developing laws and regulations required for a functioning mortgage market; and (vii) recommend a long-term sustainable institutional setup for both the private sector mortgage market and public sector housing finance to deliver housing loans for low-, moderate-, and middle-income groups.

### **C. Cost and Financing**

15. The total cost of the TA is estimated at \$750,000 equivalent, of which \$450,000 is in foreign exchange and \$300,000 equivalent in local currency. The Government has requested ADB to finance \$600,000 equivalent, covering the entire foreign exchange cost and \$150,000 equivalent in local currency cost. The TA will be financed on a grant basis: \$350,000 equivalent from ADB's TA funding program and \$250,000 equivalent from the Poverty Reduction Cooperation Fund (PRF)<sup>5</sup> administered by ADB. The Government will finance the balance of the local currency cost, equivalent to \$150,000, by providing office space, utilities, local communications, administrative support, and counterpart staff. Detailed cost estimates and financing plan are in Appendix 3. The Government has been informed that approval of the TA does not commit ADB to finance any ensuing project.

### **D. Implementation Arrangements**

16. The TA will require 16 person-months of international and 50 person-months of domestic consulting services. The international consultants (with person-months in parentheses) will include an urban development specialist/team leader (5); a financial analyst/financial management specialist (2); an economist (2); an urban planning and housing/involuntary resettlement specialist (2); an urban infrastructure specialist/civil engineer (1); an alternative urban infrastructure/environment specialist (1); a participatory development specialist (1.5); and a poverty economist (1.5). The domestic consultants (with person-months in parentheses) will include an urban planner/deputy team leader (3); an institutional development specialist (3); an urban codes and regulations specialist (5); municipal engineers in water supply, sanitation, solid waste management, heating, hot water supply, road, and drainage (10); a financial specialist (5); an economist/cost estimate specialist (4); a legal specialist (4); a housing/micro-finance specialist (3); an environment specialist (3); a community participation specialist (4); a gender and poverty specialist (4); and an involuntary resettlement specialist (2). ADB will engage the

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<sup>5</sup> The TA was endorsed for PRF funding by the PRF Peer Review Committee on 11 February 2005.

consultants in accordance with ADB's *Guidelines on Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. ADB will select and engage the consultants following the quality- and cost-based selection method using simplified technical proposal procedures. ADB will coordinate closely with the Government in selecting and recruiting the consultants. The consultants may procure equipment through direct purchase in accordance with ADB's *Guidelines for Procurement*. Upon TA completion, ownership of the equipment procured under the TA will be transferred to MCUD. The consultants will hold workshops on planning and designing the ensuing project with the participation of related government agencies and local communities. Outline terms of reference for the consultants are in Appendix 4.

17. MCUD will be the Executing Agency for the TA and will provide policy guidance, facilitate interagency coordination, and resolve any institutional problems. The Urban Development Policy Coordination Department and the Construction and Public Utilities Policy Coordination Department will oversee the day-to-day implementation of the TA. MCUD will appoint a senior officer as project manager, assisted by other qualified counterpart staff.

18. The TA will be implemented for 6 months, from October 2005 to March 2006. The major reports required from the consultants are (i) an inception report describing the detailed work program by the end of the third week after the TA starts, (ii) an interim report within 3 months after the start of the TA, and (iii) a draft final report within 5 months after the start of the TA. Tripartite meetings will be held with the Government, ADB, and the consultants to discuss the TA reports. A final report will be submitted 2 weeks after receiving comments from the Government and ADB. All reports will be prepared in English and Mongolian languages.

