

## **5. TOURISM SUPPLY**

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### **5.1 Tourism Areas**

Considering the availability of tourism resources, tourists' interests and transport conditions (mainly flight routes and local airports), major tourism destinations are grouped into 15 areas as shown in Figure 5.1.1.

Current conditions and main issues in each area are described below:

#### **1) Olgii: Glacial Rivers and Freshwater Mountain Lakes (Zone A)<sup>1</sup>**

This area is located in the most western part of the Altai Mountain Range. The highest peak Tavan Bogd(4374m) is permanently covered with glaciers and snow. This mountain area is designated in Altai Tavan Bogd National Park. Unlike the rest of Mongolia, many Kazak People live in this area, so visitors to this region can experience the different culture.

Mountain valleys and the contrast of glaciers and green pastures are highlights of the scenic beauty in this area. Furthermore, glacier lakes in the hillsides bordering the mountain range contribute their scenic beauty. Additionally, ancient stone statues, wild animals, and Kazak traditional eagle hunting are objects of tourism. At present, 400 foreign tourists visit this area each year and enjoy horseback tours, camping, angling, rafting, bird watching etc.

As is expressed above, this area is blessed with mountains' scenic beauty, rich nature, and interesting culture, and it is recommended to upgrade the area as the focal point of Nature- and-Culture-Friendly-Tourism.

Present tourism facilities such as access roads, hotels and a museum, need to be repaired, and a tourist information center in the capital city of Olgii is expected to be offered.

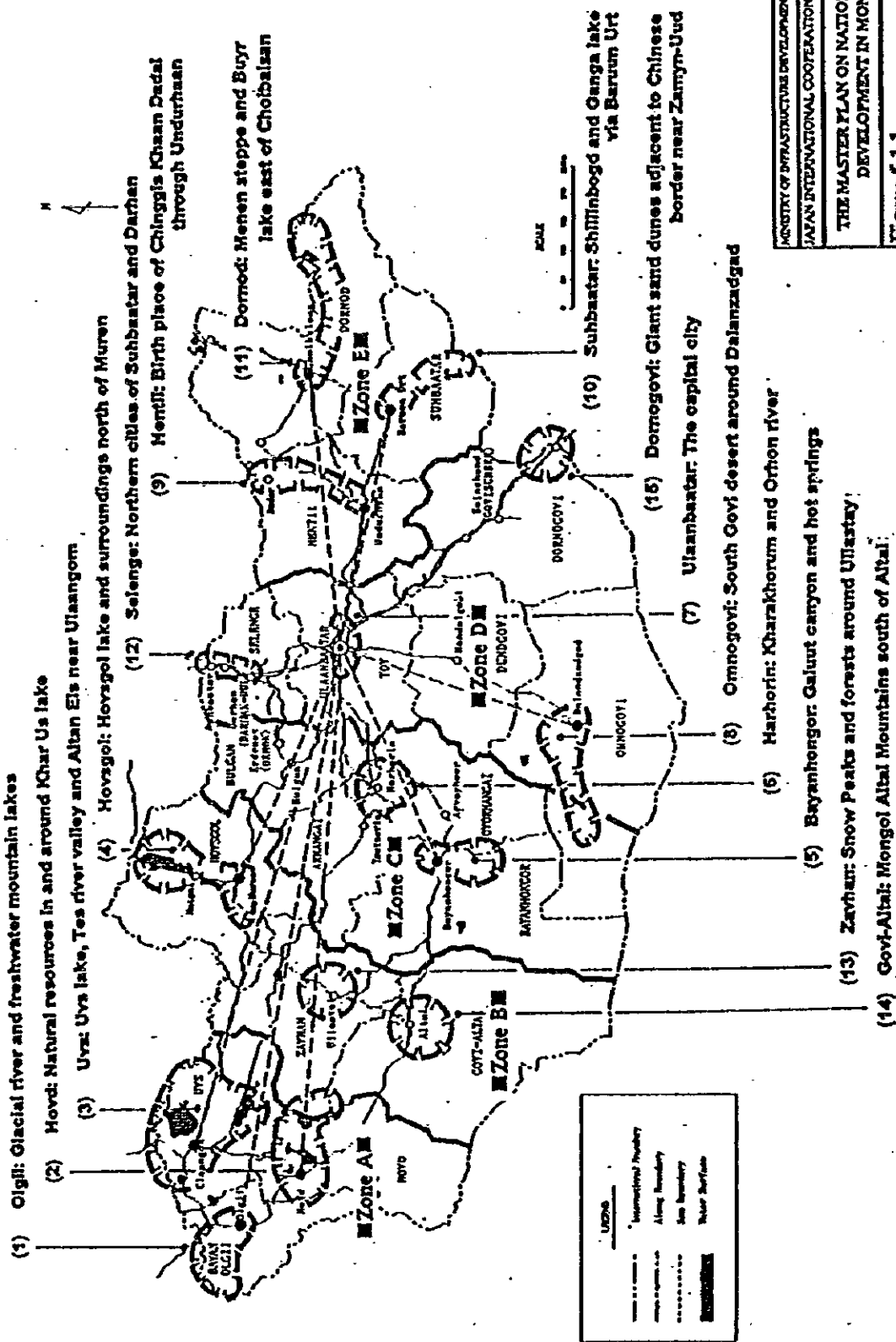
#### **2) Hovd: Natural Resources in and around Har Us Lake (Zone A)**

Hovd Aimag is located in the western end of Mongolia. This area possesses natural tourism resources such as a camp ground at the mouth of the Hovd river, Har Us Lake, Har lake, and Manhan Nature Reserve. Hovd airport has a paved runway, so it is operational in all weather conditions, making it attractive for tourists, so it can potentially be the starting point for tours of Western Mongolia, including Hovd, Olgii and UVS.

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<sup>1</sup> Zones A~E are designated by "The Human Resettlement Master Plan, 1998, MID".

Figure 5.1.1 Major Tourism Areas in Mongolia



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 JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)  
 THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA  
 Figure 5.1.1  
 Major Tourism Areas in Mongolia  
 PADECO Co., Ltd./Nippon Kaido Co., Ltd.

### 3) UVS: Uvs Lake, Tes River Valley and Altan Els near Ulaangom (Zone A)

This area includes Uvs lake (the biggest lake in Mongolia), The Harhira and Turgen with 4,037m and 3,965 m peak elevation (Mongolia's highest point), Tes river (water birds paradise), and Altan Els (sand dunes, larch forest). The snow-capped mountains, tundra, taiga and forest are homes of wild animals such as mountain sheep, ibex, wolf, snow leopard, lynx, etc. Lakes Hyargas and Ayrag located 200km south from Ulaangom, Aimag capital, are tourist destinations on the way to Hovd. UVS is attractive for the eco-tourist and climber as well as the route tourist in the western part of Mongolia.

### 4) Hovsgol: Hovsgol Lake and Surroundings North of Moron (Zone B)

The biggest tourism resource in this area is Hovsgol Lake. This lake touches the Russian border and covers an area of 2760sq km. The depth of the lake reaches 262m and contains 1 to 2% of the world's fresh water. The lake's periphery is designated in Hovsgol Lake National Park.

In addition to the lake, tourism resources in this area include the expansive Taiga forest, richly blessed with flora and fauna such as argai sheep, ibex, bear, and moose, as well as over 200 species of birds.

However, the surrounding mountain scenery pales in comparison to the spectacular view of the vast lake, which can be described as world-class scenic beauty. As a result, this area would be better utilized for eco-tourism, which would appeal to visitors who desire a deeper experience with nature and culture than is provided by mere sightseeing.

In order to promote eco-tourism in this region, programs must be developed for cultivating interpreters and guides, as well as plans made for the operation and organization of eco-tourism.

In order to sustain the present environment into the future, landscaping and control of land use and drainage in the lake shore area have been requested. Also, the road from capital Moron is to be improved in advance. At present a standard-quality lodging facility for tourists and a ger camp are located unobtrusively on the shore

Overall, this area has high potential for and providing accommodation and enjoyment of eco-tourism for foreign tourists.

### 5) Bayanhongor: Galuut Canyon and Hot Springs (Zone C)

This area possesses natural and archeological resources for tourism. Galuut Canyon, a deep valley located 100km west of the capital Bayanhongor, extends 50 km in length, and Ikh Bogd Mountain with the peak of 3,957 m in elevation can be reached by jeep, horse or camel. Orog Lake in Shargaljuut, 50 km from Bayanhongor, renowned for water birds and hot springs, as well as the ancient cave paintings near Boon Tsagaan Lake are principal tourism resources. Dinosaur fossils have been discovered in the southeastern area of Aimag. In spite of the ample tourism resources, rapid tourism development seems difficult due to the undeveloped infrastructure, especially the road network.

### 6) Harhorin: Hara Horum and Orhon River (Zone C)

This area can be divided into four blocks, Harhorin block, Hujirt block, Bat-Olzii block and Burd block (Figure 5.1.2). In Harhorin block are the notable Erdene Zuu and Hara Horum. Erdene Zuu is known as the first Buddhist center in Mongolia, built in 1586. Hara Horum was the capital of the Mongolian Empire during the 13<sup>th</sup> Century. For all their great names in history, existing conditions

fall very short of their well-known heritages. Inside the wall of Erdene Zuu, most of the structures (temples) have been lost and left untouched since then. Hara Horum is worse. Nothing remains to help imagine the glorious old days. Besides that, no special care was taken about the relationship between the architectural ruins and the development of the city of Harhorin.

In Hujirt, a sanatorium of 600 beds has been built for the domestic population, using hot springs as a material for treatment. A (formerly) high standard hotel is attached to this sanatorium, once used by Russians, but maintenance conditions are no longer at an acceptable standard for foreign tourists today. The terrible road conditions between Hujirt and Harhorin is another big problem to overcome.

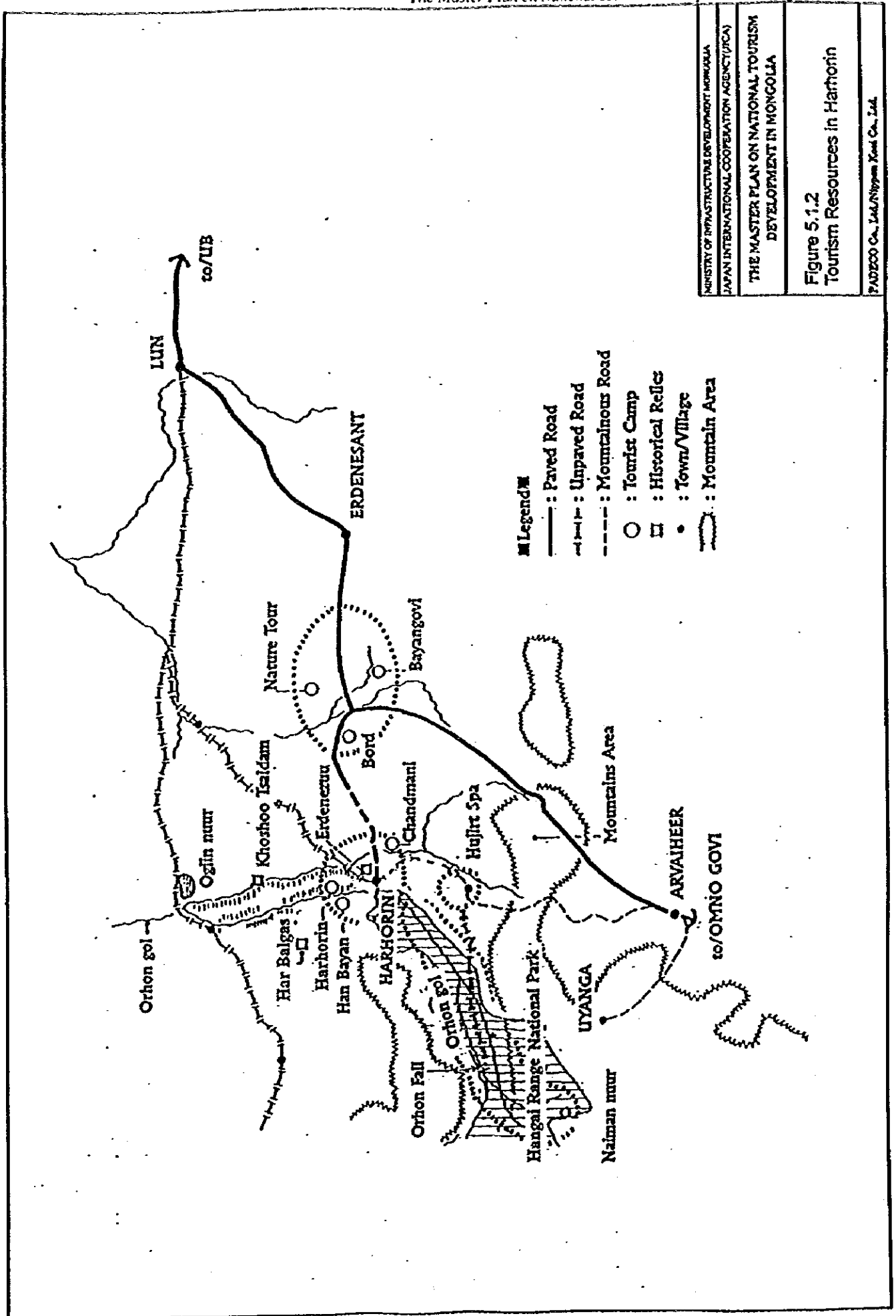
Bat-Olzii block is known for its natural beauty, including Ulaantsutagan waterfall (20m), Orhon river valley, and Naiman Nuur in Hangain Nuur National Park. The area is said to be suitable for eco-tourism, so the land use plan for the whole National Park is now being prepared by the Ministry of Nature and Environment.

In Burd block, which is located on the way from Ulaanbaatar to Harhorin, three tourist camps have already built and have been successful in attracting visitors. The Bayan Govi, biggest of all, had 1,600 guests in 1997 and is expecting 2,000 in 1998. Some 67% of the guests are from Japan.

Judging from the current conditions, each individual block cannot attract foreign tourists by itself.

Therefore, the key for sustainable development lies in a close integration of whole blocks. Utilizing the world famous name of Chinggis Khaan, Hara Horum and Silk Road, adding the natural beauty of Orhon river valley, it is recommended to turn the whole area into a so-called "field museum", or condensed showcase for all of Mongolia.

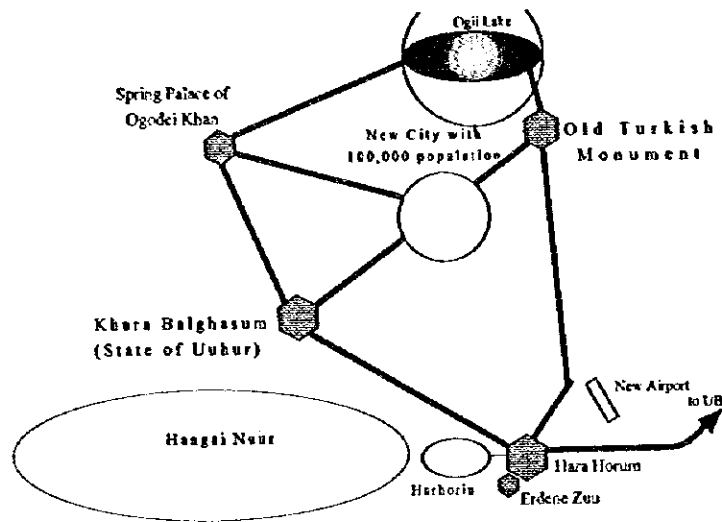
The proximity to Ulaanbaatar and to southern Govi is one of the big advantages of this area. So, it is also recommended to make this area a base of wide-ranging circular tourism routes.



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 THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA  
 Figure 5.1.2  
 Tourism Resources in Harhorin  
 PADECO Co., Ltd./Niyem Road Co., Ltd.

The possibility of restoring the Empire capital of Hara Horum is being studied by a private initiative of the Ancient Hara Horum Association. Plans for a new city of 100,000 residents including a Tourism City located within the restored ancient ruins is conceived as illustrated in Figure 5.1.3.

**Figure 5.1.3 Concept of Ancient Hara Horum Development**

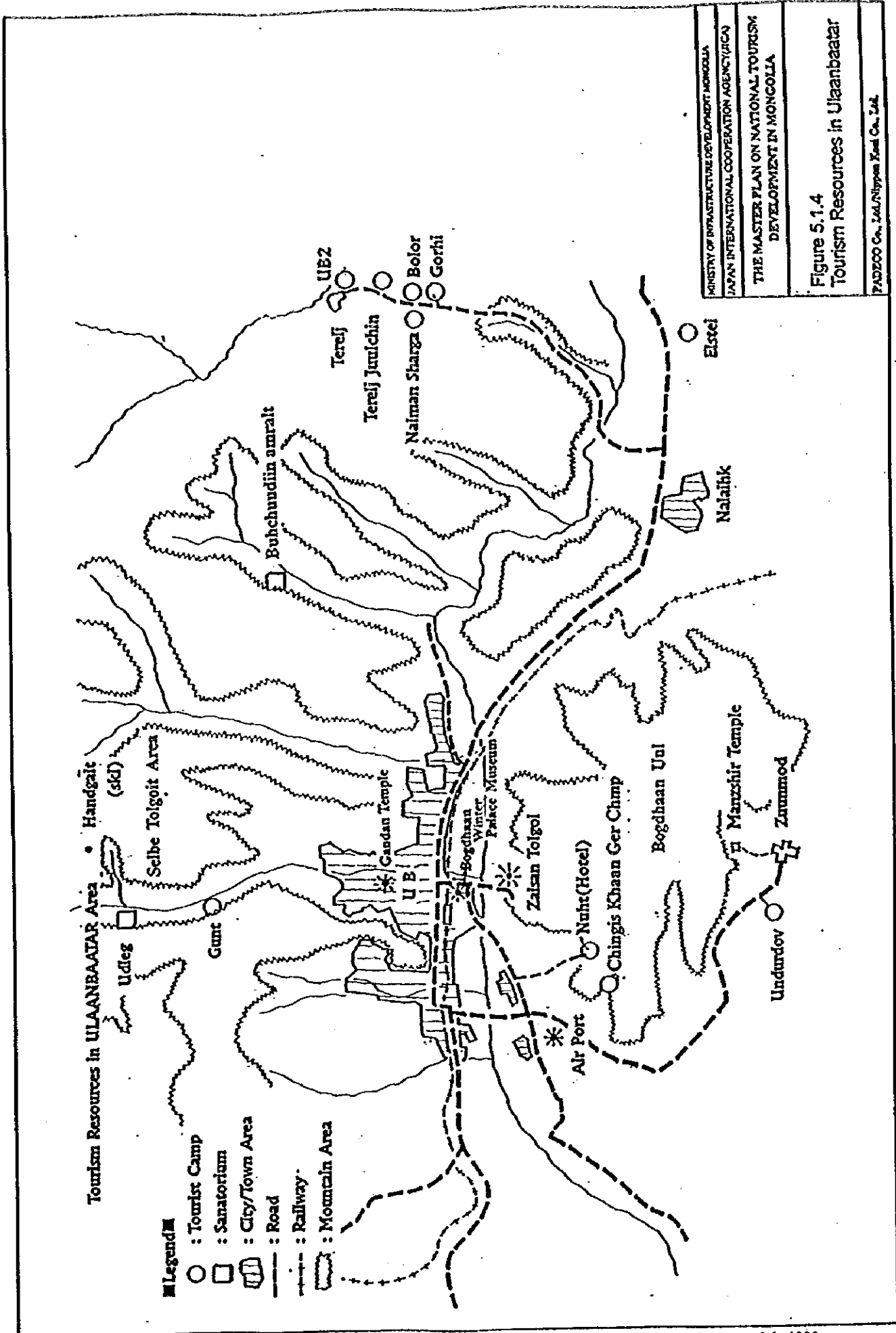


Source: Ancient Hara Horum Association

### 7) Capital City of Ulaanbaatar (Zone D)

Ulaanbaatar (UB) is the gateway city which almost all foreign tourists pass through. Two or three days are usually spent there before and after excursions to outlying areas. Various types of hotels have been developed to accommodate foreign tourists in UB. Urban tourism resources include museums, religions facilities, and attractions such as Naadam festival, etc. Ger camps have been developed in the outskirts of UB such as Terelj, and receive plenty of foreign tourists visiting Mongolia. In addition to foreign tourists, domestic tourists are also enjoying camping and skiing in and around UB recently. Terelj, Bogdhaan Uul, and Selbe Tolgoit areas, located 40 km east, 10 km south and 20 km north from the center of UB respectively, are the principal domestic tourism destinations. Figure 5.1.4 shows the distribution of present tourism resources in UB. Principal tourist destinations and facilities are listed below.

- Hotels: 48 hotels with 3,377beds
- Tourist Camps: 15 ger camps with 860 beds in the outskirts of UB
- Monasteries: Manzshir, Gandan
- Museums: Natural History Museum, Bogdhaan Winter Palace Museum, National Museum of Mongolian History
- Others: Handgait ski resort, Hustain Nuruu Natural Reserve (Mongolian wild horse preserve)



For the future development, UB will play the following role in developing Mongolian tourism.

- (1) gateway for local excursions
- (2) tourist destination for short-term visits in and around UB
- (3) destination for domestic tourists

To function in the roles above, several things will need to be accomplished: Improvement of infrastructure, especially road and air service, restoration and enhancement of tourist attractions such as museums, improvement of accommodation including human resources development, development of tourism routes and guidance measures

#### **8) South Govi Desert Around Dalanzadgad (Zone D)**

The center of south Govi is Dalanzadgad, capital city of Umnogovi aimag, where a domestic airport is located. The area extends about 200 km to the west of Dalanzadgad. (See Figure S.1.5)

In the steppe about 30~50km north of the city (in eastern block), 3 tourist camps already exist. One of them, named Juulchin Govi built in 1963, with 50 gers and a small hotel (total capacity: 180 beds) and an airstrip adjacent to the camp, had about 1,500 guests in 1997. Almost 70% of them were Japanese guests, who enjoyed horseback riding, visiting cattle breeders, trekking nearby, nature observation and sightseeing. Juulchin Govi promotes another kind of tours for Europeans, such as camel trekking, dinosaur tour, photo safari tour and jeep tour (from Ulaanbaatar through south Govi to Harhorin).

