

MONGOLIA

URBAN SECTOR FACT SHEET

A *ger* area in Ulaanbaatar. Named after the Mongolian *ger* tent, such areas are home to about 60% of the city's population (photo by Eric Sales)



On tap. A schoolgirl in Umnugobi province washes her hands using a recently connected tap water supply (photo by Eric Sales).

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. At that time, *aimag* (province) and *soum* (subunit of *aimag*) centers were unable to continue serving as anchors

of economic activity, and the quality of animal products and livestock value chains deteriorated. Herder households started to migrate in large numbers to the outskirts of Ulaanbaatar or *aimag* centers in response to (i) the low value of livestock; (ii) higher exposure of their animals to disease because of poor veterinary services; and (iii) massive losses of livestock caused by *dzud* (a succession of droughts and severe winters), especially during 2000–2001 and in 2010.¹ Without adequate infrastructure investment and affordable housing solutions, those migrations formed vast unplanned and substandard urban settlements, known as *ger* areas.² *Ger* areas are currently home to about 60% of Ulaanbaatar's population and more than 70% of the population of *aimag* centers. Only 40% of Ulaanbaatar households and less than 30% in *aimag* centers live in apartments and serviced houses. The rest are in *ger* areas suffering from environmental and air pollution (despite recent progress) and related public health concerns, a poor living environment with inadequate infrastructure and sanitation, and limited urban services. Meanwhile, in anticipation of livestock losses, herders

started to increase their herd size at an exponential scale.³ Together with open access to pasture, unbalanced herd composition (with a high proportion of goats), and poor rangeland management practices, the livestock numbers have put Mongolia's rangelands under severe threat—deteriorating rangeland natural resources and their carbon sequestration capacity, which further weakened the rural and urban economy of *aimags* and increased the vulnerability of herders.¹ Farming is hampered by deteriorating irrigation facilities, decreasing soil fertility, loss of labor, and lack of quality seeds and other inputs. Improving agricultural production and creating value addition will require the development of competitive industries and value chains for goods and services, especially by increasing productivity, technology and know-how, compliance with international standards, and strengthening public–private collaboration. Grassland desertification, water scarcity, climate change, disasters triggered by natural hazards and extreme weather events, and air pollution are endangering livelihoods. More needs to be done to ensure that economic progress does not come at

¹ The adoption in 2003 of a policy giving each citizen about 700 square meters of land in urban areas further exacerbated the rural–urban migration.

² The *ger* areas in Mongolian cities are characterized by a lack of paved roads, piped water supply, wastewater collection and treatment, and social service facilities, as well as generally underperforming urban service systems and limited resources for operations, maintenance, and service delivery. These harm the urban environment, disproportionately affect vulnerable populations, and reduce the attractiveness of potential urban investments. Unimproved individual coal stoves used by most *ger* area residents during winters generate high air pollution levels.

³ The number of livestock in Mongolia rose from about 26 million in 2000 to 41 million in 2012, and to 71 million in 2019. That is an average annual growth rate of 8% during the last 7 years.

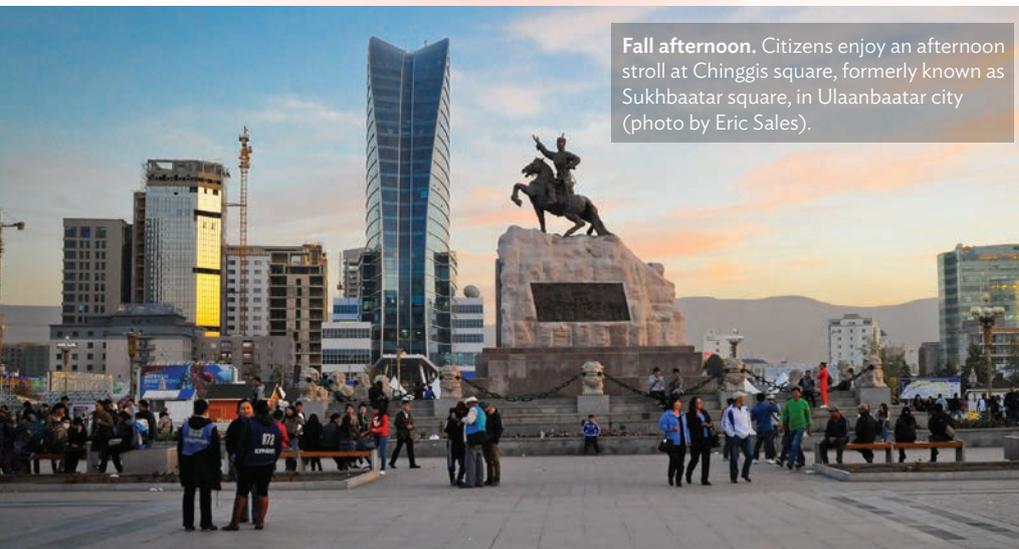
⁴ Overgrazing in Mongolian rangeland is on average 22.6% above the rangeland carrying capacity; as a result, about 70% of pastoral land has been degraded.