#### **IV. THE PRESIDENT'S DECISION**

19. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$250,000 to be financed on a grant basis by the Poverty Reduction Cooperation Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$350,000 on a grant basis, to the Government of Mongolia for preparing the Urban Development and Housing Project, and hereby reports this action to the Board.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b> Improved living conditions and quality of life of the urban population, with a particular focus on the urban poor</p>	<p>Sustainable and affordable infrastructure and services provided in ger areas.</p> <p>Urban planning and management and the capacity of government agencies to provide and operate urban services improved.</p>	<p>MCUD's report</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Project design implemented effectively</li> <li>• Government and ADB sign loan agreement</li> </ul>
<p><b>Outcome</b> Project design and feasibility study agreed upon by Government and ADB</p>	<p>Memorandum of understanding signed by Government and ADB during Appraisal Mission of May 2006</p>	<p>Memorandum of understanding</p>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>• Government priorities unchanged</li> </ul>
<p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>1. Technical assessments completed</li> <li>2. Project design requirements accomplished</li> </ol>	<p>Draft final report submitted to Government and ADB by February 2006</p>	<p>ADB document registration</p> <p>Government document registration</p>	<p><b>Assumption</b></p> <ul style="list-style-type: none"> <li>• Competent government staff available</li> </ul> <p><b>Risk</b> Lack of familiarity of Government and communities with participatory approach</p>
<p><b>Activities with Milestones</b></p> <ol style="list-style-type: none"> <li>1.1 Assess general urban conditions (by November 2005)</li> <li>1.2 Assess urban infrastructure and services (by November 2005)</li> <li>2.1 Preparation of indicative subproject components for ger area development               <ol style="list-style-type: none"> <li>2.1.1 Investigate alternative technologies of infrastructure considering environmental impact, costs, affordability, and institutional arrangements (by December 2005)</li> <li>2.1.2 Prepare guidelines for ger area neighborhoods restructuring (by December 2005)</li> <li>2.1.3 Identify CDS-based development proposals suitable for ADB financing (by December 2005)</li> <li>2.1.4 Prepare indicative investment subproject components for infrastructure provision (by December 2005)</li> <li>2.1.5 Determine the funding mechanism for low-income families to improve basic infrastructure and houses (by December 2005)</li> <li>2.1.6 Identify target cities (by December 2005)</li> </ol> </li> <li>2.2 Feasibility studies for ger area development               <ol style="list-style-type: none"> <li>2.2.1 Identify core subprojects to conduct feasibility studies (by February 2006)</li> <li>2.2.2 Prepare preliminary engineering designs, cost estimates (by February</li> </ol> </li> </ol>			<p><b>Inputs</b></p> <p>ADB: \$350,000 PRF: \$250,000 Government: \$150,000</p>

<p>2006)</p> <p>2.2.3 Assess financial and economic viability and sustainability (by February 2006)</p> <p>2.2.4 Assess environmental and social soundness (by February 2006)</p> <p>2.2.5 Develop design and monitoring framework and implementation arrangements (by February 2006)</p> <p>2.2.6 Establish a set of criteria and guidelines to select subprojects to be proposed by interested local governments (by February 2006)</p> <p>2.3 Institutional Development</p> <p>2.3.1 Propose effective measures to disseminate and implement the revised planning, zoning, and building codes and standards (by February 2006)</p> <p>2.3.2 Prepare a program to improve urban planning approaches through an expansion of the CDS approach (by December 2005)</p> <p>2.3.3 Develop education and training programs to increase awareness of public health, environmental management, and alternative technologies (by February 2006)</p> <p>2.3.4 Develop capacity development plans for PUSOs (by December 2005)</p> <p>2.3.5 Revise existing guidelines for in-fill housing area development (by December 2005)</p> <p>2.3.6 Assess the need for further support in developing laws and regulations required for a functioning mortgage market (by February 2006)</p> <p>2.3.7 Recommend a long-term sustainable institutional setup to deliver housing loans to all income groups (by February 2006)</p>	
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ADB= Asian Development Bank; CDS= city development strategy; MCUD= Ministry of Construction and Urban Development; PUSO= public urban service organization.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

### A. Linkages to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
Contribution of the sector or subsector to reduce poverty in Mongolia: The social sector and urban development subsector contribute to poverty reduction directly through sustainable and affordable urban infrastructure and services for urban residents, especially the poor most of whom live in ger areas.			

### B. Poverty Analysis

#### Targeting Classification: Poverty Intervention

<b>What type of poverty analysis is needed?</b>
Poverty analysis will be carried out to assess the causes of poverty in the target cities, identify areas of highest poverty incidence, conduct poverty mapping, develop criteria for geographic targeting, quantify how the ensuing project will contribute directly and indirectly to reducing poverty, and incorporate other social measures within the scope of project design, implementation, and monitoring. The analysis will be conducted in accordance with the ADB <i>Handbook on Poverty and Social Analysis</i> . The result of TA 4382: Participatory Poverty Assessment and Monitoring will be used to analyze impacts of rural-to-urban migration on urban poverty.

