

13.6 Facilities and Infrastructure Development Plan

13.6.1 Roads Development Plan

1) Roads and Transport throughout Mongolia

The poor road networks and poor road surfaces are serious concerns for tourism development. Upgrading the main roads connecting UB and major tourist destinations, construction and repair on internal roads in and around the major tourist destinations are crucial.

The second constraint is limited support facilities for convenient transportation along the major trunk routes such as rest facilities (restaurants, toilets), gas stations and road sign facilities.

On the basis of the concept that hub-and-spoke type transport system should be superposed by the circuit type transport systems, the development of roads infrastructure is proposed as follows.

(1) Roads Development for Creation of Triangle Network among UB, Harhorin and Omnogovi

UB-Harhorin Highway Improvement

The highway between UB and Harhorin with the length of 380 km is the major trunk route for tourism. Though a majority of the highway is paved by asphalt, the foundation failure, cracking, bumpy conditions and narrow width on some parts of the section are seen everywhere because of minimal maintenance. The 31.5 km at Harhorin end has only a dirt surface and is not paved yet. This section is under construction and is scheduled to be paved by early 1999. The average traveling speed on the paved section of this highway by a sedan car is about 70 to 80 km/h at present. By upgrading with a high design standard, the traveling speed is expected to be more than 100 km/h. The traveling time can be cut down to less than 4 hours (by more than one hour). The improvement contributes to an increase of tourism demand to Harhorin.

The highway between UB and Harhorin shall be improved in terms of road width, curvature and pavement (asphalt). The Department of Road and Transport, Ministry of Infrastructure Development puts a high priority on the highway improvement project, primarily because the road is considered to be most important for not only tourism development but also economic activities.

This improvement is expected to encourage tourism and to entice more international tourists to Mongolia. The implementation schedule is assumed within the long term (by the year of 2015).

UB-Omnogovi (Dalanzadgad) Road Improvement

The road between UB and Dalanzadgad with the length of 580 km is either dirt or beaten tread on grass plains and is sometimes difficult to cope with using 4-wheel drive. Though the Department of Road and Transport, Ministry of Infrastructure Development has no improvement plan at present, the road shall be improved to increase the tourism demand to Omnogovi.

The road between UB and Dalanzadgad shall be improved in terms of road width, curvature and pavement (high grade of gravel) in the long term (by the year of 2015). This improvement is expected to encourage tourism and to induce more international tourists to Omnogovi.

Harhorin Area (Arvaiheer)-Omnogovi (Sevrey) Road Development

Harhorin and Omnogovi are the second major tourist sites next to UB in Mongolia. However, the existing direct transport network both of road and air between Harhorin and Omnogovi has not been developed. The tourists have to return to UB once in case of the travel from Harhorin to Omnogovi, because UB is a hub. The road development is necessary for convenient travel between Harhorin and Omnogovi.

The road between Harhorin and Omnogovi shall be developed as a gravel road in the long term (by the year of 2015). The road development is expected to encourage tourism.

(2) Support facilities for convenient transportation along major trunk routes

The support facilities along the major trunk routes such as rest facilities (restaurants, toilets, gas stations) and road signage are necessary for smooth travel.

Development of Rest Facilities

There are a few decrepit rest facilities along the major trunk routes such as UB-Harhorin highway at present. The development of the rest facilities is expected to enable more comfortable and safe travel.

The rest facilities (restaurants, toilets, gas stations) along the major trunk routes mentioned above including the highway between UB and Harhorin shall be developed at intervals of around 100-200 km.

The implementation schedule on the highway between UB and Harhorin is assumed within the short term (by the year of 2005). Its schedule on UB-Omnogovi (Dalanzadgad) road and Harhorin Area (Arvaiheer)-Omnogovi (Sevrey) road is assumed within the long term (by the year of 2015).

Development of Traffic Sign Facilities

There are no traffic sign facilities along the major trunk routes such as UB-Harhorin highway at present. The development is expected to enable more comfortable and safe travel.

The following traffic sign facilities to provide the services such as road information, road direction and attention along the major trunk shall be developed at appropriate points, to make the tourist travel convenient.

- Signage for routes, directions, and traffic laws
- Lighting facilities
- Warning signs for animal look-out, etc.

The implementation schedule on the highway between UB and Harhorin is assumed within the short term (by the year of 2005). Its schedule on UB-Omnogovi (Dalanzadgad) road and Harhorin Area (Arvaiheer)-Omnogovi (Sevrey) road is assumed within the long term (by the year of 2015).

Development of Rescue System

There are no rescue systems at the major tourism sites such as UB, Harhorin, and Omnogovi area at present. Development of rescue systems is necessary to ensure safe and comfortable travel.

The rescue system at the major tourism sites shall be developed at the major tourism sites, to make the tourist travel conveniently and safety. The implementation schedule is assumed within the long term (by the year of 2015).

2) Roads and Transport in Each Tourism Area

Though the major access roads to each tourism site in and around UB and Harhorin is paved by asphalt, some paved roads are damaged because of negligible maintenance. A majority of the access roads to each tourism site in and around the other areas are not paved and the conditions are not good for tourist vehicles. Upgrades and improvements necessary to provide access to tourist attractions.

Upgrading the access roads to each tourism site is necessary to make the tourist travel more convenient.

The supporting facilities such as traffic sign facilities along the access roads and guide system for tourism routes are not developed. The development of the facilities and system are necessary for comfortable travel.

The development of facilities and infrastructure by each area is proposed as follows.

(1) UB area

Road Improvement

Though the majority of the access roads to the major tourist sites such as Terelj and Manjushir are paved by asphalt, foundation failure, cracking, bumpy conditions, and decrepit bridges are often found due to a lack of maintenance. The road improvement is necessary for convenient travel.

The access road to Terelj and Manjushir and bridges shall be improved in terms of pavement (asphalt) by the year of 2015. In addition, tourist direction signs shall be developed in English.

Guide Book of Bus Route, Guidance at Bus Stop

Tourist information literature is not yet published. The tourism guide information system for foreign tourists is not developed. It is necessary to develop this system for foreign tourists.

The tourism guide information system involving the guidebook of bus routes, and guidance at bus stops in and around UB shall be developed by the year of 2005 to make the travel convenient.

Tour guides, bus routes, and information at bus stops shall be developed by the year 2005.

(2) Harhorin Area

Tourist Attraction Access Road Improvement

The tourist attraction access roads to each major tourist site in and around Harhorin area

are ruts made by automobiles and carriages on grassy plains. The access road improvement is necessary for accessibility.

The following access roads shall be improved to a higher grade of gravel in order to upgrade accessibility to major tourist sites by the year of 2005.

- Harhorin---Khar Balgas
- Harhorin---Khoshoo Tssaidam

The following access roads shall be developed and improved as the gravel road in order to connect each major tourist site easily by the year of 2015.

- Khar Balgas---Khoshoo Tssaidam
- Harahoin---Hujirt
- Hujirt---Orhon Waterfall
- Ogiin Lake---Khar Balgas (new)
- Ogiin Lake---Khoshoo Tssaidam (new)
- Ogiin Lake---Tse Tserleg
- Harhorin---Tse Tserleg

The following access road shall be developed as gravel roads in order to connect each major tourist site easily beyond 2015.

- Orhon---Naiman Lake (new)

(3) Omnogovi Area

Tourist Attraction Access Road Improvement

The tourist attraction access road to Sevrey in Omnogovi area is ruts made by automobiles and carriages on grassy plains. Access road improvement is necessary for accessibility to Sevrey.

The access road from Dalanzadgad to Sevrey shall be developed as a gravel road in order to connect each major tourist site easily by the year of 2015.

13.6.2 Airports Development Plan

1) International Airport

Development of New International Airport

The international airport is the gateway into the country for foreign tourists and it gives a decisive impression of the country on foreign tourists at the initial stage of touring. The improvement project of the airport facilities such as runways, landing assistance equipment and terminals of the Buyant Ukhaa International Airport was completed in March 1997. 86% of the total project cost (about US\$ 37 million) was funded by the Asian Development Bank (ADB), and the remaining share by the Government of Mongolia.

Though the Buyant Ukhaa International Airport has landing and take off facilities for jumbo jet aircraft, the airport carries risks because of the surrounding geographical conditions. To solve this problem, it is necessary to construct a new international airport in the long term. Though Dalanzadgad and Choibalsan are nominated as candidate sites for a new international airport, the integrated study on an international airport development project has not yet been conducted by Civil Aviation Authority.

The development of a new international airport is needed by the year 2015.

- Feasibility study on a new international airport
- Candidate site study for new location
- Basic design and detailed design on a new international airport
- Construction of a new international airport

2) Domestic Airport

Domestic Airport Improvement

As for the 25 domestic airports, the runways of 5 domestic airports (Khovd, Murun, Choibalsan, Sainshand and Bayankhorgor) are paved and the others offer compacted and graded dirt. The domestic airports don't have any navigation control systems or sufficient passenger terminal buildings. These domestic airports can generally be classified as being in poor condition.

In particular, the domestic airports formulating a triangle network among UB, Harhorin and Omnogovi should be improved.

The target domestic airports to be improved and developed are as follows:

(a) Harhorin Area

- Harhorin airport improvement (by the year of 2015)

The runway of the Harhorin airport is not paved nor compacted or graded. Currently, there is no navigation control system.

The Harhorin airport, which is expected to form a part of triangle network among UB, Harhorin and Omnogovi, should be urgently improved.

The following facilities and function of the Harhorin airport should be improved by the year of 2005.

- Strengthening of landing functions (runway expansion, pavement of runway, apron area expansion, installation of lighting facilities)
- Strengthening of security functions
- Improvement of airplane control
- Improvement of passenger terminals

(b) Omnogovi Area

- Juulchin Govi private airport improvement (by the year of 2005)

The runway of the Juulchin Govi private airport, which is located, near the Juulchin Govi camp is neither paved nor compacted. The airport does not have a navigation control system and the passenger terminal building is insufficient.

Improvement of the Juulchin Govi private airport, which is expected to form a portable triangle network among UB, Harhorin and Omnogovi, is urgent.

The following facilities and function of the Juulchin Govi private airport shall be improved by the year of 2005.

- Strengthening of landing functions (runway extension, runway stabilization and compaction, apron area expansion, installation of lighting facilities)
- Strengthening of security functions
- Improvement of tele-communications
- Improvement of passenger terminals

- New commuter airport development at Sevrey and Narandaarts in the western area (by the year of 2015)

There are no light plane airports in western area of Omnogovi area. A new light plane airport development at Sevrey and Narandaarts in western area should be developed by the year 2015. The development of new airport is expected to encourage tourism and to entice more international tourists to Omnogovi.

(c) Hentii Area

- Dadal airport improvement (by the year of 2015)

(d) Olgii Area

- Olgii airport improvement (by the year of 2015)

The following improvements of the facilities of each domestic airport mentioned above is essential.

- Strengthening of landing functions (runway expansion, pavement of runway, apron area expansion, installation of lighting facilities)
- Strengthening of security functions
- Improvement of Control Tower
- Improvement of passenger terminals

13.6.3 Domestic Air Access Development Plan

1) Private Sector, Enforcement, and Operations

Movement of the privatization of domestic scheduled flights, which MIAT had monopolized, has just started. Based on the government approval, the bid to privatize domestic airlines companies proceeded in August 1998, based upon the following basic conditions:

- Nine passenger airplanes of AN (Antonov)-24 and three AN-26 cargo crafts will be leased to private airlines.
- MIAT will maintain the airplanes.
- Operation of current unprofitable routes should not be abolished. All existing routes should be maintained because they are important as "life lines" for local people.
- Two or more companies may operate along the same routes in order to improve services by competition.
- Domestic airline companies, such as Hangard Airlines, Eastern Airlines, Tengeriin Yulaach, TAS and Defense Agency 109 were nominated as bidders for this project.

However, the bid was suspended because of strong opposition from the pilots' union of MIAT. Therefore, it can be said that present circumstances are in a period of transition regarding the privatization of domestic air.

Government decisions towards the privatization of domestic air routes should be welcome. It is proposed that the full privatization of domestic flights should be completed by the year 2005. In order to achieve this goal, the following items must be proposed to observe safe operations based on the basic safety regulations for flight operations stipulated in ICAO Standards.

- (1) Because the airplanes leased to private companies are very old, MIAT who conducts maintenance works for airplanes should strictly observe CAA (Civil Aviation Authority)'s airworthiness regulations for airplanes and spare parts for them.

Furthermore, CAA should directly conduct periodic inspections regarding MIAT installations of genuine parts. In order to improve the aviation condition in Mongolia, CAA is now keeping close relations with Federal Aviation Agency of U.S.A, receiving various advice on safe flight operations. However, since all old aircraft leased to private airlines are made in Russia, CAA must control the safety operation of these aircraft by themselves.