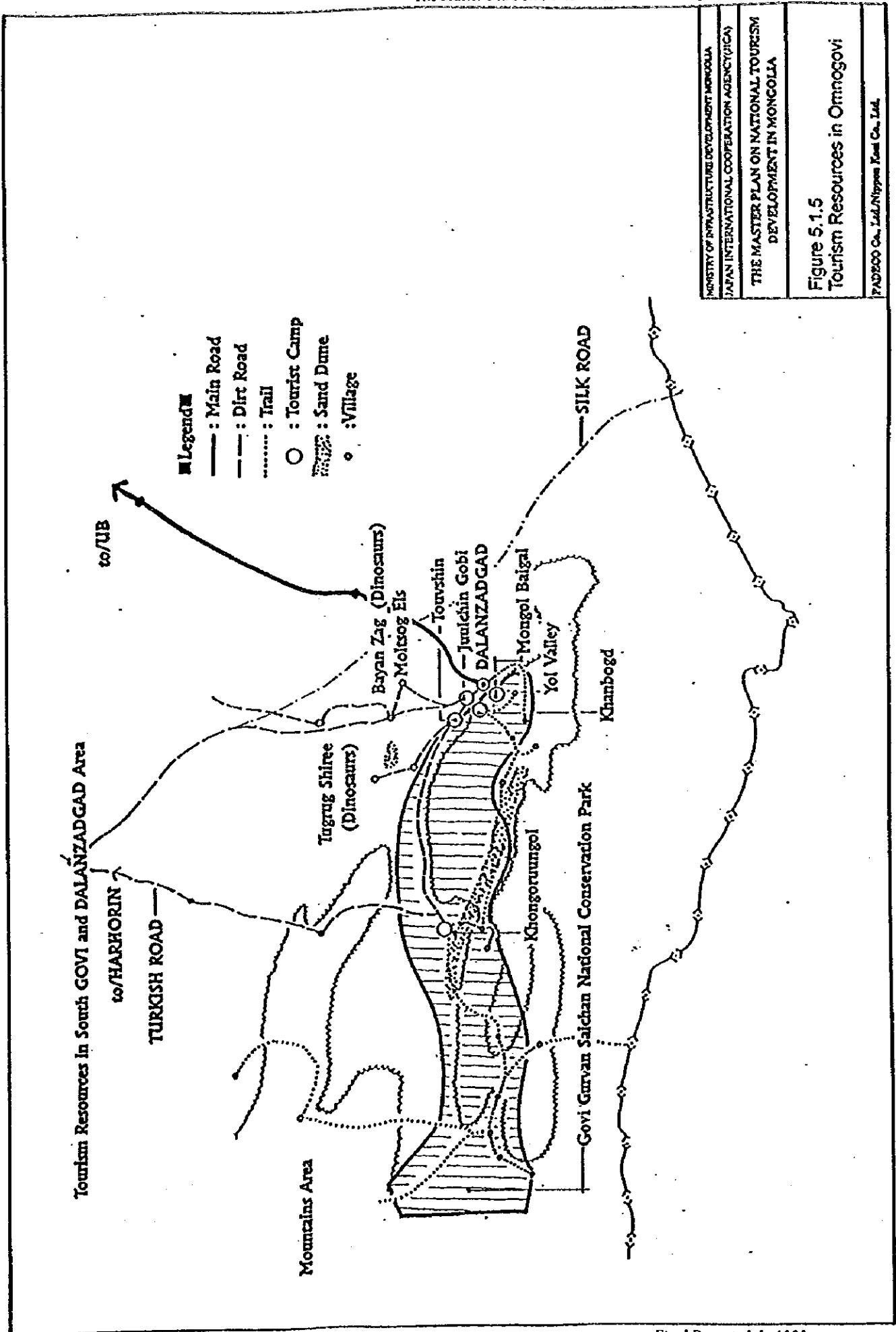
The huge scale of the steppe offers many species of wild animals, dinosaur fossils, interesting views of geological variation and beautiful scenery, which are estimated to have sizeable value as worldwide tourism resources. To emphasize this value, two museums (one at the mouth of Yol Am valley, the other in Dalanzadgad) were built and received about 8,000 foreign and domestic visitors.

In the western part of the region (western block), near the town of Sevrey, a 200km long sand dune with a camp ground and small stream stretches before the mountains. The combination of these geographical features produce not only beautiful landscape but also rich diversity of fauna and flora, including some rare species such as the Argali Sheep, Asiatic wild asses, wild Bactrian camels, snow leopards and ibexes.

This block is located in the central part of Govi-Gurvan National Conservation Park. A survey to protect the natural environment and at the same time to promote eco-tourism is now being undertaken by GTZ.

Though the vastness of the area can sufficiently accommodate future development for international tourism, precise land-use planning should coincide with the result of this survey.





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 DEVELOPMENT IN MONGOLIA  
 Figure 5.1.5  
 Tourism Resources in Omnogovi  
 YADCOO Co., Ltd./Nippon Kael Co., Ltd.

In conclusion, the south Govi area is and also shall be the place to represent the image of Mongolia. Thus, the direction of future development is in principle the same way as it has always been until now. The major issues to be addressed are shown below:

Road improvement to connect both blocks

- Development of infrastructure (airport, sewage system, electricity, water supply, telephone, etc.)
- Incentives for private developers
- Land-use control

#### 9) Hentii: Birth Place of Chinggis Khaan (Dadal) through Undurhaan (Zone E)

Dadal, a small town located at the boundary of Mongolia and Russia, has become popular in recent years as it is said to be the birthplace of Chinggis Khaan. There is a monument in the town built in 1962 commemorating the 800th anniversary of Khaan's birth.

Near the monument, surrounded by a lake, larch forest and steppe, is a sanatorium named Oronno Resort. This facility is used mainly for recovery from skin disease. Although it was used by Russians in the past, 80% of the patients nowadays are Mongolian.

There is a regular flight (2 flights a week) from Ulaanbaatar to Dadal through Undurhaan, but as the time schedule is not reliable due to the weather, tourists are advised to go by car or hired helicopter.

Along the Onon river and the Baiji river, which flow near the town of Dadal, are Ugtam uul wildlife refuge and Mongol Daguur reserve. The latter especially, is known as home for thousands of water birds.

Considering the current conditions of tourism resources, transport conditions and facilities, It is improbable that this area will have a large number of foreign visitors in near future, unless the tomb of Chinggis Khaan be found and confirmed to be authentic.

#### 10) Suhbaatar: Ganga Lake and Taliin Cave in Shiliinbogd via Baruun Urt (Zone E)

Shiliinbogd, a famous symbol of local religion, is a sacred mountain located 180 km south west of aimag's capital Baruun Urt. The road from Baruun Urt crosses a huge steppe named Mongolyn Dornod Tal, which abounds in wild animals.

Visitors tend to be astonished at the sight of the tremendous number of volcanic traces around Shiliinbogd. Besides that, many small stone sculptures are scattered in various places. Protection of these sculptures is recommended, lest they be stolen or broken.

Ganga Lake, located near Shiliinbogd, is a cozy place for relaxation. Visitors can enjoy bird watching, fishing, swimming in the lake and strolling in the sand dunes nearby. Actually, a tourist camp is planned to open in the summer of 1998.

Because of the lack of accessibility and convenience, this area is behind other areas in suitability for future development of large scale tourism. Specific types of development such as small resorts for domestic tourists are recommended here.

#### 11) Dornodo: Menen Steppe and Buyr Lake East of Choibalsan (Zone E)

The selling points of this area are Khalkh river old battle field, Menen steppe and Buyr lake.

The Khalkh River War (known as Nomonhan War to Japanese) broke out in 1939 between the allied forces of Mongolia and Russia against Japan. After the victory of the allied forces, they built many

monuments, statues, memorial towers and museums, which are now functioning as tourism resources for elderly people. Japanese war veterans sometimes visit here to gather the remains of fallen colleagues.

Buyr lake is located at the boundary of Mongolia and China (Boundary line is drawn inside the lake). Seeing that the fishery industry is prospering (200 tons/year), tourists can expect fishing, boating and bathing in the lake and along the Khalkh river.

The biggest problem here is the remoteness from the gateway city of Choibalsan. The distance is about 400 km and it takes almost 8 hours of tough riding in a

4-wheel-drive vehicle. The road crosses the huge steppe named Menen Tal, which is one of the biggest steppes of Central Asia.

In and around Choibalsan, there are some hotels used mainly by domestic tourists. One hotel, named Scorpion, using a renovated building once designed for the Russian Consulate, is in rather high grade and popular among foreign families.

Judging from the current conditions of the area, especially the distance from the gateway city of Choibalsan, this area cannot be the top ranked candidate for tourism development in the near future. Even though the area has special meaning to some Japanese, old memory alone is not enough to attract tourists in general.

#### 12) Selenge: Northern Cities of Suhbaatar and Darhan (Zone D)

Japanese cemetery, Tibet temple, local museums such as friendship museum and revolution memorial museum, etc. are scattered in Suhbaatar and Darhan. Those tourism resources are for the local people and are rarely visited by foreign tourists. Only the low-grade accommodation exists even in Darhan, the 2<sup>nd</sup> largest city in Mongolia with a population of 90,000, and the road condition between UB and Darhan is bad, taking 5 hours to connect by jeep presently.

#### 13) Zavhan: Snow Peaks and Forests around Uliastay

This Aimag is mostly covered by high mountains of the Hangai Mountain Range. The highest peak is Otgon Tenger with the height of 4,021 meters above sea level. The peak and its environs have been protected since 1992, in order to safeguard the high mountain eco-system. Many rare species of animals and plants are well-known throughout Mongolia. Rivers, valleys and lakes are also famous for their scenic beauty and richness in natural species.

In the city of Aimag capital Uliastaay, there are two museums - the Museum of Famous People and the History Museum next to each other on the main street. The southern and western parts of Zavhan is a sharp contrast - a land of vast deserts, salt lakes and sand dunes where rain falls once or twice a year.

#### 14) Govi-Altai: Mongol Altai Mountains South of Altai

Govi-Altai Aimag is covered mostly with Govi Desert and said to be one of the least suitable areas for raising livestock, and therefore one of the most hostile to human habitation. Aimag capital Altai is the highest town in Mongolia - built at 2,181 meters above sea level. Because of the vertical change of climate, there is a clear distribution of vegetation of Govi and steppe zones. Of special interest to geographers and travelers, the 45th parallel runs through this Aimag, which is the midpoint between the Equator and North Pole.

### **15) Dornogovi: Giant Sand Dunes Lying Along the Chinese Border near Zamyn-Uud**

Zamyn-Uud is located at the border of Mongolia and China. There is an immigration office which covers the procedure of crossing the border via train and bus. The town itself is a small one, but has an oasis-like situation where one can enjoy the view of sunrise and sunset in the desert. Aimag capital of Dornogovi is Sainshand, which is located about 460 km south of Ulaanbaatar and is known as one of the windiest towns in Mongolia. Many small lakes, streams and springs are present. Animals and plants typical of the Gobi Desert are common. The total livestock is 920,000 head.

Near Sainshand are natural resources of large sand dunes, petrified forest, cliffs of granite and remains of giant dinosaurs. Historical assets of carved rock are also found on Baga Bogd Uul Mountain.

## **5.2 Tourism Resources**

### **5.2.1 Current Conditions**

#### **1) Natural Resources**

The attractions and activities for tourists in Mongolia relate largely to the natural environment, which offers a great diversity of landscapes, flora and fauna (See Figure 5.2.1). Taiga forests extend from Siberia into northern Mongolia. High mountains in some northern, western and west central areas include glaciers known as the world's southernmost permafrost. At the foot of these mountains are expanses of larch trees holding clear lakes in their hearts. Lakes, including the large lakes in low land, are divided into two types; salt and fresh. Co-existence of these lakes contributes to producing many species of plants, birds, and fishes. Characteristic landscapes in Mongolia are shown in the mountain forest steppe in the north central part of the country and desert steppe in the eastern, western and central regions and the Gobi Desert in the south. They are known as the northernmost deserts in the world.

#### **Hot Springs**

The volcanic geology of Mongolia produces quite few hot springs, as shown in Figure 5.2.2. Some of these hot springs have been used for recuperation by the sick, and many other hot springs are seeking the chance to be developed as health resorts.

#### **Flora and Fauna**

Mongolia is famous to the world for its richness in flora and fauna. Widely known species are as follows;

- Animals: 136 species of mammals, 436 species of birds, 22 species of reptiles, 8 species of amphibians, 75 species of fish, over 15,000 species of insects
- Plants: 4,000 species of plants, including 150 endemic species

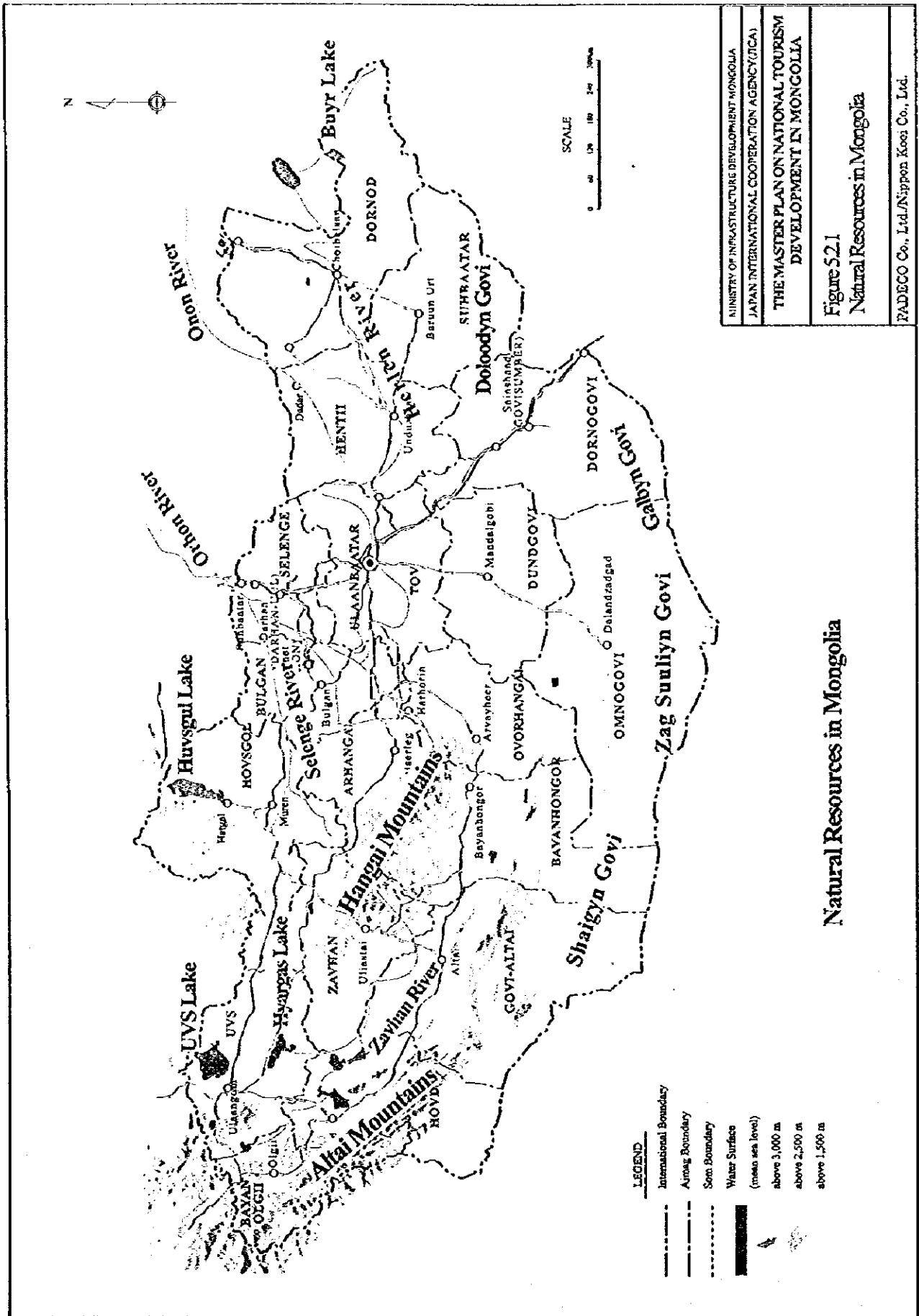
The country's fauna is varied and represents a mixture of species from Central Asia. Remains of dinosaurs have been found in Gobi Desert where paleontological research is underway.

#### **Nature Protection**

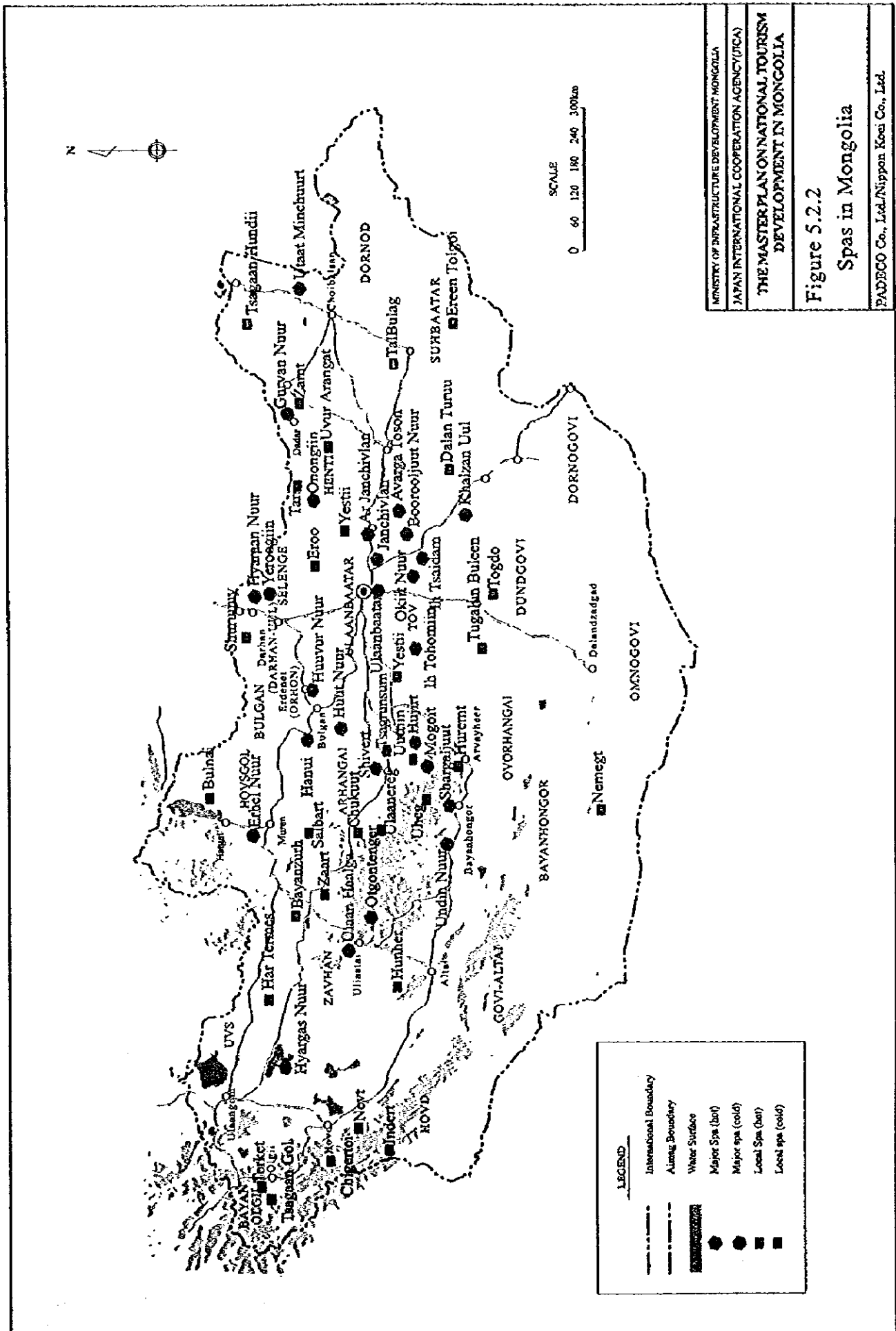
Making much of this pristine environment, considerable emphasis has been given to environmental protection. According to "The Law on Protected Areas of Mongolia" adopted November 1994, areas to be taken under State protection were divided into four categories:

- A. Strictly Protected Area
- B. National Parks
- C. Natural Reserves
- D. Natural and Historic Monuments

Mongolia has declared 36 Protected Areas, totaling around 150,000 square kilometers, approximately 10 % of the country's territory.



Natural Resources in Mongolia



## 2) Cultural Resources

Tourists are also attracted to Mongolian cultural assets. The historic heritage of Mongolia is focused particularly on Chinggis Khaan, who in the 13th century united the Mongolian people into a strong nation that controlled most of Eurasia. Other historical assets are Buddhist monasteries. Even though many monasteries were destroyed in the early stages of communist rule, some of them still remain and have again become symbolic objects of Mongolians' worship nowadays.

### **Historical Assets**

- Ruins: Hara Horum(Capital of Chinggis Khaan's Empire)
- Monasteries: Erdenezuu, Gandan, Amarbayasgalant, Manzshir

Besides historical heritages, tourists tend to be interested in culture of local people, especially of nomadic people in the countryside.