### C. Participation Process

<b>Is there a stakeholder analysis?</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The participation of relevant stakeholders in the project cycle is critical for the success of the project. Stakeholder analysis will be conducted to map out different interests, needs, and resources of relevant stakeholders. The arrangements for stakeholder participation will be developed to enable different stakeholders such as project beneficiaries, central and local governments, nongovernment organizations, and the private sector to interact on a genuinely collaborative basis.		
<b>Is there a participation strategy?</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Stakeholder consultations will be conducted during the project cycle through local and national workshops, participatory appraisal, community consultations, and focus group discussions. Mechanisms for community participation in the project cycle will be established and a manual for community participation in project planning, implementation, and monitoring will be developed. The participation strategy will include the following activities: (i) assess the demand of the community and pilot the establishment of community-based organizations to develop local participation in the project cycle, (ii) develop mechanisms for community participation, and (iii) develop participatory monitoring and evaluation with feedback loops.		

### D. Gender Development

<b>Strategy to maximize impacts on women:</b>		
To ensure gender balance and maximize the impact of the ensuing project on women, a gender assessment will be conducted as part of poverty and social assessment.		
<b>Has an output been prepared?</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**E. Social Safeguards and Other Social Risks**

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
<b>Resettlement</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Subprojects with minimum land acquisition and resettlement will be selected. Two core subprojects will be assessed and a resettlement plan will be prepared if people will be affected. A resettlement framework will be prepared for additional subprojects.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Short <input type="checkbox"/> None
<b>Affordability</b>	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	Affordability of improved urban infrastructure to respective target populations will be assessed and mitigation measures will be developed to protect the needs of the urban poor in ger areas.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Labor</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	The project will have no adverse impact on labor. Assessment will be conducted to address the requirement of the national core labor standard.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	According to the 2000 census, there are 29 ethnic groups in Mongolia, all of whom are descendants of either Mongolian nomadic tribes or groups of Turkic origin who have become Mongolized over time. Ethnic distinctions among the Mongol subgroups are nonexistent in urban centers.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	The project does not envisage any significant adverse social impact, and appropriate mitigating action will be taken through environmental and social safeguards, where necessary.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank (ADB) and Poverty Reduction Cooperation Fund Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	346.0	0.0	346.0
ii. Domestic Consultants	0.0	100.0	100.0
b. International and Local Travel	45.0	12.0	57.0
c. Reports and Communications	5.0	10.0	15.0
2. Equipment <sup>b</sup>	10.0	0.0	10.0
3. Training, Seminars, and Conferences	0.0	12.0	12.0
4. Representative for Contract Negotiations	5.0	0.0	5.0
5. Contingencies	39.0	16.0	55.0
<b>Subtotal (A)</b>	<b>450.0</b>	<b>150.0</b>	<b>600.0</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Transport	0.0	45.0	45.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	90.0	90.0
3. Others	0.0	15.0	15.0
<b>Subtotal (B)</b>	<b>0.0</b>	<b>150.0</b>	<b>150.0</b>
<b>Total</b>	<b>450.0</b>	<b>300.0</b>	<b>750.0</b>

<sup>a</sup> Financed by the ADB's technical assistance funding program in the amount of \$350,000 and by the Poverty Reduction Cooperation Fund administered by ADB in the amount of \$250,000.

<sup>b</sup> Equipment will include computers, a printer, a color photocopy machine, and a facsimile machine.

Source: ADB estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The consultant team will comprise international and domestic consultants. All consultants will work collectively as a team in developing all outputs. The consulting services required for the technical assistance (TA) will include, but will not necessarily be limited to, the services described in this appendix. The team leader and the Asian Development Bank (ADB) project officer may augment the tasks outlined as required, to comply with ADB guidelines and procedures and to improve the quality of the overall TA. The tasks are to be carried out in close cooperation with the Government, and extensive consultation is needed to ensure transfer of knowledge and full ownership of the processes and documents by the concerned government agencies.

2. The consultants will coordinate closely with activities assisted by other external funding agencies in the urban development and housing sector, including the Second Ulaanbaatar Services Improvement Project by the World Bank, and the Sustainable Cities Initiative by the Industry Canada and German Gesellschaft für Technische Zusammenarbeit.

3. The team leader will (i) assist in the overall organization of the TA; (ii) guide, supervise, and coordinate the work of all team members; and (iii) take overall responsibility for preparing reports and consolidating reports prepared by all team members. The deputy team leader will assist the team leader to accomplish tasks that fall under five major headings.

