



Mongolia

Country Progress Report on the Implementation Action Plan for the Transport and Trade Facilitation Strategy

Prepared by

**Mr. Yuebin Zhang, Regional Cooperation Specialist, EATC
Mr. Luvsanchultem Vanjildorj, CAREC Coordinator, MNRM
Mr. Tuul Badarch, Associate Project Analyst, MNRM**

22 April 2009

I. Transport and Trade Facilitation

1. Since the endorsement of the Action Plan for the Transport and Trade Facilitation Strategy (Action Plan) by the Seventh Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC) in November 2008, the Government of Mongolia (the Government) has undertaken the following to support the implementation of the Action Plan:

- (i) **National Joint Transport and Trade Facilitation Committee (NJC), or a Similar Organization.** The Mongolian National Committee for Transit Facilitation was established in 2003. In 2006 by the Government resolution No 245 the National transit facilitation committee was renamed as the NCTTF. Due to the restructuring process members have been changed in March 2009. The Committee is chaired by the Minister of Roads, Transportation, Construction and Urban Development and consists of (i) representatives from six ministries (ministries of transport, foreign affairs and trade, finance, justice and home affairs, mineral resources and energy, food and agriculture); (ii) seven other government agencies (Civil Aviation Authority, Railway Authority, State Professional Inspection Agency, Customs, Border Protection Agency, Road Transport Authority, and Road Authority); and (iii) representatives of private and business sector (Traffic Police department, Ulaanbaatar Railway Joint Venture Company, Chamber of Commerce and Industry, National Freight Forwarding Association, and National Road Transporters Association).

The NCTTF is mandated to, among others, (i) conduct and monitor the work on Mongolia's participation in international and regional transport agreements including the Transit Transport Agreement among the People's Republic of China (PRC), Mongolia, and Russia; (ii) develop policies to increase the volume of shipment and transit shipment by Mongolian roads and railways; (iii) assist in the study of application of UNESCAP Time-Cost-Distance Model; (iv) develop standards for freight terminals; (v) support the development of domestic freight door-to-door services; (vi) monitor the implementation of international/regional conventions and agreements; (vii) develop a strategy for national single electronic window; and (viii) formulate national programs for transport and trade logistics development. In addition, Mongolia also has a Trade Facilitation Committee, established by the Mongolian Chamber of Commerce and Industry and composed of representatives from both public and private sectors and NGOs.

- (ii) **Transport and Trade Facilitation Policy Reforms and Actions.** The Government has formulated a Transit Mongolia Program. The main thrusts include construction and improvement of major transport corridors and development of e-customs and single electronic window. The priority actions in 2009 are (i) start construction of Western Regional Transport Corridor (CAREC Corridor 4a) and the missing link in the central north-south road corridor (CAREC Corridor 4b); (ii) implement the Customs Modernization Project and pilot-test the Mongolia-PRC joint border control program; (iii) prepare the regional logistics development project focusing on Corridor 4b; and (iv) conduct the performance measurement and monitoring of Corridor 4b. The Asian Development Bank (ADB) will provide loan/grant/technical assistance (TA) for all of these.

II. Status of Investment and Technical Assistance Projects

2. Below are specific updates on the status of nine investment and five TA projects in Mongolia.

A. Transport

3. **Roads and Road Transport.** The Western Regional Road Corridor Development Project focusing on CAREC 4a is proceeding well. Along CAREC 4b, the existing road from Ulaanbaatar to the Russian border needs widening to meet increased traffic demand. Financing has not been identified for this project yet.

Investment Project (IP)	Status
MON IP 1: Western Regional Road Corridor Development Project (new to ongoing)	<ul style="list-style-type: none"> • Project is proceeding well. • Project consists of 2 phases and 7 packages: • ADB and Government of Mongolia financing for Phase 1 (\$112.22 million) was approved. Phase 1 consists of 4 packages: • Package 0 is being implemented under the finance of GOM. • Package 1 and 2 are financed by ADB and Government of Mongolia. • Package 3 is financed by a loan from PRC. • ADB financing for Phase 1 (\$112.22 million) was approved. • Phase I will be implemented during 2009–2011. • The Project Administration Office has been established and the selection of construction supervision engineering consultants is ongoing. • Financing plan and arrangement for Phase 2 will be determined upon approval of the ADB's Country Partnership Strategy for Mongolia.
MON IP 2: Ulaanbaatar-Russian Border Road Rehabilitation	<ul style="list-style-type: none"> • Rehabilitation and expansion of the existing road is included in the Government Action Plan. • Pre-feasibility study has been completed. • Feasibility study and a detailed design have to be carried out. • Starting date of the project is not yet identified due to funding constraints. • The southern part of CAREC 4b corridor, which has not been funded yet, may also be included in the project scope.

4. **Railways and Railway Transport.** The Modernization of Mongolia Railway Project was postponed and replaced by a railway rolling stock fleet expansion project.

Investment Project (IP)	Status
MON IP 3: Railway Rolling Stock Fleet	<ul style="list-style-type: none"> • The project will start in 2009. Preparation of

Investment Project (IP)	Status
Expansion Project (formerly Modernization of the Mongolia Railway) (new to ongoing)	bidding documents is underway. • A US\$60 million soft loan was provided by the People's Republic of China (PRC).

5. **Airports and Civil Aviation.** The two airport projects started in 2009. The new international airport (Ulaanbaatar) project is proceeding well. Upgrading of the Olgiy and Hovd airports stated in 2009. The TA has been completed. The recommended investment projects to improve regional airports will be funded by state budget.

