



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 20-May-2022 | Report No: PIDA34147



BASIC INFORMATION

A. Basic Project Data

Country Mongolia	Project ID P179043	Project Name Ulaanbaatar Sustainable Urban Transport Project Additional Financing	Parent Project ID (if any) P174007
Parent Project Name Ulaanbaatar Sustainable Urban Transport Project	Region EAST ASIA AND PACIFIC	Estimated Appraisal Date 24-May-2022	Estimated Board Date 14-Jun-2022
Practice Area (Lead) Transport	Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Municipality of Ulaanbaatar

Proposed Development Objective(s) Parent

The Project Development Objectives are to develop a comprehensive framework for sustainable urban mobility in Ulaanbaatar, and to reduce congestion, improve road safety, and address climate resilience on selected transport corridors.

Components

- Integrated Corridors
- Sustainable Public Transport System
- Effective Institutions for Transport Planning and Management
- Contingent Emergency Response

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	2.70
Total Financing	2.70
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	2.70
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Korea WB Partnership Facility

2.70

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

The Country Director authorized the team to proceed with appraisal and negotiation (reference: Decision Review package of the project on May 19, 2022).

B. Introduction and Context

Country Context

1. Mongolia is a landlocked, lower-middle-income country with growth potential owing, in part, to its rich mineral resource endowment. The country's economy experienced rapid yet volatile – extremely susceptible to external shocks - growth over the last 15 years, creating a wave of economic prosperity across the country with large investments in its infrastructure and increased support in social services. The poverty rate¹ dropped between 2010 and 2018 from 38 to 28 percent but remains high. Currently, around 42 percent of the poor in Mongolia live in Ulaanbaatar.² During the COVID-19 pandemic, the country's economy contracted over 4 percent in 2020. In response, the government had unveiled several rounds of stimulus measures, including the "100 trillion" program³, but economic growth remained modest in 2021, reaching 1.4 percent only. Over the medium-term, however, economic growth is expected to accelerate to above 6 percent in 2023-24, as the underground phase of a large mine becomes operational during year 2023. However, a new wave of economic shocks⁴ caused by the Russia-Ukraine war of 2022 threaten the country's economic recovery.

2. To reduce its high dependency to mineral resources and achieve sustainable economic growth, the Government of Mongolia (GoM) has set an agenda to diversify its economy. Nevertheless, infrastructure inadequacy (including transport) inhibited the competitiveness of selected sectors such as agriculture, trade, and tourism. Moreover, Ulaanbaatar being the most populous city in Mongolia, it faces urban transport challenges that also significantly affect the country's economic productivity. Hence, the recent Mongolia

¹ As calculated using the national poverty line.

http://www.rilsp.gov.mn/upload/2018/argazui/Yduurliin_Undsen_Uzuuleltuudijg_Tootsoh_Argachlal.pdf.

² National Statistics Office, 2020

³ The New Recovery Policy envisages 94 projects worth MNT 100 trillion (US\$33 billion equivalent) to strengthen six pillars.

⁴ Disruptions in import and export due to disruptions in international payments (Mongolian banks use Russian banks for payment transfers); Limitation on oil and other household imports; Disruptions in imports logistics from European countries that transit through Russia; etc.



InfraSAP study⁵ suggested five strategic infrastructure interventions to promote the diversification of the economy, which include urban mobility infrastructure improvements.

3. Rapid rural-urban migration over the past two decades has challenged municipal service delivery in the capital city of Ulaanbaatar—Mongolia’s economic, financial, and political center. The rapid and unorganized expansion of the city and the weak fiscal capacity of the municipality have resulted in a number of urban management challenges, including insufficient expansion of municipal infrastructure and services to the growing ger areas of the city, inadequate provision of public services, and poor municipal asset management. This has resulted in increased inequality of access to services and infrastructure, where the poor have been particularly at a disadvantage.

Sectoral and Institutional Context

4. Increased economic activities and a sustained rate of migration from rural areas have led to significant increases in demand for urban transit in the city. Development of transport infrastructure and services in Ulaanbaatar have not been able to keep up with this increase in transport demand⁶. The slowly expanding road network in the city, financed by both the state budget and other international financiers, is in poor conditions and is quickly deteriorating due to insufficient maintenance, repair, and resilient management practices. The bus public transport service is unreliable, uncomfortable, and lacks coverage in the city’s peripheral, lower-income areas. Traffic is heavily congested and traffic management is archaic and inefficient. Moreover, the city’s unregulated vehicle parking contributes to both increased congestion and poor road safety, especially the vulnerable road users including pedestrians and bicyclists.