### **A. Data and Information Collection**

4. **General Urban Conditions.** The consultants will collect data on (i) socioeconomic conditions, (ii) demography, (iii) spatial and physical environmental conditions, (iv) urban land use and settlement patterns, and (v) urban poverty incidence.

5. **Urban Infrastructure and Services.** The consultants will collect and assess data on (i) urban services levels and infrastructure networks in apartment areas and ger (traditional tent) areas including water supply, sanitation, heating and hot water supply, solid waste management, urban roads, and storm water drainage; (ii) institutional, administrative, and financial relationship and responsibilities of the central and local government agencies; (iii) municipal finance and financing urban development; (iv) existing planning, zoning, and building standards and codes; (v) the status of city master plan implementation, land management practices, and implementation of regulations in urban centers; (vi) water sources in terms of water quality and quantity, receiving water bodies, and availability of landfills; and (vii) environmental regulations and agencies with their responsibilities including compliance monitoring. The consultants will review past and ongoing external assistance in urban development and housing by ADB and other funding agencies, especially in ger areas, and document the lessons learned.

### **B. Preparation of Indicative Subproject Components and Guidelines (Part A: Ger Area Development in the Ensuing Project)**

6. **Restructuring Ger Area Neighborhoods.** The consultants will review progress of the pilot ger area neighborhoods restructuring in Ulaanbaatar and the pilot ger area improvement under Loan 1907-MON: Integrated Development of Basic Urban Services in Provincial Towns Project, identify the lessons learned, and make recommendations to alleviate any bottlenecks or delays in project implementation; investigate real estate market conditions and assess the impact of ger area neighborhoods restructuring on land price; propose improvements in the

approach and process, recommend measures to effectively support local governments establish institutional mechanisms to consolidate community proposals and incorporate them into local plans and budgets; and prepare detailed guidelines for effective implementation and a brochure for ger area households to understand the objectives and benefits of ger area neighborhoods restructuring.

7. **Low-Cost Alternative Infrastructure and Services.** The consultants will investigate alternative technologies suitable in Mongolia; determine the feasibility of establishing local networks in ger areas or installing individual facilities for ger area households; identify environmental impacts, costs, and affordability to ger area households of alternative infrastructure solutions; identify the most appropriate technologies and approaches for water supply, sanitation, solid waste management, heating, hot water supply, urban roads, and storm water drainage; and conduct focus group meetings with community-based organizations and ger area residents to discuss infrastructure options and the potential for composting and on-plot treatment.

8. **CDS-Based Economic, Infrastructure, and Housing Development.** The consultant will review the outcome of city development strategies (CDSs) for Darkhan, Erdenet, Tsetserleg, Khovd, and Choibalsan; identify development activities that meet the recommendations of both the master plans and CDSs; and identify investment proposals suitable for ADB financing, considering the effective combination of providing infrastructure for economic development and developing and improving housing.

9. **Indicative Subproject Components.** On the basis of the reviews and analyses, the consultants will prepare indicative subproject components for developing ger areas, and formulate guidelines to help local governments prepare subproject proposals. The consultants will pay attention to ensure broad consistency in the types of subprojects and visible development impacts in the target ger area communities, and to avoid a hodgepodge approach.

10. **Funding Mechanism for Low-Income Families.** The consultants will determine the optimum institutional relationships and flow of funds to support basic infrastructure and housing improvement for low-income families; determine an effective method for screening to ensure supports are targeted to low-income families; based on the indicative investment packages for alternative infrastructure, determine the relative affordability and cost recovery mechanisms; and based on the recommended institutional relationships, determine the capacity of implementing agencies and recommend additional personnel and procedures, if necessary.

11. **Target Cities.** The consultants will prepare a set of criteria to select target cities other than Ulaanbaatar considering aspects such as poverty reduction and economic viability, and identify the realistic number of target cities for ger area development.

### **C. Feasibility Studies (Part A: Ger Area Development in the Ensuing Project)**

12. **Project Design.** The consultants will identify about 6 core subprojects in the target cities on the basis of participation in and results of the CDS projects; prepare preliminary engineering designs for the core subprojects considering indicative investment packages and guidelines; break down the estimated project cost into direct and indirect foreign exchange cost and local currency cost, and present by generic category — by land, civil works, materials and equipment, consulting services, incremental administration, and operation and maintenance for each year — and separately calculate the tax and duty elements; and identify procurement contracts for

international competitive bidding, local competitive bidding, international shopping, or direct purchase in accordance with ADB's *Guidelines on Procurement*.