Investment Project (IP)	Status
MON IP 4: Improvement of Olgiy and Hovd Airports (new to ongoing)	<ul style="list-style-type: none"> • The Government has allocated a total of MNT11.7 billion (US\$8.18 million equivalent) for the construction of a new paved runway at Olgiy airport. • The new paved runway at Olgiy airport will be operational in 2010. • Financing for the construction of a new or upgrading of existing passenger terminals at Hovd and Olgiy airports is yet to be determined. • Financing for the upgrading of existing runway at Hovd airport is yet to be determined.
MON IP 5: New International Airport in Ulaanbaatar (new to ongoing)	<ul style="list-style-type: none"> • Project is proceeding well. • The Loan Agreement between the Government of Mongolia and Japan International Cooperation Agency (JICA) was signed. • Selection of consultants for project implementation is ongoing. • Bidding for the selection of a civil works contractor is planned for 2009. • Actual construction will start in 2012 and planned to be finished before 2016.

Technical Assistance (TA) Project	Status
MON TA 1: Rehabilitation of Regional Airports (completed)	<ul style="list-style-type: none"> • The TA project was completed. • The TA recommended the rehabilitation and construction of airport paved runways in Altai, Zavkhan, Uvs, and Olgiy airports, which amount to about \$40 million. • The investment projects will be financed by the state budget and will be completed during 2009–2010.

B. Transport Facilitation

6. The Action Plan includes four investment and four technical assistance projects for trade facilitation in Mongolia. The investment projects seek to modernize customs and establish three free trade zones. The four technical assistance projects will develop feasibility studies for the development of a logistics park near the new international airport, Tsaganuur, and Zamyn-Uud.

Investment Project (IP)	Status
MON IP 6: Customs Modernization (ongoing)	<ul style="list-style-type: none"> • Project is proceeding well. • Project will be implemented during 2006–2010. • On 16 June 2008, ADB approved the executing agencies' request for minor changes in implementation arrangements which include (i) change of the name of Component 1 to Customs Automated Information System, and (ii) change of procurement method from national competitive bidding to international competitive bidding. • The project implementation is generally on track. • Contract for component 1 was awarded on 1 April 2009. • The bidding for component 2 is underway, and contracts are expected to be awarded by the 3rd quarter of 2009.
MON IP 7: Establishment of Altanbulag Free Trade Zone	<ul style="list-style-type: none"> • Programmed for 2010–2011. • Financing remains to be determined.
MON IP 8: Improvement of Tsaganuur Free Trade Zone	<ul style="list-style-type: none"> • Programmed for 2010–2011. • Financing remains to be determined.
MON IP 9: Establishment of Zamyn-Uud Free Trade Zone	<ul style="list-style-type: none"> • ADB's Mongolia Resident Mission is planning to initiate a variation to the consultant's contract under PPTA 7216-MON to include the task of updating the existing Zamyn-Uud Master Plan.

Technical Assistance Project	Status
MON TA 2: Ulaanbaatar Intermodal Logistics Park Feasibility Study	<ul style="list-style-type: none"> • This Project is listed for approval by ADB in 2011, according to the draft Country Partnership Strategy for Mongolia. • The Project Preparatory Technical Assistance (PPTA) may start in 2010.
MON TA 3: Development Plan for Tsaganuur Free Trade Zone	<ul style="list-style-type: none"> • Programmed for 2010. • No progress to date. • Financing remains to be determined.
MON TA 4: Comprehensive Master Plan for Development of Zamyn-Uud	<ul style="list-style-type: none"> • ADB's Mongolia Resident Mission is planning to initiate a variation to the consultant's contract

Technical Assistance Project	Status
(new to ongoing)	under PPTA 7216-MON to include the task of updating the existing Zamyn-Uud Master Plan.
MON TA 5: Regional Logistics Development (new to ongoing)	<ul style="list-style-type: none"> • ADB's PPTA work is ongoing. • ADB loan may be provided either in 2010 or 2011.

C. Corridor Performance Measurement and Monitoring Activities

7. The corridor performance measurement and monitoring (CPMM) is being piloted for CAREC Corridor 4b, with ADB assistance. Using the UNESCAP Time Cost Distance method, CPMM was conducted for rail (import, export and transit) and road (import and export) transport along the Corridor 4b. Major constraints identified include congestion at border crossings, particularly at Zamyn-Uud, the missing link of the road between Zamyn-Uud and Syanshand, less-than-satisfactory coordination among the agencies responsible for border control, and poor trade logistics infrastructure along the Corridor. CPMM for Corridor 4a will be conducted in the next phase.

8. ADB, acting as the secretariat, and the partner forwarder/carrier and logistics association(s) in each CAREC country signed a memorandum of understanding (MOU) at the Corridor Performance Measurement and Monitoring (CPMM) meeting held in Guangzhou, PRC on 23–24 February 2009. The MOU defines the roles and responsibilities of both parties and covers 1 year of CPMM activities, renewable for another year. Data collection by partner forwarder/carrier and logistics associations started in March 2009.

III. Follow-up Actions

9. The following actions are suggested to ensure the effective implementation of the Action Plan:

- (i) Strengthen NCTTF;
- (ii) Rehabilitate the road segment between Zamyn-Uud and Ulaanbaatar as soon as possible;
- (iii) Improve the logistics infrastructure along Corridor 4b;
- (iv) Accelerate the implementation of the Western Regional Road Project (Corridor 4a) and actively explore cofinancing possibilities;
- (v) Continue the second phase of CPMM for Corridor 4b, incorporating improvements identified from the pilot experience; and
- (vi) Plan CPMM for Corridor 4a, taking into consideration the progress of road construction.