- (2) CAA should strictly check on quality of flight operation staff such as flight dispatcher and load controller in each airline, to prevent the same accident caused by overload of passengers on May 26,1998. The unfortunate accident was evidently due to some mistakes of the individuals and not by the company. However the problem should be considered to exist in the constitution of the company which caused the mistake. CAA should take necessary actions to improve the quality of staff with all airlines and to establish responsible systems within organizations.
- (3) CAA should supervise airlines regarding violations of the "Minimum Equipment Lists (MEL)" rule, which allows troubled aircraft to operate under certain conditions of minimum equipment parts. However, flight operations that illegally apply this rule are high risk. Though examinations of aircraft maintenance records by CAA will restrain operators from the violation of MEL rule and reveal the maintenance conditions of each aircraft, it is proposed that the safe operations of domestic flights shall be maintained by CAA's severe examination to aircraft operators.

2) Privatization of Airport Facilities Operations

The Mongolian Privatization Law was approved in September 1994. Along with the Law, most of Mongolia's state owned enterprises were programmed to be privatized. Airport facilities are one of the privatized items, therefore, any individual, Mongolian or foreign, can purchase the airport facility from the government. However, since aircraft safety operation is influenced by airport facilities, strict rules are applied by CAA to maintain all facilities. at the airport. The basic facilities such as runways and taxi ways, air navigation control facilities (radio navigation control facilities and air traffic control tower), and lighting systems for airplane approach, are those facilities that CAA's control on safety standards must apply. CAA categorizes domestic airport based on the requirements of its service level. Annual inspections of navigational facilities are conducted and licenses of airport facilities are issued every year. In addition, the staff engaged in those areas must be qualified personnel who passed the state examination. Other areas such as passenger and cargo terminal buildings can be managed by the private company without any control from CAA.

There is no privatized airport where scheduled flights are operating now. Some airports opened only in summer season for chartered flights like the Juulchin Govi private airport are owned by private companies. All the areas of the Buyant Ukhua International Airport are now under the control of CAA including several spaces in passenger terminals leased to private companies.

It is proposed that the privatization of airport facilities operation of the government's non-controlled area proceed. The Buyant Ukhua International Airport where the most revenue is expected in Mongolia should be planned for privatization by the year of 2015. In case of privatization, parking fees at airport parking area should be collected for the purpose of making up for overhead costs of airport operation. With regard to the domestic airports, it is proposed that the privatization of airport facilities operation of the government's non-controlled area shall proceed by 2015 for the purpose of efficient operation.

In order to reach this goal, development and reinforcement of qualified human resources engaged in navigation support duties at airports are necessary by CAA's initiative.

3) Improvement of Domestic Air Transport Services

MIAT had been monopolizing domestic air operations and had a lot of problems with air transport services. In particular, chaotic booking control, check-in systems, boarding systems, baggage handling systems and non-punctual schedules are issues to be addressed immediately.

It is proposed that the following measures be taken for the purpose of the improvement of domestic air transport services.

(1) Improvement of Booking System

It is not possible to reserve a return flight at UB due to undeveloped computer systems at present. The check-in counter and the boarding entrance at the local airports are disorganized due to a lack of booking control and check-in and boarding systems. To airports sometimes improve the situation, the establishment of reliable booking control and check-in system is necessary. Furthermore, the SITA telex message should be introduced by the year of 2005 and computer online systems should be developed by the year 2015 in order to enable successful reservations of overseas flights.

(2) Punctual Operation of Domestic Air

The domestic air transport by MIAT is sometimes not-punctual because of inclement weather conditions and overtime for refueling stop. To improve the situation, the improvement of airport facilities such as pavement of airstrip, installation of navigational control system, and improvement of refueling system at the domestic airports is necessary. Punctual operation of domestic air contributes to easing the task of preparing the plan of tour packages easy and also increases the tourist demand in Mongolia.

(3) Introduction of safety and Reliable Aircraft

Soviet-built aircraft, AN-24 which has been used by MIAT is antiquated and the life of the aircraft will be over in 2006 or 2007. Since Russian production of various airplane parts has stopped, the reliability can be unpredictable. For instance, worn-out tires have been in use until puncture. Safe and reliable transport services can not be expected under operation of the aircraft. MIAT shall adopt a safety policy, rather than a cost-down policy. To improve the situation, more safe and reliable aircraft shall be introduced. at early convenience. It is necessary to upgrade the maintenance level of AN-24 immediately, until new aircraft have been introduced.

13.6.4 International Air Service Development Plan

1) Towards a Cooperative Air Service Policy

MIAT had been monopolizing the majority of international air operations together with domestic air operations. There are some opponents to the privatization of MIAT, though privatization of international air operation has been proceeding. It is expected that MIAT as a state company will continue to operate the international air transport.

Sudden cancellations of flights have taken place with a few chartered flights by Asiana Airlines and All Nippon Airways.. Supposedly, MIAT had put pressure on the government

to hinder the entry of competing international air transport by other foreign airlines. The reason for cancellations of chartered flights by Asiana Airlines in July 1998 was a problem with CAA's procedure without the approval of the Ministry of Infrastructure. The most serious problem is a resulting decline in tourism to Mongolia.

The open policy on international air transport shall be adopted as soon as possible. Under the open policy, MIAT shall consider how to improve the international air services among competitive markets. It is proposed that privatization of international air operations shall be encouraged in order to upgrade international competition and management capability.

2) Bilateral Agreement

Although there are a few bilateral agreements on international air transport between Mongolia and other countries including South Korea, Japan and Germany, international direct flights to and from Mongolia are regionally limited. Most European and American tourists who want to come to Mongolia have to spend hours in travel time going through Beijing, China. The situation prevents Mongolia from attracting potential tourists in the world.

The establishment of direct air linkage with other countries is expected to increase potential for future tourism in Mongolia both financially and institutionally. A bilateral agreement with European countries will take the increase of future tourism demands in Mongolia into consideration.

3) International Alliance

MIAT is affiliated with IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization). However the services level of MIAT is quite low compared with the international level.

On the other hand, liberalization and globalization of international air transport have been progressing all over the world. In response to a change in the marketing environment, international air transport companies have been developing a new marketing strategy. One typical marketing strategy is international alliance. The characteristic of international alliance is described below.

- (1) Secured accessibility to large international air networks
- (2) Mutual assistance of management resources that turns on network
- (3) Joint ownership and common use of advanced information technology

The alliance group divides into 4 large group at present as follows:

- "Star Alliance" (United Airlines, Lufthansa, Air Canada, Scandinavian Airlines System, Thai Airways International, VARIG),
- "Atlantic Excellence" (Delta Air Lines, SWISSAIR, SABENA, Austrian Airlines),
- "World Parks" (Northwest Airlines, KLM (Royal Dutch Airlines)),
- "Advantage" (American Airlines, British Airways, Canadian Airlines International, Qantas Airways, Japan Air Lines)

The alliance can give various incentives such as through check-in, code sharing, the arrangement of connecting flights. In the near future airline companies can not compete internationally without an alliance. Therefore, it is proposed that MIAT shall accelerate the preparation to enter an appropriate alliance group mentioned above by the year of 2015.

4) Improvement of International Air Transport Services

MIAT has a lot of problems with international air transport services and the service level of MIAT is quite low compared with international level. In particular, check-in systems, boarding systems and baggage handling systems are issues to be addressed immediately.

It is proposed that the following measures shall be taken for the purpose of the improvement of international air transport services.

(1) Improvement of Check-in and Boarding System

Each passenger class (first class, business class, and economy class) needs the discrimination of service issue. The check-in counter has to discriminate by each passenger class and waiting time for check-in has to shorten for higher-class passengers. Also, lounge services and priority services of boarding shall be provided for higher-class passengers.

(2) Improvement of Baggage Handling System

Priority services of baggage handling shall be provided for higher-class passengers. The baggage handling of first class passengers shall be given top priority, followed by business class, economy class.

(3) Improvement of In-Flight Services

It is necessary to upgrade the in-flight services for higher-class passengers as follows:

- Expansion of seat interval (Introduction of larger aircraft),
- Installation of wide movie screens,
- Optional menu services for lunch, dinner, etc.

13.6.5 Accommodation Development Plan

1) Hotels in UB

In Ulaanbaatar, the number of beds by class in 1997 is as follows;

Class	Number of hotels	Number of Beds
Upper class	13	1,794
Middle class	14	787
Lower class	21	796
Total	48	3,377

There is limited bed capacity in UB. However, the actual hotel used for foreign tourists, business and leisure, is considered to be limited as follows according to interviews of tour operators in Mongolia;

Name	Number of bed
Nukht	150
Chinggis Khaan	291
Flower	336
Star	20
New capital	44
Ulaanbaatar	350
Edelweiss	36
Bayangol	399
Total	1626

Bed occupancy rate in 1997 is low, based on the estimation of ALS (average length of stay) of each source market, the number of tourists, and seasonal considerations.

However, if the available beds in UB do not increase by 2005, peak season will cause a deficiency in number.

The projected number of beds in 2015 for foreign tourists will likely be deficient.. Low bed capacity in hotels will appear not only during the peak season but also the shoulder months.

In order to solve the situation of shortage of beds in the future, it is necessary to supply the beds through the various policy measures, i.e. investment incentive for hotel construction for local and foreign investors tax incentives for hotel operators, etc.

2) Upgrading of Services and Servicing by Introduction of International Hotel Operators

The standards of hotel management and servicing still leave much to be desired, although substantial improvement has been made in recent years away from the service standards common during the command economy era. Deficiencies are noted in almost all areas of hotel operation, hardly satisfactory to the expectation of international tourists; including exception and billing procedures, housekeeping, restaurant meals and service, complementary services, and safety standards.

The most efficient way to address these deficiencies is to invite an internationally established hotel inspector to evaluate the overall hotel operation and servicing. Given the general low occupancy and very short tourist season in Mongolia, however, no sensible international operator would consider it viable to go into managerial cooperation with any Mongolian hotel, without some form of incentive or concession from the Mongolian side. A managerial contract could be discussed if this incentive is provided.

To jump-start the effort to drastically improve the standard of hotel management and tourist servicing in general, the Government should introduce institutional and budgetary incentives as a pump-primer to create an environment that encourages international hotels

13.6.6 Utilities Development Plan

1) Water Supply and Wastewater Treatment System Improvement at Ger Camps

As shown in section 7.2.1, the existing conditions in the water supply have few problems whereas wastewater disposal is a serious problem. The standard of wastewater is not regulated for the tourism facility development except for UB, it is recommendable that following wastewater treatment systems will be facilitated in the camps.

- Establishment of regulations on effluent standard of wastewater
- Introduction of septic tank

2) Telecommunication System Improvement at Ger Camp

The telecommunication facilities at the ger camps, are undeveloped, the tourists can not contact in case of emergency. To solve the problem, the improvement of telecommunication system at ger camps is necessary.

Telecommunication systems in the Omnogovi and Harhorin areas, where an increase of foreign tourists are expected in the future, shall be improved in the short term (by the year of 2005).

The extension of existing telecommunication lines (digital microwave links and open-wire lines) to the ger camps in Omnogovi and Harhorin area is costly. Improvement of quality by the existing telecommunication lines can not be expected.

Installation of Intermediate Circular Orbit (ICO) system by using 12 medium satellites (to be introduced by Mobicom in August 2000) to contact in case of emergency can be expected.

3) Power Supply System Improvement

Power supply systems in the Omnogovi and Harhorin areas, where an increase of foreign tourists are expected in the future shall be improved as shown below.

- Introduction of high grade diesel generators(low-noise type)
- Study on practical use both of wind generator system and solar generator system

Comparison of Alternative Generation Systems

The construction cost by alternative generation system is shown hereunder.

Generator Types	Construction Cost(US\$/KW)	Remarks
Diesel Generator	710	Low-noise type
Wind Generator	7,100	Necessity of stable wind
Solar Generator	35,700	Necessity of daylight

- Diesel Generator
The construction cost of a diesel generator is relatively cheap and the maintenance is easy. However, the maintenance cost is relatively expensive due to the fuel consumption, and the noise problem should be dissolved.
- Wind Generator and Solar Generator
The stable wind and daylight as power resources are necessary for the operation of the wind generators and solar generators, respectively. The initial construction cost is relatively expensive. Although the maintenance cost is cheap, maintenance can be difficult. The impact on the natural environment is expected to be quiet low. Thus, it is recommended to adopt the diesel generator system as the basic energy supplier in the short term in consideration of the following reasons.
 - Limited operation periods of ger camps (only in summer season)
 - Necessity of stable power supply
For the long term basis, wind generators and solar generators could be studied when the construction costs of these nature oriented generators become lower thanks to technical renovation.

13.7 Marketing and Promotion Development Plan

13.7.1 Marketing Plan

1) Objectives

The objectives of the tourism development strategy through marketing are as follows:

- to increase worldwide, the awareness of Mongolia as an ordinary tourist destination, not only as an SIT, in the established tourist markets.
- to develop new and potential markets by monitoring and identifying the wants and needs of the prevailing world travel market segments.
- to hold a competitive position in the world destination market by mobilizing effective promotional measures supported by attractive proposals and products.

2) Measures

Short Term (to 2005):

MP1 Entrusting NTC Function to Overseas Mongolian Diplomatic Delegations

Entrusting NTC function to Mongolian diplomatic delegations in other major source markets not covered by NTC Tokyo, Frankfurt office and Los Angeles representative office, while setting out concrete objectives and controls.