- Folk arts, Folk songs: Huumii, Wood Carving, Silverware
- Lifestyle: Ger, Traditional clothes, Foods, Ceremony, Custom, Religion
- Festivals: Naadam(summer), Tsagaan Sar(winter)
- Related Industry Cashmere, Leather & Fur, Soap, Vodka

### 5.2.2 Capacity Constraints

Thanks to the hugeness of the land, there will be few conflicts caused by facility development. Struggle for the space of grass land against cattle breeders may happen in some places, but in general, space demand on tourism side is not so big and concentrated, that the way of coexisting can't easily be found if the development side properly approaches this problem.

### 5.2.3 New Developments

Major new developments on tourism are as follows;

- Excavation of Historical Assets: Restoration of Hara Horm Empire, Hara Balghasum City, and excavation of Turkish remains, are now in process.
- Ger Camps: A lot of small sized Ger Camps have recently been constructed all over the country.
- Renewal (city core): Some 20 ha. of Commercial and Business center is planned at the north side of UB city.



## **5.3 Marketing & Promotion**

### **5.3.1 Marketing**

#### **Public Sector:**

No marketing strategy has been formulated by the public sector (the Department of Tourism) yet, defining their position for marketing and promotion of receiving international tourists to Mongolia. Neither any overall or precisely targeted plan exists, such as how to change the current niche market status in the world tourism trade to an ordinary destination, not to mention to a never-likely mass tourism destination. No official image and associated logo have been adopted and promoted for the tourism product of the country, such as "Big Apple" image and logo New York City created in 1970s as part of the City's strategy to revive the tourism there.

#### **Private Sector:**

Majority of key executives of travel companies (land operators) are well knowledgeable of the tourism product they are selling, and of the market they are dealing with, having good command of English at least among agents for European and America market and Japanese among those for Japanese market. Some travel companies are marketing all types of tours such as general interest tours, special-interest tours or adventure tours or echo tours, etc. Some are marketing a small range of products such as hunting, fishing or trekking tours by jeep, horse, camel, etc. They are exerting own effort to exploit matching clientele (overseas tour operators or agents) or to cement them as regular customer.

One land operator joined Thomas Cook Worldwide Network (UK £2,000 annual membership fee) and now receives trans-Siberian/Mongolian railway tourists constantly, even in the low season. Some operator is approaching a Chinese tour company in Beijing so that overseas tourists to Inner Mongolian Autonomous Region<sup>2</sup> could be diverted to Mongolia, a real Chinggis Khaan country. One operator is sounding out how he can divert some portion of Taiwanese tourists<sup>3</sup>, who visit China in large number as compatriots.

#### **Major Issues:**

The Department of Tourism is understaffed (6 members only), and no fund is allocated for the department's own marketing effort. The establishment of National Tourist Organization (Agency) being proposed by the Department, is not definite yet, but the Department envisages that an appropriate organizational framework for marketing and promotion is to be integrated in the Organization.

Image creation is a delicate and subjective matter, and should be worked out by an expertise advertising or public relations agency. It requires sumptuous budget.

Lack of basic statistics on incoming international visitors by the authorities concerned is blinding out vital data for the market analysis required for preparing the overall marketing strategy. Data should be collected concerning "mode of arrival", "sex and age-bracket",

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<sup>2</sup> Overseas tourists to Inner Mongolia (received by tour companies) in 1996 is 61,988.

<sup>3</sup> Taiwanese tourists to China in 1996 is 214,135.

Source for 1 & 2: The Yearbook of China Tourism Statistics 1997

“purpose of visit”, “length of stay”, “group or individual tourists”, “motivation for visit”, “main places visited”, “first time or returnee”, “main activities undertaken”, “expenditures”, etc.

### 5.3.2 Promotion

#### Public Sector:

The Department of Tourism (DOT) is doing their best within the bounds of their extremely constrained circumstances as being understaffed and not allocated any annual promotional budget. Promotional exposure of Mongolian tourism in the international travel market therefore has been at a minimal level.

#### Attendance at Trade Fairs:

Year/Month	Fairs & Place	Attended by	Remarks
1996 Jan	Vakantie BEURS' 98 Utrecht, Netherlands	Director, DOT	on invitee basis
1996 Nov.	WTM, London	Officer, DOT	on invitee basis
1997 Jan.	Vankantie	Director, DOT	on invitee basis
1997 Oct.	National Seminar “Sustainable Tourism Development in Mongolia” Ulaanbaatar, Mongolia	Director, DOT	held in Mongolia
1998 Feb.	WTO Kyoto Congress/ Silk Road Travel Forum	Director, DOT	at DOT's expense
1998 Mar.	ITB, Berlin	Director, DOT	on invitee basis

WTO has been carrying out Silk Road Travel project since 1996 (the first meeting held in Samarkand of Uzbekistan), for mutual tourism development among the countries along the road. For the first time, Mongol participated in the WTO Silk Road forum in 1998.

WTO now plan to promote “Silk Road in Mongolia”(DISCOVER THE NOMADIC ROUTES).

#### Dissemination of promotional literature:

1996	General Mongolia tourism introductory brochures 2,500 pc. US\$2,600
1998	Silk Road in Mongolia(DISCOVER THE NOMADIC ROUTES) 1,000 pc. US\$800

DOT director took the copies to WTO Kyoto Silk Road Travel Forum.

#### Media Advertising:

A New Zealand media company, designated by WTO/UNESCO, may shoot a pro-motional film along the silk road in Mongolia and other Central Asian countries. However, DOT is contemplating the offer as it demands that a part of film crews' travel

expenses to be borne by the department.

Asahi Newspapers, one of Japan's prestigious daily papers, posted a special article on Mongolia in a three-day series in April '98, in which they covered major tourist destinations, visited by their company airplane flown from Japan. In a part of the series DOT director's name and her comments on Mongolia tourism were prominently featured. This is a sort of Mongolia tourism market promotion at no cost and extremely effective.

### **Events and Conventions:**

Investors Conference on Agro-Industry and Tourism, June 24 – 26, 1998 in UB:

The World Bank and the government of Mongolia (the Board of Foreign Investment) collaborated the Conference, in which 813 domestic delegates and 183 overseas delegates had attended mainly from North America, Europe, Russia and China. Thirty-five were tourism-related overseas business representatives. In the exhibition held on June 25 and 26, DOT cooperated with BOFI in tourism sector to get forty-five Mongolian tourism-related representatives attend it. At each assigned booth, they promoted their company tourism service and products through meeting and various tour brochures. DOT and MTA had a joint booth. It could be a sort of the travel trade fair in Mongol though it was held as a part of the Investors Conference, organized by BOFI, in collaboration with the World Bank, not solely by DOT.

JICA Study Team has asked DOT to list up "Events and Conventions" from year 1995 to 2000, which DOT supported or is aware of. In 1998 column, JICA Study Team has listed those reported in two local English newspapers (Mongolian Messenger, UB Post), issued July and August. These have come out more than expected in number (listed in non-italics in the table).

### **Overseas Office to Promote Mongolian Tourism:**

There is no Mongolia tourism promotional office located overseas. In May, 1998, Mongolian Trade Representative office is to be inaugurated in Yokohama, Japan. The office comes under the country's Ministry of External Relations. Besides their main trade-related works, the office will exert their efforts to promote Mongolia tourism in the Japanese travel market.

### **Issues:**

For foreign tourists once arrived at Ulaanbaatar (UB), no information center located at the airport is available nor in the city.

More variety of promotional materials should be disseminated in quantity such in as multi-purpose brochures, specified brochures, schematic maps, posters, press packs, audiovisual aids, color transparencies to be loaned to the media or the travel trade for the purpose of putting them in their travel articles or tour brochures. These materials should be produced in multi-language versions, including English, French, German, Japanese.

Currently DOT has very minimal-level information which government, NGO or private organization, association, committee, club, etc. has plan to carry out their event or convention in Mongolia. DOT should have positive and close contact and liaison with those possible Mongolian event or convention organizers or hosts, and should sound out how DOT can do any collaboration with them to welcome more event/convention-related tourists in the near future.

### **Private Sector:**

Travel companies interviewed carry out their own tour brochures in color prints, though size, pages, papers glossy or not, photos more or less differ. Some includes their introductory company file. Those literatures to be disseminated to their European or North American or Oceania or other unspecified market in the world are printed in English, which all seem to be well proofed by natives of the language. The brochures to be widely spread in Japanese tour market are all in Japanese, which all well proofed. Printing quality of these promotional materials is generally good. Majorities are printed by Mongolian printing firms.

Many of travel company executives are aware that repetitive participation in important travel trade fairs or congress in the major markets is vital for them to promote their Mongolia tour

business. The popular fairs for those being active in European market or North American market are ITB Berlin and WTM London. Only a few attended JATA International Congress, biennially held. The biggest travel company maintains close relationship, as a member, with the world travel organization as Pacific Asia Travel Organization (PATA), American Society of Travel Agents (ASTA), Japan Association of Travel Agents (JATA), and takes its advantage for his company's promotional exposure to the organizations' other members.

**Issues:**

Travel companies are doing promotional activities as repetitively calling on their overseas clients (tour operators, travel agencies) or participating in the major travel trade fairs as ITB Berlin, WTM London, etc. Their independent promotion of Mongol tourism has a limit in impact to create a vital image of marketable Mongolia destination in the world tour market. The public sector as the Department of Tourism should lead the private sector (tour companies, land operators) to form Mongolia travel trade mission team, and to dispatch the mission to any major travel trade fairs or to any existing or possible market in the world. There the public and private sector as in the joint one body should hold Mongolia Travel-Mart (work-shop) or Mongolia Tour Night (film or video presentation, some Mongolian foods/drinks and entertainment).

## 5.4 Tourism Facilities

### 5.4.1 Hotels

The number of hotels has been continuously increasing especially in Ulaanbaatar. The list of hotels, classified into three ranks is shown in the Table 5.4.1. About 3,400 beds in total are recorded in 48 hotels, of which about half are ranked into top class hotel.

On the other hand, most hotels in other cities are below international level.

Table 5.4.1 Hotel List in Ulaanbaatar

Top Class		Middle Class		Bottom End class	
Name	Beds	Name	Beds	Name	Beds
1 Nukht	150	1 Zuchi	120	1 Negdelchin	78
2 Chinggis Khaan	291	2 Tsagaan Shonhor	120	2 Irves	20
3 Flower	336	3 Selenge	64	3 Asgat	38
4 Star	20	4 Zaluuchuud	83	4 Ecoetica	18
5 New Capital	44	5 Sarora	48	5 Shuren	36
6 Ulaanbaatar	350	6 Anar	88	6 Barilgachin	20
7 Bayangol	399	7 Ayanchin	20	7 Sainan	5
8 Amarbaysgalant	20	8 Ireedui	20	8 Narlog	32
9 Marco Polo	36	9 Urguu	28	9 Khairhan	30
10 Tuushin	44	10 Mandkhai	72	10 Eralex	8
11 Jiguur Grand	40	11 Oit Bulag	28	11 Khunnu	11
12 Edelwais	36	12 bishreft	28	12 Baigai ZB	50
13 Tsagaan Urguu	28	13 Khairt Khaan	40	13 Astro	26
		14 Bayan Suvraga	28	14 GanZam	88
				15 Ulaanbaatar Statio	88
				16 Marol	14
				17 Uliidverchin	50
				18 Haraa	24
				19 Esuu Erdene	19
				20 Bariegachin	111
				21 Nairamdai	30
	1,794		787		796
				Total	3377 beds

Source: DOT

### 5.4.2 Ger Camps

Tourist camps comprise of traditional gers with permanent central facilities provide the accommodation for international tourists. The number of tourist camps has rapidly been increasing in these years, reaching 50 camps in 1997, as shown in Table 5.4.2 and Figure 5.4.1. Ger camps suffer less by seasonally fluctuating demand thanks to the flexible structure of ger type tent.

**Table 5.4.2 Capacity of Ger Camp in Mongolia**

Area	Number of Camp	Capacity (beds)
1 South Outskirts of UB	4	120
2 West Outskirts of UB	2	70
3 North Outskirts of UB	1	40
4 East Outskirts of UB Terelji, etc.)	8	630
<b>Total of UB Area</b>	<b>15</b>	<b>860</b>
5 Bayangovi ( on the way to Harahorin)	5	280
6 Harahorin	5	260
7 Arhangai (Hangai Uul)	1	30
8 Ovorhangai (Hangai Uul)	1	40
<b>Total of Harahorin Area</b>	<b>12</b>	<b>610</b>
9 Omonogovi	5	475
10 Hovsgol	6	139
11 Hentii	3	225
12 Bulgan & Selenge	2	80
13 Dundgivi	2	110
14 Suhbaatar	1	56
15 Govi-Altai	1	25
16 BayanOlgii	1	20
17 Hovd	1	15
18 Bayanhongor	1	60
<b>Total</b>	<b>50</b>	<b>2,675</b>

Note: As of 1998

Source: DOT



## **5.5 Tourism Industry**

### **5.5.1 Current Conditions of Major Components of Tourism Industry**

Since the national economic system of Mongolia has been converted from the planned economy led by the communist party into free market economy, the tourism has attracted the attention of the many emerging entrepreneurs as a high profitable and promised industry for the next century, even they had no experience nor knowledge of tourism. And they rushed into the tourism sector investment and business such as hotel buildings and management companies, travel agents, restaurant and souvenir shops. Nowadays, a large number of tourism related enterprises have been established with little guidance and control in UlaanBaatar City.

#### **1) Tourism Agencies,**

The number of tourism agencies is not clearly known but it is supposed to become over three hundred by July, 1998. (it was 288 in April) Among those 300 agencies, 100 companies are devoted to tourism agencies, of which 50 are general tour operators and another 50 are travel agents. The remaining 200 companies operate some other business too, such as trading and retailing. This made the Study extremely difficult in surveying current tourism businesses and collect their data.

According to MTA (Mongolian Tourism Association), the association of private tourism agencies, the member companies of MTA also increased to 72 by July 1998. (it was 50 in April) Eighty percent of them, 57 companies, are general tour operators and the rest 15 are travel agents. In 1997, member companies of MTA handled 70% (14,500) of the 21,000 holiday visitors. Today MTA is the association of major tourism agencies in Mongolia.

Until now most of the tourism agencies are based in UlaanBaatar city and many of them manage camp sites in the provinces and local employees for the short tourism high season, from June to middle September. During which tours are actually operated by non-employee temporary staff on site.

The annual revenues of each company from tourism business were not disclosed to the Study Team, except by only some agencies. The 1997 annual revenue of the companies varies somewhere between US\$ 400,000 and US\$ 3,000,000. The revenue from ordinary package tour is roughly 500 US\$ per person and 270 US\$ from nature tour. However, it should be noted that the amounts above nature tours still include the sales of very costly tour products such as hunting tours and sky diving.

#### **2) Tour Guides**

The guides are essential for tours in Mongolia because of the insufficient transport, guiding infrastructure and language. However it is still short in number and quality in Mongolia. According to survey by the Study team, there are approximately 100 guides employed as permanent staff and 300 part time registered guides in the tourism agencies. Most of the part time guides work only in the high tourism season in the summer. Some of the managing and sales staff are obliged to work as guide because of the short of the guide during the high season. The available major foreign languages are Japanese, English, German and French. Russian is still widely spoken in Mongolia.



**Table 5.5.1 Number of Full Time Guides by Languages**

No.	Language	Number
1.	Japanese	21 (21.4%)
2.	English	55 (56.1%)
3.	German	14 (14.3%)
4.	French	8 (8.2%)
Total		98 (100%)

Source: JICA Study team, 1998

At present there is no qualification nor license for guiding. The most of guides have little knowledge in history and culture of the country, probably because of the long previous cultural suppression.

### 3) Souvenir Shop and Handicraft

There were 25 Souvenir Shops in 1997 in UB. Most of them are in hotels, museums, department stores, some restaurants and duty free shop in the airport. Registration and the business permit of the souvenir shop is under control of the Production Service Department of UB Municipality Government. By the end of October 1998 additional 8 Art Shops were registered and dealing in paintings, antiquities and souvenir goods.

The handicraft and souvenir goods sold at those shops are mostly identical in motifs and types of those products and hard to attract customers to buy them even their production technique is fairly good. However the most critical element is the display of the goods. It is generally poor and the goods do not look charming enough to attract the interest of the customers to buy them. Improvement of the variety, design, production technique and display of the goods should be started immediately.

### 4) Restaurants

Registration and business permit of restaurant are also under control of the Production Service Department of UB Municipality as well. According to the Department, there were 139 registration for restaurants were made by the end of 1997. However, rapid expansion of tourism sector is reflected in increased private investments in restaurant business in Mongolia and the number of restaurants became 203 in July, 1998. Those 203 restaurants include 44 restaurants classified A which are 21.7% of registered 203 restaurants.

The foreign restaurants exist only in UB but its number and variety is increasing quickly. In 1998, there are some Japanese, Chinese, Korean, Indian, Russian, Italian, French, Turkish and East European restaurants. Considering the number of foreign tourists and business travelers to UB, and population of UB, number of foreign restaurant is still few in UB and major cities.

## 5.5.2 Tourism Products

### 1) Tour Programs

The Study Team conducted interview survey with 19 major Tourism agencies in Ulaanbaatar and Tokyo, 13 in UB and 6 in Tokyo, which are handling more than 80% of tourists arrived in Mongolia, and collected brochures of tour packages and information about tour programs being on market in Mongolia. Then the Study Team examined 93 tour packages offered by those agencies.

At present, most of tour packages, currently produced by tourism operators, are similar in tour patterns, destinations, attractions, duration and activities. It is probably caused of restriction by

short tourism season and limited resources as it was presented in 5.2. In addition, the lack of experienced tour planners, insufficient infrastructure, limited financial capability and absence of service mind are also major constraints as well. The Steppe Rally, the Camel Trophy Adventure Rally held in 1994 and Mongol Special Tour Rally (MSTR) are certainly a fresh impacts for planners and open their eyes to the tourism and encouraged to develop new products for market.

According to the examination of the existing 93 tour packages on market, four to seven days tour programs are the most popular package and share 48% of total examined packages. The destinations of this type of package are UB and its suburbs, South Govi, Harhorin and Hovsgol areas. Most of tours to Harhorin and Govi are based in UB and extended to the destinations in two or three days trips. Some of the packages are focused only on horseback riding which are very popular among the Japanese tourists. They stay in the camps in the suburb and UB city tour is not always included. The most of the group tour packages sold in Japan are based on this type of package and composed into 8 or 9 days tour programs including traveling to/from Mongolia.

- The Classical Transit tour packages, short programs less than 3 days, are still important to agencies in UB. The main programs of the packages are UB city tours, one night quick trip to Harhorin or Govi. They were originally produced for the one or two nights transit passengers of the Trans Siberian Railway who arrived from USSR or China but since the country was opened to Western tourists, European tourists arriving from Russia and going to China or vice versa by the Trans-Siberian Railway during the winter season became very helpful income generators during the low season. It is nowadays, the short stay businessmen, foreign residents in UB and domestic tourists are important customers of those short tour packages.
- The longer tour products, more than 8 days consist of two different types of programs. One is to extensively travel over the country and experience culture, nature and typical Mongolian life. Activities may include horseback riding, camel riding, camel caravan, jeep touring, visiting nomads family and experiencing their life style. Some are long round trip of 2 weeks to the north, Darhan, Hovsgol lake, and to the south, Harhorin, Manda Govi and return to UB again. There is also popular camel caravan tours in Govi for 2 weeks starting from Bayangovi or Bayanhongor and trekking over South Govi or Altai area.
- Another is more of a sporting, nature and cultural Special Interests Tourism (SIT), such as motor cycle touring from UB and through the eastern provinces, Govi, Harhorin, Hovsgol lake and coming back to UB. Activities may include canoeing, kayaking, rafting, fishing, hunting, mountaineering in the western region and Hovsgol lake. Watching animals, plants and stars, photographing, archaeological exploration of dinosaurs fossil in south Govi are popular nature exploration SIT tour programs. Visiting Chinggis Khan's trail, ancient sites, in Hentii and some other provinces are cultural SIT. One of the tour operators in UB is specialized only in archaeological SIT and handling many archaeological tours in cooperation with the archaeological societies in USA, Europe and Japan. The Camel Trophy Adventure Rally held in Mongolia in 1994 and Steppe Car Rally in 1996 gave new idea to the tour product planners to develop motor sports event as a new SIT tour product.

## 2) Destinations and Attractions of Organized Tours

Tour destinations by regions, and attractions included in the currently offered 93 organized tour programs are shown in Table A5.5.2.

It is shown in the table that all the 93 programs feature UB as a place to transit or spend free time. Among them there are 16 programs which do not provide a tour in UlanBaatar city because UB is

just one night transit place for those tourists to move on to their following destinations next early morning.

### **(1) Cultural Tour Products**

The religious monuments of Lama Buddhism and remains of the ancient Mongolian Empire are the main cultural attractions and the tourists visit temples and museums by UB city tours. However, a visit to horse and camel breeding nomad families, included in many tour packages, will be certainly one of the most important cultural attractions in Mongolia because this really is a special attractive cultural product that the tourists can experience only in Mongolia.

The cultural performance, such as folk music and dance performed in the tourists ger, Nairandal Park Theater, Opera, ballet and concerts in the State Opera and Ballet Theater are also among Mongolia's artistic tourism resources in UB.

### **(2) Sports Tour Products**

The sports programs are specially important attractions in Mongolian tourism. Many are offered, some extensively some other on a limited scale, including horse and camel riding, hiking, trekking and mountaineering, caravan tours, jeep and motorcycle touring, hot air balloon in the vast steppes, canoeing, kayaking, boating, rafting and fishing on the rivers and lakes.