Appendixes

- 1 - List of Projects in Mongolia (Appendix 1)
- 2 - Updated Project Profiles (Appendix 2)

List of Projects in Mongolia

Investment Project

- 1 MON IP 1: Western Regional Road Corridor Development Project (new to ongoing)
- 2 MON IP 2: Ulaanbaatar-Russian Border Road Rehabilitation
- 3 MON IP 3: Railway Rolling Stock Fleet Expansion Project (formerly Modernization of the Mongolia Railway) (new to ongoing)
- 4 MON IP 4: Improvement of Olgiy and Hovd Airports (new to ongoing)
- 5 MON IP 5: New International Airport in Ulaanbaatar (new to ongoing)
- 6 MON IP 6: Customs Modernization (ongoing)
- 7 MON IP 7: Establishment of Altanbulag Free Trade Zone
- 8 MON IP 8: Improvement of Tsaganuur Free Trade Zone
- 9 MON IP 9: Establishment of Zamyn-Uud Free Trade Zone

Technical Assistance Project

- 1 MON TA 1: Rehabilitation of Regional Airports (completed)
- 2 MON TA 2: Ulaanbaatar Intermodal Logistics Park Feasibility Study
- 3 MON TA 3: Development Plan for Tsaganuur Free Trade Zone
- 4 MON TA 4: Comprehensive Master Plan for Development of Zamyn-Uud (new to ongoing)
- 5 MON TA 5: Regional Logistics Development (new to ongoing)

MON IP1: Western Regional Road
Country: Mongolia
CAREC Corridor 4-a

1. Project Name: Western Regional Road Corridor Development Project Project
2. Type of Project: Road Construction and Maintenance
3. Project Location: Mongolia – Western Region
4. Sector/Subsector: Transport/Road
5. Background and Rationale: Mongolia's western region, including Bayan-Olgii, Hovd and Uvs aimags, suffers from slow development because of its remoteness from the country's political and economic centers and inadequate transport network. Roads to the region are poor and flights to the region are limited. As a result, the region lacks adequate access to jobs, markets and social services, and is poorer than other parts of Mongolia. Due to the proximity to the People's Republic of China (PRC) and the Russian Federation, Bayan-Olgii, Hovd and Uvs aimags import about 75% of their energy, foods, consumer goods and construction materials from the two countries. However, lack of paved roads results in high transport costs and long travel times, limit expansion of bilateral trade, and limited local and regional economic development. A paved road will bring economic development to the region and by constituting a new transit route between PRC and Russian Federation, will also increase economic growth in Xinjiang Uygur Autonomous Region, PRC, and West Siberia, Russian Federation.
6. Objectives: Construction of a new road corridor between PRC and Russian Federation by building a two-lane paved road between the Chinese border at Yarant to the Russian border, Ulaanbaishint, passing through Hovd and Olgii.
7. Scope: Construction of a two-lane paved road of 748 kilometer (km) between Yarant and Ulaanbaishint. Pavement will be asphalt concrete. Phase I will develop 431.2-km of road from the PRC border (Yarant) to Hovd Aimag center. Phase II will develop 316 km road from Hovd aimag center to Ulaanbaishint.
8. Estimated Cost: \$ 200 million.
9. Financing Plan and Arrangements: Funding for Phase 1 in the amount of \$112.22 million (ADB = \$37.6 million and Government = \$74.6 million) has been secured. Financing plan and arrangement for Phase 2 will be determined upon approval of the Country Partnership Strategy. The Government of Mongolia is under negotiation with PRC for a loan of about \$50 million.
10. Implementation Schedule: Phase 1 is from 2009–2011. Implementation of Phase 2 will be determined upon approval of the Country Partnership Strategy.
11. Executing Agencies: Ministry of Transport, Construction and Urban Development
12. Estimated Benefits and Beneficiaries: Economic benefits in terms of vehicle operating cost and time savings would go to domestic, international and transit traffic. Road will generate new traffic between PRC and Russian Federation and this constitutes one of the major benefits of the Project. Overall 40% of the benefits could be attributed to Mongolia with the remaining part shared equally between PRC and Russian Federation.
13. Social and Environmental Issues: Overall, the road will bring positive social benefits. There are a few environmental concerns which will be taken into account during construction.
14. Priority of Project: High
15. Project Status: Phase 1 is ongoing. The Project Implementation Unit has been established and the selection of construction supervision engineering consultants is ongoing.
16. Follow Up Actions Required: Start detailed design and construction of Phase 1. Phase 2 was proposed for ADB financing in 2010.
17. Issues/Constraints:
18. PPP/PSP Opportunities: Promote the regional transport of freight and passengers via the Western Road Corridor.

MON IP2: Ulaanbaatar–Russian Border Road Rehabilitation

Country: Mongolia

CAREC Corridor 4-b

1. Project Name: Ulaan Bataar – Russian Border Road Rehabilitation
2. Type of Project: Road Rehabilitation
3. Project Location: Mongolia, Ulaanbaatar-Darkhan-Altanbulag Road, Corridor 4-b
4. Sector/Subsector: Transport/Roads
5. Background and Rationale: With financing from an ADB loan, the construction of 312 kilometers (km) of paved road from Ulaanbaatar to Altanbulag was completed in July 2000. The width of the road pavement is 6 meters (m), and the width of the carriageway is 9 m. This road forms the northern part of CAREC corridor 4-b. Traffic volume on the Ulaanbaatar-Darkhan-Altanbulag Road has increased dramatically since its completion. This traffic volume is anticipated to further increase after completion of the road construction from Ulaanbaatar to Zamyn-Uud, which will bring additional local and international transit traffic. Therefore, it is necessary to widen the existing road pavement to meet the demand and international standards. The proposed Project supports Mongolia's priority development plan.
6. Objectives: The objectives of this Project are to improve the existing road which is an international road link and improve the traffic safety to meet increased traffic demand. Additionally, the Government of Mongolia aims to: (i) establish connections with international ports/international markets; (ii) connect local areas with development potential; (iii) connect areas warranting development efforts; and (iv) improve connectivity between aimag centers in the main economic regions, all of which will be served through improvements to CAREC 4-b.
7. Scope: Widen pavement to 7.5 m and increase the load bearing capacity to support the large number of heavy trucks that use this highway. Total length of proposed road for reconstruction is 345 km and design standard is Asian Highway standard Class II. The southern part of CAREC 4b corridor may also be included in the project scope.
8. Estimated cost: US\$120 million
9. Financing Plan and Arrangements: Project cost for reconstruction is \$120.7 million. The Government of Mongolia is seeking financiers.
10. Implementation Schedule: Implementation schedule will be determined after identifying a financier(s). Due to the urgency of the Project, the implementation is tentatively scheduled for 2010–2013.
11. Executing Agencies: The Road Supervision and Research Center of the Department of Roads, though a Project Implementation Unit, will be the Implementing Agency responsible for the Project road under the Ministry of Transport, Construction, and Urban Development.
12. Estimated Benefits and Beneficiaries: The Project will directly benefit road users, including passengers, traders, and transport providers, as well as local economies and labor. The environment of the country will be improved through a reduction of dust generated by vehicles traveling over narrow road. The impact of the Project will be the promotion of regional transport of freight and passengers via the main vertical corridor and increased economic development, trade and job creation.
13. Social and Environmental Issues: Expected widening of the roadway 1.5 m is well within the existing right-of-way. Thus, there are no foreseen social and environmental issues.
14. Priority of Project: High.
15. Project Status: Rehabilitation and expansion of the existing road is included in the Government's Action Plan. Pre-feasibility study has been completed. The southern part of CAREC 4b corridor, which has not been funded yet, may also be included in the project scope.
16. Follow up Actions Required: Feasibility study and financing secured.
17. Issues/Constraints:
18. PSP Opportunities: Construction and maintenance.