MP2 Declaration of "Visit Mongolia Year 2005"

Declaring "Visit Mongolia Year 2005" to the world travel market by the President of Mongolia. Its declaration by the head of the State creates a striking impact to the traveling public. Recall the President Bush's promotion of the U.S.A. through a TV-commercial message "America is yours to discover" in 1991, and President Kim Dae Jung's of the Republic of Korea with his TV ad, Come and Meet the New Korea.

MP3 Foreign Media and Travel Trade Approach

Opening up media/travel trade dialogue and contact by enlisting the most influential buyers (tour operators, tour organizers) to enhance the sales approach of the Mongolian suppliers (air, hotel, tour arrangements and others).

MP4 Approach to Possible Domestic Events Organizers

Opening up dialogue and contact with various events, and convention resources in Mongolia, such as ministries, governmental agencies, academic and private organizations or associations or clubs, and sounding out their plans and schedules to host any international congress, conventions, seminars, or events such as competitions, exhibitions, good-will exchange, festival, etc in the coming years.

MP5 Alleviation of Seasonality

Creating events and festivals in the longer low tourist season (April-October) and price incentives to attract overseas tourists to come

MP6 Approach to Leading Publishers of Hotel Guide, Airline Schedules

Establishing contact with publisher of those leading hotel-guides such as Hotel & Travel Index or Official hotel Guide (currently none of the hotels in Mongolia listed), and with OAG World Airways Guide (currently none of Mongolia's domestic flights listed). Both hotel guide and airline timetable guide are essentially referred by travel professionals worldwide.

MP7 Opening up Naadam for Possible International Participation

Opening up Naadam for international participation of selected amateur teams for exhibition such as Japanese folklore singing and dancing, European or Asian rock or jazz bands, Japanese martial arts as Judo, Karate, Kendo, Yumi (archery), Samurai Yabusame archery or U.S. rodeo show by cowboys, etc. possibly on a volunteer basis.

Medium to Long Term (beyond 2005)

MP8 Establish Overseas Offices and Appointed Representative Office

Opening Mongolia National Tourist Center (NTC) office in Tokyo and Frankfurt.

- Tokyo office to covers Korean market.
- Frankfurt office to cover EU territories other than Germany.

and an appointed NTC representative office in Los Angeles, which covers the entire U.S.A. and Canada. A representative office should be carefully selected to keep NTC neutrality and its good name.

The Main task by NTC overseas offices and its representative office is to enhance Mongolia bound-tourism by effective marketing programs such as;

- keeping buyers updated with travel information on Mongolia, and by disseminating new brochures, sales kits, press releases, etc., as well as offering presentations on Mongolia.
- Providing tour operators, consumers, the press and other interested parties with information and advice on Mongolian tourism-related subjects.
- making sales-calls to tour operators at a regular interval.
- Opening up communication with the travel industry papers/magazines, travel writers of newspapers, and giving them press releases.
- Providing feedback on market information of commissioned territories to NTC headquarters in UB
- contacting tour organizers such as sister-city committees, cultural exchange associations, sports organizations, etc.

MP9 Consolidation of Mongolia's Position in Vital Markets

Consolidating Mongolia's position in the Japanese, the East Asia, the European and the North American markets by fostering closer business partnerships with major established tour operators.

13.7.2 Promotion Plan

1) Objectives

- to enhance the Mongol profile and exposure as a tourist destination in the travel industry.
- to motivate and persuade potential tourists to visit Mongolia through an efficient mix of promotional measures, including attractive local events not only for international tourism markets but also for local people (to enhance their "Public Awareness" for international tourism and domestic travel).
- to minimize the longer low tourist period (October – April) with various promotional devices.

2) Measures for Promotion Materials

Short Term (to 2005)

MP11 Mongolian Sales Materials

Producing a variety of sales tools specially focused to the travel trade and organizers (tour operator sales manual, newsletter, theme tour route catalog, video clip, poster).

MP12 Motivation Materials

Producing motivation materials aimed for the general traveling public (example: "MONGOLIA, Legend, History, Culture, Hospitality").

MP13 On-Site Materials

Producing practical, user-friendly on-site materials aimed for the general traveling public.

MP14 Special-Feature Materials

Producing promotional brochures for "Visit Mongolia Year 2005", carrying Mongolian President welcoming message and the featured programs of the year.

Medium and Long Term (beyond 2005)

MP15 Purpose-Edited Sales Tools

Producing purpose-edited sales tools focused to the travel trade and organizers (organizer manual for event, meeting, convention; newsletter for regional tourism promotion).

MP16 Theme Motivational Materials

Producing theme motivational materials aimed for the travel trade and general traveling public (example: Experience in nomadic life, The Beautiful Mongolian Winter, Mongolian Nature).

3) Measures for Promotion Approaches

Short Term (to 2005)

MP17 Participation in Travel Trade Shows

Sending Mongolian Tourism delegates and tourist service providers to travel trade shows and fairs such as ITB Berlin, WTM London, with a knowledgeable staff and an ample stock of promotional materials.

MP18 After-Sales Calls

Making after-sales calls repeatedly at regular intervals to follow up the initial contact established with possible buyers (tour operators and organizers) at the fairs and shows (from minimum bi-annually to quarterly), to keep the buyers posted with up-dated information and products (press releases, new brochures, sales kit, etc.).

MP19 Familiarization Tour

Organizing sponsored press/travel trade "familiarization trip" to Mongolia, two to four times familiarization trip teams a year with 15 members each. DOT, MNTC, MIAT, land operators and tourist service providers should be altogether involved to host and give them adequate guidance regarding Mongolia tourism.

MP20 Creating Attractive NTC's Internet Homepage

Creating NTC's Internet homepage, giving travel information on Mongolia's diverse attractions and practical travel tips from the viewpoint of foreign visitors. Taking advantage of the World Wide Web (WWW), the MNTC Internet homepage must be attractive and informative enough that interested parties view it for reliable information.

MP21 Running Mongolia Monitor Tour in Collaboration with Japanese Tour Operators

Organizing¹ "Mongolia Monitor Tour" in series, particularly to commemorate the opening of MNTC Tokyo office, for which MNTC gives patronage and its Director's "Welcome Message" in the operator's tour advertisements in the major national newspapers.

Medium to Long Term (beyond 2005)

MP22 Holding Ad Hoc Mongolia Travel Mart Annually in Vital World Market

Holding an ad hoc Mongolia Travel Mart annually in those vital trade locations of the world tourism market such as Tokyo, Frankfurt, London, New York, etc. for the country's positive exposure. Choosing the most effective promotional period not coinciding with the major travel trade shows or fairs such as JATA International Congress, ITB Berlin or WTM London.

MP23 Close Liaison with MIAT and Other International Airlines Serving UB

Making liaison closely with MIAT and other international airlines serving UB to heighten the profile and exposure of Mongolia in major source markets such as joint participation in their scheduled advertisement programs on a cost share basis.

13.7.3 Information and Service Delivery Plan

1) Objectives

The objectives of the information and service delivery Plan are:

- to deliver a new range of information service systems to enhance the level of tourist

¹ foreign official tourism office-related tour market in Japan: In 1980s various country's governmental tourism office sprouted in Japan (mostly in Tokyo), and Japanese tour operators started to market tours on give-and-take basis with these tourism offices; tour operators get tour-bound governmental tourism office's patronage and its director's special welcome message, the tourism office gets incoming tourists and evaluation report based on questionnaires completed by participants.

- experience and satisfaction ; and
- to develop a competent service delivery system to keep up with the competitive world tourist market.

2) Measures

Short Term (to 2005)

MP24 Provision of Gateway Information

- production of gateway information materials (free and handout) such as: maps, general guide brochures, site-specific brochures, etc.)
- setting up tourist information center at UB airport and on UB "tourist street".
- continuous front-line information staff training for the center operation.

MP25 Provision of On-Site Information

- Production of site-specific brochures, providing visitors with introductory information of sites, including "DOS and DON'TS" to protect the cultural heritage or the environment. Historical information, , , exhibitions, local products, etc, all in printed materials.
- Setting up a visitor center at Harhorin and in Govi Gurvansaihan Uul National Park.
- Introduction of tourist trails and Mongolian/English sign-posting at major sites.

Medium to Long Term (beyond 2005)

MP26 Provision of Gateway Information

- customized suggestions for SIT/FIT market segments.
- multi-language materials – Europeans, Asian and others
- staff retraining on language skills and cross-cultural service delivery
- periodical renewal of the contents of materials and displays

MP27 Provision of On-Site Information

- new visitor center in developing tourist sites and areas.
- Introduction of audio-visual orientation programs in visitor center and library (site-related books) and museum at major sites.
- staff retraining on language skills and cross-cultural service delivery.

13.8 Domestic Tourism Promotion Plan

1) Renovation of Spa Resort

Although the spa recuperation trip, which was popular in Mongolia during the communist era, became unpopular due to economic reasons, its popularity may regain its former level in line with the recovery of the economy. There are approximately 130 spas throughout the country, in which 26 nationally renowned spas and 31 local-use spas are included, as shown in the Table 13.8. 1.

At present, recuperation facilities in spa resorts belong to the Ministry of Health and Welfare and a few private facilities are under planning even in the most famous Hujirt spa.

Table 13.8.1 Number of Spa in Mongolia

		No. of Spa			Remarks
		Hot Spa	Cold spa	Total	
Major Spa	Full season operation	2	2	4	Ulaanbaatar, Hujirt, Shargaljuut, Janchivlan
	Seasonal operation	6	16	22	
	Subtotal	8	18	26	
Local Spa	Seasonal Operation	7	24	31	
Total		15	42	57	

Source: Natural Scenic Sites and Historic Monuments of Mongolia, Institute of Geography, 1997

Mongolian government recognizes that the spa utilization should be promoted for health maintenance, disease prevention, medical cures and recreation, and plans the renovation and renewal of spas.

Targeting the implementation in 2002, drilling of new wells and development of springs, construction of sanatorium buildings and equipment are designed by the government. Investment cost is estimated approximately 1,600 million Tg, or 1.9 million US\$.

In addition to the renovation and renewal of spas, development of supporting infrastructure such as access roads to spa areas should be studied from the long-term viewpoint. Access road to Hujirt Spa from the national road, for instance, connecting UB with Arvayheer, the Aimag capital, needs to be developed in the near future.

2) Promotion of Urban Recreation

(1) Recreation in UB Suburb

UB city residents tend to go out to the countryside for recreation and relaxation. Terelj as the three season resort, Handgait for winter term and Manzshir for summer. Day-trips or one-night stays as recreation on weekends are made to enjoy horseback riding, trekking, bird watching, fishing, camping, picnic, etc. in these areas. Since the urban recreation demand is foreseen to increase in accordance with the increase in family income and UB

population, the development policy of domestic tourism to cope with the increasing demand should be established. Supporting facility infrastructure for field activities should be developed.

(2) Athletic Leisure in UB

UB urban residents and long-term staying foreigners want to participate in athletic activities in and around UB. Athletic leisure such as tennis, golf, skiing, etc. are expected to increase in demand. A new ski resort project is proposed by FDI in Khandgait area of UB, tennis and golf facilities, however, are not planned yet. It is recommended that the urban athletic leisure facilities be annexed to high-grade hotels.

(3) School Excursion

School excursions such as summer camps and museum observation trips are made by children in Mongolia. Summer camp in Selbe Tolgoit in Khandgait are and Terelji, for instance, are utilized. These school excursions should be promoted systematically in consideration of the educational effect and expansion of domestic tourism industry.

14. EVALUATION OF MASTER PLAN

14.1 Qualitative Economic Evaluation

14.1.1 Economic Impact

1) Overall Justification of Tourism Sector

Tourism sector development is justified by the following points:

- Contribution to GDP;
- Contribution to foreign exchange earnings; and
- Contribution to the creation of employment.

2) Tourism Receipts and Gross National Product

(1) World

Between 1985 and 1995 the relative importance of tourism grew by half, with international tourism receipts worldwide increasing their share of global GNP from 0.94 percent to 1.42 percent (Table 14.1.1).

Table 14.1.1 International Tourism Receipts (Excluding Fare Receipts) Globally

(GNP, 1980-1995)

	Ratio A/B (%)	International Tourism Receipts (US\$ bn)-A	GNP-B (US\$ bn)	Number of countries covered
1980	0.95	104	10,971	147
1981	0.93	106	11,343	146
1982	0.89	99	11,148	148
1983	0.89	101	11,352	149
1984	0.94	112	11,884	152
1985	0.94	117	12,461	158
1986	0.96	142	14,691	159
1987	1.05	174	16,583	160
1988	1.09	202	18,474	160
1989	1.14	219	19,129	165
1990	1.26	265	21,029	173
1991	1.23	272	22,101	172
1992	1.32	310	23,514	181
1993	1.33	317	23,912	181
1994	1.37	351	25,587	183
1995	1.42	398	28,060	184

Source: WTO

(2) Regional Analysis:

Comparing the ration of international receipts to the value of Gross National Product (GNP), the above average figures for tourism were recorded in Africa (1.84 percent), the Middle East (2.34 percent) and Europe (2.10 percent) in 1995 (Table 14.1.2). This confirms the position ten years earlier in respect to the Middle East and Europe, but Africa has seen a marked increase in tourism's proportion (i.e. from 0.87 percent in 1985).