13. **Financial Analyses.** The consultants will conduct financial analyses with sensitivity tests and develop financial projections for local governments and implementing agencies for core subprojects in accordance with ADB's *Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB*; examine feasible cost recovery approaches to fulfill cost-sharing agreements and ensure full operation and maintenance (O&M), and sustainability of the initial investment; and assess the ability to increase user charges giving special attention to the potential impacts on low-income households and marginal business activities.

14. **Financial Management Assessment.** The consultants will assess the financial management of the proposed executing agency and project implementing agencies, including (i) corporate planning and budgetary control, (ii) financial and management accounting, (iii) cost accounting, (iv) internal control and audit system, and (v) data processing; suggest appropriate financial covenants to monitor financial conditionalities of the ensuing project; in light of ADB's Policy on Governance: *Sound Development Management*, recommend ways to improve financial management and corporate governance; and refer to ADB's *Financial Management Assessment Questionnaire* and *Financial due Diligence Methodology Note* in completing the financial management assessment.

15. **Economic Evaluation.** The consultant team will conduct economic evaluation with sensitivity analyses of the core subprojects in accordance with ADB's *Guidelines for the Economic Analysis of Projects*; and identify all quantifiable and nonquantifiable economic benefits, considering with- and without-project scenarios, as well as incremental and nonincremental benefits.

16. **Environmental Assessment.** The team will identify sector development needs, examine policy and institutional changes to be pursued in the ensuing project to determine their environmental implications; introduce appropriate beneficial policy interventions that can be included in the design and monitoring framework; establish criteria for environmental categorization of subprojects depending on their scope and scale, including categories A, B, B sensitive, and C; and establish environmental assessment and review procedures during subproject selection, design, appraisal, and implementation. The team will select and appraise core subprojects. As part of appraisal, the consultants will (i) develop alternatives; (ii) assess comprehensive environmental impacts; and (iii) design appropriate mitigation measures, an environmental monitoring plan with monitoring indicators, and institutional arrangements and responsibilities including cost estimates and training; develop ways to assess environmental impacts including cumulative and/or synergistic impacts; and develop environmental assessment and review procedures for the remaining subprojects to be financed under the ensuing project. On the basis of the above, the consultants will assist the Government prepare the initial environmental examination (IEE) for the whole project, including the sample IEEs for core subprojects, and their summary IEE (SIEE) in accordance with ADB's *Environmental Assessment Guidelines*; conduct public consultation activities at least once; submit the SIEE to the national environmental protection agency for a final review; and reach the decision whether or not significant impacts warranting environmental impact assessments (EIAs) are likely.

17. **Poverty and Social Analyses.** The consultants will conduct poverty and social analyses in the target cities in accordance with ADB's *Handbook on Poverty and Social Analysis*; analyze

impacts of rural-to-urban migration on urban poverty using the result of TA 4382<sup>1</sup> on Participatory Poverty Assessment and Monitoring; analyze an impact of reduced cost for improved public services on ger area family income; conduct gender analysis in the target cities in accordance with ADB's *Gender Checklist on Urban Development and Housing* and referring to the Joint ADB-WB Country Gender Assessment in Mongolia, and prepare a project-specific gender strategy to make explicit the gender provisions of the ensuing project; assess the socioeconomic benefits of the project and its possible negative impacts, especially on the urban poor; ensure that the project design reflects local needs, preferences, and concerns; prepare a framework for participation of ger area communities in project preparation, implementation, and postproject O&M activities; and confirm that there is no significant impact on indigenous peoples and/or ethnic minorities.

18. **Resettlement Planning.** The consultants will screen two core subprojects for involuntary resettlement impacts arising from land or right-of-way acquisition; and develop a resettlement framework for other subprojects and resettlement plans for two core subprojects in the sample urban centers in accordance with ADB's *Involuntary Resettlement Policy and Handbook on Resettlement*, addressing any full or partial loss of housing, land, income from any affected business establishment, impacts on nontitled and vulnerable people.