MON IP 3: Railway Rolling Stock Fleet Expansion Project
Country: Mongolia
CAREC Corridor: 4-b

1. Project Name: Railway Rolling Stock Fleet Expansion Project
2. Type of Project:
3. Project Location:
4. Sector/Subsector: Transport/ Railways
5. Background and Rationale: The Mongolian railway is the primary freight hauler and in some areas, a major transporter of passengers, in the country. Rolling stock is outdated and inefficient.
6. Objectives: Upgrade railway operations.
7. Scope: Purchase of railway rolling stock
8. Estimated cost: US\$60 million
9. Financing Plan and Arrangements: A US\$60 million soft loan was provided by the People's Republic of China (PRC).
10. Implementation Schedule: 2009-2013
11. Executing Agencies:
12. Estimated Benefits and Beneficiaries:
13. Social and Environmental Issues:
14. Priority of Project:
15. Project Status: Preparation of bidding documents is underway.
16. Follow up Actions Required:
17. Issues/Constraints:
18. PSP Opportunities:

MON IP4: Improvement of Olgiy and Hovd Airports

Country: Mongolia

CAREC Corridor 4-a

1. Project Name: Improvement of Olgiy and Hovd International Airports
2. Type of Project: Airport improvement
3. Project Location: Bayan-Olgii and Hovd, Western Mongolia
4. Sector/Subsector: Transport/Airports
5. Background and Rationale: The aviation infrastructure within Mongolia, particularly airport infrastructure, is relatively underdeveloped. The majority of the runways are not paved, airfield lighting is inadequate, and passenger capacity is limited. These constraints are evident in the western Region, resulting in limited capability to provide adequate air services for a widely dispersed population. The Kazakh airline – “Skat” operates weekly Almaty – Ust Kamenogorsk – Olgiy flights connecting Olgiy with Kazakhstan. The schedule is expected to increase to 2 flights per week during summer season. There are also regular flights to Ulaanbaatar. Hovd is an important regional center in Western Mongolia. The Government of Mongolia made a decision to upgrade the Hovd airport in order to handle international air operations and to establish at the airport the services of the border regulatory agencies. The airlines are preparing to open new international air operations between Hovd and Urumqi, the People's Republic of China. Passenger traffic has been increasing and in order to meet local and international demand, expansion of the Olgiy and Hovd airports is necessary. The Mongolian government has approved the rehabilitation of Olgiy and Hovd airports.
6. Objectives: Upgrade Olgiy airport so it can accept jet aircraft like AH-24 and aircraft Fokker-100 and Boeing 737.
7. Scope: The rehabilitation will include runway, airplane parking and navigation system improvements, upgrading the passenger terminals, as well as security enhancement.
8. Estimated Cost: \$20 –25 million
9. Financing Plan and Arrangements: The Government has allocated from its development fund MNT11.7 billion for the construction of a new airport runway in Olgiy city by 2010. Financing for the construction of a new international airport in Hovd city is yet to be determined.
10. Implementation Schedule: Ongoing to 2010.
11. Executing Agencies: The Civil Aviation Authority of Mongolia will be the implementing Agency responsible for operation of the new airport, under the Ministry of Roads, Transport and Tourism (MRTT).
12. Estimated Benefits and Beneficiaries: The expected results of the Project are (i) improved access to and from Hovd and Olgiy and other areas of Mongolia to/from CAREC countries as well as domestic locations, (ii) increased ability of the airport to handle passengers, (iii) promotion of economic ties among CAREC countries (iv) contribution to Western Region's economic development through the creation of new jobs in the aviation and service sectors, and (v) increased air traffic volumes at the airports, thereby raising revenue, and a reduction in geographic isolation.
13. Social and Environmental Issues: The social and environmental issues will be assessed during the feasibility study phase.
14. Priority of Project: High
15. Project Status: Project is included in the National Development Strategy that was approved by Parliament in February 2008.
16. Follow Up Actions Required: Secure financing for the construction of a new or upgrading of existing passenger terminals at Hovd and Olgiy airports, secure financing for the upgrading of existing runway at Hovd airport, and prepare a feasibility study and detailed design.
17. Issues/Constraints:
18. PSP Opportunities: Airport services offer concession opportunities.