The most rapid expansion in relative performance between international tourism receipts and GNP over the period of 1985-1995 was recorded in Africa, the Americas, East Asia and the Pacific and South Asia; little change in the ratios occurred in the other two regions. The relatively weak performance in tourism to GNP ratio for the fastest growth tourism region - East Asia and the Pacific - is explained by the fact that there was rapid expansion of all sectors of the economy in the countries or territories of this region, not just in tourism. Conversely Africa's tourism, while not growing as fast as international tourism worldwide, increased its ratio to GNP because of weak overall economic growth in the continent.

Table 14.1.2 Ratio of International Tourism Receipts to the Value of Gross National Product

	1995			1985		
	Ratio (%)	International Tourism Receipts (US\$ bn)	GNP (US\$ bn)	Ratio (%)	International Tourism Receipts (US\$ bn)	GNP (US\$ bn)
World	1.42	397.9	28,060	0.94	117.3	12,461
Africa	1.84	7	380	0.87	2.6	297
Eastern Africa	3.66	1.6	45	1.2	0.4	36
Middle Africa	0.47	0.1	25	0.37	0.1	21
Northern Africa	2.64	2.5	95	1.53	1.3	86
Southern Africa	1.48	2.1	140	0.86	0.5	54
Western Africa	0.84	0.6	75	0.29	0.3	99
Americas	1.09	99.7	9,141	0.65	33.1	5,077
Caribbean	14.2	12.1	85	8.33	4.8	57
Central America	3.31	1.5	46	1.71	0.5	28
North America	0.97	75.3	7,739	0.52	23.8	4,549
South America	0.85	10.8	1,271	0.93	4.1	443
East Asia/ Pacific	0.94	72.9	7,724	0.58	13	2,235
Northeastern Asia	0.5	33.6	6,690	0.32	5.9	1,843
Southeastern Asia	4.45	27.9	627	2.48	5	202
Australasia	2.37	9.3	391	0.8	1.5	184
Mela/Micro/Polynesia	12.82	2.2	17	8.13	0.6	7
Europe	2.1	207.3	9,874	1.51	62.4	4,130
Central/East Europe	2.6	20.1	773	0.27	2.9	1,077
Northern Europe	1.83	33.1	1,812	1.54	11.5	747
Southern Europe	3.5	65	1,857	3.01	20.7	689
Western Europe	1.54	79.5	5,166	1.6	24.4	1,522
East Medit. Europe	3.58	9.5	266	3.12	3	95
Middle East	2.34	7.3	311	1.82	4.8	264
South Asia	0.58	3.6	630	0.31	1.4	458

Source: WTO

14.1.2 Contribution to Economic development in Mongolia by Tourism Development

1) Contribution to GDP

(1) Current situation of GDP in Mongolia

Under communism, Mongolian national-accounts data were handled according to the material product system (MPS). Unlike the measures of GDP and GNP used in the UN system of national accounts, net material product (NMP) derived from the MPS excludes depreciation and "non-tangible services" such as banking insurance and government administration.

According to the Asian Development Bank (ADB) estimates, between 1980 and the end of that decade GDP grew at an average annual rate of 6.2 %, the same rate as for NMP growth, with its rate of growth falling more or less in step with the decline in foreign savings (namely CMEA aid flows). Investment fell steadily during the Eighth Five-year Plan (1986-90). Wages remained stable, as did prices.

The dissolution of COMECON left Mongolia with a Rb 10bn debt, without the investments and subsidized deliveries of raw materials of earlier decades, and without a ready alternative means of acquiring many products and services vital to its economy. As a result, NMP contracted by 3.8 % in 1990 and 23.6 % in 1991, and GDP (according to IMF figures) declined by 2.5 % in 1990, by 9.2 % in 1991 and by 11.6 % in 1992. National sources give different historical GDP figures compared with those of the IMF; they show that the economy contracted by 9.5 % in 1991, 9.2 % in 1992 and 3 % in 1993. Industrial output contracted because of shortages of electricity, raw materials and spare parts, falling by 12.3 % in 1991 and 14 % in 1992. Output in other sectors followed similar trends.

Table 14.1.3 Gross Domestic Product

	1993	1994	1995	1996	1997
At current prices	166,219	283,263	429,207	586,528	737,039
At constant (1993) prices	166,219	170,042	180,775	185,047	191,111

Source: IMF

The first real growth, of 2.3 %, was reported in 1994 and continued in 1995, at 6.3 %, as the period of industrial decline passed. While a sustained economic recovery is still a long way off, there are indications that in some sectors decline is being arrested. Liberalization has boosted small-scale agricultural output; both agricultural and industrial growth has been positive since 1994. Aid-assisted infrastructure projects have meant stronger growth in transport and communications in recent years. In 1997 the government inaugurated a new privatization Program, which it is hoped will bring much-needed investment and new life into languishing industries.

All fixed prices were removed in 1996, when fuel prices were also liberalized. This coincided with a period of falling prices for Mongolian exports on the world market and a sharp fall in the dollar exchange rate. As a result, GNP fell back to 2.6 % at the end of 1996. However, the situation had stabilized by the middle of 1997 and growth of 3.3 % was achieved.

In 1997, GDP was 191,111 million togrog at 1993 price basis. The proportion of GDP by sector indicates the "Agriculture" sector in 1997 occupied 36.9 percent of the total, followed by the "Industry" sector (32.3%). As is customary in many countries, GDP by tourism sector is not explicitly classified in the GDP calculations. It is not possible to see the extent of contribution in GDP by tourism sector directly in the GDP statistics. Yet tourism receipts from foreign tourists are identified in the Balance of Payments statistics as an item of non-trade balance.

Table 14.1.4 Gross Industrial Product by Sector

(Tg m at current prices; % of total in brackets)

	1992	1993	1994	1995	1996
Food	8,104 (24.4)	23,192 (13.7)	30,160 (13.0)	45,686 (14.2)	45,105 (18.9)
Textiles	3,581 (10.8)	9,183 (5.4)	16,172 (7.0)	33,162 (10.4)	23,069 (9.6)
Clothing	677 (2.0)	1,444 (0.9)	2,278 (1.0)	3,010 (0.9)	1,970 (0.8)
Leather, fur & shoes	4,327 (13.1)	7,861 (4.7)	7,552 (3.3)	7,003 (2.2)	3,884 (1.6)
Wood processing	1,062 (3.2)	2,083 (1.2)	3,156 (1.4)	3,954 (1.2)	2,674 (1.1)
Construction materials	894 (2.7)	2,169 (1.3)	5,526 (2.4)	8,147 (2.5)	7,482 (3.1)
Chemical industries	775 (2.3)	6,587 (3.9)	9,234 (4.0)	11,396 (3.5)	26,582 (11.1)
Non-ferrous metals	5,895 (17.8)	78,723 (46.6)	87,065 (37.6)	142,778 (44.4)	64,477 (26.9)
Metal industries	402 (1.2)	441 (0.3)	1,950 (0.8)	3,509 (1.1)	2,789 (1.2)
Energy	4,443 (13.4)	26,050 (15.4)	33,576 (14.5)	42,948 (13.4)	35,580 (14.9)
Fuel	1,304 (3.9)	9,425 (5.6)	12,607 (5.4)	13,761 (4.3)	16,543 (6.9)
Total incl others	33,157 (100.0)	168,835 (100.0)	231,548 (100.0)	321,660 (100.0)	239,267 (100.0)

Source: State Statistical Office, Mongolian Economy and Society

In 1994 the receipts only from leisure tourists was estimated at about 3.4 percent of GDP, and in 1997 this percentage increased to 4.0 percent of GDP or 29,469 million togrog, which is a better indicator of the size of the tourism sector in Mongolia.

Table 14.1.5 Share of "Tourism Earnings"¹ in GDP (at current price basis) (Tg m)

	1994	1995	1996	1997
GDP (at current price basis)	283,263	429,207	586,528	737,039
Leisure tourist receipts	9,705	14,315	19,951	29,469
(Exchange rate)	414.1	473.6	693.5	813.2
Tourist receipts to GDP (%)	3.4%	3.3%	3.4%	4.0%

Source: JICA Study Team

In addition, MIAT should have received 4,066 million togrog (5 million US\$) from leisure tourists net of payments to outside in foreign currency. Therefore, receipts from foreign leisure tourists in 1997 were in the order of 33,535 million togrog. This amount is approximately 4 percent of GDP in 1997.

The following Table 14.1.6 shows the case if the multiplier factor (details are explained in

¹ In this section, tourism receipts are only international leisure tourists receipts. Also international transportation fares are excluded from tourism receipts.

Appendix 5.5.2) is considered.

Table 14.1.6 Share of "Tourism Earnings"²

	1994	1995	1996	1997
GDP (at current price basis)	283,263	429,207	586,528	737,039
Leisure tourist earnings	9,705	14,315	19,951	29,469
Leisure tourist earnings (incl. Multiplier effect)	24,263	35,788	49,878	73,673
(Exchange rate)	414.1	473.6	693.5	813.2
Leisure tourist earnings to GDP (%)	8.6%	8.3%	8.5%	10.0%

Source: JICA Study Team

The net payment of 29,469 million togrog excluding the receipts from MIAT by foreign leisure tourists should have circulated within Mongolia to generate further added value. If a multiplier coefficient of 2.5 is assumed (a low conservative multiplier considering the early stage of tourism development. Detailed estimation is described in Appendix 5.5.2), foreign leisure tourists generated 73,673 million togrog of value added in the Mongolian economy in 1997. This represents 10.0 percent of GDP in 1997 (737,039 million togrog).

(2) Future Situation of GDP:

The GDP growth rate of Mongolia recovered to 2 – 3 % per annum due to the trade in copper prices in international copper market. However, substantially larger supply increases are expected in the 1995-2000 period. Even if net exports from transitional economies decline, the market is likely to revert to excess supply. A cyclical drop in copper prices is expected to occur in 1995-2000, with prices averaging 75 – 80 cents/lb. Over the long term, copper prices are forecasted to range from 80 to 86 cents/lb. The GDP growth rate will fluctuate in accordance with the change in copper prices.

2) Contribution to foreign currency earnings

(1) Current Condition of Trade Balance:

Table 14.1.7 Trend of Trade Balance (at current price)

	1992	1993	1994	1995	1996	1997
Merchandise Exports	388.4	382.6	356.1	473.3	424.3	451.5
Merchandise Imports	418.3	379.0	258.4	415.3	450.9	574.7
Trade Balance	-29.9	3.6	97.7	58.0	-26.6	-123.2

Source: State Statistical Office

During the 1970s and 1980s, almost all of Mongolia's foreign trade was with COMECON countries, of which the largest share was with the Soviet Union. The quality of manufactures was low because in the controlled market little incentive existed to improve standards, while

² These Tourism Earnings are including the multiplier factor of 2.5.

the terms of trade broadly moved against Mongolia, yielding regular trade deficits. (Table 14.1.7)

Mongolia had a merchandise trade surplus in 1993-95, according to IMF figures. However, depressed industrial output and low world prices for the narrow range of goods Mongolia exports resulted in a return to a deficit in 1996. The fall in exports was due to a drop in exports of key commodities-copper concentrates, molybdenum and cashmere. However, sluggish industrial growth depressed demand for imports.

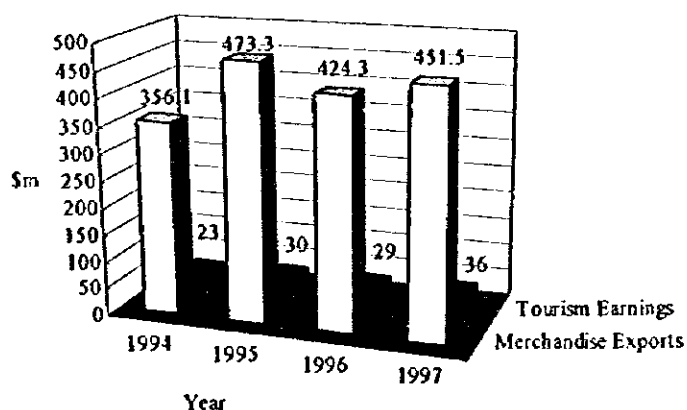
Table 14.1.8 Tourism Earnings Ratio to Merchandise Exports

	\$m			
	1994	1995	1996	1997
Merchandise Exports (at current price basis)	356.1	473.3	424.3	451.5
Tourism Earnings	23	30	29	36
% of tourism earnings (leisure) to Merchandise Exports	6.5%	6.3%	6.8%	8.0%

Source: IMF & JICA Study Team

Due to the increase in Merchandise exports as a results of increases in the price of copper, tourism receipts share for merchandise exports decreased in 1995 though tourism receipts increased. However, the share of the tourism sector for merchandise exports is increasing steadily as the growth rate of merchandise exports recovers to a normal level. This trend is thought to continue judging from the trend of copper prices on the international market. This value is considered to be substantial for single export items as shown in Figure 14.1.3.

Figure 14.1.3 Tourism Earnings Ratio to Merchandise Exports



Source: JICA Study Team

3) Contribution to Employment

(1) Current Situation of Employment and Population in Mongolia

As a result of official policies, Mongolia's population has doubled since 1960. The population growth rate remains quite high, at 1.3 % in 1996, but density is 1.5 people per sq km, one of the lowest in the world. The rural population is widely scattered, while the urban population is concentrated in three centers. The population is very young; in 1996, 58% of the population was under the age of 24.