19. **Project Performance Monitoring System.** The consultants will prepare a design and monitoring framework to facilitate conceptualization of the project design, monitoring of project implementation, and evaluation of project benefits and impacts, with emphasis on enhanced participation of beneficiaries and stakeholders; and develop a project performance monitoring system that includes the content and format of the progress reports and ensures that the beneficiaries also undertake monitoring and evaluation. A problem tree analysis should be provided in the inception report for the Government and ADB to start determining the project design.

20. **Implementation Arrangements.** The consultants will develop an appropriate implementation schedule and arrangements to execute all components; verify the flow of funds under the project and cost-sharing formulas between households, Public Urban Service Organizations (PUSOs), and local governments; assess the performance of JFPR 9015<sup>2</sup> and the effectiveness of making small-scale loans to ger area households for housing improvement; assess needs for microfinance for households (e.g., for purchase and installation of on-site sanitation facilities), review existing microfinancing systems, and propose an appropriate microfinancing system for the ensuing project; determine the requirements for and availability of national and local counterpart funds and prepare a financing plan in ADB's format using COSTAB software referring to ADB's draft *Technical Note on Preparation and Presentation of Cost Estimates*; establish functional relationships between participating institutions; and recommend measures to facilitate project implementation, including staffing, training for staff, construction supervision, monitoring and reporting of the subprojects, and consulting services during implementation.

21. **Eligibility Criteria.** The consultants will review the backlog of the HAAP component of Loan 1847-MON: Housing Finance Sector Project to determine their eligibilities; and develop a set of criteria to select proposals for ger area upgrading to be submitted by interested local

<sup>1</sup> ADB. 2004. *Technical Assistance to Tajikistan for Preparing the Dushanbe-Kyrgyz Border Road Rehabilitation Project*. Manila.

<sup>2</sup> ADB. 2002. *Grant Assistance to Mongolia for Improving the Living Environment of the Poor in Ger Areas of Mongolia's Cities Project*. Manila.

governments, including (i) affordability to ger area households, (ii) sustainable improvements in urban environment, (iii) level of community participation, (iv) potential impact on local poverty, and (v) the number of beneficiaries.

#### **D. Institutional Development (Part B: Institutional Development in the Ensuing Project)**

22. **Application of New Planning, Zoning, and Building Codes and Standards.** The consultants will help revise laws and regulations related to urban development and housing; review and assist the ongoing process to revise planning, zoning, and building codes and standards; review the implementation of these codes and standards and see how they can be made more relevant to ger areas; in close collaboration with government agencies, local authorities, private developers, and contractors, determine the most effective ways to improve building practices for housing in Mongolian cities; work with the Government to finalize and test the new codes and standards through ger area neighborhoods restructuring and in-fill and mixed-income housing areas development; and design a program to disseminate the new codes and standards and propose effective measures for implementing and enforcing them.

23. **Improvement in Urban Planning Approach through Development of CDS.** The consultants will review the existing CDS reports, their relationship with respective city master plans, the approach to develop CDSs, and the level of community participation; propose improvements so that CDSs will contribute to improve urban planning to meet the needs of a market economy and modern development; and prepare a program to extend the CDS approach to additional urban centers.

24. **Education and Training.** The consultants will assess the needs of government officials, local authorities, and ger area communities for education and training on public health, environment, and alternative technologies; develop education and training programs to increase people's awareness on public health and environmental management, and to ensure community participation in O&M of the improved urban infrastructure; propose a method to measure the impact of training; and prepare a participation strategy, and develop a mechanism to promote community participation in planning, monitoring, and evaluation.

25. **Capacity Development of PUSOs.** The consultants will assess the needs for financial and organizational development of the PUSOs in the target cities; and develop a framework for capacity development plans for PUSOs in O&M of improved urban infrastructure and services and municipal financial management.

26. **Development of Housing Areas.** The consultants will review the implementation of the housing area development schemes under ongoing ADB-financed projects; develop guidelines for working with private developers; and develop guidelines for establishing model neighborhoods that conform to modern spatial, environmental, and social conditions.

27. **Establishment of Independent Housing Finance Institution.** The consultants will assess the need for further support in developing laws and regulations required for a functioning mortgage market; recommend long-term institutional relationships for both the private sector mortgage market and public sector housing finance such that a mortgage and housing finance system will continue to be developed for all income groups; and review and comment on recommendations for a secondary mortgage refinancing or liquidity facility for commercial banks making mortgage loans prepared by the Government's housing finance working group.