MON IP5: New International Airport in Ulaanbaatar
Country: Mongolia
CAREC Corridor 4-b

1. Project Name: New International Airport in Ulaanbaatar
2. Type of Project: Construction of new international airport
3. Project Location: Mongolia – Ulaanbaatar
4. Sector/Subsector: Transport/Airports
5. Background and Rationale: The Project is located in about 50 km outside the capital city of Ulaanbaatar, in the Khoshigt Valley. It will be designed to replace Mongolia's existing international airport that is located closer to the city, but faces challenges due to surrounding topography and capacity constraints. The existing airport currently has the capacity for 500,000 – 600,000 passengers per year, while the new airport will be designed to accommodate up to 1.6 million passengers per year. It will facilitate the travel of passengers into and out of Mongolia from international destinations and more effectively link Ulaanbaatar to other “ <i>aimag</i> ” centers throughout the country. Most importantly, the new airport will enable bi-directional landings and take-offs, which the existing airport cannot provide because of topography. This greatly affects flights during the frequently difficult weather.
6. Objectives: The construction of the new airport in Ulaanbaatar is a priority for the government. It is listed in the National Development Strategy for 2007–2021, along with the further development of aviation infrastructure and developing the competitiveness of the Mongolian aviation subsector, particularly within international markets, and increasing the overall number of domestic and international flights. The construction of the new airport will allow Mongolia to expand its regional ties with other CAREC countries, as well as further connect isolated areas within Mongolia, both of which will assist in fulfilling the goals of the National Development Strategy.
7. Scope: The main airport facility will have the designed capacity for 1.6 million passengers per year, other components may include: (i) multiple runways; (ii) improvements to the air navigation system to allow for improved airspace safety and overflights; and (iii) a newly constructed paved road linking Ulaanbaatar to the new airport location.
8. Estimated Cost: About \$320 million equivalent.
9. Financing Plan and Arrangements: \$288 million equivalent loan from Japan International Cooperation Agency.
10. Implementation Schedule: Ongoing to 2016..
11. Executing Agencies: The Civil Aviation Authority of Mongolia will be the Implementing Agency responsible for operation of the new airport, under the Ministry of Roads, Transport and Tourism (MRTT).
12. Estimated Benefits and Beneficiaries: The expected results of the Project, in addition to the significant improvement of safety and operational capacity, are (i) improved access to and from Ulaanbaatar to/from international and domestic locations, (ii) increased ability of the international airport to handle passengers, (iii) reduced noise pollution within Ulaanbaatar city, and (iv) increased air traffic volumes at Ulaanbaatar airport, thereby raising revenue.
13. Social and Environmental Issues:
14. Priority of Project: High
15. Project Status: The Government and JICA signed the loan agreement and the selection of consultants for detailed design is ongoing. Bidding for the selection of a civil works contractor is planned for 2011. Actual construction starts in 2012.
16. Follow Up Actions Required:
17. Issues/Constraints:
18. PPP/PSP Opportunities: Opportunities will exist for the private sector for management of new terminal and for a range of services when airport is completed.

MON IP6: Customs Modernization
COUNTRY: MONGOLIA

1. Project Name: Customs Modernization
2. Type of Project: Investment project
3. Project Location: Mongolia
4. Sector/Subsector: Trade facilitation
5. Background and Rationale: The Project reflects the Government's efforts to promote trade and improve the investment climate through customs reforms and modernization. It is in line with Mongolia's accession to the revised Kyoto Convention.
6. Objectives: The Project aims to increase the volume and facilitate the smooth flow of Mongolia's external trade by financing three components.
7. Scope: The project covers (i) customs automated information system; (ii) improvement of infrastructure at major customs houses and customs border posts; and (iii) institutional strengthening.
8. Estimated Cost: \$6.76 million
9. Financing Plan and Arrangements: \$5.5 million was financed by ADB through loan and \$500,000 grant from the Republic of Korea's e-Asia Knowledge and Partnership Fund. The rest was funded by the Government.
10. Implementation Schedule: Ongoing to 2010
11. Executing Agencies: Ministry of Finance
12. Estimated Benefits and Beneficiaries: It will strengthen implementation of continuing customs legal reforms and business process re-engineering Mongolia.
13. Social and Environmental Issues:
14. Priority of Project: High
15. Project Status: Ongoing. The project implementation is generally on track. The bidding process for components 1 and 2 are under way. Contracts for component 1 were awarded in April 2009 and that for component 2 is expected to be awarded by the 3 rd quarter of 2009.
16. Follow up Actions Required: Monitor project implementation.
17. Issues/Constraints:
18. Public-Private Sector/Private Sector Participation Opportunities (PPP/PSP):

MON IP7: Establishment of Altanbulag Free Trade Zone

Country: Mongolia

CAREC Corridor 4-b

1. Project Name: Establishment of Altanbulag Free Trade Zone
2. Type of Project: Construction of Free Trade Zone (FTZ)
3. Project Location: Mongolia/Russian Federation Border—25 kilometers (km) from Sukhbaatar City, 335 km from Ulaanbaatar
4. Sector/Subsector: Trade Facilitation/Logistics
5. Background and Rationale: Located 25 km from Sukhbaatar City, 30 km from Sukhbaatar Rail Station and only 5 km from the Russian Khyakt border station, the 500 hectares Altanbulag FTZ is ideal for companies involved in international trade, import, export and warehousing. The Mongolian Law creating Altanbulag FTZ allows goods to be brought into Altanbulag FTZ free of customs duty, value added tax and excise tax for manufacturing and processing. The Law also grants companies located in the zone special tax incentives, including tax exemptions and deductions. Mongolia's commitment to regional cooperation and integration has generated impressive trade growth with PRC and the Russian Federation. Altanbulag FTZ lies on the CAREC corridor 4-b, an important transport corridor linking PRC, Mongolia, and Russian Federation. Trade expansion requires further establishment and expansion of the FTZ.
6. Objectives: Take advantage of location on CAREC Corridor 4-b, an important transport corridor linking PRC, Mongolia, and the Russian Federation, to develop the Zone into a major trade, commerce, industry and service center in Northern Mongolia.
7. Scope In order to support the development of the Altanbulag FTZ, the Project will: <ul style="list-style-type: none"> • Construct an AH Class II road linking the Zone to Altanbulag and the construction of a 30 km rail spur connecting the Zone to Sukhbaatar Rail Station; • Prepare the land for immediate construction, with full legal entitlement, utilities in place; and • Create an effective mechanism to market Altanbulag FTZ to trading, manufacturing and processing companies as well as investors.
8. Estimated Cost: US\$90 million
9. Financing Plan and Arrangements: To be determined.
10. Implementation Schedule: Construction of new road and new spur rail line to be completed by 2011.
11. Executing Agencies: Altanbulag Free Trade Zone Authority
12. Estimated Benefits and Beneficiaries: Altanbulag FTZ will provide new job opportunities. Its success would encourage the development of additional businesses such as restaurants, hotels and auto service stations and more importantly attract investors (foreign and local) in the manufacturing sector.
13. Social and Environmental Issues:
14. Priority of Project: High
15. Project Status: The Laws governing Altanbulag FTZ has already been set up by Mongolian Parliament. As of February 2008, it has received over 50 inquiries from Chinese, Japanese, Korean and Russian companies, with 38 contracts signed.
16. Follow Up Actions Required: Secure financing.
17. Issues/Constraints: Financing.
18. PSP Opportunities: Construction and then investors in logistics, services, and manufacturing.