Table 14.1.9 Population and Labor force

	(thousand)					
	1992	1993	1994	1995	1996	Growth rate 1992 & 1996
Urban	1,235.60	1,251.30	1,229.20	1,222.20	1,222.80	-0.3%
Rural	951.6	963.7	1,020.80	1,057.80	1,114.70	4.0%
labor force	1,059.90	1,080.90	1,089.30	1,103.10	1,124.30	1.5%
Total (m)	2.22	2.35	2.28	2.32	2.35	1.4%

Source: State Statistical office

In 1960 herdsmen made up more than 60% of the workforce. Since then, direct state intervention led to changes in the structure of the economy and consequently in patterns of employment. The total number employed in agriculture fell by one-third during the 1960s, and employment in industry and the transport and construction sectors rose in the 1980s. However, in the 1990s employment in agriculture rose once again, accounting for 45% of total employment in 1996, while industrial employment accounted for another 13%.

As a result, there has been a shift in the rural/urban population ratio. By January 1996, out of a total population of 2.3m, some 1.2m lived in towns and 1.1m in rural areas. More than 25% of the entire population lives in Ulaanbaatar, and around 35% in Ulaanbaatar, Darhan and Erdenet.

The workforce fell slightly in 1996 to 1.1 m. Under central planning Mongolia had virtually full employment, but unemployment is now a major problem. In January 1997, 55,000 people were registered as unemployed. Parliament is concerned that the true figure is a nearer 30% of the workforce. Work on a national Program of Employment Generation began in 1997.

Total employment directly related to tourism, which is effectively at present, is estimated at approximately 2300 in 1997. Direct employment per 1,000 tourist's bednights is 6.8.

Indirect employment includes employment at the airport, shops and restaurants and other services and suppliers to the tourist facilities, apportioned to tourism according to the sector's share of expenditure or work generated. At the present time, the numbers involved are probably not so high, as the opportunities for other spending are quite limited. No detailed data are available for estimation.

Induced employment, (i.e. employment generated as a result of spending of incomes of direct and indirect employment), is also probably not especially high at the present for the same reason.

14.1.3 Future Economy in Mongolia and the Tourism Sector

Copper is the main export and contributed to the trade surplus. However, copper will not contribute to the trade balance until at least the year 2000. In addition, the inevitable relaxation of import regulations and the growing private sector activities will increase imports greatly. This trend tends to increase the deficit in trade balance to a level much more than that of the present, if unattended.

In short, the current trade surplus is due to the high price of copper on the international market and the relative inactivity of nationally owned industry and investment. Thus, if copper prices declines and the Mongolian economy becomes more active, the trade structure of Mongolia would drop to a deficit. In regards to this point, tourism development for the purpose of acquiring foreign currency income is important for the Mongolian economy.

Creation of job opportunities has always been ranked high among policy options in Mongolia.

The labor force will increase even faster from now on than in the past judging from the considerably young population; in 1996, 58% of the population was under the age of 24.

Total employment directly related to tourism is estimated to be about 2300. Some improvement in productivity should be planned for the period to 2015, given the currently very high level of manning in the hotels. Improvements of 2 percent per annum would be a reasonable target, which would reduce direct employment per 1000 bednights to 5. The steady growth in tourist numbers, the planned increase in off-peak season visitors, and the expansion of the tourist camps should yield greater efficiency, as should improved management practices and training. The above target is considered to be easily achievable.

On this basis projected direct employment would be:

1997	2,300
2000	2,171
2005	3,978
2015	11,564

Indirect employment includes employment at the airport, shops and restaurants and other services and suppliers to tourist facilities, apportioned to tourism according to the sector's share of expenditure or work generated. At the present time, the numbers involved are probably not particularly high as the opportunities for other spending are quite limited.

In future, as other opportunities for tourist spending develop and new supply and import substitution enterprises grow to supply the tourism industry, the relative amount of indirect employment may increase.

Induced employment, (i.e. employment generated as a result of spending of incomes of direct and indirect employment), is also probably not so high at the present for the same reasons as mentioned above.

A reasonable working assumption based on experiences elsewhere but allowing for the special circumstances of Mongolia, is that indirect and induced employment would add no more than 30 percent to the above projection of direct employment.

The tourist receipts from international tourists has increased from 5.1 % of GDP in 1994 to 15.4 % of GDP in 1997. This trend will continue, barring a catastrophic break down of the market economy process in Mongolia. In addition, potential government revenues include hotel and

other user or expenditure taxes, airport departure taxes, air fares, income taxes on tourism enterprises and persons working in tourism and property taxes on tourism establishments.

According to the estimates of the JICA Study Team based on the interviews for tourists and tour operators in Mongolia, tourism receipts are as follows:

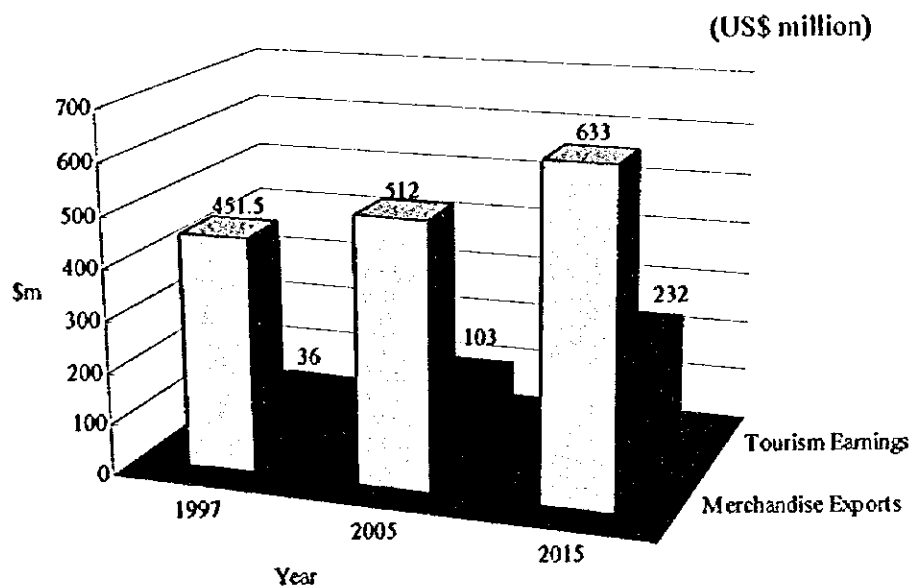
Table 14.1.10 Direct Foreign Currency Earnings by International Leisure Tourist

	(US \$million)
Total Foreign Currency Earnings from Foreign Leisure tourist, 1997	\$36
Japanese Leisure Tourists	\$14
Western Europe and the Americas	\$18
Others	\$4

Source: JICA Study Team

The tourism industry has the potential to improve the situation, if effectively promoted, judging from the growth of international tourist arrivals. The following Figure 14.1.5 shows the projection of Merchandise exports and the foreign currency earnings by tourism sector. The tourism sector has already been recognized as an important industry in terms of acquiring foreign currency earnings in 1997. But, as shown in Figure 14.1.5, the importance of the tourism industry in Mongolia increases the degree in the future. In 1997, the share of the tourism industry to merchandise export is 8.0 %, but the share will increase greatly from 8.0 % in 1997 to 20.1 % in 2005, 36.7 % in 2015.

Figure 14.1.5 Projection of Merchandise Export and Tourism Receipts



Source: JICA Study Team

The tourism sector is also expected to contribute to the creation of job opportunities in line with the increase in tourist arrivals. The growth rate of the population and labor force between 1992 and 1996 is shown in Table 14.1.9

Direct employment is that which is involved in tourism enterprises, such as hotels. Indirect employment is the jobs generated in the supplying sectors, such as agriculture, manufacturing, transportation and other services. According to the projections of the Study Team, as described in Chapter 11, international leisure tourists are projected to increase greatly by 2015. The tourism industry is often portrayed as a labor-intensive industry, e.g. restaurants, hotels, etc.

In order to absorb the labor force growing at 1.5 % per year, the tourism industry is very important in terms of its ability to create job opportunities. The increase of foreign leisure tourists can be fully expected to contribute to the direct and indirect creation of employment.

Table 14.1.11 summarizes the potential of each economic sector of Mongolia in contributing to the GDP growth, the trade balance, and the creation of employment.

Table 14.1.11 Contributor of Each Sector to GDP, Trade Balance and Employment

	GDP	Trade balance	Employment
Mineral Production	Less contribution	Status quo	Status quo
Textiles and articles	Status quo	Status quo	Status quo
Agriculture	Status quo	Status quo	Status quo
Tourism	More contribution	Improve T/B	More contribution

Source: JICA Study Team

As illustrated above, the tourism sector has good potential to meet the future economic needs in terms of foreign currency earnings and the creation of job opportunities.

2) Economic Benefit by the Plan

(1) General Benefits

The tourism development is considered to bring multiple effects on the national and regional economies. Expected main economic benefits are as follows:

- Increased foreign exchange earnings;
- Creation of job opportunities and increase in incomes;
- Expansion of regional economy; and
- Multiple economic effects on related services and industries.

These economic benefits contribute to the upgrading of the standards of living in Mongolia and bring about additional tax revenue to the Government.

(2) Generation of Economic Benefit

Impact of Promotion on Tourist Arrivals

The case that the proposed National Tourism Development Master Plan would be implemented is implicitly assumed in the projected number of tourists in leisure tourists in Chapter 12. (The Study Team projected 13.1 percent growth rate per annum for leisure tourists on the assumption that the proper measures would be implemented.) For the described hereunder reasons, it could be conservatively assumed that the rate of increase in leisure tourists is approximately 2.5 percent less for the case that the priority program would not be implemented properly between 1999 and 2015, and then after the implementation of priority projects (2006), leisure tourists will increase about 2 percent additionally between with and without.

Table A 14.1.1 illustrates the relationship between promotional effort and the growth in tourist

arrivals for 98 countries of all regions of the world for the period between 1991 and 1995. Tourism development effort is represented by promotional budget amount of national tourism center. Except in Africa and in Eastern Europe where situation can not be considered normal, there is a clear tendency of increasing growth rate with respect to promotional budget amount at least within each of the regions in the world. Difference in growth rate between countries active in tourism promotion and those inactive varies depending on region. The difference is small (about 3%) in the Caribbean and Oceania, significant in the Americas (about 5%), and great in the Middle East (over 10%).

Mongolia's tourist arrivals have been growing at about 31 percent per annum between 1990 and 1997 and Tourism Department promotional budget in 1997 was US\$2,600. In that year the estimated leisure tourist numbered 22,747, giving per tourist budget of US\$0.1. As the Table A 12.1.7 illustrates, Mongolia is clearly among the low spenders on tourism promotion.

Mongolia had not been doing much about tourism promotion, as the very low promotion budget is presented. However, the growth rate of leisure tourists per annum (31 %) is very high partly because the original leisure tourist arrivals were very low. Compared with markets in Asia of similar characteristics, the high growth rate of arrivals under the low budget in Mongolia is outstanding. Similar markets in Asia, Bangladesh, Nepal and Sri Lanka, indicated 7.3 %, 0.89 % and 9.13 % in the growth rate of tourist arrivals respectively. On the other hand, promotion budgets of these countries were large compared with Mongolia for tourism promotion. (Nepal can already be classified into a mature market, thus return on investment is lower compared with an immature market, i.e. Bangladesh, Sri Lanka, due to the effect of diminishing return on investment.)

Judging from these data, a large effect of investment for Mongolian tourism is anticipated. If Mongolian government would invest a similar amount for tourism promotion, a higher growth rate of tourist arrivals, an additional percentage point of over 2 percent per annum, can be anticipated judging from the degree of market maturity, and past trend. (Mongolia tourism market is less mature than Nepal market in tourism apparently, but Mongolia tourism market is more mature than the Bangladesh or Sri Lanka. Thus, the impact on incremental growth rate is conservatively assumed to be 2 percent.

Impact of Price Elasticity on Tourist Arrivals

The case that the proposed program of National Tourism Development Master Plan would be implemented is implicitly assumed in the projected number of leisure tourists shown in Chapter 12. It could be conservatively assumed that the rate of increase in the number of tourist would be at least 2.5 percent less in the case that the priority programs, e.g. a policy of cooperative air service, would not be implemented on schedule. Most leisure tourists usually come to Mongolia by package tour. Approximately 50 percent of the price of a package tour is international air fare. Thus, a 20 percent reduction in international air fare due to the policy of cooperative air service with foreign countries and foreign airlines would result in a 10 percent reduction in tour price.

The following table shows the correlation between the number of leisure tourists from Japan and the standard tour price. The relationship between the package tour price and the number of leisure tourists described in Table 14.1.12 does not seem to indicate a definite relationship between the price and the number of leisure tourists. However, a closer inspection reveals some basic tendencies with respect to price elasticity of demand in Mongolia's tourism market.

The number of leisure tourists is increasing in accordance with the downward trend in package tour price except for 1998, although the decrease of package tour price and growth rate of the number of leisure tourists are not positively correlated.

