



Mongolia: Sustainable Tourism Development Project

Project Name	Sustainable Tourism Development Project										
Project Number	50013-002										
Country / Economy	Mongolia										
Project Status	Active										
Project Type / Modality of Assistance	Loan										
Source of Funding / Amount	<table><tr><td colspan="2">Loan 3787-MON: Sustainable Tourism Development Project</td></tr><tr><td>Ordinary capital resources</td><td>US\$ 19.00 million</td></tr><tr><td colspan="2">Loan 3788-MON: Sustainable Tourism Development Project</td></tr><tr><td>Concessional ordinary capital resources lending</td><td>US\$ 19.00 million</td></tr></table>			Loan 3787-MON: Sustainable Tourism Development Project		Ordinary capital resources	US\$ 19.00 million	Loan 3788-MON: Sustainable Tourism Development Project		Concessional ordinary capital resources lending	US\$ 19.00 million
Loan 3787-MON: Sustainable Tourism Development Project											
Ordinary capital resources	US\$ 19.00 million										
Loan 3788-MON: Sustainable Tourism Development Project											
Concessional ordinary capital resources lending	US\$ 19.00 million										
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth										
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Private sector development										
Sector / Subsector	Agriculture, natural resources and rural development / Rural sanitation - Rural solid waste management - Water-based natural resources management Industry and trade / Trade and services Transport / Road transport (non-urban)										
Gender	Effective gender mainstreaming										
Description	The project will help transform two national parks in Khuvsgul and Khentii aimags (provinces) as models for economically inclusive tourism and conservation in the protected area network, by improving park infrastructure, sanitation, and capacity to manage tourism growth sustainably. The designs emphasize tourism benefits for communities, protection of natural capital, and climate-resilient facilities; and scale up from previous grant projects in each park.										