MON IP8: Improvement of Tsaganuur Free Trade Zone

Country: Mongolia

CAREC Corridor 4-a

1. Project Name: Improvement of Tsaganuur Free Trade Zone
2. Type of Project: Free Trade Zone Development
3. Project Location: The Tsaganuur Free Trade Zone (FTZ) is located 68 kilometers (km) away from Bayan-Olgii, the provincial capital, and about 1,720 km away from Ulaanbaatar. The Zone is on CAREC Corridor 4-a, about 32 km away from the Russian Federation border and 250 km from the Chinese border.
4. Sector/Subsector: Trade Facilitation/Logistics
<p>5. Background and Rationale: Since joining World Trade Organization (WTO) in 1997, Mongolia has substantially liberalized its trade regime, applying low tariffs, no quantitative restrictions and no export subsidies. The Government has also undertaken a number of measures directed towards attracting foreign direct investment, refining and aligning trade laws with WTO rules and obligations. Mongolia's commitment to regional cooperation and integration has generated impressive trade growth with PRC and Russian Federation and attracted substantial investment from PRC, Canada, US, Japan, and Korea.</p> <p>The Tsaganuur FTZ was established in November 2005 to accelerate the development of the western region of Mongolia. The FTZ is about 708.4 hectares in size and is on flat land covered with pebble and rocky soil. The Mongolian Law creating Tsaganuur FTZ allows goods to be brought into Tsaganuur FTZ free of customs duty, value added tax and excise tax for manufacturing and processing. The Law also grants companies located in the zone special tax incentives, including tax exemptions and deductions.</p> <p>Since its establishment, economic development has been slow and measures are required to turn the Zone into a success initiative.</p>
6. Objectives: Improve and expand the FTZ with the provision of additional services.
<p>7. Scope: The Project will:</p> <ul style="list-style-type: none"> • Prepare the land for immediate development—with full legal entitlement, utilities in place; • Build warehouses and depots for storage and transshipment; and • Create an effective mechanism to market Tsaganuur FTZ to trading, manufacturing and processing companies as well as investors.
8. Estimated Cost: US\$30 million
9. Financing Plan and Arrangements: To be determined.
10. Implementation Schedule: 2010–2011
11. Executing Agencies: Tsaganuur Free Trade Zone
12. Estimated Benefits and Beneficiaries: Tsaganuur FTZ will provide new job opportunities. Its success would encourage the development of additional businesses such as restaurants, hotels and auto service stations and more importantly attract investors (foreign and local) in the manufacturing sector.
13. Social and Environmental Issues:
14. Priority of Project: High
15. Project Status: In 2002–2003, the Mongolian Parliament approved laws on Tsaganuur Free Trade Zone.
16. Follow Up Actions Required: Identification of financing sources.
17. Issues/Constraints: Securing funding and investors.
18. PSP Opportunities: Construction and investments in logistics, manufacturing, and services.

MON IP9: Establishment of Zamyn-Uud Free Economic Zone
Country: Mongolia
CAREC Corridor 4-b

1. Project Name: Establishment of Zamyn-Uud Free Economic Zone
2. Type of Project: Free Economic Zone Development
3. Project Location: Mongolia/PRC Border – South of the City of Zamyn-Uud
4. Sector/Subsector: Mainly Trade Facilitation/Logistics
<p>5. Background and Rationale: Located next to the border town of Zamyn-Uud , and only 8 km from the booming Chinese border town of Erlian, the 900 hectares Zamyn-Uud Free Economic Zone (ZUFEZ) is an excellent location for commerce, industry and tourism. The Mongolian Law creating ZUFEZ bestowed the zone special status. It allows goods to be brought into ZUFEZ free of customs duty, value added tax and excise tax for manufacturing and processing. The Law also grants companies located in the zone special tax incentives, including tax exemptions and deductions.</p> <p>Mongolia's commitment to regional cooperation and integration has generated impressive trade growth with PRC and Russian Federation. Situated 780 km from Ulaanbaatar, capital of Mongolia and 230 km from Sainshand, the center of Dornogobi Province, ZUFEZ lies right on the CAREC corridor 4-b, an important transport corridor linking PRC, Mongolia and Russian Federation.</p>
6. Objectives: Develop ZUFEZ into a major commercial, industrial and tourism hub in the area, providing residents of the Dornogobi Province with jobs and economic opportunities.
7. Scope: The Project will: (i) prepare the land for immediate development with full legal entitlement, utilities in place, and (ii) create an effective mechanism to market ZUFEZ to trading, manufacturing, processing and tourism companies as well as investors.
8. Estimated Cost: US\$100 million
9. Financing Plan and Arrangements: National budget and assistance from multi-lateral institutions
10. Implementation Schedule: Construction to be completed by 2015.
11. Executing Agencies: Zamyn-Uud Free Economic Zone
<p>12. Estimated Benefits and Beneficiaries: ZUFEZ's success would positively impact the development of further services such as restaurants, hotels and auto service stations, to bring even more jobs and higher income to the area.</p> <p>The expected results of the Project, at a minimum, are (i) promotion of economic development in the region, (ii) creation of new jobs, (iii) development of CAREC Corridor 4 b from a transportation corridor to an economic corridor</p>
13. Social and Environmental Issues: Due to the sparse populations in the area, is unlikely that there will be the need to resettle any families or move any existing structures.
14. Priority of Project: High
15. Project Status: The Mongolian Parliament initiated the ZUFEZ in 1995 under "The concept for establishing a Free Economic Zone". "The Law of Mongolia on the Free Economic Zone" was adopted in 2002. "Law of the Legal Status of Zamyn-Uud Free Economic Zone" was adopted in 2003.
16. Follow Up Actions Required: Secure financing
17. Issues/Constraints: Financing.
18. PSP Opportunities: Construction and investors in logistics, services, and manufacturing.