Table 14.1.12 Price Elasticity of Demand in Mongolia Tourism Market

Leisure tourist number from Japan	Growth Rate against previous	Standard package tour price	Change rate of package tour price	Price elasticity of Demand
3,432		368,000		
4,690	36.7%	368,000	0.0%	
4,928	5.1%	348,000	-5.4%	
5,038	2.2%	348,000	0.0%	
7,899	56.8%	325,000	-6.6%	
8,364	5.9%	298,000	-8.3%	
9,748	16.5%	258,000	-13.4%	
9,240	-5.2%	249,000	-3.5%	
	15.2%		-5.4%	2.814814815
	6.80%		-5.4%	1.259259259

Note: Italic figure is adjusted by the following assumptions.

- * Growth rate of outbound leisure tourists from Japan was excluded from average growth rate in Mongolia. (2.5 percent)
- * The difference of growth rate of leisure tourist arrivals to SIT market in Asia from Japan was excluded from average growth rate in Mongolia. (5.9 percent)
- * Thus, 15.2% - 2.5% - 5.9% = 6.8% i.e. considered the net effect of price change

Mongolia is classified as an SIT market. Thus, price elasticity of demand is usually considered to be low. As demonstrated in Table 14.1.12, price elasticity of demand is 2.8. However this value includes other factors, e.g., the general growth trend of outbound tourists from Japan. If other factors, including the growth rate of outbound tourists from Japan (2.5 percent annually between 1991 and 1998) and the difference of the growth rate of tourist arrivals from Japan in other SIT markets of Asia (Mongolia has 5.9 percent higher growth rate than other Asian SIT markets, such as Nepal, Sri Lanka, and Bangladesh) were excluded, adjusted growth rate would be 6.8 percent.

Based on the above-mentioned assumption, the price elasticity of demand is 1.25.

Package tour price in Mongolia tourism market is around 249,000 yen. On the other hand, package tour price of Nepal is around 178,000 yen. If the package price level become the same level as Nepal by 2015, the average annual decrease in package tour price would be 2 percent.

Thus, if the package price were to decrease by 2 percent per annum, leisure tourists would come to Mongolia 2.5 percent more in the total number considering the price elasticity (1.25) than the case of not changing the package price from the current level.

Thus, it can be conservatively assumed that the rate of increase in the number of leisure tourists due to price elasticity is at least 2.5 percent.

It is therefore concluded that a proper effort to promote tourism in Mongolia by various means, including the proposed Priority Programs and Projects in Part II of Volume II, would effect on a several points difference in the growth rate of tourist arrivals. The implementation of the proposed National Tourism Development Master Plan would make a difference of at least 2.5 percent in the growth rate of tourist arrivals due to the effect of the program starting in 1999, and an additional at least 2 percent due to the effect of priority projects starting from 2006.

This difference in growth rate would result in a difference in the number of tourists in future years. The spending in Mongolia by those additional tourists would directly benefit tourism related businesses such as hotels and tour agents and indirectly benefit those supplying goods and services to direct businesses. Eventual results would be favorable multiple effects on both the economy and the society by creating more job opportunities, stabilizing the economy by improving the balance of payment, and generally improve in the well being of the Mongolian people.

14.2 Social Evaluation

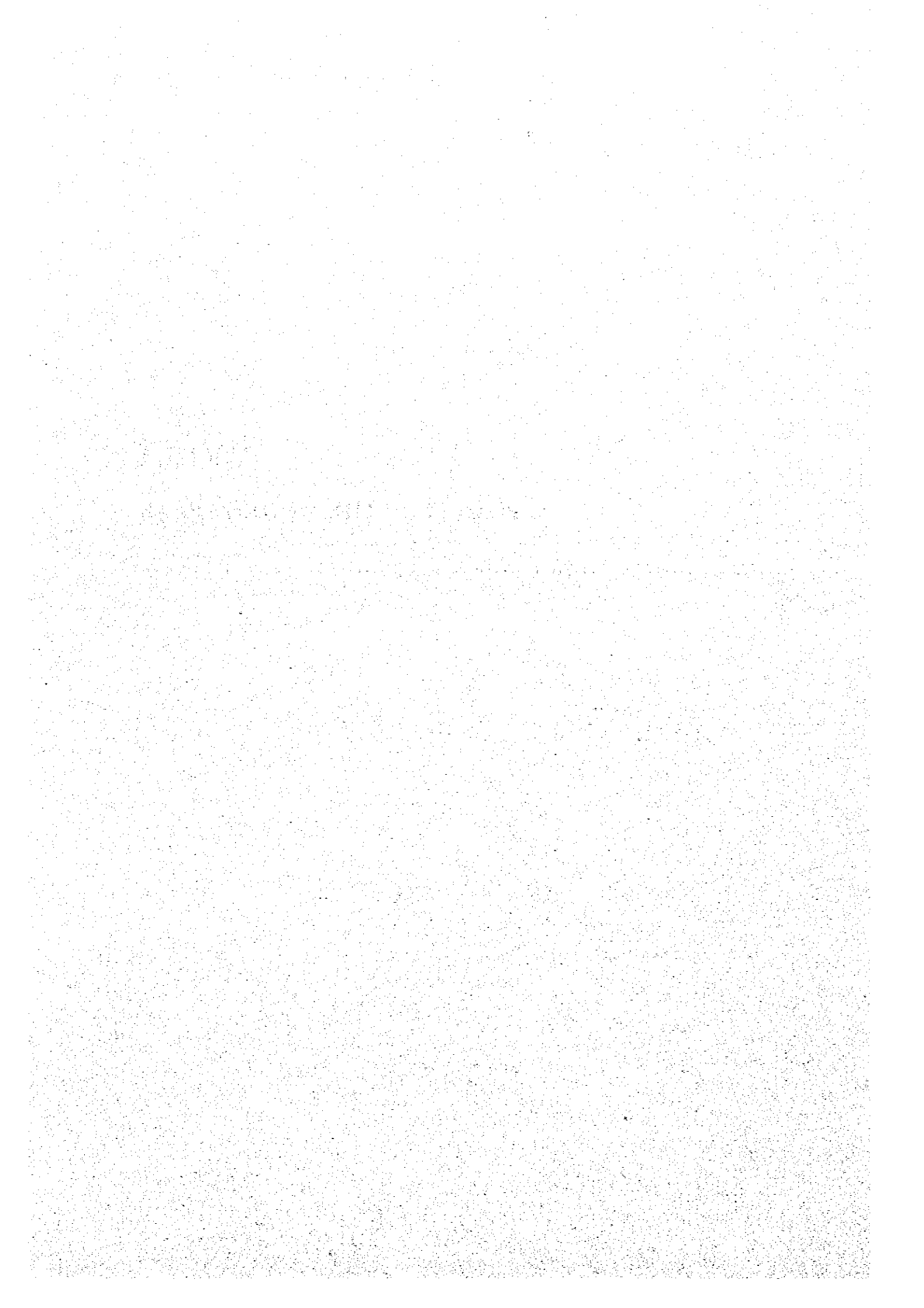
The proposed projects/programs of the master plan will bring about considerable socio-cultural benefits not only for the tourism sector itself, but also for residents around the tourist sites, including nomadic communities. Moreover, promoting socio-cultural projects/programs and facilities for tourism development will lead to local social development such as poverty alleviation and the integration of socially vulnerable people in development.

Implementing proposed projects/programs will have no foreseeable major negative impact on the socio-cultural structure in priority areas of the master plan. The many nomads as well as residents around the tourist sites are eager to have cash income from the tourism sector for the purpose of improving their living conditions.

PART III

PLANS FOR THE MODEL AREAS





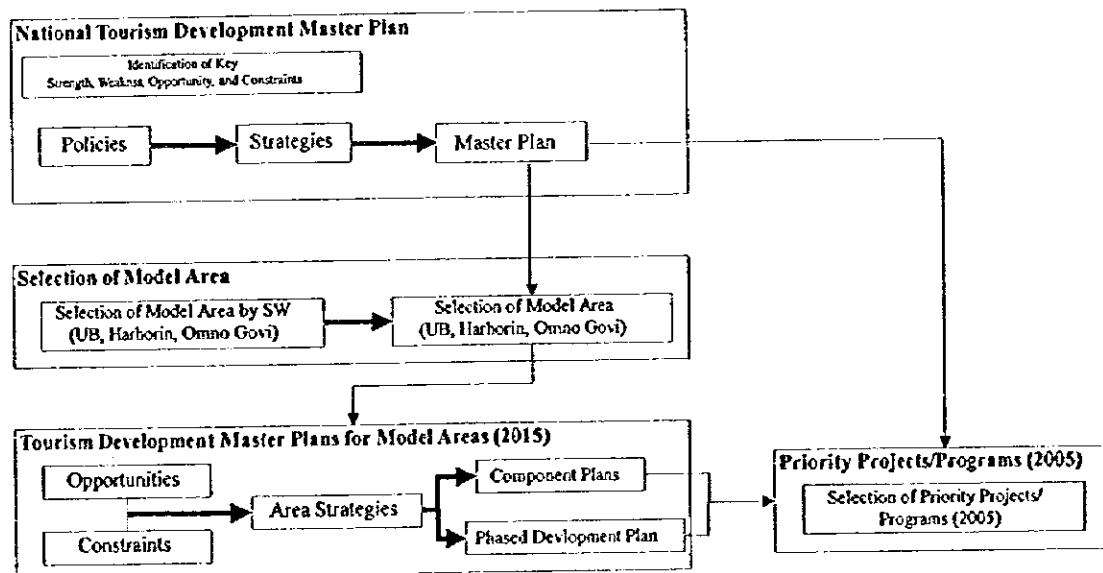
15. COMMON PLANNING ISSUES

15.1 Tourism Planning Process

Three model areas are selected on the basis of the outcome of the national tourism master plan, described in Part II, in which UB, Harhorin, and Omnogovi are identified as the primary tourism zones. These three areas coincide with the areas subject to detailed study. The master plan of the model areas illustrate the planning method of the regional tourism development. If tourism developmental plans of other areas such as the secondary tourism zones¹ or SIT tourism zones are necessary, the planning method of model areas can be referred to.

Tourism component plans such as tourism products, supporting infrastructure, institutional development, marketing and promotion development plans were proposed for development in the national tourism master plan and in the model area master plans. The priority projects and programs, to be promoted preferentially and immediately, were selected from the component plans. The following figure illustrates logical relationships among the National Master Plan, Model Area Plans, and Priority Project/Programs.

Figure 15.1.1 Relationships among the Master Plan, the Model Area Plan, and Priority Projects/Programs.



¹ Hovsgol area designated as the secondary tourism core has been planned by TACIS.

15.2 Common Planning Issues

1) Implementation Considerations

Due attention was paid to the likelihood of actual implementation of projects and programs in the course of the study work of model area master planning. The design of projects and programs has been made considering social and economic conditions, and institutional absorbing capacity, within and without the country.

The availability of financial resource, unconstrained conditions of social and natural environment have been analyzed to determine the implementation likelihood possibility. For the priority projects and programs, especially, background of the projects and inclination of agencies concerned, as well as the progress of relevant projects and plans have been considered in depth.

2) Reinforcing of Strengths and Overcoming Weaknesses

Strengths and weaknesses of Mongolian tourism are summarized as Section 10.1. The guiding principle of formulating plans for the model areas is to reinforce the strengths and to overcome the weaknesses.

3) Phased Development

Tourism development of model areas can only be implemented in phases or by stage due to limited financial and human resources. The phased development plan of model areas has been studied and proposed.

4) Sustainable Projects/Programs

Projects and programs should be implemented in order to guarantee a sustainable development. Considering the harsh meteorological characteristics in Mongolia, appropriate finance and organization should be prepared for the maintenance and operation of the projects. From the planning stage, realistic operation and maintenance schemes have been taken into consideration.

16. AREA PLANS

16.1 Ulaanbaatar Area

16.1.1 Development Factors

The specific factors that have to be taken into consideration are:

- UB is the only city of significant size in Mongolia.
- It is the only gateway to outside world via air route and the transpiration hub of Mongolia.
- It is the capital of Mongolia and is the only city with associated national facilities including museums and other cultural offerings in significant number.
- Its suburbs have already been developed for tourism to a certain extent and still have potential for further development.
- There already are a significant number of domestic tourists and their number is growing.

16.1.2 Target Markets

1) Short Term (to 2005)

(1) General/Gateway/Urban tourism

(a) Holiday tourists:

Major visitors are East Asians (mostly Japanese, followed by South Koreans), Europeans and North Americans, mostly coming in organized tour groups. In the event international flight access gets developed and lower airfare introduced, the number would stay on a course of steady increase. F.I.T. (Free Independent Tourist) is little unless cumbersome Mongolian visa application gets relaxed and paved roads and public transportation are developed, thus making them easier to move around the country on their own.

(b) Business-purpose tourists; official visitors

This may keep growing in number as Mongolia grows more close relationship with international society in politics, economy, culture and industry, meanwhile enhancing foreign investment.