the cost of environmental degradation. A comprehensive approach to build climate and disaster resilience is required to address climate and disaster risk and protect livelihoods and enterprises. The lack of adequate infrastructure and increased exposure to floods, earthquakes, and fire in *ger* areas are major concerns.

Today, the urban population represents 70% of the country's 3.3 million population, while the average urbanization ratio in Asia is 50%. Ulaanbaatar, with 1.6 million people, accounts for about 70% of urban population or about 50% of the entire country's population, and 63% of gross domestic product. The demographic

and economic weight of the capital city illustrates the country's drastic territorial imbalance. Except for the cities of Darkhan and Erdenet (each with around 80,000 people), most of the *aimag* capitals and towns have a population below 25,000.

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 the 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 green urban-rural linkages, economic diversification and employment generation, and affordable housing access. ADB has been providing financial and technical support through grants, loans, and technical assistance (TA) amounting to a combined \$423.24 million, and \$155 million loan and \$53 million grant cofinancing.



Fall afternoon. Citizens enjoy an afternoon stroll at Chinggis square, formerly known as Sukhbaatar square, in Ulaanbaatar city (photo by Eric Sales).

ULAANBAATAR

Building on its previous urban and housing finance, 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.⁵ The collaboration started with the integration of *ger* areas for the first time in the Capital City Master Plan in 2013, followed by the formulation and implementation of a 10-year investment program to support the modernization of *ger* areas. The investment program, 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.⁶ 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 city of Ulaanbaatar relies almost exclusively on groundwater pumping for its water supply. Water and soil pollution is increasingly threatening the residents of the *ger* areas around the city. Green recovery will heavily depend on sustainable water and other natural resources management within functioning ecosystems.

The impact of the program was enhanced by parallel interventions through a TA project. These provided support to improve urban planning and data

management, optimize land use, conserve cultural heritage, foster community participation, implement information and communication technology solutions and pro-poor initiatives, assist small and medium-sized enterprises, and improve water and wastewater services. In addition, a large-scale project is helping to develop *ger* areas into eco-districts that will provide green affordable housing solutions to *ger* area residents.⁷ The project, cofinanced by the Green Climate Fund, is leveraging private sector investment to (i) deliver 10,000 green affordable housing units and (ii) redevelop 100 hectares of *ger* areas into low carbon, climate-resilient, mixed-use, and mixed-income eco-districts.

⁵ 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.

⁶ ADB. Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program.

⁷ ADB. Mongolia: Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Sector Project.



Clean water. Young mother in Umnugobi province is fetching water from a newly built well (photo by Eric Sales).

PROVINCIAL TOWNS

In Mongolia's provincial towns, six loan and three grant projects were used to improve basic urban services in 18 out of 21 *aimags*, encompassing water and heating supply systems, wastewater management, 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 through reducing poverty and unpaid labor, 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 and will facilitate reuse of



Provincial road. Newly built local road in Tsogettsetsii soum of Umnugobi province (photo by Eric Sales).

sewage sludge in agriculture and land reclamation. Altogether, wastewater treatment plants in 10 cities and 2 *soums* will be renovated by 2023. To promote effective and inclusive waste prevention, reuse, recycling, and disposal that are innovative to Mongolia, ADB has been assisting the *aimag* governments in adopting integrated solid waste management practices.

Currently, ADB is implementing, with the financial support of the Government of Japan, a TA project to formulate an urban and spatial development-oriented plan for each *aimag*.⁸ Additionally, ADB

is processing a large-scale 10-year investment program that proposes a fundamental paradigm shift in applying a transformative model to promote green territorial development and urban-rural linkages, whereby livable *aimag* and *soum* centers become anchors of green agribusinesses that promote sustainable, resilient, and high-carbon sequestration rangeland management.⁹ Initially focusing on Mongolia's western *aimags*, the program will promote climate finance and private sector investment mechanisms that are designed to be replicated countrywide.