MON TA2: Ulaanbaatar Intermodal Logistics Park Feasibility Study
COUNTRY: MONGOLIA
CAREC Corridor 4-B

1. Project Name: Ulaanbaatar Intermodal Logistics Park Feasibility Study
2. Type of Project: Creation of a new intermodal logistics park in proximity of the New Ulaanbaatar International Airport
3. Project Location: Mongolia—around 45 kilometers (km) from Ulaanbaatar City in Koshigiin Khondii, near Zuunmod City
4. Sector/Subsector: Transport/Trade Facilitation/Logistics
<p>5. Background and Rationale: Mongolia's intermodal transportation sector is growing rapidly. More and more cargos are shipped to Ulaanbaatar in containers. Upon train arrival, cargo containers must be distributed to forwarders dispersed all around Ulaanbaatar city, causing congestion, delays and pollution. The existing container distribution scheme is inefficient, costly and time consuming—adversely impacting not just the Mongolian Railway (MTZ), but also forwarders and cargo owners.</p> <p>There will be many advantages to creating a modern intermodal logistics park to be used by forwarders, motor carriers, warehousing companies, distributors, wholesalers and processing industries including packaging. This will enable MTZ to deliver containers to or pick up containers from Ulaanbaatar's forwarders in a single centralized location. Container delivery can potentially be done trackside by running a new rail line into the logistics park (most efficient) or by shuttling from existing rail terminal to a single common staging area within the park. Mongolian Customs will have an office inside the park for its officers to process documents, conduct container examination.</p> <p>The Ulaanbaatar Intermodal Logistics Park's close proximity to the New Ulaanbaatar International Airport will also facilitate aviation fuel delivery and enhance the forwarders' ability to provide air-linked intermodal logistics services.</p>
6. Objectives: The main objective is to assist the Government in preparing a project suitable for external financing including the private sector.
7. Scope: TA will prepare a feasibility study on the Project including interviews with potential users (freight forwarders, motor carriers, MTZ, warehousing companies, wholesalers, distributors, processing companies, showroom operators, etc), real estate developers, shippers and receivers, UB Chamber of Commerce, government agencies (Ministry of Transport, Construction, and Urban Development, Ministry of Finance, Customs General Administration, etc), other stakeholders (local government, transport and logistics trade associations, NGOs, multilateral organizations, etc).
8. Estimated Cost: US\$850,000
9. Financing Plan and Arrangements: To be determined
10. Implementation Schedule: 2010
11. Executing Agencies: Ministry of Roads, Transport, and Tourism (MRTT) could act as the executing agency.
12. Estimated Benefits and Beneficiaries:
13. Social and Environmental Issues: Appropriate social and environmental due diligence is needed.
14. Priority of Project: High
15. Project Status: As per the draft Country Partnership Strategy, this project is listed for approval by ADB in 2011. The Project Preparatory Technical Assistance (PPTA) may start in 2010. MRTT have expressed support for undertaking this study.
16. Follow Up Actions Required:
17. Issues/Constraints: To be determined by the Feasibility Study.
18. PSP Opportunities: Private investors in logistics and associated services.

MON TA3: Development Plan for Tsagaanur Free Trade Zone
COUNTRY: MONGOLIA
CAREC Corridor 4-A

1. Project Name: Development Plan for Tsagaanur Free Trade Zone
2. Type of Project: Feasibility study
3. Project Location: The Tsagaanur Free Trade Zone (FTZ) is located 68 kilometers (km) away from Olgiy and about 1,720 km away from Ulaanbaatar. The Zone is on CAREC Corridor 4-a, about 32 km away from the Russian border and 250 km from the Chinese border.
4. Sector/Subsector: Trade Facilitation/Logistics
Background and Rationale: Since joining the World Trade Organization (WTO) in 1997, Mongolia has substantially liberalized its trade regime, applying low tariffs, no quantitative restrictions and no export subsidies. The Government has also undertaken a number of measures directed towards attracting foreign direct investment, refining and aligning trade laws with WTO rules and obligations. Mongolia's commitment to regional cooperation and integration has generated impressive trade growth with PRC and Russia and attracted substantial investment from PRC, Canada, US, Japan, and Korea. The Tsagaanur FTZ was established in November 2005 to accelerate the development of the western region of Mongolia. The FTZ is about 708.4 hectares in size and is on flat land covered with pebble and rocky soil. The Mongolian Law creating the Tsagaanur FTZ allows goods to be brought into the Tsagaanur FTZ free of customs duty, value added tax and excise tax for manufacturing and processing. The Law also grants companies located in the FTZ special tax incentives, including tax exemptions and deductions. Since its establishment, economic development has been slow and measures are required to turn the FTZ into a success initiative and this is why a feasibility study is required.
6. Objectives: The main objective is to assist the Government in preparing a project suitable for external financing including the private sector.
7. Scope: TA will prepare a feasibility study with EIA. The present situation at the Tsagaanur Free Trade Zone will be reviewed.
8. Estimated Cost: US\$ 300,000
9. Financing Plan and Arrangements: To be determined
10. Implementation Schedule: 2010
11. Executing Agencies: Tsagaanur Free Trade Zone Authority
12. Estimated Benefits and Beneficiaries: Feasibility will help to justify expansion of the Tsagaanur FTZ. This expansion will provide new job opportunities. Its success would encourage the development of additional businesses such as restaurants, hotels and auto service stations and more importantly attract investors (foreign and local) in the manufacturing sector contributing to economic growth.
13. Social and Environmental Issues: Appropriate social and environmental due diligence is needed.
14. Priority of Project: High
15. Project Status: Proposed by the Government
16. Follow Up Actions Required: Identification of financing sources.
17. Issues/Constraints: Securing funding.
18. PSP Opportunities: Private investors in logistics and associated services.