(2) Trans-Siberian Train Tourism

It is characterized by F.I.T. (backpackers), coming by international train, spending a few days in UB, then leaving for on-to destination outside the country. This category travelers are mostly Europeans, followed by North Americans. From the merit that such long distance can be covered with much-less train fare, this type of the tourism will remain popular among care-free Europeans or North Americans, and care-free East Asians (Japanese, South Korean, Chinese, Taiwanese) may travel on the route in a large number. They come to UB even in low tourist season on the way to/from Beijing on trans-Siberian railroad.

(3) Cultural & Heritage Tourism

Being mostly mixed with "general/urban tourism" and "casual nature tourism" as to appreciate nomadic life, traditional folklore music and dancing, historical heritage, etc.

Casual nature tourism (in vicinity of UB, including Gorhi Trelji National Conservation Park and

*Hustain Nuur Nature Reserve, tourist ger camps, etc.), mixed with “general tourism”, which core is UB. (*reserve for Mongolian wild takhi horses):

- East Asians (mostly Japanese), Europeans, North Americans, coming mostly in group.
- Trelji will be more frequented by F.I.T. (business-purpose tourists, trans-Siberian railway tourists, etc.) and domestic tourists (mostly from UB) as the GDP makes growth.

(4) Adventure Tourism:

Not much observed in and around UB

(5) Meeting, Convention and Exhibition:

More business-purpose tourists or official visitors may come to attend those, held yet on smaller-scale by government, or jointly with international organizations such as World Bank, Asian Development Bank, etc.

2) Medium and Long Term (2005 – 2015 and beyond 2015)

In this term, in addition to the targeted types of tourism and market in “Short Term (to 2005)”, the following can be noted.

(1) General/Gateway/Urban Tourism (Mixed with Cultural Tourism, Casual Nature Tourism)

- East Asian market: Japanese may keep mainstay and being on constant increase supported by more direct-flight frequencies, increased seat capacity and competitive airfare in the core tourist season, meanwhile South Koreans will increase in number after their economy is improved. Taiwanese number may increase too.
European market: Their number will be on a steady increase taking advantage of more direct flights, increased seat capacity and competitive airfare in the core high season.
- F.I.T. : Once Mongolian government relaxes the current cumbersome visa application procedure such as in “issuance of tourist visa on arrival” or “no-visa” for certain countries, number of F.I.T. will increase supported by developed infrastructure which makes them easier to travel around the vast country on their own.
- business-purpose tourists: The number will be on a steady increase as foreign investment is enhanced, and trade with East Asian and European countries keeps growing.
- MICE (Meeting, Incentive, Convention and Exhibition) market:
 - This market will grow once tapped. Some incentive tour organizers are always looking for some topic-place and theme other than well-known MICE place as Las Vegas to assemble their important customers and enhance the clients’ incentive by pep-up convention/seminars, wining-dining, and post convention tours.
 - School trip market¹:
After easier flight access is developed and the circumstances in Mongolia comes to be judged as a proper destination by school officials (in terms of factors such as safe

¹ school trip market: In Japan in 1997, 270 public senior high schools made school trip to overseas destinations (South Korea: 145 schools; China 67; Singapore: 26; Australia: 10, U.S.A.: 9, the others:13), counting 47,000 teachers and students in total. Average trip duration is from 4 to 6 days. Source: National Educational Trip Research Institute (non-profit), Japan

domestic air and road traffic, hygiene, emergency communication, medical care etc.), some schools in East Asian market may organize their school trip to UB.

16.1.3 Development Concept and Strategies

1) Area Development Concept

- Strengthen the role of the international gateway for Mongolian tourism both by air and surface (rail);
- Reinforce functions of the national center for all forms of urban tourist services and servicing;
- Strengthen all forms of tourist activities: from history, culture, traditional life, cultural entertainment, to business, meeting, fair and conference; and
- Establish varied add-on attractions in the suburban UB.

2) Development Strategy

- prepare and establish Ulaanbaatar as Mongolia's sole urban tourism service center;
- introduce modern presentation, visitor information and amenities at major museums and tourist sites;
- rehabilitate historical, cultural and recreational resources (e.g. Bogdhaan Winter Palace, Gandan Monastery, Circus, etc.) into modern tourist product;
- create an attractive tourist quarter (tourist street, plaza, trail and amenities) as a tourism core of Mongol's gateway city;
- introduce a diversified line of new tourism products (e.g. bird park, horse park, etc.);
- promote and upgrade tourism related industries (souvenir production and sales, restaurant and catering services, etc.);

16.1.4 Plans for the Area Development

1) Plan Structure and Land Use

In order to implement the strategies stated above, development plans of UB for 2005 and 2015 are proposed as shown in Figure 16.1.1 and 16.1.2 respectively. These figures show the importance of developing outskirts of UB, as well as the renewal of inner city.

Integrated land use plan of UB is proposed showing the appropriate preservation of natural resource. In addition to existing Gorhi Terelj National Park and Bogdhaan Uul Special Reserve, it is recommended that Gachuurt area and Selbe Tolgoit area be designated as the natural reserve area. In the western area of UB, theme parks such as bird park, horse park, are planned to be developed by private initiatives near the airport. Figure 16.1.3 shows the general land use plan of UB.

2) Tourism Product Development

(1) Tourist Trail

Tourist trails in UB area is proposed, aligning the major course for tourists, location of Tourist Information Center, tourist street, and Major Attractions of Central UB.

(2) Tourist Street

It is very important that UB urban tourism will have a well attended vibrant street. UB city authority is planning a city renewal project called Commercial Street-2005. For the creation of

a center attracting tourists, the tourist street is proposed to be developed in the Commercial. As for the Tourist Information Center, it is recommended to be located at the corner of Suhbaatar Square, where most of the tourist stop by.

(3) Bird park (Wild Bird Conservation and Education Park)

Along the Tuul river, which runs from east to west at the south of UB, near the International Airport, there is a place where many migratory birds gather. Using these birds as a natural resource of tourism, or recreation of city people, a Bird Park is recommended to be created. This area can play a role not only for recreation but also for education, especially for children.

(4) Horse Park

Horse has been and is the most important animal to Mongolians, and yet there is no museum about horse.

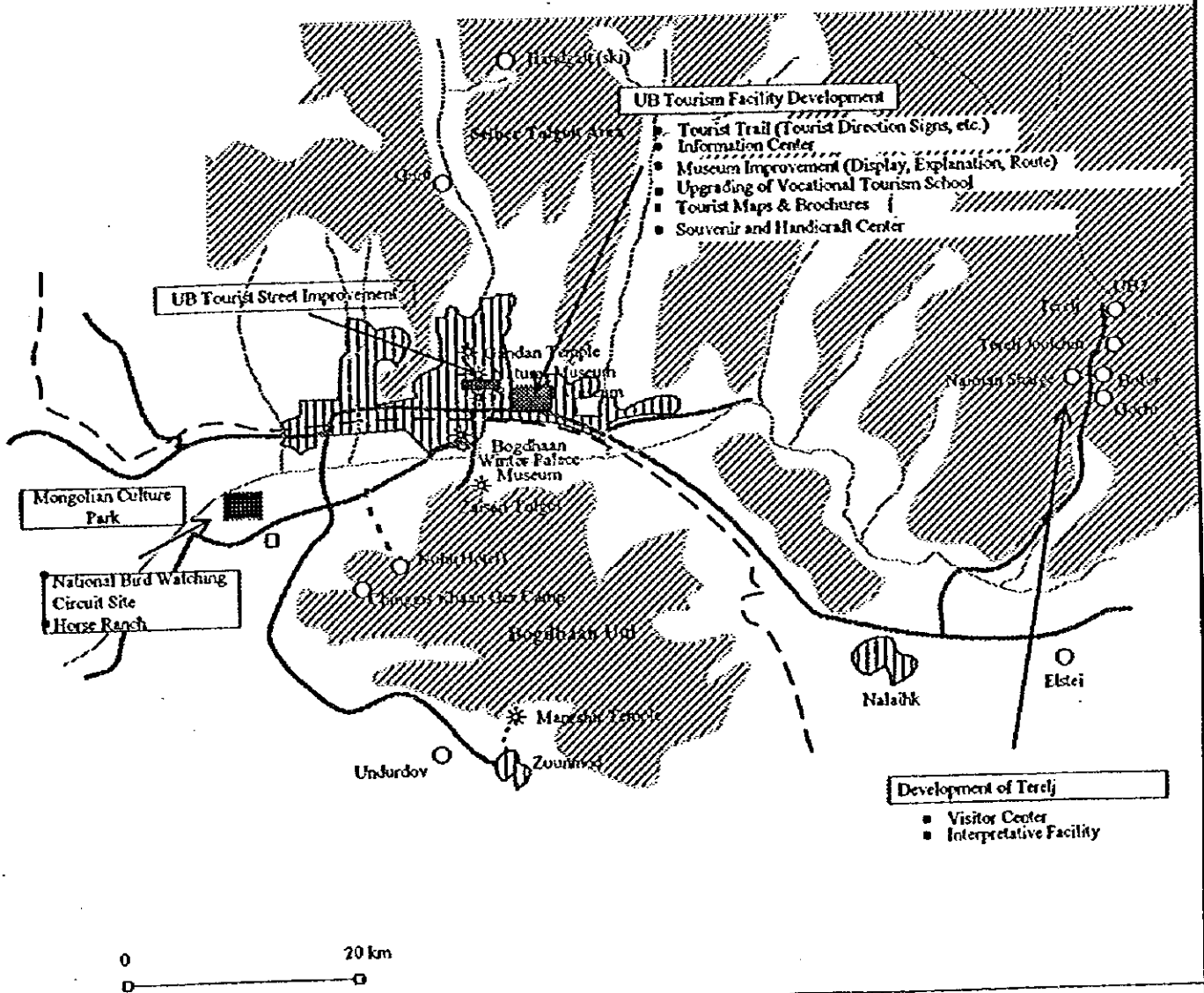
What is recommended here is a combination of museum of five horse and horse riding training school, and a race track.

Examples of display theme are as follows;

- Horse and the Mongolian (Relationship, History, Horse related Culture)
- World Horse of Cold District
- World Materials for Riding (Saddle, Lash, Bit)

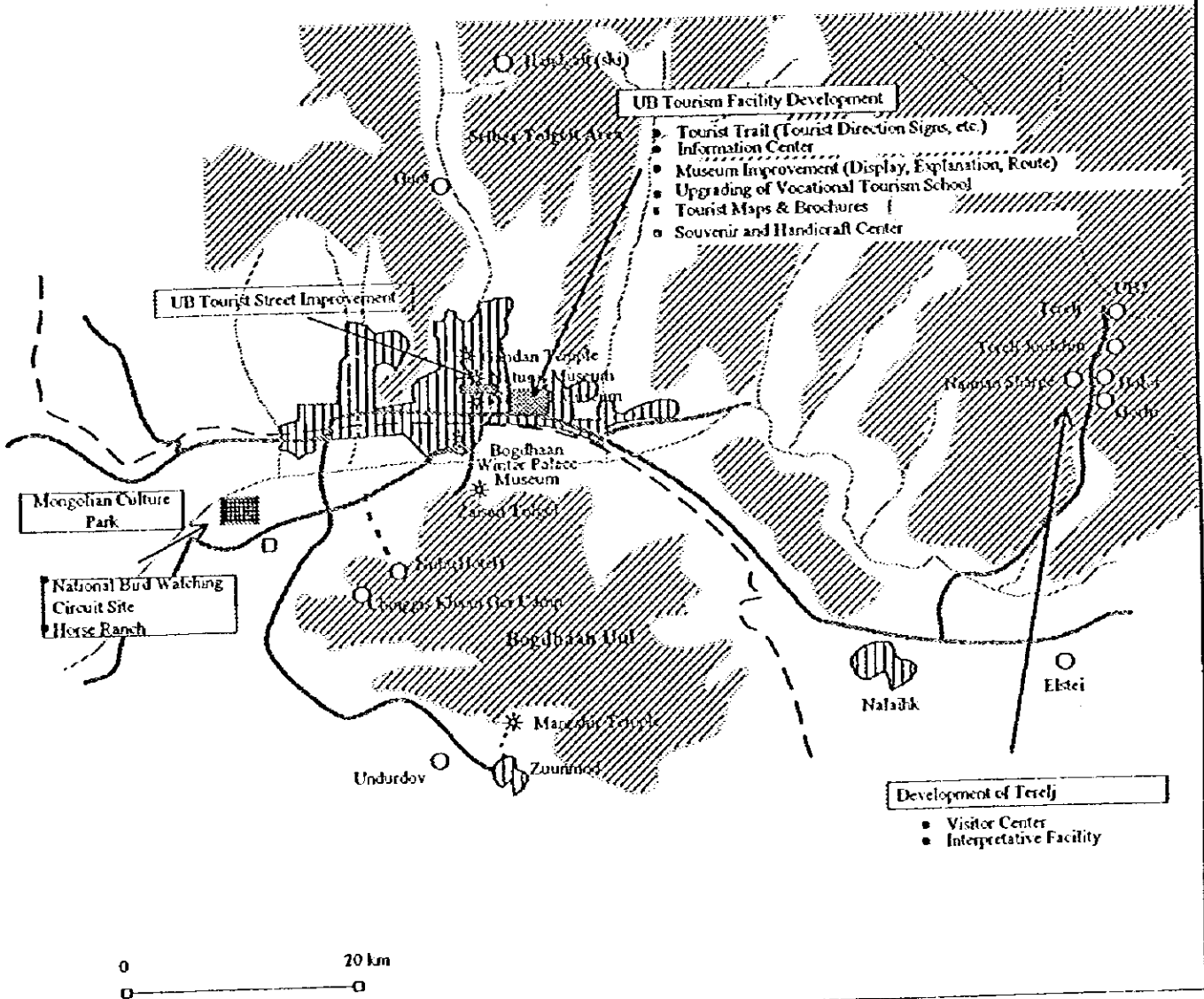
This Horse Park is desirable to have a strong relation with the research organization at Hustain Nuruu Natural Reserve, where re-introduction of Przewalski's Wild Horse is now underway.