5. At the governance level, the urban transport sector lacks a strategic vision and a comprehensive development approach. Investment decisions are fragmented and the MUB lacks a systematic prioritization process for urban transport investments. This is particularly important, given that the sector faces an enormous funding and financing gap. For example, it has been estimated that approximately USD 300 million investment is required to bring up 90% MUB’s road network to “good” conditions with repair and maintenance from its current state. Yet, the budget allocation for repair and maintenance of roads amounted less than USD 1 million in 2019 and the total capital investment from the municipal budget amounted to USD 35 million in road development. The public transport sector subsidies alone comprised approximately 27 percent of the total municipal variable budget, as of 2019.

6. Amongst others, alleviating traffic congestion has been one of the top priorities of both the central and municipal governments in the recent years. The government has responded to increasing congestion with infrastructure expansion investments and plans (unrealized) for mass transit systems such as light rail, bus rapid transit, and cable cars. However, soft measures to enhance the efficiency of the existing road network, through better traffic management with the use of intelligent transport systems (ITS) and through better road space management with effective parking regulation have not yet been implemented. The proposed AF will finance

⁵ World Bank, *Mongolia InfraSAP: Infrastructure for Connectivity and Economic Diversification*, November 2020).

⁶ Ulaanbaatar already has a relatively high motorization rate (392 registered motor vehicles per 1,000 people as of 2019) compared to its peer cities with similar income levels.



activities targeting capacity building and investment implementation of these two areas: ITS and Parking management.

C. Proposed Development Objective(s)

Original PDO

The Project Development Objectives are to develop a comprehensive framework for sustainable urban mobility in Ulaanbaatar, and to reduce congestion, improve road safety, and address climate resilience on selected transport corridors.

Current PDO

Same as original PDO.

Key Results

7. The project has less than twelve months implementation: it was approved on June 23, 2021, but the team gets RVP's approval to proceed with the Additional Financing on April 9, 2022. The project was declared effective on February 18, 2022, after meeting all effectiveness conditions: the project's Subsidiary Agreement between the Borrower and the Project Implementing Entity (PIE, or MUB) was signed, the Project Steering Committee is established, the Project Management Office is operational (with all staff now on-board, except one road engineer who resigned and whose replacement is being recruited now), and the Project Operations Manual has been adopted.

8. Progress towards achieving PDO is Satisfactory, with PDO indicators being put in place for close monitoring purposes under the Project Management Office (PMO). The monitoring and evaluation (M&E) specialist has been closely coordinating with other PMO experts (especially the engineers and procurement specialist) to ensure that those indicators are fully integrated in their planning processes. Those PDO indicators are related to the development of a comprehensive framework for the USUT Program, the reduction of congestion, the improvement of road safety, the consideration of climate resilience on selected transport corridors, as well as the corporate commitments

9. The project's Implementation Progress is Satisfactory. The project was declared effective on February 18, 2022, after meeting all effectiveness conditions: the project's Subsidiary Agreement between the Borrower and the Project Implementing Entity (PIE, or MUB) was signed, the Project Steering Committee is established, the Project Management Office is operational (with all staff now on-board, except one road engineer who resigned and whose replacement is being recruited now), and the Project Operations Manual has been adopted. After the project's kick-off meeting, the MUB submitted an Annual Work Plan and Budget (AWPB) containing relevant Project activities and expenditures proposed to be included in the Project for the first year of project implementation (including a specification of the sources of financing and the Borrower's proposed counterpart share in the cost of the AWPB), together with the relevant Procurement Plan. All documents were found satisfactory and approved by the World Bank team. The PMO team is now preparing to launch the procurement process for the design and construction supervision of the planned works and preparing for the other studies, aiming for the actual construction works to commence during the next construction period (May-September 2023). As per the framework approach for USUTP project implementation, the World Bank supervision team



has carried out a training and workshop for the PMO staff and other relevant MUB officials to introduce the foundation of the multi-criteria analysis to prioritize and select priority corridors during the duration of the project implementation, based on MUB's development objectives and available and evolving data.

10. The project's social and environmental safeguards performance remain Satisfactory. The proposed AF is to provide the parent project with additional financial support without introducing any new activity or institutional change for project implementation. Therefore, the environmental and social risk rating will remain Substantial, same as the parent project. This is largely because of the limited capacity of the borrower and because subproject activities remain undetermined, particularly in relation to Type II corridor upgrading works. Potential risks are largely site-specific and limited to construction impacts associated with the rehabilitation and improvements of existing roadways and other associated small-scaled construction activities. The social risks are also considered to be Substantial, as there is the potential for land acquisition, disruption of businesses and livelihoods, as well as challenges related to inclusion/exclusion of different beneficiary categories. Although no land acquisition will be required (or permitted) for Type I physical investments, land acquisition and impacts on livelihoods can be expected to be relevant to Type II physical investments which are larger in scale. Risk assessment, policies triggered, and mitigation measures are discussed in detail in the Environmental and Social Review Summary (ESRS), which has been updated for the purposes of this AF.