MON TA4: Comprehensive Master Plan for Development of Zamyn-Uud
Country: Mongolia
CAREC Corridor 4-b

1. Project Name: Comprehensive Master Plan for Development of Zamyn-Uud
2. Type of Project: Feasibility and planning study
3. Project Location: Zamyn-Uud Sum, at the Mongolia/PRC Border
4. Sector/Subsector: Transport/Trade Facilitation/Logistics
5. Background and Rationale: Zamyn-Uud Sum is on CAREC corridor 4-b. The average daily traffic passing through the Zamyn-Uud Border road has surged to 300 trucks and 1,350 cars per day. In the last 3 years, passenger traffic has grown from 3,000/day in 2004 to 5,500/day in 2007, with some days reaching 7,000/day. This growth has placed tremendous strain on the existing infrastructure. Surge in rail and road traffic has already caused high congestion and bottlenecks. Future development of the Zamyn-Uud Free Economic Zone (ZUFEZ) will generate additional traffic from goods moving in and out of the zone. In addition, economic growth will attract population migration into Zamyn-Uud Sum and will create even more strain on the existing infrastructure. Sustaining this growth requires a comprehensive master plan for the development of Zamyn-Uud Sum—addressing the needs of the town of Zamyn-Uud; Mongolian Railway; Ministry of Roads, Transport and Tourism; Mongolian Customs; Border Control; and the ZUFEZ, as well as shippers, receivers, carriers, forwarders and customs brokers in a holistic manner.
6. Objectives: The main objective is to assist the Government in preparing a comprehensive development plan for the development of Zamyn-Uud Sum suitable for external financing including the private sector.
7. Scope: The technical assistance (TA) will prepare a comprehensive development plan for the development of Zamyn-Uud Sum, including (i) urban planning for town of Zamyn-Uud to accommodate economic and population growth; (ii) rail infrastructure improvements, including capacity increase of Zamyn-Uud station, addition of new rail routes; (iii) road infrastructure improvement, including adding lanes at the border truck staging area, increasing the number of lanes for customs cargo inspection, design and placement of feeder roads to and from Zamyn-Uud town and ZUFEZ; (iv) Customs and border control infrastructure improvement, including increase in the size and efficiency of border facilities; (v) application of smart transport technologies in managing traffic within Zamyn-Uud Sum, with the intention to improve interface between Zamyn-Uud BCP, ZUFEZ and Zamyn-Uud town; (vi) assessments of social, health and environmental impacts; and (vii) recommendations on specific industries that ZUFEZ should target.
8. Estimated Cost: \$700,000
9. Financing Plan and Arrangements: Asian Development Bank
10. Implementation Schedule: 2009
11. Executing Agencies: Ministry of Finance
12. Estimated Benefits and Beneficiaries: Proper planning will reduce cost of doing business in the busiest cross border town of Mongolia: Zamyn-Uud.
13. Social and Environmental Issues:
14. Priority of Project: High
15. Project Status: ADB's Mongolia Resident Mission is planning to initiate a variation to the consultant's contract under PPTA 7216-MON to include the task of updating the existing Zamyn-Uud Master Plan, although the update will be comprehensive.
16. Follow up Actions Required: Approval and funding for the technical assistance.
17. Issues/Constraints:
18. PSP Opportunities: Private investors in logistics and associated services.

MON TA5: Regional Logistics Development**Country: Mongolia****CAREC Corridor: 4**

1. Project Name: Regional Logistics Development
2. Type of Project: Project preparatory study
3. Project Location: Mongolia
4. Sector/Subsector: Trade Facilitation/Logistics
5. Background and Rationale: In recent years, trade flows have been reoriented from the Russian Federation and most imports (over 80%) now come from the People's Republic of China (PRC), through the Zamyn-Uud border point in the southeast of Mongolia. The bulk of Mongolia's exports also travel through Zamyn-Uud en route to Tianjin port, the only port in the PRC available to Mongolia for international trade.
6. Objectives: To prepare a national strategy for promoting multimodal transport in Mongolia and to identify the scope of the multimodal facility to be developed at Zamyn-Uud .
7. Scope: Component 1 will prepare a national strategy for promoting multimodal transport in Mongolia. Component 2 will identify the scope of the multimodal facility to be developed at Zamyn-Uud , including the specific components to be financed by the Asian Development Bank (ADB) and the Government.
8. Estimated Cost: \$500,000
9. Financing Plan and Arrangements: ADB approved a grant of \$400,000 while the Government will finance the equivalent of \$100,000, through the provision of office accommodation and counterpart staff required to implement the TA
10. Implementation Schedule: Ongoing to 2009
11. Executing Agencies: Ministry of Transport, Construction, and Urban Development
12. Estimated Benefits and Beneficiaries:
13. Social and Environmental Issues:
14. Priority of Project: High
15. Project Status: Ongoing. The loan approval for the ensuing project by ADB may be postponed from 2009 to 2010 or 2011.
16. Follow up Actions Required:
17. Issues/Constraints:
18. PSP Opportunities: