



Mongolia: Sustainable Tourism Development Project

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| 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 | 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

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-Balj National Park (OBNP) in Khentii Aimag. 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.

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.

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.

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.

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.

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.

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.

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.

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| 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 | Procurement for 3 landfills was completed in March, 2022. The No.03/1657 statement to award a contract with joint venture of "Bilguun-Od" LLC and "Khemjilzui" LLC was signed by State Secretariat of MET. Civil construction work of landfill at Khatgal and Dadal soum is ongoing. |
| 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 |

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| Status of Implementation Progress (Outputs, Activities, and Issues) | <p>Development of two new tourism concession manuals for KLNP and OBNP, and a voluntary eco-certification program for tour camps is planned to be carried out from August to November in 2022.</p> <p>On track.</p> <p>In cumulative, 1333 local residents have received the tourism skills training for job placement, including 991 women (74%) at both KLNP and OBNP. In May 2022, 10 local small business-runners including 5 women (50%) from Dadal soum attended to UB tourism and hospitality study tour. They visited to tourist camps and guesthouses around UB, Khustai and Gorkhi-Terej National parks.</p> <p>On track.</p> <p>In project preparation, 11 women-led markets are planned to be constructed at 11 car parks (Khuvsgul-8, Khentii-3). Khuvsgul: Initial design drawings have been prepared for review and comments from stakeholders. Consultations with local government and community residents will launch in Q2-Q3 2022.</p> <p>Khentii: 1 women-led market is planned at Dadal soum center based on community needs and design drawings are under development at final stage. Community participation procurement is planned to be advertised in Q3 2022. 1 women-led market is planned at Deluun boldog and the concept design drawing is under development.</p> <p>The approved conceptual design was changed in February 2021. A new conceptual design of the CKTC is underway.</p> <p>On-track.</p> <p>Groundbreaking ceremony of 37.9 km roads was held on 04 March,2022.</p> <p>1 permanent, 1 temporary and 1 mobile camps for road construction workers were established in March.</p> <p>Afforestation in 10 ha land along the road route was completed in June 2022. Performance of the road construction is 12 per cent by 01 July 2022.</p> <p>On track.</p> <p>Civil construction work of the car parks will be completed in 2023 along to the 37.9 km road.</p> <p>On track.</p> <p>The layout design of the trail was completed and endorsed by Department of Environment and Tourism of Khuvsgul aimag and KLNP HQ.</p> <p>Not yet due.</p> <p>The field surveys were conducted. Due to CS23: Construction supervision of CKTC Visitor center package, the DED of the transmission line will be completed in Q3, 2022 and construction work will be completed in 2023.</p> <p>Not yet due. Field surveys were conducted in 2021. Due to CS23: Construction supervision of CKTC Visitor center package, the DED of 2.6 km roads will be completed in Q3, 2022 and construction work will be completed in 2023.</p> <p>Not yet due. Field surveys were conducted in 2021. Due to CS23: Construction supervision of CKTC Visitor center package, the DED of car parks will be completed in Q3, 2022 and construction work will be completed in 2023.</p> <p>Not yet due to start</p> <p>Khuvsgul government agencies and tour camps requested to change or upgrade the toilet technology and design that making them more suitable for local weather and climate conditions.</p> <p>Awareness for tour camps will be conducted in 2023.</p> <p>Not due to start. The civil work of toilets is expected to start in Q3-Q4 2022.</p> <p>On-track</p> <p>Procurement for civil construction work just finalized and will to award the work and begin implementation from the Q-3.</p> <p>On-track</p> <p>Preparation of dirt ramp, flood dams, rainwater and surface drainage channel of the landfill construction work in Khatgal was completed. Civil construction work of landfill at Khankh will be completed in 2023.</p> <p>Partially on-track.</p> <p>DED for toilets was endorsed by state expertize. The civil work of toilets will be completed in 2023.</p> <p>Not yet due to start</p> <p>The WWTP will be constructed as part of the CKTC building in 2023-2024.</p> <p>Not yet due to start</p> <p>Preparation of dirt ramp, flood dams, rainwater and surface drainage channel of the landfill civil construction work was completed.</p> <p>Partially on-track.</p> <p>Conceptual design drawing for KLNP headquarters and visitor center is being prepared and is expected to be completed by June 2022. Bids for civil work is planned to be advertised in Q3 2022.</p> <p>Not yet due to start.</p> <p>Trainings are planned to organize in 2022-2024.</p> <p>On-track.</p> <p>Kick-off meeting for KLNP Management plan (2022-2026) was conducted. Consulting team commenced their service and started to prepare a revised KLNP Management plan (2022-2026) on March 1.</p> <p>The consulting team conducted first-round stakeholder consultations at KLNP buffer zone with 167 community representatives (86 women and 50 vulnerable people) of soum and CSOs including JFPR-established CBOs or CWMTs, local communities, and other relevant stakeholders from March 12-19.</p> <p>OBNP management plan will be conducted in 2023. Capacity building activities are planned in 2023-2024 to develop and implement a new NP management plan.</p> |
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| Geographical Location | Nation-wide, Hentiy Aymag, Khovsgol |
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| 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 | |
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| 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 | |
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| 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). |

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| Responsible ADB Officer | Nyamjav, Erdenesaikhan |
| Responsible ADB Department | East Asia Department |

Responsible ADB Division

Mongolia Resident Mission

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 | 30 Sep 2022 |

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 | 30 May 2023 | 5.40 | 0.00 | 28% |
| Counterpart | 0.40 | Cumulative Disbursements | | | |
| Cofinancing | 0.00 | 30 May 2023 | 0.11 | 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 | 30 May 2023 | 17.48 | 0.00 | 92% |
| Counterpart | 0.00 | Cumulative Disbursements | | | |
| Cofinancing | 0.00 | 30 May 2023 | 9.35 | 0.00 | 49% |

Project Page <https://www.adb.org/projects/50013-002/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=50013-002>

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