#### **1. Horseback Riding and Camel Caravan Tours**

Horseback riding is the most popular sports program for the Japanese tourists. They are included in many tour packages and more than 30% of Japanese tourists arrived in Mongolia experienced the horseback riding. Some tour packages are focused only on the horseback riding in the suburbs of UB.

Horse and camel caravan tours are categorized into two different types. One is for experienced riders who travel for one week in the steppe and desert with accompanying vehicles for transport of tents and catering supplies. The another is a half day short horse trekking for the final stage of the horseback riding courses.

Contact with nomads and experience a piece of their traditional life assist tourists to understand local traditions and culture. The hired horses and camels contribute to nomads families for income generation.

#### **2. Jeep and Motorcycle Touring**

The jeep and motorcycle caravan tours are operated by several companies in UB. Most of them start from UB and tour to the northern area including Hovsgol lake or to the southern area including Govi for one to two weeks. A tour group consists of approximately 10 persons with accompanying vehicles which transport the camping equipment, mechanic and first aid team. The motorcycle tours are also popular among young Japanese tourists. They are mostly focused on only motorcycle touring and other destinations and attractions are not included in the packages.

#### **3. Hot Air Ballooning**

It is being undertaken by only one operator in UB which is a sister company of a Japanese tour agency. Since the Japan – Mongolia Aeronautic Sports Association held The International Hot Air Ballooning Festival in Mongolia in 1977, it became one of tour attractions. Pilots, and all the equipment including gas are brought in from Japan and the flying by their ger camp of the operator in Undersheert area, approximately 150km south-west of UB, and offer the ballooning

for tourists once or twice everyday. The pilots and equipment are Japanese and they stay in the ger camp from June to mid September. A local tour operator provides land transport service from UB to the ballooning site.

Security and maintenance of the equipment are responsibility of the Japanese operator but the weather information and medical aid are provided by the local operator. Insurance is depends on tourists' own travel insurance.

### 5.5.3 Institutional Issues

#### 1) Tourism Agencies

The registration and business license for Tourism Agency are under control of Tourism Department of the Ministry of Infrastructure Development. The Department of Tourism prepared a draft of Tourism Law which aimed to upgrade the professional standard of the tourism related sector business which rushed into tourism sector investment. The draft has been delivered to parliament but it is still under discussion and not yet decided.

In order to regulate the tourism business, a Regulation NO.116 on April 20, 1998 was enacted by the Minister of infrastructure Development and adopted for issue of license to engage into tourism services. The regulation stipulates tourism activities, tourism business, issue of license and requirements for tourism business entity and classify the tourism agencies into following three groups;

##### 1. Agencies with "A" Ranked Licensed

Tourism agencies of this category can provide complete services to inbound and outbound tourists, produce the domestic tour packages and contract independently with tourism organization of foreign countries.

##### 2. Agencies with "B" Ranked License

Services of tourism agencies of this category is limited, to provide complete services for out bound Mongolian tourists.

##### 3. Agencies with "Sub-Agent" Ranked License

To be a business entity such as hotels and resorts which provide sufficient services for foreign tourists. They cannot engage in tourism without cooperation of above mentioned "A" or "B" categorized agencies.

As of August 20, 1998, there are 272 "A", 71 "B" and 13 "Sub-Agents" licensed tourism agencies.

Above classification is being made in accordance with the scale of the company such as capital and number of employees. But it is changeable by mutual discussion with the Department so that a clear and fair criteria for classification, including experience and professional capability, should be established and opened to public.

#### 2) Tour Guides

At present there is no qualification, control nor any protection for the job by the public organizations. Every person who are capable of a little bit of foreign language can work as a guide. In addition, unstable professional environment and limited opportunity resulted absence of skilled and experienced guides and often receiving complains by the tourists. The draft Tourism Law aims to

establish and protect the professional guiding job. The minimum requirements for guide are stipulated as follows;

1. A guide shall be Mongolian national.
2. A guide shall be a person who has completed necessary training in tourism course.
3. A guide shall have capability of more than one language.
4. A guide shall have physical health and moral to provide the tourism services.

The license of guide will be granted to the person who satisfy the requirements of this law by the State Agency in Charge of Tourism which is proposed organization in this law. It will be valid for two years and renewed by application for extension.

### 3) Souvenir Shops and Restaurants

Permission of business and commercial in UlaanBaatar are under control of the Production and Service Department of the municipality administration. Permit for souvenir shops and restaurants are issued by the Production and Service Department of the municipality administration as well.

1. The applicant of the business permit of souvenir shops and restaurants shall have a Land Use Permit.
2. The application is examined by expert committee of the municipality. The permit is finally issued to applicant by the Production and Service Department.
3. The business permits are valid for 18 months but the extension is granted only by the submission of the documents.
4. Business permit in the regional cities are issued by the local Aimag administration.
5. Hygiene of the restaurants are under direct control of the National Center of Hygiene, Infection and Bacteriology Studies.
6. There is no control of the pricing in the shops and restaurants.
7. There is an existing fire fighting regulations related to safety and fire protection. The General Fire fighting Law is under deliberation in parliament. Examination of the building material and structure is being conducted during the construction period. The municipality examine the restaurants four times every year.

Establishment of safety and fire fighting law for the building will become essential to secure the public safety in restaurant, shop, theater, office, museum etc. Designation of the fire protection material and structure and fire fighting zoning shall be required for the buildings design.

### 4) Sporting Clubs and Associations

There is not special laws and regulations to regulate the sporting in Mongolia at present except only one regulation of a private internal regulations for a sporting club, National Air Flight Federation, in which it is mentioned that the regulation is under control of constitution, legislation laws and other acts of the air flight in Mongolia. However it is not a statutory regulation but it is only private regulations for internal management of the federation.

## **5.6 Human Resource Development**

### **5.6.1 Education and Training**

#### **A. Administration**

##### **1) Staff Training**

Tourism Department was established in May, 1995. Financial difficulty and short supply of staff are considered to be the major constraints for staff training. However, since its inception, five officials with various backgrounds have attended a number of seminars and training mostly abroad. They have traveled to tourism-advanced countries, including Japan, Egypt, France and the United States, for seminars and training. Table 5.6.1 shows recent cooperation with Japan in the fields related to tourism training.

JICA accepted six governmental personnel working in tourism-related sections in 1997 for Mongolia Country Course. This course will continue until 1999 and will be attended by six officials each year. In addition, TACIS is planning to provide the staff with training in UK in conjunction with the WTM in London and in conjunction with ITB in Berlin in 1999. Post-graduate training of selected officials is considered desirable by the Department, however, the current situation does not permit its realization.

##### **2) Activities for Human Resource Development**

The Department, together with Mongolian Business Development Agency, has held seminars for new entrants to tourism industry with instructors from universities and travel agents in order to broaden the base of tourism-related human resource. The topics of seminars include nature of tourism, marketing, tourist routes and so forth. At the same time, based upon the notion that managerial staff are in short supply, they plan to host a seminar in 1998, together with Institute of Tourism and Management, for high-level managerial personnel.

##### **3) Tourism Education & Training Council**

Tourism Education & Training Council is planned to be established in 1999 as a tourism training coordinating body together with National Tourism Organization. This will be an advisory organization with representatives of the tourism-related industry and university professors. There are three main aims to set up this organization, which are to seek measures for instructor training, to prepare university curricula, and to rearrange university courses.

Although there is no state examination for the tour guide license, it is planned to be introduced in 1999. Examination systems of other countries, including Japan, have been carefully examined. A foreign language, Mongolian history, nature, geography, culture and tradition seem to be the major components of the examination. Setting up the standards in tour guide as well as in university curricula will be a task of the Council.

**Table 5.6.1 Survey, Dispatch of Experts, and Acceptance of Trainees by the Government of Japan in the Field of Tourism in Mongolia (ITDIJ-Related)**

NO	PERIOD	CATEGORY	CONTENTS
1	1988.10.6-1988.12.7	Acceptance of Trainee	Tourism Promotion Seminar, 1 Trainee Attended
2	1991.7.15-1991.7.30	Data Collection	Survey in Ulan Bator and South Gobi Desert, 3 Staff Dispatched
3	1991.8.15-1991.8.31	Dispatch of Private Expert	Guidance on Management and Marketing of Genghis Khan Hotel (Requested through ESCAP), Deputy Chief of Hokke Club Dispatched
4	1992.3.18-1992.3.29	Dispatch of Private Expert	Guidance on Making Tourism Promotion Video (for National TV Station and Juulchin PR Staff, 4 Staff of Ryu Corporation Dispatched
5	1992.8.28-1992.9.15	Dispatch of Private Expert	Same as Above (for Juulchin Foreign Tourism Corporation), 2 Staff of Ryu Corporation Dispatched
6	1993.1.18-1993.1.26	Invitation of VIP	Mr. Nergui Shagdarsurengiin, President of Mongolian National Tourism Association
7	1993.8.9-1993.8.28	Development Promotion Survey	Survey on Accommodation Facilities and New Destinations, Ulan Bator, Karakorum, Khujirt, Terelj
8	1993.12.1-1993.12.8	Invitation of VIP	Mr. Ts. Yondon First Deputy for Trade & Industry
9	1993.12.11-1993.12.20	Acceptance of Private Trainee	Mongol Juulchin Tours, 4 Trainees Accepted for Hotel and Travel Operation
10	1994.1.29-1994.3.29	Acceptance of Private Trainee	Mongol Juulchin Tours, 1 Trainee Accepted for Travel Operation (Sales)
11	1994.2.6-1994.2.14	Development Promotion Survey	The Second Survey, 2 Dispatched
12	1994.3.26-1994.4.5	Policy Support Study	Study on Policy Support for Mongolia, 5 Dispatched to Provide Suggestions on Tourism Promotion Policy
13	1994.4.4-1994.6.30	Acceptance of Private Trainee	Mongol Juulchin Tours, 1 Trainee Accepted for Travel Operation
14	1994.8.19-1994.10.28	Dispatch of Expert	Guidance on Tourism Policy, 1 from JNTO and 1 from ITDIJ Dispatched
15	1995.7.17-1995.9.30	Dispatch of Expert	Guidance on Tourism Policy, 1 from JNTO and 1 from ITDIJ Dispatched
16	1995.10.16-1995.12.1	Acceptance of Trainee	Comprehensive Tourism Seminar, 1 Trainee Attended
17	1996.5.27-1996.7.12	Acceptance of Trainee	Comprehensive Tourism Seminar, 1 Trainee Attended
18	1996.9.11-1996.9.21	Policy Support Study	Study on Policy Support for Mongolia, 6 Dispatched to Provide Suggestions on Tourism Promotion Policy (Requested by World Management Committee)
19	1996.11.4-1996.12.2	Acceptance of Trainee	"Tourism Development and Environment Conservation" Seminar, 1 Trainee Attended
20	1997.6.3-1997.7.27	Acceptance of Trainee	Comprehensive Tourism Seminar, 1 Trainee Attended
21	1997.12.2-1998.1.30	Acceptance of Trainee	Training Course on Tourism Development (in Kanazawa), 6 Trainees Attended

## B. Training Institutes

There are currently five universities offering courses in tourism management and a vocational school offering courses for hotel operational personnel.

## 1) Mongolian National University

### - Courses

Tourism Management Department was established in 1994. The number of students is 130 in total with 9 full-time instructors.

Tourism studies consist of two-year general courses such as geography, culture, history and nature of Mongolia. Eco-tourism and nature conservation are emphasized in the latter two years. More specific subjects, including world tourism, tourism management and marketing are important components of the studies. Students start studying a foreign language in the second year, one from a choice of Japanese, English, and German. Currently, about 25 students take Japanese, 40 take English, and 30 take German. Students make a survey trip during summer vacations to obtain experience and knowledge for practical use. In the first year, they go to Terelj to explore Mongolian nature. In the second Year, they travel to Darhan, Erdenet, Arkhangai and Uvurkahgai for the purpose of understanding domestic tourism. In the third year, they study tourism management at tourist camps, restaurants, and hotels. Although majority of them study at a tourist camp in Kharkhorin, some students choose famous big hotels as their training sites. In the third year, they have a practical training at museums and tourist sites, by actually working as a guide.

There is also one and half year Master Course and currently two post-graduate students are registered.

### - International Education

As of May 1, 1998, one student is studying tourism management in Japan and five students are taking hotel and restaurant management course in the United States. They also established a relationship as a sister university with some institutes in Germany and Austria and some students are expected to be dispatched for training in the near future. With the increase in the number of Japanese tourists, the University expressed their desire to dispatch students for training in Japan.

### - Seminars and Training

In 1988, the University hosted 2 seminars regarding eco-tourism for National Park staff, guides and students.

### - Employers of Graduates

A total of 28 graduated in 1998. Seventy percent of the graduates have been hired by travel agents and hotels. 5 was hired by tourists camp as manager.

## 2) Institute of Tourism Management

### - Courses

The institute was established in 1995 with initial support and investment from a private company with the aim of educating and training the people in the field of tourism management. In September, 1998, the number of students is about 250 in total.

Courses in the first and second year consists of general subjects such as geography, history, and philosophy of Mongolia and English. Students focus on more specific subject from the third year, either hotel management or restaurant management. Marketing and second foreign language are also important elements. Their own hotel and restaurant facilities are available for on-the-job training for students.

### - International Education



As of May 1, 1998, seven students are studying abroad. Five students are studying in the United States and the rest are taking tourism management courses in China and India. It should be noted that a German professor has been invited to teach at the Institute with a support of the German Government.

- Seminars and Training

The institute held a two-week seminar on tourism for instructors of other universities. A seminar for high-level managers in the tourism industry is planned to be hosted by the Institute and Tourism Department. A series of seminars for travel agent staff are planned to be held in 1998.

- Employers of Graduates

There is no graduates yet.

### 3) Mongolian Technical University

- Courses

Department of Food Technology was upgraded to School of Food Technology in 1995. The School has three departments, Department of Food Technology, Department of Food Processing and Catering Service and Department of Biotechnology. Among the departments, Department of Food Processing and Catering Service is most related to tourism. Approximately, there are about 50 students each year with 8 full-time instructors.

Studies at Department of Food Processing and Catering Service consists of food processing, hotel catering and special meals. There are four on-the-job training courses, which are survey training at restaurants and hotels (three weeks), training as an assistant cook (one month), training as a cook (two month) and survey for dissertation (four weeks). The started to offer three year night courses for vocational school graduates for Bachelor Degree in 1996 and currently 24 students are studying. Textbooks are mainly translated from Russian and English. The school established a Master Plan for the purpose of educating experts in the field of food technology and also for the purpose of upgrading the level of Mongolian food preparation to world standard. This Master Plan includes adding new courses on nutrition and on mechanical engineering and also introducing examination in foreign language and specific subjects in hiring instructors. New kitchen facilities are planned to be installed in 1999.

- International Education

About five students make a two-week trip to Korea every year in order to survey restaurants and hotels. As of May 1, 1998, one instructor is taking a food technology course in Japan.

- Seminars and Training

A few seminars were irregularly held to upgrade instructors' skills by inviting foreign instructors.

- Employers of Graduates

Since 1990, about 50 % of graduates have been hired by tourism industry. Despite the increasing popularity of tourism industry, the percentage is declining.

### 4) Pedagogical University

- Courses

Tourism course was established in 1993 within Geography Department and has 118 students. There are seven full-time instructors. Although a foreign language, either Japanese or English, is the most important components and taught throughout the course, there is no language

laboratory. Eco-tourism is also emphasized. General subjects such as history, geography and tourism of Mongolia and pedagogy are taught in the first two years, and more specific subjects such as tourism management, interpretation and international business, are taught in the latter two years. Students make a two-week survey trip in Mongolia and also take on-the-job training at hotels and restaurants. However, they do not always find a place where they hope to work due to the limited number of offers. Textbooks are translations mainly from Russian and partly from English.

- International Education

There has been no international training after 1990 despite their hope to dispatch their instructors to Japan and other tourism advanced countries.

- Seminars and Training

Some seminars on tourism have been held only for students.

- Employers of Graduates

Twenty one students graduated in 1997 and five students were hired by hotels. Majority of others became teachers.

## 5) Institute of Commerce and Business

- Courses

Hotel and Restaurant Management course and Tourism course were established in 1995 and 1997 respectively within Department of Economics and Management. Currently, there are 60 students with two full-time instructors in Tourism course and 130 students with two full-time instructors in Hotel and Restaurant Management course. Textbooks are translations mainly from Russian. General subjects including geography and history of Mongolia are taught in the first year and more specific subjects including tourism industry, tourism management, world geography and international tourism are taught from the second year. With regard to a foreign language, English is the only language taught and tourism English is particularly emphasized.

Hotel and Restaurant Management course offers on-the-job training at some restaurants and hotels in UlaanBaatar in the third year. The tourism course does not contain on the job training. However, the Institute purchased tourist camp in 1998 and will start on the job training there.

- International Education

One instructor is currently taking a Hotel Management Course in Hawaii.

- Seminars and Training

The Institute offers two vocational courses, one year course on cooking and three year night course on restaurant management. Currently 140 students are taking these courses. Short-term course for cooks, barmen and waiters is also offered. However, kitchen facilities are old fashioned and need to be replaced.

- Employers of Graduates

There is no graduates yet.

## C. Tourism-Related Companies

### 1) Airlines-MIAT Mongolian Airlines

MIAT has approximately 200 pilots, 80 flight attendants, 85 engineers and 200 ground staff including cargo staff.

Training for pilots and flight attendants has been held mainly in other countries (e.g. former Soviet Union before 1990 and Korea and Germany afterwards), depending on the type of airplane they handle. This is due to the lack of proper and expensive training facilities in Mongolia. Pilots are required to take training and examinations held in Korea, Australia and the United States in different years in order to meet the world standards. Flight attendants go to Korea and Germany for the same purpose. Those who do not meet the requirements can not continue their job. Throughout the training, a foreign language, particularly English, is emphasized as one of the most important elements to be learned.

Generally, engineers take training at MIAT in Mongolia, however part of engineers are trained abroad. In 1997, about five staff were trained in Japan for 20 days. MIAT also plans to dispatch from five to ten engineers to Japan every year. In addition, in 1996, MIAT started to invite about 10 Japanese engineers to Mongolia as instructor.

Training for ground staff is generally done by on-the-job training in Mongolia. However, some staff are dispatched for a short term training in Japan, Australia, Germany, Korea and Singapore. Training for managerial staff has rarely been conducted.

## 2) Travel Agents and Guides

There are approximately 250 tour guides in Mongolia. Since there is no state examination for the tour guide license, the required skill of tour guides is not standardized. Travel agents currently have their own examinations in a foreign language and specific fields (e.g. Mongolian nature, history etc.).

Major travel agents have training system. For instance, they generally carry out foreign language and computer training in Mongolia. Some of them pay school tuition. In order to improve technical skills, some agents offer short-term seminars for temporary guides during summer. With regard to overseas training, a few agencies dispatch a small number of staff to Japan, Korea and some European countries. There is a case that a few staff took hotel management course in Austria by Austrian bilateral aid (Juilchin).

According to our survey, 80% of travel agents have hired foreign-language-major graduates from university, while 33% have hired tourism-major students. Some 90% of them have provided recruits with on-the-job training.

## 3) Hotels and Tourist Camps

Major staff working at hotels and tourist camps are management, house keeping, front desk staff, and cooks and waiters at accompanying restaurants. Major hotels have similar training system as travel agents. They also emphasize the importance of foreign language and computer skills. On-the-job training, from two weeks to three months, is one of the most important elements for hotel personnel. Overseas training has been provided by major hotels including a training of cooks and waiters in Malaysia (Bayangol Hotel) and an exchange training program with a Taiwanese hotel (Ulaan Baatar Hotel). Like travel agents, they tend to hire experienced staff as well as university graduates with experience in studying abroad. They do not generally appreciate on-the-job training at schools.

Smaller hotels and tourist camps usually do not have systematic training, besides day-to-day on-the-job training. Managers of tourist ger camps, which receive Japanese tourists every year, expressed their desire to dispatch their staff for training in Japan in order to meet the demand of increasing Japanese tourists.

## 5.6.2 Major Issues

### 1) Instructor

There are about 50 full-time instructors teaching tourism-related courses. The ratio of instructor : student is 1 : 15, which is not inferior to practices in tourism advanced countries'. However, qualified, experienced and international instructors are in short supply for tourism development and training of the new generation, or to improve the quality of the current generation. All institutes started teaching in tourism management only a few years ago in Mongolia. Therefore, instructors do not have enough experience and international training. Some of training institutes have tried to dispatch instructors to tourism-advanced countries, however, it is far from sufficient in number. Short supply of instructors also signifies that instructors have less opportunity to study abroad and that students do not have chance to learn from skilled instructors. Some universities started offering Master's courses either this or last year.

### 2) International Education

Few students have opportunities to learn advanced tourism management despite their hope to study abroad. There is a tendency in the tourism industry toward hiring more experienced personnel rather than new university graduates without international education. About two percent of students have studied abroad for more than six months. Lower rate of graduates entering the tourism industry signifies a lack or inadequacy of international education.

### 3) Training Materials

Quality teaching materials and facilities are considered essential for quality instruction, but they are in short supply to meet the requirements of tourism. All institutes use teaching materials translated mainly from Russian and partly from English. Most of these materials were issued during the socialist period and do not meet the current needs. This is largely due to short supply of instructors and their poor command of non-Russian foreign language as well as financial constraints. Japanese and English teaching materials are particularly in short supply. There is always an element of changes that need to be constantly incorporated into teaching materials. Besides textbooks, training facilities such as kitchen facilities became old fashioned and obsolete.

### 4) Contents of Courses

The following table shows the courses which training institutes currently offer.

**Table 5.6.2 Training Courses**

	Foreign language	History	Geography	Nature	Hotel Management	Restaurant Management	Food
MNU	•	•	•	•			
ITM	•	•	•		•	•	
MTU							•
PU	•	•	•	•			
ICB	•	•	•		•	•	

Source: JICA Study Team

There are various problems here. It has been pointed out by many tourism-related persons that all institutes have similar courses and that courses should be examined and rearranged in order to avoid

unnecessary overlaps and expand necessary subjects. For instance, many say that education for hotel/restaurant operational staff and technicians should mainly be provided by vocational schools, while some universities currently offer such courses. In addition, although many institutes have held a few seminars and short-term training, it is obviously insufficient in number and still is at the trial stage. Furthermore, theoretical and practical concepts at university and other training institutes are not sufficiently integrated. On-the-job training is incorporated into programs but often the length and content are not satisfactory for practical use.

#### 5) Managerial and Other Personnel

The managerial development and supply seem to be one of the major concerns regarding human resources development for the tourism industry in Mongolia. The supply of experienced managers does not meet the demand at any management level. Main reason of this is that tourism is simply a new industry and that tourism education at university level started only a few years ago. Although training is conducted by each company, it is insufficient both in quantity and quality. In addition, through the transition to market economy, employers have tended to try maximizing their profit and have not provided enough financial resources for staff training. It has been pointed out in particular that a small size hotels and travel agents do not and cannot offer any effective on-the-job training for employees, nor can it afford any additional or supplementary training being offered by training institutions. Workers with specific skill in countryside, such as managers, cooks, and waiters usually come from UB during summer. Training institutes estimate that they produce approximately 10 cooks and 10 waiters every year (short courses are excluded) and that cooks and waiters will be in short supply especially in countryside.

#### 6) Quality and Quantity of Tour Guides

Mongolia does not regulate the quality of tour guides. Without setting up standards, training for trainers for tour guides as well as school curricula can not properly be established. According to the draft of the Tourism Law Chapter Three, Article 9, a guide should be a citizen of Mongolia, hold a certificate for successful completion of training course on tourism, have good command of more than one foreign languages and meet health and moral requirements essential for tourism services. Unless the Law is soon established, unqualified tour guides can eventually damage the whole industry.

Regarding quantity, training institutes estimate that about 35 students would pass the guide exam every year after 1999. It is estimated that 2,700 guides will be necessary in 2015 and shortage of qualified guides is considered to be serious in Mongolia

#### 7) Training in Countryside

There is few institute holding tourism courses in countryside. Although a small training school was established in 1997 in Darhan by Pedagogical University graduate, majority of tourism-related staff in countryside had training courses in UB or have not had any training. Access to education is a crucial issue for countryside staff.

## **5.7 Social Impacts**

Mongolian society, being in the transition to a market economy from a centrally planned one, is bound to be affected by the development of tourism. Effect of tourism development on the society must be given sufficient attention as Mongolian tourism is closely related to the nomadic tradition and communities around tourism sites.

### **5.7.1 General Linkages**

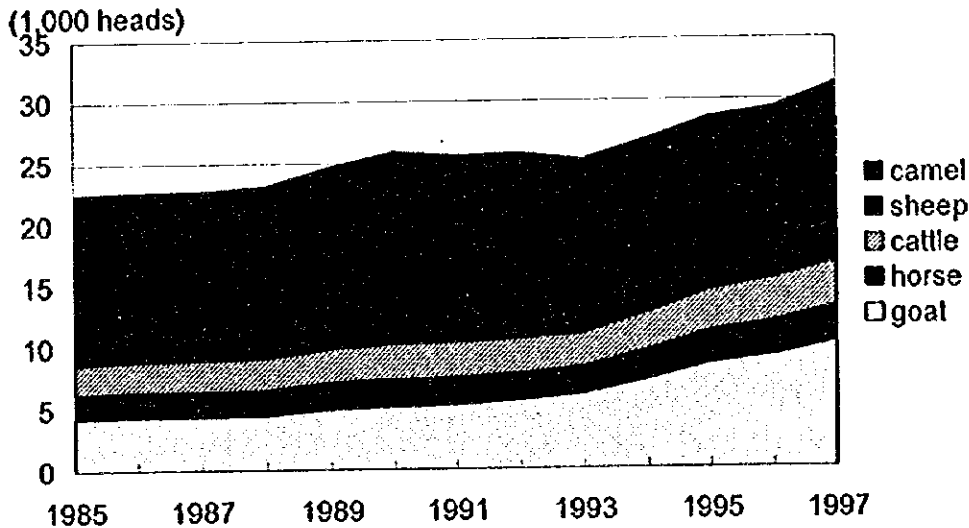
Until now, tourism sector establishments in Mongolia such as travel agents, hotels and tourist-camps have hardly had a negative impact on the nomads and their society because the nomadic population is scattered more or less evenly over the available pasture on the steppes. The tourism sector that is familiar with the nomadic society has had a deep respect for the nomads and put up effort to keep a good relation with them. The nomads also have given tourists hospitality and are tolerant of foreign tourists in spite of their occasional impolite behavior against their custom.

Moreover, the governmental sector including the local governments of Aimag, Sum and Duureg as well as the private sector considerately take into account of nomad society and their custom on the occasion of tourism development at each tourism site. In particular, pasture use for livestock husbandry pursuant to the traditional nomadic system is managed and protected by the Soum and Duureg Governors in cooperation with the appropriate certified organizations in accordance with the "Article 51. Pasture, Its Rational Use and Protection" and the "Article 52. Rational Use and Protection of Hayfields" of The Mongolian Law on Land.

Conversely, the quality of natural environment, essential for the eco-tourism, began to deteriorate due to nomads' unconscious activities. Overgrazing is one of the major causes to distract steppe and forest. The number of goats increased substantially recently because cashmere is traded in large quantities with the nomads who are eager to have cash income for the improvement of their living conditions. Rapid increase in the number of goats in Mongolia is shown in Figure 5.7.1.

Some nomads began to enter into contract with travel agents, hotels and tourist-camps to derive their income from lending their horses and camels, selling livestock products and providing opportunities of experiencing the nomadic daily life such as milking for both foreign and domestic tourists. This means that the nomads have begun to understand the value of tourism industry.

Figure 5.7.1 Total Livestock in Mongolia



Source: Statistical Bulletin, National Statistical Office

### 5.7.2 Nomadic Production-Tourism Relationship

The traditional Mongolian way of life is nomadic, traveling with their portable dwellings, the ger, in order to search for pastures for their livestock. Nomadic way of life in Mongolia has been based on five kinds of animals: horses, sheep, cattle, goats, and camels. Among these five animals, the horse is especially loved by nomads. Sheep is the foundation of the nomadic economy, and mutton is the staple of the Mongolian. Sheep wool is indispensable for nomadic life style and the felt for the ger is made from sheep's wool. Also goats provide angora and kashmere wool, a profitable export item.

Nomadic food basically consists of mutton, called red-meal, and various kinds of dairy, called white-meal. Not only cow, but also sheep, goat, horse, and camel milk are utilized to produce the white-meal. Processes for making Mongolian cheese are very different from that of western style, therefore taste of Mongolian cheese is much different from those commonly available elsewhere.

#### 1) Current Situation

The hearing surveys were carried out to identify current relationships of nomad products and tourism in three areas: Ulaanbaatar, Harhorin, and the OmnoGovi Area. Nomadic products includes food materials, such as milk and dairy, and tourist attractions based on nomadic culture, and souvenirs.

Following relationships were focused in the hearing surveys:

- (a) The relationship between the meal for tourists and the nomadic food materials (dairy and meat);
- (b) The relationship between tourist attractions and the nomadic culture; and
- (c) The relationship between souvenir and nomadic handicrafts.

## (1) Food Materials

### Hotels and Tourist Ger Camps

Interviews were carried out at major hotels and restaurants which foreign tourists frequent in Ulaanbaatar, and tourist ger camps around UB, Harhorin, and the OmnoGovi Area.

The interview results on food materials are shown in Table 5.7.1.

**Table 5.7.1. The results of hearing survey on food materials**

	Dairy	Meat
UB hotels and restaurants	Imported cheese and butter (direct contract with import trader) Milk is rarely served. Other dairy, i.e. yogurt, purchased in market or dairy factory	Meat processing company. Self stock firm in some hotels Processed meat, i.e. sausage, imported
UB ger camps	UB market and Imported cheese and butter Milk is rarely served. Other dairy, i.e. yogurt, purchased in UB market.	UB market (mainly beef and pork) Self stock firm (mainly sheep)
Harhorin ger camps	UB market and Imported cheese and butter Milk is rarely served.	UB market (small amount) Self stock firm (mainly sheep) Neighboring nomads
Omnogovi ger camps	Rarely used	Neighboring nomads

Most of hotels and restaurants in UB, and some tourist ger camps around UB and Harhorin Area use the imported cheese, butter and sausage. Some hotels purchase dairy from the import trader directly, and others do at the UB market. One hotel owns a livestock farm outside of UB, and they process yogurt and butter for themselves.

Some tourist ger camps use dairy and meat from their own livestock, since the amount is not enough, the ger camps have to purchase additional amount from the UB market. Products by nomads are rarely purchased by ger camps.

Hotel and ger camp owners prefer market or imported products because of the hygiene problem associated with nomads products. The food hygiene standards were amended in July 1998, and a hygiene certificate is mandatory to be in the trade. Another reason they use imported cheese rather than Mongolian cheese is the difference of taste. Production process of Mongolian cheese is different from that of European one, and the taste of Mongolian cheese is generally unattractive to foreign tourists.

### Dairy Factory

Although the Public-Private Dairy Company, a former public sector company, processes Mongolian cheese, it is rarely served in hotels or ger camps. Main reason is its unattractive taste. This Public-Private Company is currently facing a serious financial problem, and the shortage of fund makes it impossible to invest in the introduction of technology and equipment for western cheese processing. This financial problem has a negative impact not only on product quality but also on quantity. During the communism era, livestock farms and distribution system had been operated by the state, and milk and other dairy collection system functioned without considering economic efficiency. After the introduction of market economy, livestock farms and distribution systems have been privatized, and now there is no functional large scale network connecting



livestock producers, mainly nomads, and food processing factories.

### **Private Cheese-Making Company**

There is a small private company which produces western type cheese. This maker processes cheese from cow and yak milk, and is under contract with several restaurants in UB. The maker desires to have contracts with major hotels where foreign tourists stay, however, current production capacity is not sufficient for stable supply. In order to supply required amount of cheese steadily, the maker is planning a new cheese factory, however, the maker does not have enough fund to invest.

The limitation of development is also observed in material supply system of this dairy factory. This cheese maker purchases fresh milk from one nomad family to process the cheese. To produce other dairy such as yogurt and sour cream, the maker buys some amount of milk from a milk factory located in the suburbs of UB. Cheese processing requires high butterfat milk, and nomad milk is suitable for cheese. This cheese maker has just one contracted nomad family, and expects to face a supply network problem of high-concentration butterfat milk in the future.

### **(2) Tourist Attraction**

Manpower of nomads for providing tourist attraction based on nomadic culture is insufficient. Most of ger camps have the horse riding tours, and they use mainly their own horses. In case that many tourists come, additional horses are supplied from nomad livestock. Nomads work as horse-riding instructors, but the number of required instructors is limited.

### **(3) Souvenir Items**

#### **UB Hotel**

Souvenir shops in UB hotels supply souvenirs which are made in UB handicraft factories. Some souvenir items, which are easy to sell, are directly purchased by hotels, but others are consigned to hotels.

#### **Ger Camp**

Most of souvenir items and gifts for tourists are purchased from UB handicraft factories, and rarely from nomads. Nomads, especially women, have enough time and ability to make souvenir such as wooden crafts or traditional clothes. One ger camp purchases them from nomads. Other ger owners prefer transporting them from UB to buying from nomads, even though the cost of obtaining them from UB is higher than that in neighboring nomads. This is why ger camp owner must prepare the souvenir materials, such as wood and a piece of clothes, and instruct the detail design of items.

### 5.7.3 Major Issues

#### 1) Quality of Dairy Products

There are two major suppliers of cheese, the Public-Private Company and a small private cheese maker, in UB. New introduction of western process into the public-private company and improvement of existing process in private company are necessary in order to compete with imported cheese.

The latter one already processes the western type cheese, however, hotels and restaurants expect the suppliers should make many kinds of cheese. Moreover there is no significant difference in price between this private company cheese (4,000tg/kg) and imported one (4,000-6,000tg/kg). To respond the various demands of cheese and to improve the competitiveness against imported cheese, improvement of the new technology, process, equipment and management are required.

Until now the Public-Private Factory does not have ability to make western type cheese, western cheese process should be introduced to compete with the imported cheese.

#### 2) Quantity of Dairy

There is a problem of production capacity of dairy. The Public-Private Dairy Factory and the private company can not process a larger quantity of dairy because of the shortage of fund. This shortage of fund makes it difficult to invest in the expansion of their production capacity. The private cheese company, which already has an ability to make western cheese, faces with the shortage of fund to construct a new cheese factory. On the other hand, the Public-Private Company has a surplus capacity, but the company does not have enough fund to purchase milk.

#### 3) Meat Supply System around Tourist Ger Camps

The hygiene problem of nomad produced meat makes it difficult to be purchased by most of tourist ger camps. Nomads' livestock is not provided to tourist ger camps located relatively near UB and Harhorin. These camps purchase meat from the UB market, although nomads are often located around ger camps. The main reason for this is the lack of hygiene certification of nomad-produced meat. This hygiene problem is also observed in OmnoGovi, where it is difficult to transport meat from UB.

#### 4) Milk Supply Network

The supply of milk, mainly from nomads, to tourists or dairy companies is not functioning. The system established in the communist era has disintegrated after the introduction of market economy because of its low economic efficiency. Now the dairy industry can not provide high quality dairy for foreign tourists because of the financial and technical problems. The lack of proper milk supply system will prevent the development of dairy industry in future even when the financial and technical problems are solved. High quality fresh milk is necessary for the dairy industry, especially cheese processing. High quality fresh milk containing high concentration of butterfat is generally produced by nomads, machine-squeezed milk is relatively lower in butterfat concentration than the hand-squeezed one. To supply the high quality dairy steadily, the collection system of milk from nomads should be improved.

### **5) Tourism Attractions Based on Nomadic Culture**

Options of tourist attractions based on nomadic culture are not many. Opportunities of experiencing nomadic culture are now quite limited to horse-riding and ger construction demonstration. In order to increase the number of foreign tourists and induce tourists to stay longer, more options should be prepared and provided.

### **6) Worker Supply**

The quality of nomads as tourism worker is relatively poor. Now some nomads are working for tourist ger camp as ger cleaner or bed maker. Generally specialized workers, such as waiter, waitress, or cook, come from UB. In order to expand employment opportunities improvement in the worker quality is necessary.



## 6. ADMINISTRATIVE ISSUES

### 6.1 Administrative Organizations

#### 6.1.1 Outline of the Government of Mongolia

The structure of the Central Government of Mongolia is made up of the following three branches.

- Legislative branch
- Executive branch
- Judicial branch

The cabinet is headed by the Prime Minister with 9 ministries, which are categorized into 2 groups, namely 3 Central Ministries and 6 Line Ministries.

The Ministry of Infrastructure Development, the Department of Tourism<sup>1</sup>, the local government and The National Tourism Council are described in Appendix A6.1.1.

#### 6.1.2 Tourism Related Administrative Organizations

Because tourism is influenced by various factors, most ministries have at least some relationship with tourism. Table 6.1.1 describes Ministries and their responsibilities related to tourism development except for The Ministry of Infrastructure Development.

**Table 6.1.1 Responsibilities of Ministries Related to Tourism Department**

	Ministry	Duties related in Tourism Development
1	Ministry of Justice	-to carry out international tourism smoothly through simplification and rationalization of embarkation/disembarkation procedures -to ensure safety of foreign tourists during their stay in Mongolia -to rescue tourists in case of accidents
2	Ministry of Foreign Affairs	-to establish friendly relations with foreign countries and pursue world peace through participation in various world events and cooperation with international organizations related to tourism
3	Ministry of Finance	-to participate in the international economic organizations of OECD and ESCAP which have tourism subcommittees -to rationalize world trade procedures related to tourism -to promote foreign investment for tourism -to simplify and rationalize customs procedures
4	Ministry of Science, Technology, Education and Culture	-to develop a human resource development plan for the tourism industry -to maintain cultural facilities such as museums and art galleries in good condition -to protect historical heritages -to promote international exchange of youth through tourism -to carry out measures aimed at uplifting tourism moralities
5	Ministry of Health & Social Welfare	-to strengthen the quarantine system -to control hygiene conditions of restaurants and hotel accommodations where foreign tourists stay -to maintain waterworks for tourism facilities -to proceed health medical treatments utilizing hot springs -to promote tourism utilizing leisure time
6	Ministry of Agriculture & Industry	-to promote tourism by widely introducing the economy, industry and trade of Mongolia to foreign countries -to introduce and publicize Mongolia to the world by participating in world shows or expositions
7	Ministry of Nature & Environment	-to preserve nature and the environment, such as the protection of wild animals and the preservation of the natural environment

<sup>1</sup> In early 1999, a major restructuring of MOID was carried out. The Department of Tourism was abolished, and its planning and administrative functions were integrated in the new department of transport and tourism after the establishment of the National Tourism Center. Much of the descriptions in this Section 6.1 however still apply.

### **6.1.3 Issues of Administrative Organizations**

#### **1) Insufficient Recognition of Economic Impact of Tourism by Mongolian Government**

The economic importance of the tourism sector is indeed significant in Mongolia. However, government attention to the tourism industry in general has actually been too moderate with the absence of a proper evaluation of the economic effect brought by the tourism industry. This has kept the Department of Tourism weak in its efforts to manage the formulation and implementation of tourism policy with little support from other organizations in the government. The budget allocated for tourism development has been meager.

#### **2) Pressing Needs of Coordination among the Tourism Related Organizations**

As mentioned in 6.1.1, there are many ministries involved in tourism development. Coordination among them was so far insufficient. The National Tourism Council, established in October 1998, involving various concerned organizations, public and private, is expected to conduct coordinated operations.

#### **3) Separation of Policy Making Functions and Implementing Functions**

There are too many duties for the Department of Tourism with an extremely limited number of staff. There is little division of labor with the same person handling policy making functions and policy implementation functions at the same time. This not only prevents a person from accumulating experience and building up expertise but also makes the operation inefficient. It is better to separate policy making functions from policy implementation functions. This rule should also be applied in case only one organization is engaged in both making and implementing policies by separating sections within the organization.

#### **4) Insufficiently Experienced Staff in the Tourism Department<sup>2</sup>**

Most of the staff in The Department of Tourism have less than 2 years experience in tourism. In order to promote human resource development, not only central government staff but also Aimag staff should be sent abroad for training. Furthermore, NTC should recruit some personnel in the private sector who are more experienced in tourism.

#### **5) Tourism Department's Weak Leadership with Local Government**

The Tourism Department is unable to exercise strong leadership in conducting tourism administration with local governments. The fact that tourism is a new industry and so far a low priority among each local government's policies is the result of insufficient attention to the tourism industry. However, in order to promote the sound development of tourism throughout the country, it is important for The Department of Tourism to exercise strong leadership with local governments by keeping close relations with them.

### **6.1.4 National Tourism Center**

Based on the Resolution of the Government of Mongolia No.167, "The Basic Guidelines for the Development of Tourism in Mongolia for the period of 1995-2005", The National Tourism Center (NTC) was established in November 1998. The objective of NTC is to enhance the function of implementation in coordination with the state's tourism policy and plan. It also aims at developing

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<sup>2</sup> The Department of Tourism was absorbed in the new National Tourism Center and the Department of Transport and Tourism in early 1999.

Mongolia into an internationally competitive tourism destination in conformity with market demands and with international tourism development trends.

Operational strategy for NTC is described in Appendix A6.1.2.

The TACIS team has been working on the issue of establishing NTC since its commencement. Following the TACIS Team's communications, The Department of Tourism has determined the organizational details of The National Tourism Center.

The establishment of NTC was officially adopted by the government and its organizational details are now under consideration based on the TACIS 's proposal issued on Jan. 11, 1999.

The detailed tasks and organization of the newly established NTC are recommended to be built up in accordance with the TACIS 's proposal. The following is the outline of TACIS 's report.

### 1) Functions of NTC

The main functions of The National Tourism Center are:

- taking charge of the actual management and administration requirements
- planning and product development
- statistics and research
- marketing
- regulations and controls
- public awareness
- human resources development
- international cooperation

### 2) Tasks of NTC

Based on the function above, the tasks shall be defined as follows:

- to prepare a program of studies necessary for an understanding of the sector, for the mastering of its evolution, and for the definition of the state policy
- to normalize and gather data forecasts on tourism infrastructure facilities and on field activities of the different categories of Tourism
- to ensure the collection, processing, harmonization, reliability and spreading of data and forecasts related to all Tourism activities
- to prepare and publish specific studies and synthetic information on Tourism to the representatives of the private sector
- to spread general information to the common public
- to encourage coordination between public and private initiatives in the domain of Tourism
- to ensure administrative and financial coordination between the Central Services and the Regional Services
- to implement the Agreement procedures and the Classification procedures for the organisms, enterprises, equipment and activities in the Tourism sector, following modalities settles by legal Decree
- to control the actual legal conformity of the organisms and enterprises equipment and activities in the Tourism sector before starting business
- to control the actual legal conformity of the activities of organisms and enterprises at regular intervals
- to prepare, evaluate and orientate actions in consideration of employment and professional training in the Tourism sector
- to manage all marketing operations for national and international Mongolian Tourism promotion





## **6.2 Policies and Measures**

### **6.2.1 Government's Tourism Policy**

#### **1) Government Resolution No. 167**

Basic guidelines for the development of tourism in Mongolia were adopted by the government on September 11, 1995. It is the Resolution of Government of Mongolia No.167 with Subject on some measures to develop Foreign Tourism in Mongolia. The resolution is composed with the approval of the basic guidelines of tourism development from 1995 to 2005 and the approval of the implementation plan from 1995 to 1996. In the guidelines the Government is committed to establishing the necessary conditions in order to improve the quality of tourism products, to develop a training program plan, and to provide a favorable economic environment, infrastructure improvement as well as the establishment of an autonomous agency to promote and oversee tourism. The guidelines also aim to develop tourism in several zones in Mongolia such as the Gobi Desert.

#### **2) Tourism Law**

Currently no definite Tourism Law exists in Mongolia. Though a draft of a Tourism Law had been proposed for adoption as a national law to the Great Khural at the autumn session in 1997, it had still not been adopted by the autumn session in 1998. However, because of the urgent need, the provisions of the National Tourism Center, the Higher Tourism Councils in the central government, and Licenses for Tourism Agencies were adopted by the government separately in 1998.

### **6.2.2 Problems in Tourism Policy and Measures**

#### **1) Review of Implementation of Resolution No. 167**

Res. No. 167, planned as tourism development guidelines until 2005, has not been reviewed by the government concerning its implementation although the first stage of the 1995-1996 program has already been passed. The government should express its policy on the treatment of Res. No.167 by reviewing its implementation so far and declare how the government will treat Res. No. 167 in the future.

#### **2) Urgent Need of Adoption of Tourism Law by the Great Khural**

The tourism Law has not been adopted by the Great Khural although it has already been in deliberation for one year. It is indeed an urgent matter to let people in the tourism industry know government policy to lead to a desirable direction.

### **6.2.3 Duties and Budget of Tourism Organization**

#### **1) Duties of the Tourism Department**

Duties of the Tourism Department are divided into the following categories.

- preparation of a comprehensive plan and policy for tourism development
- preparation of regulations and quality standards
- international marketing and tourism promotion in Mongolia
- development of a computerized statistical database and information system

- development of training and educational programs for tourism personnel
- co-ordination of the tourism policy with other government agencies and the private sector

What the Tourism Department completed in 1997 or is currently conducting.

Detailed duties of each category are described in Appendix A6.2.1.

## 2) Budget of the Tourism Department

There is no specified budget that is regularly and independently allocated to The Department of Tourism in carrying out tourism administration. Therefore, in cases of a certain expenses related to tourism activities such as printing costs of tourism promotion pamphlets for WTO's "Silk Roads Conference in Kyoto", it shall be treated as special expenses in the budget of the Ministry of Infrastructure Development.

## 6.2.4 Activities and Budget of Private Tourism Organizations

Two private tourism organizations, The Mongolian Tourism Association (MTA) and The Mongolian Hotel Association (MHA), were both established in 1997 as non-government organizations to protect the rights and the interests of their members. However, because of the short history and small number of members as well as the small budget, their activities so far have not been satisfactory, according to board members.

Activities and budgets of MTA and MHA are described in Appendix A6.2.2.

## 6.2.5 Tourism Related Regulations

### 1) Foreign Investment Law

The first Foreign Investment Law enacted in 1990 was revised in 1993 with the following purpose.

- 1) Protection of investors from illegal seizure and nationalization of foreign investment
- 2) Determination of the priority encouragement area for foreign investors
- 3) Determination of basic conditions for land use and establishment of a joint-venture

Preferential treatment regarding taxation mentioned in the Foreign Investment Law is not applied to tourism industries. Further amendment of the current Foreign Investment Law is now under consultation.

The following problems plague the current Foreign Investment Law.

- 1) What and how the incentives shall be given to tourism industry investors are not clear.
- 2) Shorter period of land use rights, 10 years, for instance, is permitted by the local government against the investor's desire and the Investment Law that actually defines it as 100 years.
- 3) BFI does not have enough power to resolve the dispute in the foreign investment project due to it being a governmental organization.

### 2) Land Use Control

There are four types of Protected Areas in Mongolia, namely, (1) Strictly Protected Areas (SPA), (2) National Conservation Parks (NCP), (3) Natural Reserves, and (4) Natural and Historic Monuments. Currently, 171,000 km<sup>2</sup>, or about 11% of Mongolia's territory, has been officially declared a protected area (PA). Most of the 26 protected areas are relatively small and scattered, the largest are the Great Gobi Biosphere Reserve (53 thousand km<sup>2</sup>, officially designated by the United Nations), Gobi Gurvansaikhan National Conservation Parks (20 thousand km<sup>2</sup>) and Khan Khentii Strictly Protected Areas (12,000km<sup>2</sup>).

The Ministry of Nature and the Environment manages the "Strictly Protected Areas" and the "National Conservation Parks". Nature reserves and monuments are to be administrated by local governments. "The Mongolian Law on Land" and "the Mongolian Law on Environmental Protection" also regulate land use within Protected Areas. Although all "Strictly Protected Areas" and "National Conservation Parks" are administrated by the Protected Area bureau (Ministry of Nature and the Environment), which is also granted "the right (according to current EIA procedures) to review projects within special protected areas", local Sum governments are required by the Mongolian Law on Land "to enter into land use contracts with citizens, economic entities or organizations for State owned land" including Protected Areas.

As a rule, it is generally accepted that land users, for example tour companies, should settle contracts with both the Protected Area administration and the local government, but often contracts are only bilateral with either the local government or the Protected Area administration.

"Regulation on Developing Tourism within the Boundary of Protected Areas" which was adopted in 1996 contains the following (unofficial English Translation):

- The Protected Area Bureau / Protected Area Administrations have the right to establish tourism zones and routes as well as tourism regulations (including carrying capacities) within Protected Areas.
- The PAB/PAAAs have the right to review environmental impact studies of tourism projects and monitor their proper implementation. An EIA will be compulsory for any tourism project within Protected Areas.
- Operating permits for tourism companies are granted by the PAA in conjunction with the Sum governor. A permit will be based on a contract stipulating the company's duty to comply with environmental standards and will be valid for one year.
- Tourist guides will need a professional certificate and a license by the PAB/PAAAs.
- Aimag and Sum governments may develop their own tourism projects and routes in Co-operation with the PAA.

A general land law was passed in 1994, but no agreement was reached on the question of land ownership by individuals.

### 3) Classification Grading and Requirements of Hotels

Classification Grading and Requirements of Hotels was adopted as the Mongolian National Standard by The Mongolian National Center for Standardization and Metrology on April 30, 1998. (Authorized No.MNS-4588-98) The standard applies to hotels with more than ten rooms, therefore tourist gers can not be measured by this classification. Purposes of classification and grading of hotels are;

- to develop levels of accommodation facilities with respect to public utilities and engineering supply
- to improve level of service quality
- to develop level of personnel in hotel industries
- to increase the number of hotels that satisfy international hotel standards

Hotels are categorized into five classifications and distinguished by Stars. The minimum standard required by all hotel classes stipulates meeting hygiene norms and "Fire security regulations in construction projects" regarding fire protection systems.

The regulation applying to Classification Grading and Requirements of Hotels is still being studied by the Tourism Department with the assistance of the concerned organizations such as The Mongolian Hotel Association.

#### **4) Regulation for the Issuance of Licenses for Engaging in Tourism Services**

The regulation for the Issuance of Licenses for Engaging in Tourism Services was adopted by the Ministry of Infrastructure Development as Regulation No.116 on April 24,1998. This regulation stipulates the tourism activities, category of tourism business, issuance of licenses and the requirements for the tourism business entity. It also stipulates technical matters such as extensions and cancellations and making changes in the conditions of the license.

The regulation stipulates the tourism activities as follows;

- to organize the work for travel and tourism in domestic and foreign countries by the foreign and domestic citizens.
- to complete the tourist visas and travel documents
- to make seat reservations for the means of transportation and hire the transport
- to make hotel and meal reservations for the tourists
- to travel to historical and cultural places and to organize tours to the museums and provide the guide/translator services in receiving tourists

The regulation classifies the tourism agencies into three groups depending on their work and duties to be performed as follows;

“A” ranked license

- to provide complete services with regard to receiving and sending tourists to the agreed destinations based on contracts made independently with the tourist organization of a foreign country.

“B” ranked license

- to provide complete services with regard to sending Mongolian tourists on business trips to foreign countries.

“Sub-Agent” ranked license

- to be a business entity such as hotels, tourist stations, resorts and spas, which have satisfied the requirements for receiving foreign tourists, guests and travelers.

“Sub-Agent” cannot engage in tourism activities without a contract with “A” or “B” categorized agencies.

The following are problems with the regulation for the Issuance of Licenses.

- 1) No articles stipulate the conditions to qualify tourism agencies into three categories in the regulation. It is changeable by mutual discussion with the Tourism Department. Clear and fair criteria for classification should be established and open to the public.
- 2) Liability insurance for protection against risks is actually treated as a recommended matter and not as mandatory.

#### **5) Sanitary Standards for Tourism Industry (Restaurants & Food Industries)**

The license for a restaurant business is not issued by the central government but by each local government including Ulaanbaatar City. The Agency of Inspection for Hygiene and Epidemiology, the government agency under the Ministry of Health & Social Welfare, is in charge of control for sanitary standards. The Law of Health adopted in 1977 has been stipulating sanitary standards of Mongolia. The Sanitary Law, however, was independently legislated from The Law of Health in July 1998 with the purpose of more careful and more severe control in food hygiene standards. There are 190 state qualified hygiene inspectors all over the country to conduct periodic checks of restaurants or food business entities at least twice a month in each district. They also conduct unscheduled checks to give instructions to poor restaurants in hygiene conditions. Fines or operational stop orders of several months shall be issued depending on the violation of the regulation.

## 6) Fire Fighting Regulations (for Hotels and Restaurants)

In connection with the safety standards for tourism industries, the fire fighting law is important to protect tourists from the danger of fires in hotels or restaurant facilities. The General Fire Fighting Law which combines existing fire fighting regulations is under deliberation in Parliament. For the sake of tourist safety, the following main points are stipulated in the current fire fighting regulations for hotels,

- Every hotel facility should meet the construction standards stipulated in the respective hotel license. The Fire Defense Board, an organization under the National Police Agency, strictly examines this point from the initial stage of hotel construction.
- Minimum equipment such as fire extinguishers, signboards of emergency exits and of evacuation maps for guests should be prepared to show each guest in hotels.
- A manager to administrate a fire prevention system should be voluntarily assigned in each hotel.
- Fire drills at least once a year should be exercised.

The Fire Defense Board conducts the examination of fire prevention codes at every hotel once a year. In the worst case, the violator's hotel business license might be revoked by the Fire Defense Board.

## 7) Insurance Law for Tourism Industries (Liability Insurance)

Although the establishment of "life and personal injury insurance for tourists" was adopted as an urgent item with a deadline of 1995 in the government Res.No.167, it is still under study by The Ministry of Finance and state insurance company. There has been no tourism agency that makes contracts for liability insurance, though the Regulation for the Issues of License for Engaging in Tourism Service stipulates the necessity of the insurance.

The Insurance Law of Mongolia was established in January 1998. Compulsory insurance is still in the process of investigation and is expected to be finalized at the end of 1999. Mongol Daatgal Co. newly started voluntary life and accident insurance for tourists with maximum insurance of 12,000 US dollars from 1998, but so far they have no contracts with travel agencies as mentioned above.

The government should expedite the establishment of compulsory liability insurance systems for tourism agencies as soon as possible. In order to diffuse liability insurance to tourism industries, high insurance with low insurance fee systems should be considered with financial support from the government.

## 6.2.6 Taxes and Incentives

### 1) Taxes

The Mongolian tax system includes "taxes," "fees" for services furnished by state organizations, and "payments" in the form of rentals and royalties for use of State property. Taxes are further divided into State and local taxes. Of these, state taxes are imposed at rates and on tax bases set by the national government while local taxes are imposed at rates which can be set by local representative Khurals of Aimags and the capital city. Taxes related to tourism are economic entity and organization income tax ("EOT"), sales tax and the following state and local taxes;

- Excise Tax, Hunting License Fees, Land Use Payments, Stamp tax, Entertainment performance Tax etc. (State taxes)
- Permission Fee to get Exposed to Nature, Payment for Use of Natural Resources except Minerals (Local taxes)

- VAT: Mongolia imposes VAT (Value added taxes) on domestically produced or furnished work or services. No VAT applies on goods for export. The current VAT rate is 10 percent.

From May 1, 1997, customs duties (previously imposed at 15%) were abolished to enhance the economic environment to invite foreign investment.

“EOT” exemption and deductions are allowed for businesses involved in regional development. Decisions are made on a case-by-case basis by Great Khural’s upon the proposal of the government.

## 2) Incentives for Foreign Investment

### (1) Income Tax (EOT) Preferences

Article 20 of the Foreign Investment Law allows income tax preferences to a business entity with foreign investment in any of the following sectors.

Period of Tax Exemption	Period of 50% Tax Relief	Investment Area*
10 Years	5 Years (From 11 <sup>th</sup> Year)	<ul style="list-style-type: none"> <li>• Power and thermal plants and their transmission network</li> <li>• Highways</li> <li>• Railways</li> <li>• Air-cargo and Engineering construction</li> <li>• Basic networks of telecommunications</li> </ul>
5 Years	5 Years (From 6 <sup>th</sup> Year)	<ul style="list-style-type: none"> <li>• Mining and processing of mineral resources (except precious metals)</li> <li>• Oil and coal</li> <li>• Metallurgy</li> <li>• Metal processing</li> <li>• Chemical production</li> <li>• Machinery</li> <li>• Electronics</li> </ul>

\*If a business entity with foreign investment which is not referred to in the table above, exports more than 50% of its output, it shall be entitled to an income tax exemption for 3 years and 50% tax relief in the immediately following 3 year period.

### (2) Freedom for Investors

The following freedoms are provided to foreign investors in Foreign Investment Law or Land Use Law.

- No maximum for foreign equity stakes
- Foreign investor can manage or participate in the management of business
- Almost all business activities are permitted
- A foreign investors can obtain a land & property lease for up to 60 years with an option to extend it for a further 40 years
- A foreign investor can freely remit capital or profits to his home country

## 6.2.7 Major Issues

### 1) Shortage of Budget for Tourism Promotion

Lack of budget is a big problem for tourism policy in Mongolia. Many suggestions on tourism promotion have been proposed by advanced foreign countries but most of them were not carried out properly due to a shortage of funds. Even though the number of staff in the tourism department

was increased by improvement of budget allocations, it was not sufficient for them to conduct tourism promotion duties satisfactorily. NTC should especially be allocated a large enough budget for its effective function.

## **2) Immature Private Tourism Organizations and Weak Supporting Policies by The Tourism Department**

Not much time has gone by from the day the private tourism organizations were initiated in Mongolia. The Mongolian Tourism Association (MTA) and The Mongolian Hotel Association (MHA) are non governmental organizations aiming at the sound development of each industry by putting together companies in the same business to pursue common interests. Although those private tourism organizations are young and their influences are limited because of low organizing ratio, they shall play important roles to raise private companies and to lead them in the proper direction. The Tourism Department should provide various means of support to develop MTA and MHA in keeping close relations. For this purpose, MTA and MHA are recommended to be advisory members in The National Tourism Organization.

## **3) No Preference on Taxation to Tourism Industries in Foreign Investment Law**

In the current Foreign Investment Law, preference in taxation is not applied to tourism industries. However, based on the idea that the tourism industry can obtain foreign currencies the same as the business entities obtaining foreign currencies by exporting goods, the tax preference article applied to those business entities exporting goods should be also applied to tourism industries.





## **7. SUPPORTING INFRASTRUCTURE**

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### **7.1 Transport**

#### **7.1.1 Airports and Air Transport**

##### **1) Airport**

The Buyant Ukhaa International Airport is located 15km west of the center of Ulaanbaatar and is managed by The Civil Aviation Authority (CAA) under The Department of Roads and Transport and The Ministry of Infrastructure Development. It has a 3,100m runway and was reconstructed to accommodate larger civilian aircraft, which have been using the airport since 1990. It is fully equipped for night landings and has navigational equipment based on international standards. However, the airport facilities are insufficient regarding levels which meet world standards.

There are 25 domestic airports throughout each province as shown in Table 7.1.1. The provincial airstrips have a runway length of around 2,600m. The runways of 5 domestic airports (Khovd, Murun, Choibalsan, Sainshand and Bayanhongor) are paved while the others are compacted and graded dirt. The domestic airports don't have any navigation control systems. These domestic airports can generally be classified as being in poor condition.

##### **2) Air Transport**

International air transport to Mongolia is mainly operated by MIAT (Mongolian Civil Air Transport Organization), Korean Air and China International Airlines. MIAT has been affiliated with IATA since May 30, 1996. The Mongolian government has a plan for the privatization of MIAT in two years time. The domestic air transport is operated and monopolized by MIAT.

The international and domestic routes are shown in Figure 7.1.1 and 7.1.2, respectively. Their concentric domestic air network with Ulaanbaatar as the single hub makes travel between tourist sites difficult. The service levels (aircraft type, charges) of international and domestic flights are shown in Table 7.1.2 and 7.1.3, respectively. The charges for international flights are set based on the standards of IATA and those of domestic flights are decided by the Government, based on a cost recovery concept.

**Table 7.1.1 Airport Facilities in Mongolia (1/2)**

	Function for Takeoffs and Landings						Radio System	Lights System	Weather Observation System
	Basic Facilities			Taxi Way	Apron				
	Runway		Surface Condition						
	Length (m)	Width (m)		Length (m)	Area(m2)				
<b>I. International Airport</b>									
Buyant Ukhua	3,100	60	Asphalt	2,700	122,087	HF, VHF	○	○	
<b>II. Domestic Airport</b>									
1 Ulgii	2,700	50	Grassy Plains	2,000	Nil	HF, VHF	Nil	○	
2 Khovd	2,850	35	Asphalt	600	Nil	HF, VHF	Nil	○	
3 Bulgan (Khovd)	1,800	40	Grassy Plains	400	Nil	HF, VHF	Nil	Nil	
4 Ulaangom	1,900	35	Grassy Plains	1,800	Nil	HF, VHF	Nil	○	
5 Altai	2,200	50	Grassy Plains	1,800	Nil	HF, VHF	○	○	
6 Uliastai	2,300	50	Grassy Plains	2,000	Nil	HF, VHF	Nil	○	
7 Tosontsengel	2,400	50	Grassy Plains	300	Nil	HF, VHF	Nil	○	
8 Murun	2,240	35	Asphalt	200	Nil	HF, VHF	○	○	
9 Tsetserleg	1,600	30	Grassy Plains	400	Nil	HF, VHF	Nil	○	
10 Bulgan	1,900	50	Grassy Plains	500	Nil	HF, VHF	Nil	Nil	
11 Teshig	1,000	50	Grassy Plains	100	Nil	HF, VHF	Nil	Nil	
12 Ergenet	2,000	60	Grassy Plains	400	Nil	HF, VHF	Nil	○	
13 Arvaikheer	2,510	50	Grassy Plains	400	Nil	HF, VHF	○	○	
14 Khujirt	2,300	40	Grassy Plains	500	Nil	HF, VHF	Nil	Nil	
15 Kharkhorin	1,800	40	Grassy Plains	100	Nil	HF, VHF	Nil	Nil	
16 Undurkhaan	1,600	50	Grassy Plains	500	Nil	HF, VHF	Nil	○	
17 Dadal	1,600	40	Grassy Plains	150	Nil	HF, VHF	Nil	Nil	
18 Binder	1,200	50	Grassy Plains	100	Nil	HF, VHF	Nil	Nil	
19 Baruun-Urt	1,900	50	Grassy Plains	400	Nil	HF, VHF	Nil	○	
20 Choibalsan	2,600	40	Concrete	1,800	Nil	HF, VHF	Nil	○	
21 Sainshand	2,800	32	Concrete	1,200	Nil	HF, VHF	Nil	Nil	
22 Mandelgovi	2,000	40	Grassy Plains	600	Nil	HF, VHF	Nil	○	
23 Dalanzaglgad	2,500	50	Grassy Plains	600	Nil	HF, VHF	Nil	○	
24 Bayankhongor	2,800	35	Asphalt	350	Nil	HF, VHF	○	○	
25 Bayuun-turuun	1,800	50	Grassy Plains	150	Nil	HF, VHF	Nil	Nil	

Source: CAA of Mongolia

**Table 7.1.1 Airport Facilities in Mongolia (2/2)**

	Function for Passengers and Cargo Services					Services Function for Aircraft	
	Passenger Terminal Building		Cargo Terminal Building		Parking Area Area(m2)	Maintenance Facilities	Filling Facilities
	Floor Area(m2)	No. of Floors	Floor Area(m2)	No. of Floors			
<b>I. International Airport</b>							
Buyant Ukhua	9,198	4	882	2	207,720	○	○
<b>II. Domestic Airport</b>							
1 Ulgii	50	1	40	1	2,450	Nil	○
2 Khovd	208	2	48	1	13,137	Nil	○
3 Bulgan (Khovd)	40	1	Nil	Nil	600	Nil	○
4 Ulaangom	50	2	15	1	750	Nil	○
5 Altai	220	2	40	1	750	Nil	○
6 Uliastai	180	2	40	1	750	Nil	○
7 Tosontsengel	300	2	20	1	8,450	Nil	○
8 Murun	400	2	40	1	13,300	Nil	○
9 Tsetserleg	80	1	15	1	750	Nil	Nil
10 Bulgan	56	2	16	1	750	Nil	○
11 Teshig	22	1	Nil	Nil	750	Nil	Nil
12 Ergenet	168	2	40	1	750	Nil	Nil
13 Arvaikheer	150	1	20	1	750	Nil	○
14 Khujirt	40	1	20	1	750	Nil	Nil
15 Kharkhorin	24	1	9	1	750	Nil	Nil
16 Undurkhaan	40	1	48	1	750	Nil	○
17 Dadal	64	1	16	1	750	Nil	Nil
18 Binder	12	1	Nil	Nil	750	Nil	Nil
19 Baruun-Urt	40	1	9	Nil	750	Nil	○
20 Choibalsan	Nil	Nil	Nil	Nil	24,000	Nil	○
21 Sainshand	Nil	Nil	Nil	Nil	24,000	Nil	Nil
22 Mandelgovi	96	2	16	1	750	Nil	Nil
23 Dalanzaglgad	40	1	16	1	750	Nil	○
24 Bayankhongor	300	2	40	1	13,137	Nil	○
25 Bayuun-turuun	30	1	16	1	750	Nil	○

Source: CAA of Mongolia



Source: MIAI

MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA
Figure 7.1.1 International Air Routes
PADECO Co., Ltd./Nippon Kofu Co., Ltd.



Source: MVIAT

MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA

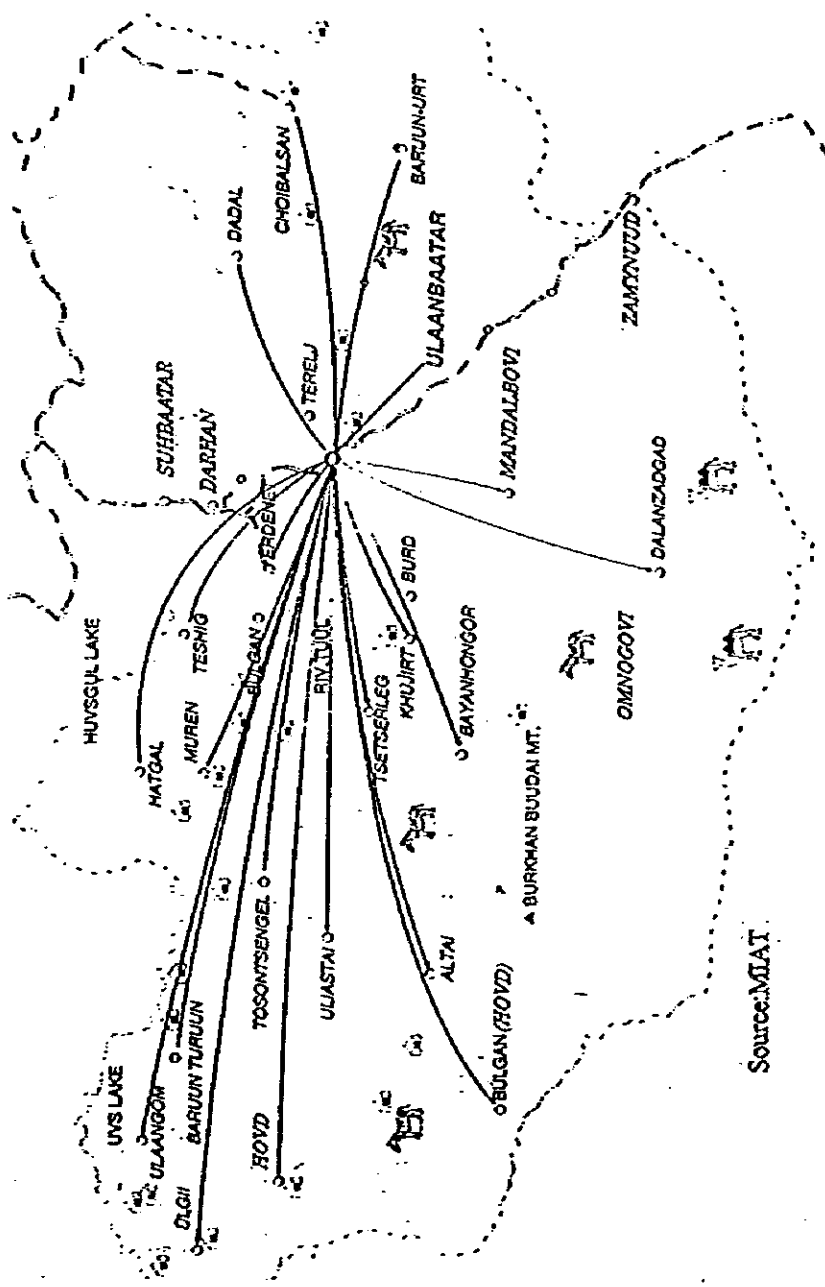
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

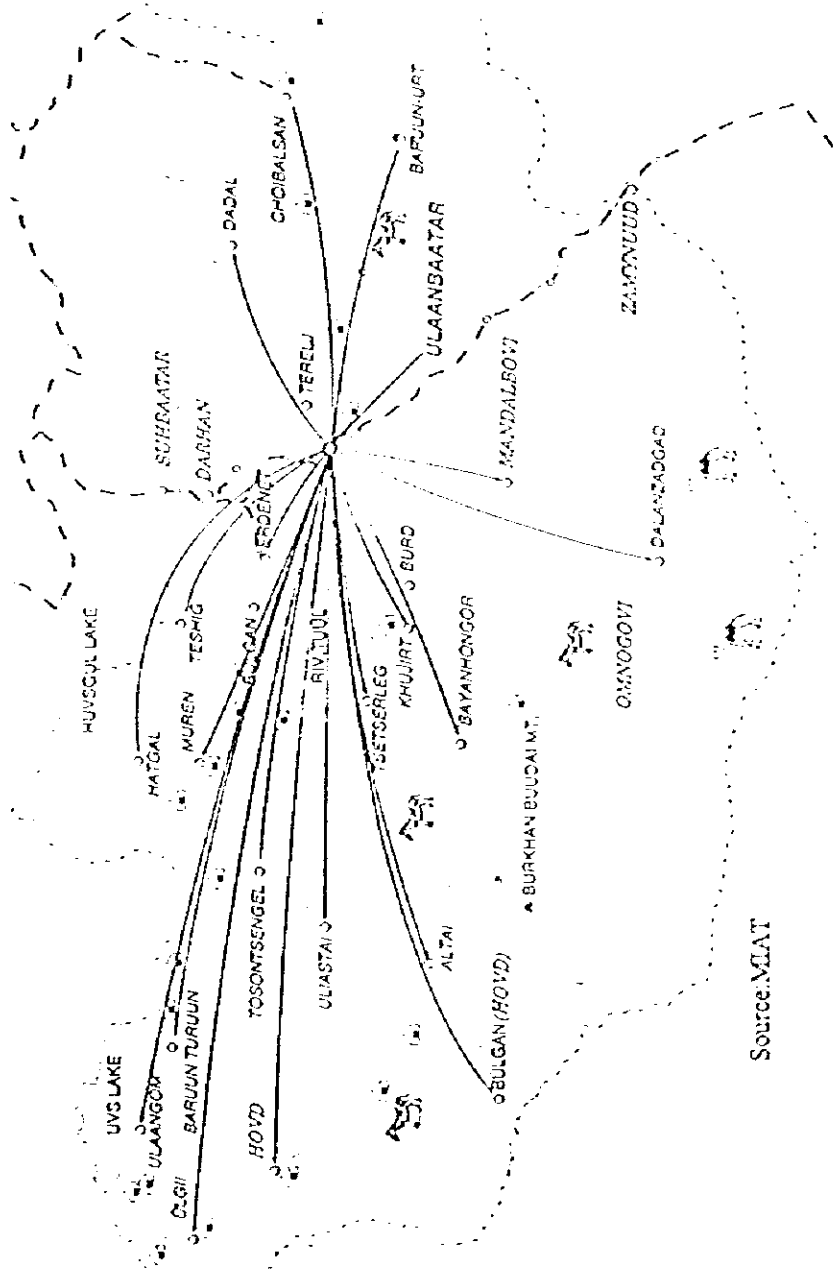
THE MASTER PLAN ON NATIONAL TOURISM  
DEVELOPMENT IN MONGOLIA

Figure 7.1.1 International Air Routes

PADECO Co., Ltd./Nippono Zemi Co., Ltd.

MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA
Figure 7.1.2 Domestic Air Routes
PADECO Co., Ltd./Nippon Kaido Co., Ltd.





MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA  
 JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)  
**THE MASTER PLAN ON NATIONAL TOURISM  
 DEVELOPMENT IN MONGOLIA**  
 Figure 7.1.2 Domestic Air Routes  
 PADJCO Co., Ltd./Nippon Koei Co., Ltd.

Table 7.1.2 Service Conditions of International Flights

(As of April 19, 1998)

Air Lines	AC Type	From	To	Operating Days	No. of Flights	Charges of One Way (US\$)			Charges of Round Trip (US\$)		
						First Class	Business	Econom y	First Class	Business	Econom y
MIAT	B727	Ulaanbaatar	Osaka	Wed. Sat.	2	986	798	694	1879	1520	1323
MIAT	B727	Osaka	Ulaanbaatar	Wed. Sat.	2	986	798	694	1879	1520	1323
MIAT	B727	Ulaanbaatar	Seoul	Fri.	1	630	537	466	1197	1020	885
MIAT	B727	Seoul	Ulaanbaatar	Fri.	1	630	537	466	1197	1020	885
MIAT	B727	Ulaanbaatar	Beijing	Mon Sat	2	345	277	231	657	526	438
MIAT	B727	Beijing	Ulaanbaatar	Mon Sat	2	345	277	231	657	526	438
MIAT	AN24	Ulaanbaatar	Huhhot	Mon.Thur	2	123	104	86	235	196	164
MIAT	AN24	Huhhot	Ulaanbaatar	Mon.Thur	2	123	104	86	235	196	164
MIAT	B727	Ulaanbaatar	Berlin		1	532	-	410	998	-	765
MIAT	B727	Berlin	Ulaanbaatar	Sun	1	532	-	410	998	-	765
MIAT	B727	Ulaanbaatar	Istanbul	Thur	1	755	-	506	1469	-	993
MIAT	B727	Istanbul	Ulaanbaatar	Thur	1	755	-	506	1469	-	993
MIAT	AN24	Ulaanbaatar	Irkutsk	Wed. Sat.	2	127	113	95	254	226	190
MIAT	AN24	Irkutsk	Ulaanbaatar	Wed. Sat.	2	127	113	95	254	226	190
Korean Air	MD85	Soul	Ulaanbaatar	Tue.	1	-	-	-	-	-	560
Korean Air	MD85	Ulaanbaatar	Soul	Tue.	1	-	-	-	-	-	560
China Air	B737	Beijing	Ulaanbaatar	Tue. Fri.	2	-	-	231	-	-	438
China Air	B737	Ulaanbaatar	Beijing	Tue. Fri.	2	-	-	231	-	-	438

Source: MIAT, Korean Air, China Air



Table 7.1.3 Service Conditions of Domestic Flights of MIAT

(as of March 1998)

A/C Type	From	To	Operating Days	No. of Flights	Charges of One Way (US\$)	Charges of Round Trip (US\$)
					Economy	Economy
AN24	Ulaanbaatar	Baruun Urt	Wed. Sat.	2	82	144
AN24	Baruun Urt	Ulaanbaatar	Wed. Sat.	2	82	144
AN24	Ulaanbaatar	Choibalsan	Mon.Wed.Fri.	3	90	158
AN24	Choibalsan	Ulaanbaatar	Mon.Wed.Fri.	3	90	158
Y12	Ulaanbaatar	Mandalgobi	Fri.	1	41	71
Y12	Mandalgobi	Ulaanbaatar	Fri.	1	41	71
AN24	Ulaanbaatar	Dalanzadgad	Tue.	1	81	142
AN24	Dalanzadgad	Ulaanbaatar	Tue.	1	81	142
AN24	Ulaanbaatar	Dalanzadgad	Fri.	1	81	142
AN24	Dalanzadgad	Ulaanbaatar	Fri.	1	81	142
AN24	Ulaanbaatar	Bayanhongor	Mon.	1	82	143
AN24	Bayanhongor	Ulaanbaatar	Mon.	1	82	143
AN24	Ulaanbaatar	Bayanhongor	Thur.	1	82	143
AN24	Bayanhongor	Ulaanbaatar	Thur.	1	82	143
Y12	Ulaanbaatar	Tsetserleg	Wed. Fri.	2	68	119
Y12	Tsetserleg	Ulaanbaatar	Wed. Fri.	2	68	119
Y12	Ulaanbaatar	Teshig	Mon. Thur.	2	69	121
Y12	Teshig	Ulaanbaatar	Mon. Thur.	2	69	121
AN24	Ulaanbaatar	Muren	Mon.Wed.Fri.	3	83	143
AN24	Muren	Ulaanbaatar	Mon.Wed.Fri.	3	83	143
AN24	Ulaanbaatar	Altai	Mon.Wed.Fri.	3	120	210
AN24	Altai	Ulaanbaatar	Mon.Wed.Fri.	3	120	210
AN24	Ulaanbaatar	Uliastai	Tue.Thur.Sat.	3	124	217
AN24	Uliastai	Ulaanbaatar	Tue.Thur.Sat.	3	124	217
AN24	Ulaanbaatar	Tosontsengel	Tue.Fri.	2	100	176
AN24	Tosontsengel	Ulaanbaatar	Tue.Fri.	2	100	176
AN24	Ulaanbaatar	Khovd	Mon.	1	146	256
AN24	Khovd	Ulaanbaatar	Mon.	1	146	256
AN24	Ulaanbaatar	Khovd	Thur.Sat.	2	146	256
AN24	Khovd	Ulaanbaatar	Thur.Sat.	2	146	256
AN24	Ulaanbaatar	Bulgan(Khovd)	Tue.	1	200	351
AN24	Bulgan(khovd)	Ulaanbaatar	Tue.	1	200	351
AN24	Ulaanbaatar	Ulgii	Tue.Thur.Sat.	3	161	281
AN24	Ulgii	Ulaanbaatar	Tue.Thur.Sat.	3	161	281
AN24	Ulaanbaatar	Ulaangom	Mon.Wed.Fri.	3	144	252
AN24	Ulaangom	Ulaanbaatar	Mon.Wed.Fri.	3	144	252
AN24	Ulaanbaatar	Baruunturuun	Sat.	1	130	243
AN24	Baruunturuun	Ulaanbaatar	Sat.	1	130	243

N.B. The Charges are for foreigners

Source: MIAT

With regard to the air transport services, MIAT has quite a few problems, particularly with domestic air services as listed below.

- Old aircraft (AN(Antonov)-24);
- Reservations not available for returning flight at Ulaanbaatar due to undeveloped computer online systems;
- Complicated boarding procedures;
- Unpunctual schedules, etc.

The unreliable and uncomfortable domestic services mentioned above are an impediment for tourism promotion in Mongolia.

The number of air transport passengers is shown in Table 7.1.4. The number of international passengers has been increasing since 1991 and reached 92,000 in 1997. The number of local passengers has been decreasing due to the influence economic contraction after the withdrawal of Soviet aid in 1991. In late May 1998, an airbus 300 was added to the fleet of MIAT. It provided a direct flight between Berlin and Ulaanbaatar.

**Table 7.1.4 Number of Passengers by Air Transport**

	1991	1992	1993	1994	1995	1996	1997
International	40.3	70.5	73.2	71.2	78.6	83.8	92.1
Local	575.4	258.9	129.7	157.0	146.6	161.4	180.4
Total	615.7	329.4	202.9	228.2	225.2	245.2	272.5

(Thousand)

Source: Mongolian Economy and Society in 1996, Statistical Yearbook, MIAT

## 7.1.2 Roads and Road Transport

### 1) Roads

The Road Authority of Mongolia, under The Department of Road and Transport and The Ministry of Infrastructure Development manages the road network in Mongolia. The extensive domestic network of around 42,000km links 21 major cities and 160 smaller centers throughout the country (refer to Figure 7.1.3). Mongolia has 5,406km of improved roads, of which 1,640km are paved as shown in Table 7.1.5.



**Table 7.1.5 Road Length by Road Type in Mongolia**

(km)

Road Type	Paved Road	High-Grade Gravel Road	Gravel Road	Total
State Road	1,203	1,356	1,406	3,965
Local Road	289	488	516	1,293
Others	148	0	0	148
Total	1,640	1,844	1,922	5,406

Source: Road Authority of Mongolia

There are 5 asphalt and concrete roads as shown below.

- Ulaanbaatar---Darhan---Suhbaatar(to Russia)
- Ulaanbaatar---Hashaat---Arvayheer---Bayanhongor (excluding Nariynteel---Hayrhandulaan)
- Ulaanbaatar---Terelj
- Nalaih---Erdene
- Ulaangom---Khandgayt (partly)

These paved roads can generally be classified as being in fair to poor condition, due to foundation failure, longitudinal cracking, failed concrete slabs and bumpy conditions are seen everywhere. For instance, the road between Ulaanbaatar and Harhorin, vitally important for tourism, has the same poor conditions for most of its length except for the 31.5km section from Harhorin, which was still under construction as of November 1998. According to The Department of Road and Transport, The Ministry of Infrastructure Development, the 31.5km section from Harhorin is scheduled to be paved by early 1999.

Gravel roads have been receiving minimal maintenance. The majority of roads are natural roads, that is, paths made by automobiles and carriages on grassy plains and the desert.

In order to improve the poor condition of the roads, the following road development and related studies have been conducted through international aid.

**(1) Road Master Plan and Feasibility Study in Mongolia**

- Donor: ADB
- Study period: 1992-1993, 1998-1999

**(2) Master Plan Study on Improvement and Rehabilitation of Road Network in Ulaanbaatar**

- Donor: the Japanese Government (JICA)
- Study period: 1998-1999

**(3) Road Construction of Darhan-Erdenet Section (184 km)**

- Donor: the State of Kuwait
- Construction period: July 1998-2000
- Pavement : Asphalt

**(4) F/S for Nalaih-Choyr Section (199 km)**

- Donor: ADB (The Asian Development Bank)
- Study period: 1998

**(5) Road Construction of Nalaih-Eldenson Section (13 km)**

- Donor: the Japanese Government (JICA)
- Construction period: 1996-1997
- Pavement: Asphalt

(6) Road Improvement of Ulaanbaatar-Altanbulg (400 km)

- Donor: ADB
- Improvement period: 1998-1999
- Pavement: Asphalt

(7) Road Improvement of Harhorin-Tsetserleg-Tosontsengel (a segment of 50 km)

- Donor: WB (World Bank)
- Improvement period: 1999-2000 or 2001
- Pavement: Gravel road

2) Road Transport

The number of road transport passengers is shown in Table 7.1.6. It has been decreasing since the abolishment of the planned economy system in 1991, as bus passenger services have been changed to reflect profitability due to the introduction of a market economy.

Table 7.1.6 Number of Passengers by Road Transport

(million)					
1991	1992	1993	1993	1994	1995
231.3	249.3	189.3	143.7	107.2	105.9

Source: Mongolian Economy and Society in 1996, Statistical Yearbook

7.1.3 Railways and Rail Transport

1) Railways

The rail transport is operated by the Railway Agency under The Department of Road and Transport, Ministry of Infrastructure Development.

The international railway which connects Russian and the Chinese railway network runs from north to south through Ulaanbaatar. This 1,100km railway provides the major link for Mongolia with Russia and China. Four local railways are connected by this international railway. In addition, a railway from Choibalsan to Russia is in operation. The length of railway network reached around 1,800km in total. The railway network in Mongolia is shown in Figure 7.1.4.

2) Rail Transport

The number of passengers by rail transport is shown in Table 7.1.7. The number of international passengers similarly decreased, while the number of local passengers increased and reached 2.8 million.

Table 7.1.7 Number of Passengers by Railway Transport

(Thousand)						
	1991	1992	1993	1994	1995	1996
International	395.0	401.1	355.6	325.8	194.4	156.1
Local	2,161.5	2,170.2	1,893.4	2,558.8	2,637.1	2,830.9
Total	2,556.5	2,571.3	2,249.0	2,884.6	2,831.5	2,987.0

Source: Mongolian Economy and Society in 1996, Statistical Yearbook

The number of passengers at each of the major stations for rail transport is shown in Table 7.1.8. The Ulaanbaatar station is dominant, followed by the Darhan station.

**Table 7.1.8 Number of Passengers at the Main Rail Transport Stations**  
(Thousand)

	1991	1992	1993	1994	1995	1996
Sukhbaatar	76	84	83	126	128	130
Darhan	136	180	233	342	339	385
Erdenet	110	116	107	187	167	189
Zuunkharaa	63	61	51	56	100	122
Ulaanbaatar	1,075	1,107	960	1,247	1,341	1,337
Choir	28	25	20	26	28	39
Sainshand	83	74	72	93	86	99
Zamyn-uud	9	26	61	125	136	168
Total	1,580	1,674	1,586	2,201	2,326	2,469

Source: Railway Agency in Mongolia



## **7.2 Utilities**

### **7.2.1 Water Supply and Waste Water Treatment**

Mongolia's water resources consist of rivers and lakes (these are most extensive in the north and northwest parts of the country) and widely distributed underground water. These water resources are replenished by rain and snow which occurs more in the north where precipitation is often 50 to 100 mm per year.

In Mongolia, underground water is the main source of a protected water supply for most towns and rural settlements such as sum and bag centers. Furthermore, many water wells have been drilled for herdsmen and their livestock. Some wells also provide irrigation water for animal fodder such as vegetables, wheat, etc.

Underground water is attractive because it can often be found within 60 meters below the ground surface. Nevertheless, there are sometimes problems in the underground geologic formations where there may not be enough cracks or open passages to allow water to flow, or it is frozen in the form of permafrost. In the Gobi Desert and some other areas, the underground water may have high concentrations of minerals such as calcium, fluoride, iron, magnesium, manganese, nitrates, salt and sulfides. Such water is said to be "hard" or "brackish". Careful investigation and exploration is needed to find water fresh enough to be good tasting and healthy.