⁸ ADB. Mongolia: Human Settlements Development Program.

⁹ ADB. Mongolia: Aimags and Soums Green Regional Development Investment Program.

Mongolia: ADB Operations in the Urban Sector

(as of 31 July 2022)

No.	Number	Project Name	Net Amount (\$ million)	Milestone Dates (dd-mmm-yy)	
				Approved	Completion Date
Loans					
1	1560	Provincial Towns Basic Urban Services	6.80	30-Sep-97	06-Jan-03
2	1847	Housing Finance Sector Loan	15.00	18-Oct-01	24-Aug-08
3	1907	Integrated Development of Basic Urban Services in Provincial Towns	20.10	06-Aug-02	18-Nov-09
4	2301	Urban Development Sector Project	35.23	19-Dec-06	18-Dec-15
5	3244/3245	Darkhan Wastewater Management	18.50	16-Dec-14	30-Apr-23
6	3388	Southeast Gobi Urban and Border Town Development—Additional Financing	19.43	22-Apr-16	31-Dec-22
7	3713	Southeast Gobi Urban and Border Town Development—Additional Financing	20.00	26-Sep-18	30-Jun-23
8	3694/3695	Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Sector Project	80.00	24-Aug-18	30-Jun-27
Subtotal			215.06		
Grants					
1	9015	Improving the Living Environment of the Poor in <i>Ger</i> Areas of Mongolia's Cities	2.20	07-May-02	23-Feb-08
2	9106	Community-Driven Development for Urban Poor in <i>Ger</i> Areas	1.50	02-Mar-07	09-Jul-12
3	0204	Southeast Gobi Urban and Border Town Development	15.00	19-Apr-10	26-Mar-20
4	0380	Ulaanbaatar Urban Services and <i>Ger</i> Area Development Investment Program	3.70	17-Dec-13	21-Nov-19
5	9189	Managing Soil Pollution in <i>Ger</i> Areas through Improved On-site Sanitation	2.80	10-Nov-16	30-Jun-21
6	9202	Ulaanbaatar Community Food Waste Recycling	3.00	07-Oct-19	30-Jun-24
7	9206	Managing Solid Waste in Secondary Cities	2.00	08-Jun-20	31-Dec-22
Subtotal			30.20		
Multitranches Financing Facility					
1	78	Ulaanbaatar Urban Services and <i>Ger</i> Area Development Investment Program	160.00	12-Dec-13	11-Dec-23
Subtotal			160.00		
Technical Assistance					
1	2582	Provincial Towns Basic Urban Services	0.60	07-Jun-96	30-Jun-02
2	2881	Capacity Building for the Provision 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
	3090	Institutional Strengthening of the Housing Sector	0.80	19-Oct-98	30-Sep-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	Developing 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	1.20	13-Dec-11	30-Sep-14
11	8467	Ulaanbaatar Urban Planning Improvement	1.50	01-Oct-13	31-Dec-16
12	8841	Darkhan Urban Utility Institutional Improvement Action Plan	0.40	16-Dec-14	30-Jun-17
13	9030	Ulaanbaatar Affordable Housing and Urban Renewal	1.00	10-Dec-15	28-Jan-19
14	9100	Management and Reuse of Sewage Sludge from On-site Sanitation Facilities and Decentralized Wastewater Treatment Plants	1.00	22-Apr-16	31-Jan-21
15	9421	Ulaanbaatar Pro-Poor Urban Redevelopment Support System for <i>Ger</i> Areas	0.50	06-Nov-17	03-May-21
16	9451	Preparing the <i>Aimag</i> and <i>Soum</i> Centers Regional Development Investment Program	1.50	05-Dec-17	31-Dec-21
17	9591	Green Urban Planning	0.60	18-Sep-18	31-Dec-22
18	9666	Human Settlements Development program	2.00	06-Dec-18	31-Dec-22
19	9528	Livelihood Support Demonstration in <i>Ger</i> Areas	0.60	23-May-18	27-Mar-20
20	9749	Capacity Building for Sustainable Livelihood Support in <i>Ger</i> Areas	0.66	20-Jun-19	31-May-23
21	6634	Strengthening the Institutional Capacity of Public Utility Service Organizations	0.75	04-Dec-20	31-Dec-23
22	6895	Enhancing Youth-Led Engagement for Creating an Inclusive and Livable City in Ulaanbaatar <i>Ger</i> Areas	0.75	23-Dec-21	31-Dec-22
Subtotal			17.875		
TOTAL			423.135		



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