D. Project Description

11. The parent Ulaanbaatar Sustainable Urban Transport Project (USUTP) has four components: Component 1) Integrated Corridors (US \$81 million), which includes subcomponents of i. Corridor specific investments for rehabilitation, reconfiguration, and upgrading, ii. Intelligent transport systems, iii. Smart parking management system; Component 2) Sustainable Public Transport System (US\$10 million) with subcomponents of i. Corridor specific bus lane and bus stop improvements and ii. City-wide bus management systems improvement and deployment of on-demand transit services; Component 3) Effective institutions for transport planning and management (US\$9 million); and Component 4) Contingent Emergency Response Component (US\$0).

12. The proposed AF will provide funding for activities that have already been included in the design of the parent project USUTP. The proposed AF will be indifferently used to finance eligible expenses under the Grant and related to the ITS design (Subcomponent 1.2) and the Smart Parking Management System (SPMS) (Subcomponent 1.3), as well as any related support to Institutions for Transport Planning and Management (Subcomponents 3.1. and 3.2).

13. Under the ITS subcomponent, the proposed AF will finance the upgrading of the centralized transport systems, including, among others, area traffic control system and equipment; and upgrading on-street intelligent transport systems, including, among others, traffic signals, traffic enforcement and monitoring cameras. Under the SPMS subcomponent, it will finance the development and operationalization of a smart parking management system, through the following: (a) installation of hardware and development of software for the system; and (b) adoption of a zonal parking system with differentiated pricing. It will also finance any ITS and SMPS-related strategic studies and capacity building and implementation support.



14. Those activities are already financed under the parent project, but since the grant was approved while the parent project was already submitted to the Board approval, the corresponding amount will be freed up will serve to scale up the financing of potential additional activities to enhance development impact. These freed up IBRD resources originally allocated to the AF activities may be used to scale-up Component 1.1 *Corridor-specific infrastructure* investments, for instance, for the rehabilitation, repair, and maintenance of approximately 40 km roads in UB. The framework approach, based on multi-criteria prioritization tool for priority corridor selection, used in the design of the parent USUTP, will allow the MUB to identify any additional corridor that can be financed by USUTP without affecting neither the project’s current funds allocation, nor its results framework.

15. The proposed revised project costs are presented in the table below:

Table 1: Proposed Revised Project Costs (US\$ million)

Parent Project Component	Total Parent Project Cost	Proposed AF Cost	New Proposed Total Cost
Component 1: Integrated Corridors	81.0	1.6	82.6
Component 2: Sustainable Public Transport System	10.0	0.0	10.0
Component 3: Effective Institutions for Transport Planning and Management	9.0	1.1	10.1
Component 4: Contingent Emergency Response Component	0.0	0.0	00.0
Total	100.0	2.7	102.7

16. **No further changes are expected under the AF.** As previously indicated, there will be no changes to the PDO, nor to any other items (results framework, environmental and social safeguards, etc.).

Note: To view the Environmental and Social Risks and Impacts, please refer to the Additional Financing ESRS Document.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Assessment of Environmental and Social Risks and Impacts	



E. Implementation

Institutional and Implementation Arrangements

17. There will be no changes to the implementation arrangements currently in place. **The MUB remains responsible for the overall project implementation and oversight.** A Project Steering Committee (PSC) will be established under the leadership of the MUB, with representation from the Citizen’s Council, MUB, MRTD, and Ministry of Finance (MOF). The PSC will be responsible for overseeing and facilitating the coordination among relevant agencies during the project implementation.⁷ A PMO will be established under the Governor’s Office of Ulaanbaatar. The PMO director will be appointed by the Governor’s decree. The PMO will be responsible for the overall day-to-day implementation of the project, including (a) preparation of annual work plans and budgets and periodical reports, (b) processing of procurement, FM, and E&S impact management including the implementation of a grievance redress mechanism (GRM); and (c) M&E of the project. The PMO will be staffed with a coordinator, specialists, and consultants hired only for coordinating the proposed USUT Project, according to the MOF guidelines.⁸ The PMO staff responsible for procurement and FM will be selected and appointed by the MOF.

18. Municipal agencies including the Road Development Agency (RDA), the Traffic Control Center (TCC), and the Public Transport Service Agency (PTSA) will act as Implementation Agencies (IAs). These IAs will implement and oversee specific activities related to their agency responsibilities and can be supported by specialist consultants hired. The IAs will be responsible for the definition of technical specifications and implementation of the contracts under their own components. Each of the IAs should maintain a capable technical team to provide technical support for the implementation of the project.

CONTACT POINT

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⁷ The PSC’s composition, rights, responsibilities, and work processes will follow Provision 7.6 of Regulation on the use, implementation, monitoring and evaluation of projects financed by international loan, Ministry of Finance, Regulation #4, January 11, 2021.

⁸ Regulation on the use, implementation, monitoring, and evaluation of projects financed by international loan, Ministry of Finance, Regulation 4, January 11, 2021.



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APPROVAL

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