Fortunately, extensive exploration and development work has been done in Mongolia in order to define the underground water resources and to put them to good use for human and economic benefits. The Government of Mongolia has carried out various development programs and has received support from several sources. For example, Australia and the World Bank are assisting in an urban service rehabilitation project to improve water supplies and other services in about 12 ger areas of Ulaanbaatar. Japan is also assisting in the improvement of water treatment in Ulaanbaatar and with an improved water supply for Altai City. The Asian Development Bank is also involved in a project to improve water supplies and other urban services in western aimags. UNDP, Australia, The Netherlands and Sweden are providing funds for the "WASH-21" project (Development of a National Water, Sanitation and Hygiene Education Program for the 21<sup>st</sup> Century which will provide water for six aimags and their sum centers). France is also to assist in the area of water and waste water treatment.

Water resources in the tourist camps are usually from the groundwater, of which the quantity and quality are sufficient.

Wastewater from the tourist camps, on the other hand, is discharged into the vicinity without any treatment. An appropriate wastewater treatment system is necessary to avoid groundwater contamination in the case of expansion of tourist camps.

### **7.2.2 Waste Disposal**

Open dumps without treatment are used with solid waste disposal at present. Appropriate system of garbage collection to improve the aesthetic landscape and disposal method at the final dumping site is necessary for the tourist camps.



### **7.2.3 Power Supply**

Mongolia has developed energy production based on coal burning thermal power plants. There are 6 major thermal power plants of different capacities; three of them are distributed in Ulaanbaatar with a capacity of 21MW, 134MW and 560MW, and the others in Darhan, Choibalsan and Erdenet cities with capacities of 48MW, 48MW and 36MW respectively.

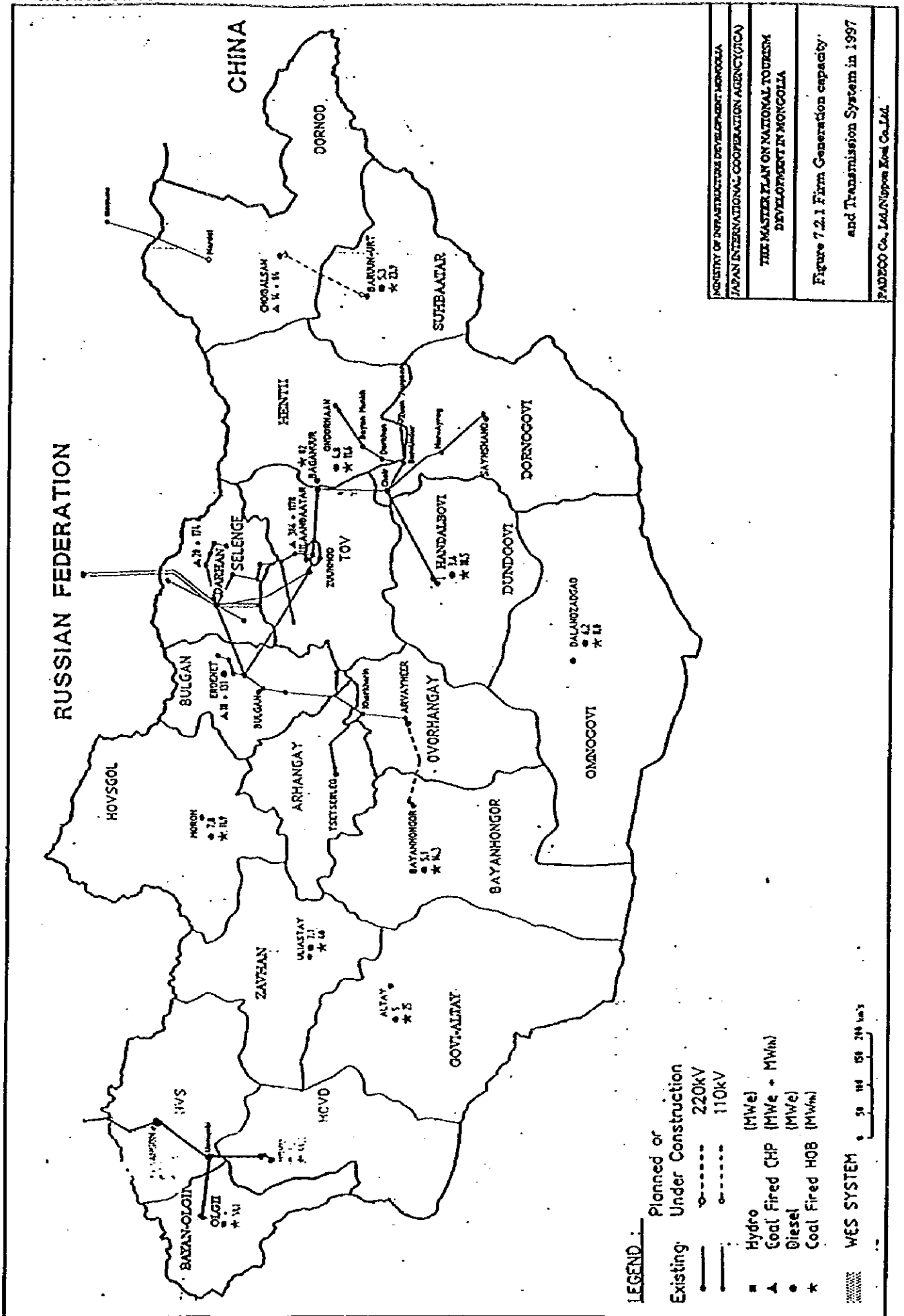
The main economic region of Mongolia and the region along the Trans-Mongolian Railroad and its spurs are connected with high power transmission lines as shown in Figure 7.2.1. This network is known as The Central Energy System (CES) which also is linked to The Buryat Energy System of the Russian Federation through a 220KV line. The CES network consists of 1,044km of 220KV, 2,100km of 110KV and 2,950km of 35KV transmission lines, covering the territory of Selenge, Bulgan, Darhan-Uul, Orkhon, Tov, Ovorhangai, Dornogovi and Govisumber aimags. The CES supplies power to one third of the territory and half of the population of the country.

The headquarters of the CES is located in Ulaanbaatar and is responsible for the import/export of electricity and its distribution. The CES is under the direct supervision of The Ministry of Energy, Geology and Mining.

The towns and settlements beyond the CES network have their own small power stations or diesel generators.

During periods of power shortage, especially in winter, the CES buys electricity from Russia and distributes it among its consumers. Thanks to considerable government investment, and financial and technical assistance from the donor countries and international organizations, the country's power supply is being improved.

There is a proposal that a 250MW capacity hydropower station on the river Egiin Gol will be constructed with a soft loan from Asian Development Bank. Also other smaller hydropower stations are under construction in several parts of the country.



MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA  
 JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)  
 THE MASTER PLAN ON NATIONAL TOURISM  
 DEVELOPMENT IN MONGOLIA  
 Figure 7.2.1 Firm Generation capacity  
 and Transmission System in 1997  
 PADECO Co., Ltd./Upper Level Co., Ltd.

## 7.2.4 Telecommunications

### 1) Background

The Government of Mongolia has, in recent years, made institutional changes in economic policy to deregulate the economy, stimulate the private sector and attract foreign investment. In 1995, a Mongolian Telecommunications Company (MTC), a state ownership dominated shareholding company (Korea Telecom purchased 40 per cent of total shares), provided the basic telecommunication services; international, domestic long distance, and local telephone services. They lease the basic telecommunication network facilities from the government which owns all the basic network assets.

### 2) Telecommunications Network

Mongolia has some 103,287-exchange lines and 92,512 lines in service as shown in Table 7.2.1. The number of exchange lines has increased by 45 per cent since 1990 but the number in service has increased at a slower rate because of a lack of outside plants. The telephone density per 100 population is about 3.9.

#### **Domestic:**

The Mongolian telephone network consists of 3,000 kilometers analogue and 1,000 kilometers digital microwave links and 30 thousand kilometers of open-wire lines, each carrying 3-12 channels as shown in Figure 7.2.2 and 7.2.3.

295 telephone exchanges (a trunk digital exchange, four step-by-step, and 21 crossbar) are distributed and located in the main cities (the capital Ulaanbaatar, all of 21 Aimag centers and four industrial/large cities).

The ALCA TEL E-10B digital switch provides some 40,000-telephone lines. The E10B exchange provides local, national and (optionally) international direct dialing to its customers with international calls being routed via an NEC NEAX-61 digital international exchange.

269 small capacity switches, a network of open wire lines (12 channels) and HF radio systems, provide telephone services to the rural areas. The national long distance network comprises analogue microwave links, an extensive network of open wire lines and a trunk exchange in the capital. All of Aimag centers and important cities are connected to the capital.

With the commissioning of the first digital exchange in Ulaanbaatar, new services such as facsimiles and PC-based services have been introduced.

#### **International:**

MTC provides international direct dialing (IDD) to over 130 destinations by using Japan (KDD), Russia, Hong Kong, UK and Singapore transit facilities.

There are three satellite earth stations. Intelsat is used for multi-destinations and Intersputnik for Russia. Asiasat earth station uplinks domestic TV for broadcast to remote TV receivers (TVRO), and receives a variety of regional satellite TV channels for programming in Ulaanbaatar.

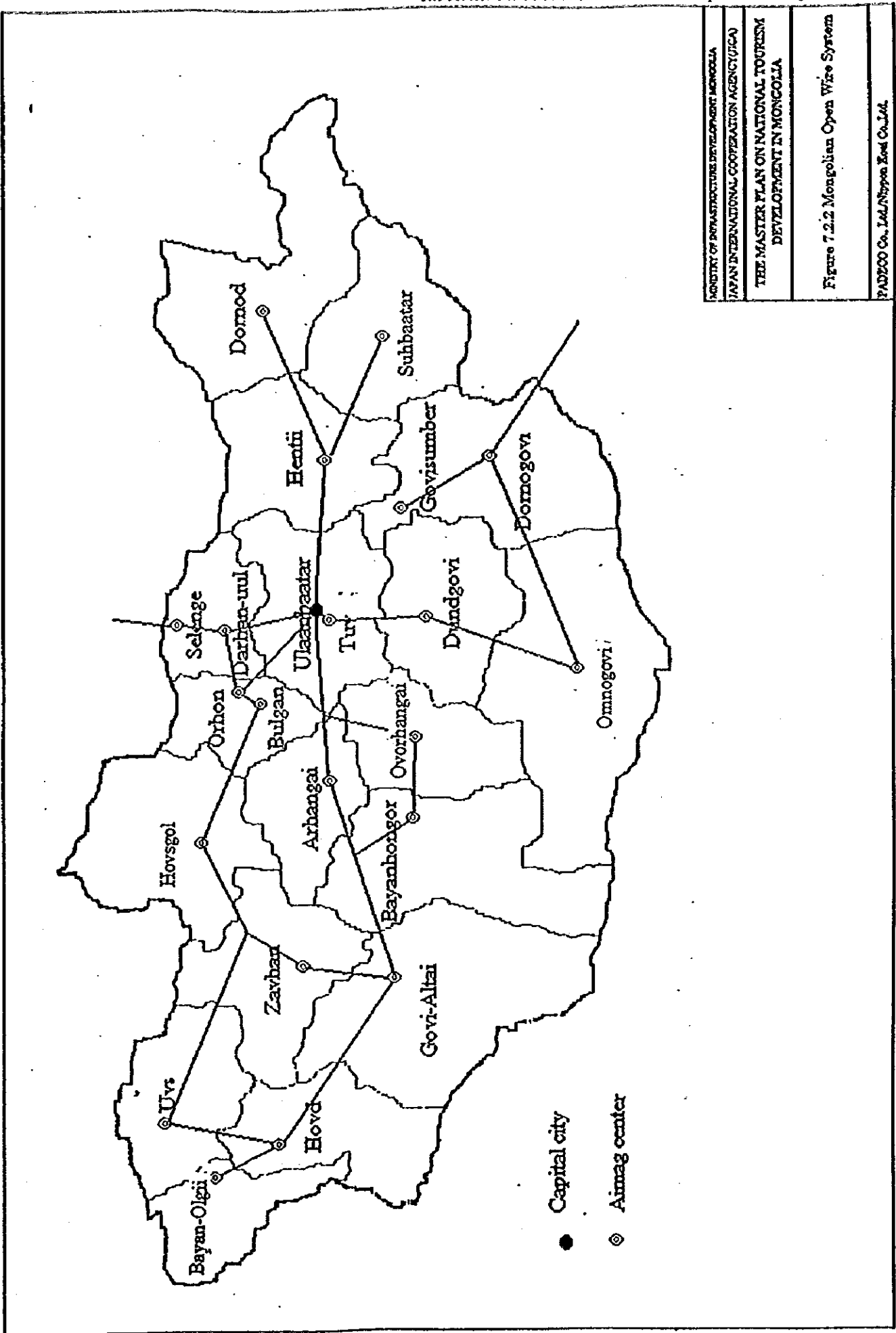
The Intelsat earth station is installed at Ulaanbaatar and connected to the national switching center (NEAX) by microwave link. Russia is also connected via terrestrial microwave link, and China is connected through an open wire system.

The Ulaanbaatar earth station and related equipment used to provide telex and other services was installed by Cable & Wireless in 1990 under a Build Operate Transfer (BUT) scheme and transferred to the Mongolian Government in 1995.

**Table 7.2.1 Telecommunication Data**

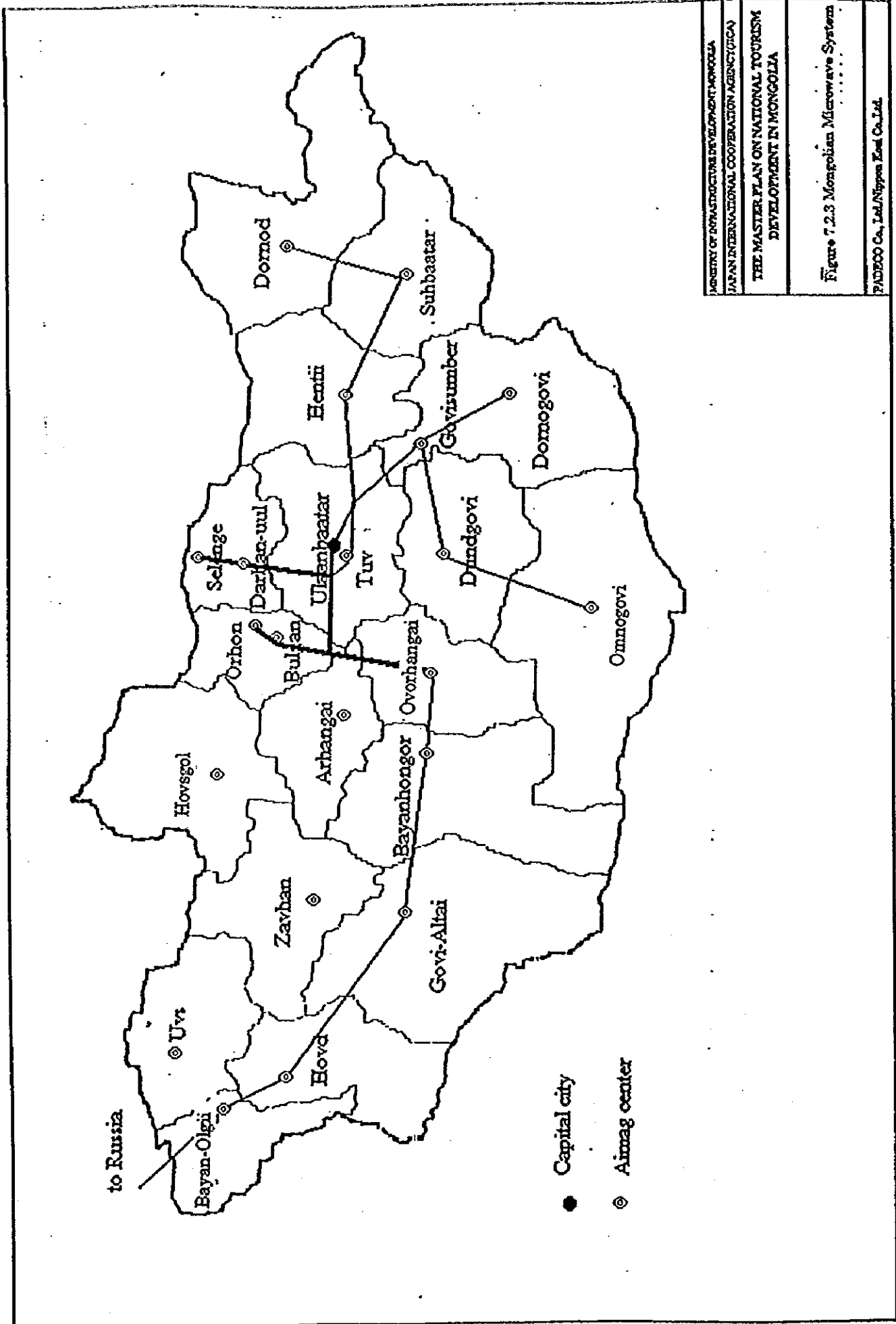
	Year ending 31 December				
	1992	1993	1994	1995	1996
<b>TELEPHONE NETWORK</b>					
Main telephone lines in operation	69,225	66,399	69,114	80,050	92,512
Main telephone lines per 100 inhabitants	3.05	2.86	2.92	3.45	3.9
Percent of main lines connected to digital exchanges	17.00	38.00	41.00	42.20	47.00
Waiting list for main lines	56,000	55,000	51,000	39,161	40,000
Public payphones	460	60	60	60	143
<b>MOBILE SERVICES</b>					
Cellular mobile telephone subscribers	--	--	--	--	900
Cellular subscribers per 100 inhabitants	--	--	--	--	0.04
Radio paging subscribers	--	--	1,100	1,700	2,000
<b>TRAFFIC</b>					
International outgoing telephone traffic (minutes) 10x3	863	815	1,246	1,978	2,192
International incoming telephone traffic (minutes) 10x3	...	1,817	3,208	4,580	5,506
<b>STAFF</b>					
Full-time telecommunication staff	6,022	5,649	5,374	5,300	5,000
Main telephone lines per Employee	11	12	13	15	18.3

Source: Ministry of Infrastructure Development, Mongolia



● Capital city  
 ⊙ Aimag center

MINISTRY OF INFRASTRUCTURE DEVELOPMENT, MONGOLIA
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA
Figure 7.2.2 Mongolian Open Wise System
PADECO Co., Ltd./Nippon Esud Co., Ltd.



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 Figure 7.2.3 Mongolian Microwave Systems  
 PADECO Co., Ltd./Nippon Koei Co., Ltd.

### 3) Railway Communication Network

Deregulation has created openings to other operators of the telecommunications market. The Mongolian Railway Company is a joint venture between the Governments of Mongolia and the Russian Federation. It provides domestic and long-distance telephone services to meet the telecommunications needs of the Mongolian railway service.

The network has a total nominal capacity of 6,300 lines provided by 17 exchanges alongside the railway network. Digital telephone switches were installed for subscribers in 3,000 cities alongside the railway at the end of December 1995. Low capacity (primary open wire) transmission lines connect the exchanges with interconnections between this network and the MTC network at Ulaanbaatar and Darhan.

### 4) Data Communications

The Data Communications Systems Company Limited (DataCom) which was established in 1994, provides data communication services. Datacom provides the following services: domestic PC-mail service, international PC-fax services and Internet E-mail service. By the end of 1995, DataCom had installed a VSAT satellite earth station for direct Internet access, which has a dial-up connection with the global Internet via PanAmSat satellite, and an earth station in California.

As of today, a communications network has not been established in Mongolia. However, most universities and research institutes, government organizations, banks and companies are establishing their own data communications networks and local area networks.

### 5) Paging

The Monsonic group's service was launched in March 1994 by MonCom Co., Ltd., and in December 1996 it had 2,000 users. The company provides numeric and alphabetic services via an operator. At present, it provides a paging service in Ulaanbaatar City, using paging equipment made by Motorola with a capacity of 10,000. The authorities are planning to establish a national paging system. MonCom has already obtained a license in Darhan and Erdenet from MOID.

### 6) Cellular Systems

In September 1995, KDD of Japan announced it would be teaming up with Sumitomo trading house to set up a joint venture with a Mongolian concern to launch a mobile phone service in Ulaanbaatar in March 1996.

The new company, MobiCom Corporation, will become 44.4 percent owned by the two Japanese companies with the remainder being owned by Newcom Company, a Mongolian consulting firm.

MobiCom has built one exchange station and four radio stations for a digital cellular system (GSM) for the city area. Alcatel and provided the infrastructure for the GSM network. The system was launched in March 1996. MobiCom will have a monopoly on services until 1998. It is providing mobile service in Ulaanbaatar, Darhan, Erdenet and Suhbaatar cities.

From any location in Mongolia high quality communications (telephone, Fax and Data Transmission) to any other part of the world (including Mongolia itself) via Inmarsat Satellite System becomes available using the Inmarsat Mini-M land mobile facility provided by MobiCome Corporation.

## **7) CATV Network**

Several private Cable TV (CATV) service providers have been established in Ulaanbaatar and other main cities. Currently CATV is provided to more than 20,000 households in the capital city and some provincial centers.

## **8) Future Development**

The Mongolian government has prepared medium and long-term network development programs as follows:

- Improve the rural telecommunications network and its connectivity with the national network in an effective way establishing 300 domestic satellite stations (VSAT and DOMSAT);
- Replace the remaining analogue microwave transmission network of the western, southern, eastern routes by the digital microwave links in the provincial centers step by step.
- Establish a nation-wide internet network;
- Establish a nation-wide digital radio broadcasting and paging (two-way text) system;

For the tourism industry concerned, capable telecommunication devices in the tourist camps are to be developed by the Cellular System near UB, or VSAT satellite earth stations in the rural areas. Domestic satellite stations to be installed in the 300 towns can be connected with tourist camps.