Project Rationale and Linkage to Country/Regional Strategy	<p>Tourism is the largest and fastest growing sector of the global economy. Ecotourism, a major subsector, comprises up to 20% of global tourism and is a major contributor to rural income and the financing of protected areas in many countries. Mongolia has a small but rapidly growing tourism sector. In 2017, tourism comprised 11.4% of Mongolia's gross domestic product (GDP), generating \$1.2 billion, 10.4% of total employment, and 121,500 jobs. By 2028, tourism is forecast to comprise 11.0% (\$2.1 billion) of GDP and provide 149,000 jobs. International visitor arrivals totaled 471,239 in 2017 and are forecast to increase to 1 million by 2028. Developing the tourism sector is a high national priority to diversify the economy and create jobs, especially under Mongolia's current economic difficulties. The government's plans to expand tourism focus on ecotourism in protected areas, which encompass 21% of Mongolia's area and are targeted to reach 30% by 2030. Mongolia ranks low in the Travel and Tourism Competitiveness Index. Challenges include low service standards, inadequate infrastructure, and a short tourism season due to harsh winters. Most protected areas are underfunded and located in remote regions of high poverty. Tourism, if unmanaged, may also result in ecological and cultural impacts and provide few local benefits. To address these issues, the government has initiated the National Program on Tourism Development, 20162030, which aims to establish Mongolia as a global destination for nomadic culture. The program outlines a phased approach for tourism development that focuses initially on protected areas in northern, central, and eastern Mongolia. It prioritizes investments in visitor facilities, transport and sanitation infrastructure, and community-based products and services. Five sites are listed to pilot and catalyze ecotourism development, two of which are designated the highest priority: Khuvsgul Lake National Park (KLNP) in Khuvsgul Aimag and Onon-Balij National Park (OBNP) in Khentii Aimag.</p> <p>The KLNP (1.18 million hectares) and OBNP (0.42 million hectares) are the largest national parks in northern and eastern Mongolia. Khuvsgul Lake in the KLNP is Mongolia's largest freshwater resource. The OBNP is the documented birthplace of Chinggis Khaan, a historical leader revered in Mongolia. Both parks support global biodiversity values, small populations with high poverty rates, and transboundary river basins with the Russian Federation. Despite these similarities, the parks are at very different stages of tourism development. In 2017, the KLNP received about 89,000 visitors and the OBNP received about 20,400 visitors. Improved road and air access to the KLNP was established in 2010. Since then, visitor numbers have increased rapidly, and the park has become a major national tourism destination. Growth has been unplanned and has resulted in severe seasonal congestion, damage to natural resources, and few community benefits. In contrast, the OBNP has limited road and no air access, but a road to the park will be constructed in 2021 as part of government efforts in regional tourism. Without planning, this may result in rapid increases in visitor numbers and similar impacts as at the KLNP. The KLNP and OBNP reflect many of the challenges faced in developing sustainable tourism in Mongolia's protected areas, which require a focus on four key areas, as follows.</p> <p>Limited inclusive planning and benefits. Few KLNP and OBNP residents derive income from tourism, and most tour camp employees are external workers. This is due to several linked factors. At the institutional level, livelihood and tourism targets are not included in the soum (county) development plans for either park. Residents face unique planning restrictions due to park regulations, yet soum and park management plans are not integrated. Khankh soum in the KLNP lacks any development plan but is the only soum in Mongolia located entirely within a protected area. At both parks, the issuance of licenses for tour camps is not based on systematic procedures or social and environmental standards. This has favored external operators, which have greater access to finance and external markets. Most residents have low capacity and capital to produce quality goods (e.g., handicrafts) or services (e.g., food supplies, guiding). Institutional support to promote local products and train residents is also limited.</p> <p>Insufficient enabling infrastructure. Public infrastructure in the KLNP and OBNP is limited or outdated. This impacts park management and the visitor experience. At the KLNP, the closest area to the provincial capital (Ulaanbaatar) for public access is a road along the shore of Khuvsgul Lake. This supports the park's highest numbers of tour camps, visitors, and vehicle activity. The road is unsealed and lacks barriers, signs, or car parks. Access is uncontrolled. Sections of lake shoreline are damaged from vehicle activity, and dust generated by vehicles is a significant source of lake pollution. The OBNP has few visitor facilities, roads, or car parks, yet projected tourism growth (footnote 11) requires planning. Neither park has a visitor center, which hinders fee collection, reduces the visitor's sense of 'destination, and limits the opportunity to inform visitors about park regulations and community goods and services. Public trails are in poor condition, reducing visitor satisfaction and creating safety risks.</p> <p>Inadequate waste management. The KLNP and OBNP have no organized systems for waste collection or treatment. Public toilets are mostly unlined pits, and sewage seeps into the soil and waterbodies. Landfill sites are present at each park, but are shallow, unlined excavations with limited management. Projections based on population and tourism growth indicate that solid waste generation will increase by over 290% by about 2038 (footnote 11). At the KLNP, the pristine quality of Khuvsgul Lake is threatened by sewage disposal, dust (para. 7), and litter. For both parks, poor sanitation is a key factor contributing to reduced visitor satisfaction. To address these issues, traditional infrastructure solutions need to be combined with small, decentralized methods tailored to local conditions and seasonal changes in visitor numbers.</p> <p>Inadequate park management. The KLNP and OBNP administrations are underfunded and have limited equipment and resources. Entry fees, tourism concessions, and central government funding are key revenue sources for both parks, yet ticket collection booths are poorly located and campsites are not well managed, resulting in a loss of revenue. Park staff do not have the training to plan for and manage tourism growth. Both parks have management plans, yet these focus on biodiversity conservation and do not provide guidelines or targets for livelihoods, tourism, sanitation, and the management of park revenue streams. The impact of climate change is a cross-cutting issue that affects many management issues at the KLNP and OBNP. Increasing temperatures, extreme rainfall events, and overgrazing contribute to soil exposure, permafrost damage, algal blooms, and tree dieback, in a continuous cycle that also increases fire risk.</p> <p>Government and donor efforts are addressing some of these issues. Grant projects funded by the Japan Fund for Poverty Reduction (JFPR) have been implemented at the OBNP (20082013) and KLNP (20162019), benefiting more than 4,000 residents through small business initiatives and strengthened park management. Key initiatives included the establishment of community revolving funds (for income diversification), a tourism council (to facilitate tourism planning), community waste management teams (CWMT) (litter control), and sustainable financing arrangements to maintain the revolving funds and pay team salaries through campsite and public toilet entry fees. Civil society organizations and other donors have provided support for park equipment, ranger training, litter collection, and livelihoods. These measures have been small in scale yet provide a strong platform to scale up and achieve a holistic approach for conservation and development at the KLNP and OBNP. Continued focus on these two parks is a priority to (i) leverage previous efforts; (ii) establish a new focus on tourism management, tailored to each park; (iii) for the OBNP, manage the opportunities and risks posed by pending road construction; and (iv) complement donor efforts in other protected areas.</p> <p>Strategic fit. The project is aligned with Mongolia's National Program on Tourism Development, 20162030 (footnote 6) which prioritizes the KLNP and OBNP for ecotourism development. It also supports the country partnership strategy for Mongolia, 20172020 of the Asian Development Bank (ADB), for income diversification and sustainable tourism in wilderness areas, and is listed in the country operations business plan for 20192021; and ADB's Strategy 2030 operational priorities A (reducing poverty), C (climate resilience, environmental sustainability), and G (regional cooperation and integration). The project leverages two JFPR grants (footnote 13) and is a timely response by ADB to support Mongolia's growing tourism sector.</p> <p>Lessons. The project designs reflect the experience gained from the JFPR grants at the KLNP and OBNP; and incorporate best-practice lessons for ecotourism, sanitation, and infrastructure by ADB, civil society organizations, and other donors: (i) a multisector design that addresses the linked issues of livelihoods, tourism, waste, and conservation, tailored to the different tourism scenarios at each park; (ii) transport and waste management designs, which combine structural and nonstructural measures; (iii) infrastructure designed for climate resilience, durability, and cost-effectiveness; (iv) the management of park revenue streams; and (v) capacity building, which builds on the grant trainings, focusing on the lead role of women for local tourism initiatives.</p>
Impact	Sustainable economic growth and environmental improvement in Khuvsgul and Khentii aimags achieved (National Program on Tourism Development, 20162030)
Project Outcome	
Description of Outcome	Sustainable and inclusive tourism in the KLNP and OBNP developed
Progress Toward Outcome	Loan inception mission conducted on 4-7 September 2019. Special consultation mission for opening ceremonies conducted 3-11 October 2019. December 2019 - January 2020. Annual review mission was conducted on 20-24 September 2021. Special project administration mission was fielded to accelerate the project implementation on 14-16 June 2022. Project review mission was held in February 2023. Procurement plan were updated and version 7 was approved on 27 March 2023. Project fielded review mission on 19-25 August and 17-22 September 2023.
Implementation Progress	
Description of Project Outputs	Inclusive planning and capacity for community-based tourism enhanced Enabling infrastructure for tourism constructed Waste management improved Park management strengthened

Status of Implementation Progress (Outputs, Activities, and Issues)	The eco-certification pilot program was developed by consultant team and finalized with inputs from community representatives, and the eco-certification package is in accordance with the schedule at 80% implementation piloting 4 tour camps from KLNK and 1 tour camp from OBNP. Tourism vocation skills trainings were organized in Dadal and Khatgal reaching to over 800 local people (70% women) during May September 2023. A tourism council was revived with new community members at KLNK in July 2023, and consultations are on-going to establish a tourism council at OBNP. Construction of 37.9km road and car parks, the price increases of road construction materials and fuels caused the financial issues for the contractor and delayed the implementation with an overall physical progress of 51% having earth works completed but pending delay of surfacing the asphalt cover. The detailed engineering design of CKTC visitor center is to be finalized within October and approved by the CDC within Q4 2023. The construction of landfill facilities completed the civil works for Khatgal and Dadal landfills and is scheduled for final assessment of technical expertise commission and rehabilitation by October 2023. Weighbridges are 100% completed with procurement, installation, calibration of software in Dadal, Khatgal and Khankh. The construction of wastewater treatment facilities completed the civil works and construction for Khatgal WWT and is scheduled for technical expertise assessment by October 2023. The construction of Landfill in Khankh is at 60%, and the construction of WWTP in Khankh is at 28% implementation. Waste management plans for Dadal, Khatgal and Khankh soums were developed in July 2023 and carried out consultations with local stakeholders and are planned to be finalized within Q4 2023.
---	--

Geographical Location	Nation-wide, Hentiy Aymag, Khovsgol
-----------------------	-------------------------------------

Safeguard Categories	
Environment	B
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects	
Environmental Aspects	An initial environmental examination, including an environmental management plan, has been prepared and will be implemented during project administration.
Involuntary Resettlement	The project will not trigger ADB's Safeguard Policy for involuntary resettlement.
Indigenous Peoples	The project will not trigger ADB's Safeguard Policy for indigenous peoples.
Stakeholder Communication, Participation, and Consultation	
During Project Design	Consultations were held with communities, civil society organizations, national and local government agencies, tour operators, and other stakeholders, during project design. A stakeholder communication plan, and consultation and participation plan, have been prepared.
During Project Implementation	Stakeholder consultation and participation will be implemented throughout project implementation.

Business Opportunities	
Consulting Services	All consulting services will follow ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).
Procurement	All procurement of goods and works will follow ADB's Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

Responsible ADB Officer	Nyamjav, Erdenesaikhan
Responsible ADB Department	East Asia Department
Responsible ADB Division	Mongolia Resident Mission (MNRM)
Executing Agencies	Ministry of Environment and Tourism

Timetable	
Concept Clearance	18 Nov 2016
Fact Finding	10 Nov 2018 to 17 Nov 2018
MRM	11 Feb 2019
Approval	24 May 2019
Last Review Mission	-
Last PDS Update	28 Sep 2023

Loan 3787-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
24 May 2019	13 Jun 2019	06 Aug 2019	30 Jun 2025	30 Jun 2026	-

Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	19.40		Cumulative Contract Awards			
ADB	19.00		24 Jan 2024	5.40	0.00	28%
Counterpart	0.40		Cumulative Disbursements			
Cofinancing	0.00		24 Jan 2024	0.13	0.00	1%

Loan 3788-MON

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
24 May 2019	13 Jun 2019	06 Aug 2019	30 Jun 2025	30 Jun 2026	-

Financing Plan			Loan Utilization			
	Total (Amount in US\$ million)		Date	ADB	Others	Net Percentage
Project Cost	19.00		Cumulative Contract Awards			
ADB	19.00		24 Jan 2024	18.03	0.00	95%
Counterpart	0.00		Cumulative Disbursements			
Cofinancing	0.00		24 Jan 2024	11.72	0.00	62%

Project Page	https://www.adb.org//projects/50013-002/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=50013-002
Date Generated	08 March 2024

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.