Development Concept of Ulaanbaatar Tourism Area (to 2005)



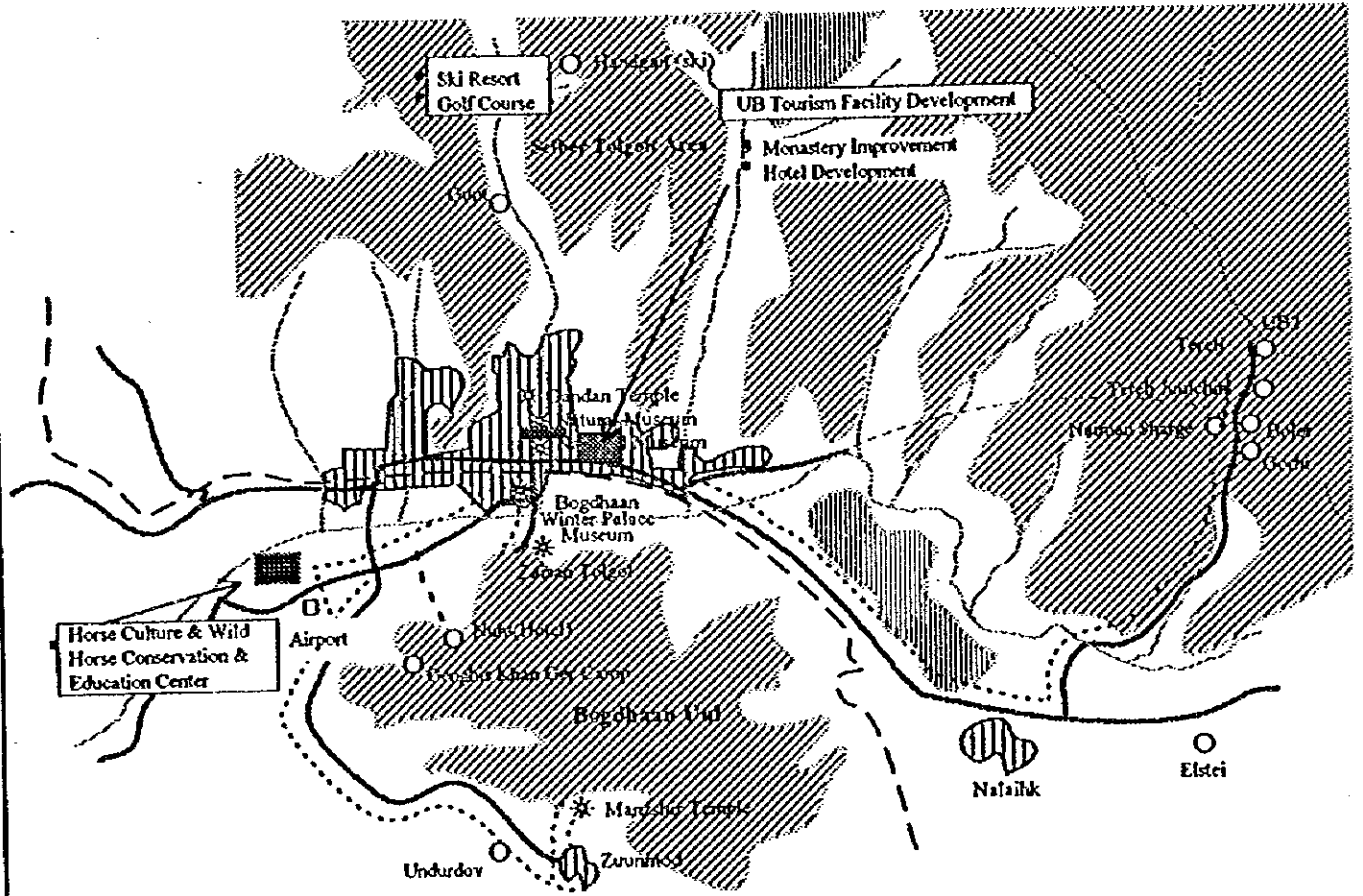
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THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA
Figure 16.1.1 Development Concept of Ulaanbaatar Tourism Area (to 2005)
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Development Concept of Ulaanbaatar Tourism Area (to 2005)



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Figure 16.1.1 Development Concept of Ulaanbaatar Tourism Area (to 2005)
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Development Concept of Ulaanbaatar Tourism Area (to 2015)

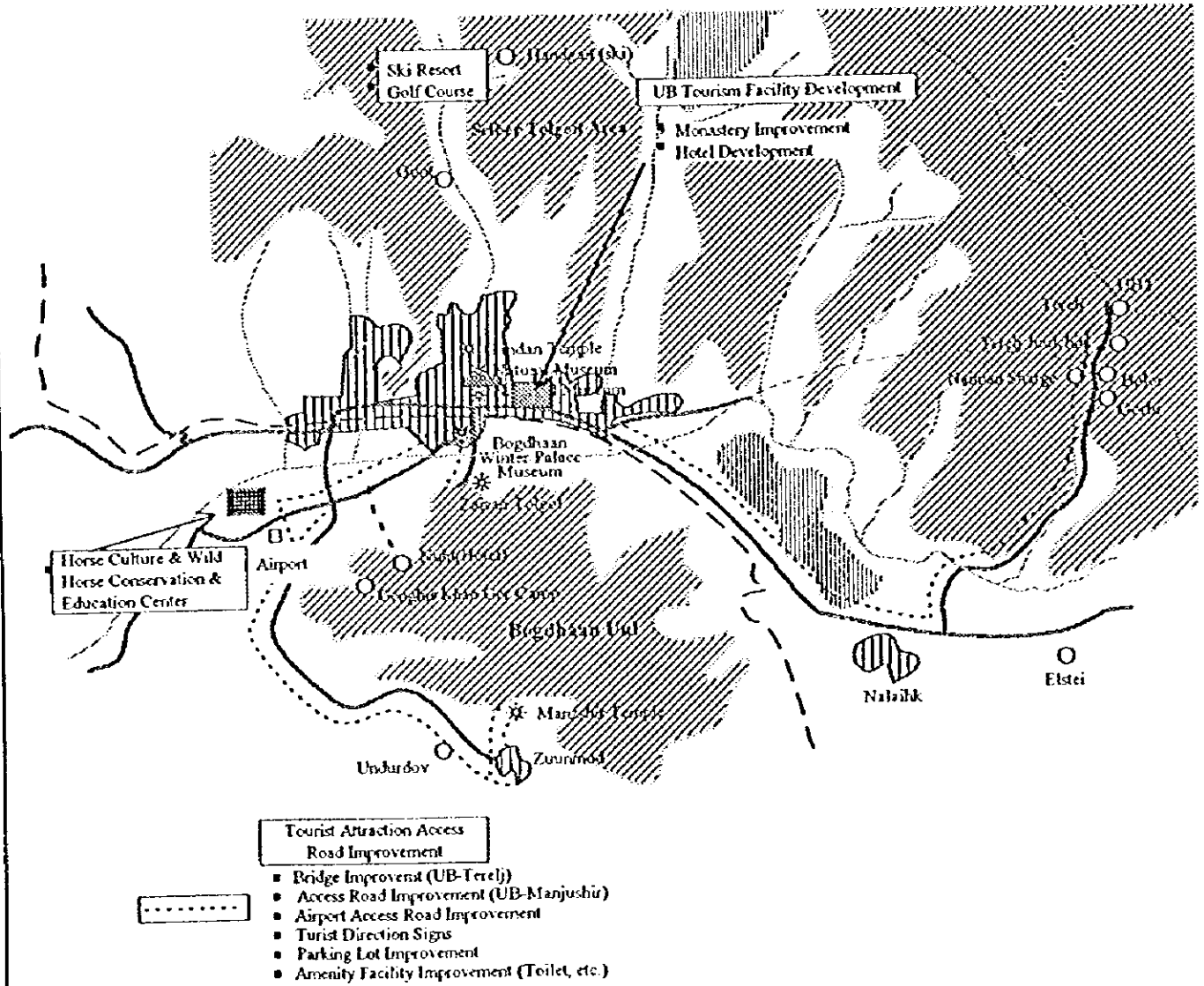


- Tourist Attraction Access Road Improvement**
- Bridge Improvement (UB-Terelj)
 - Access Road Improvement (UB-Manjushir)
 - Airport Access Road Improvement
 - Tourist Direction Signs
 - Parking Lot Improvement
 - Amenity Facility Improvement (Toilet, etc.)

0 ————— 20 km

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Figure 16.1.2 Development Concept of Ulaanbaatar Tourism Area (to 2015)
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Development Concept of Ulaanbaatar Tourism Area (to 2015)



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Figure 16.1.2 Development Concept of Ulaanbaatar Tourism Area (to 2015)
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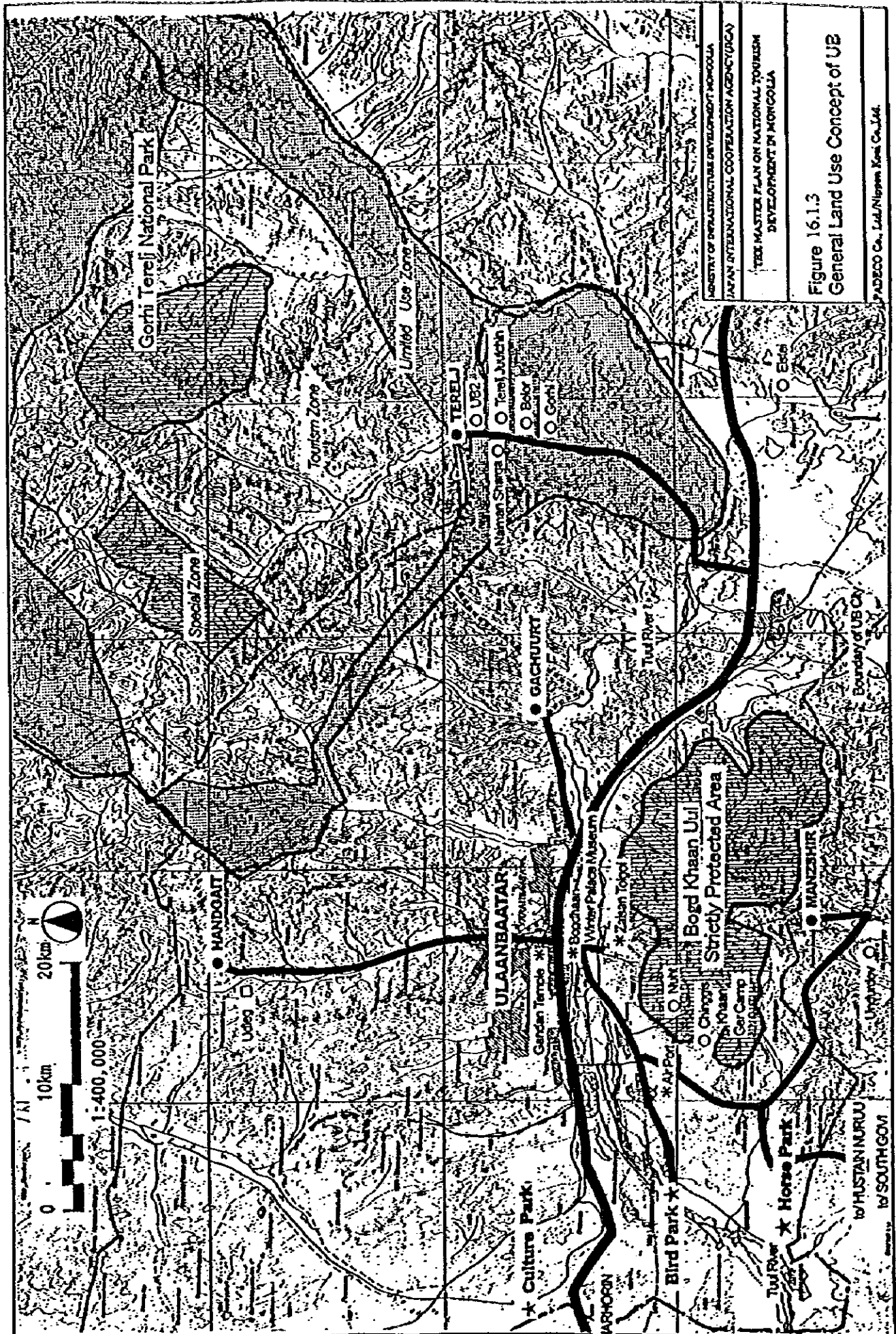
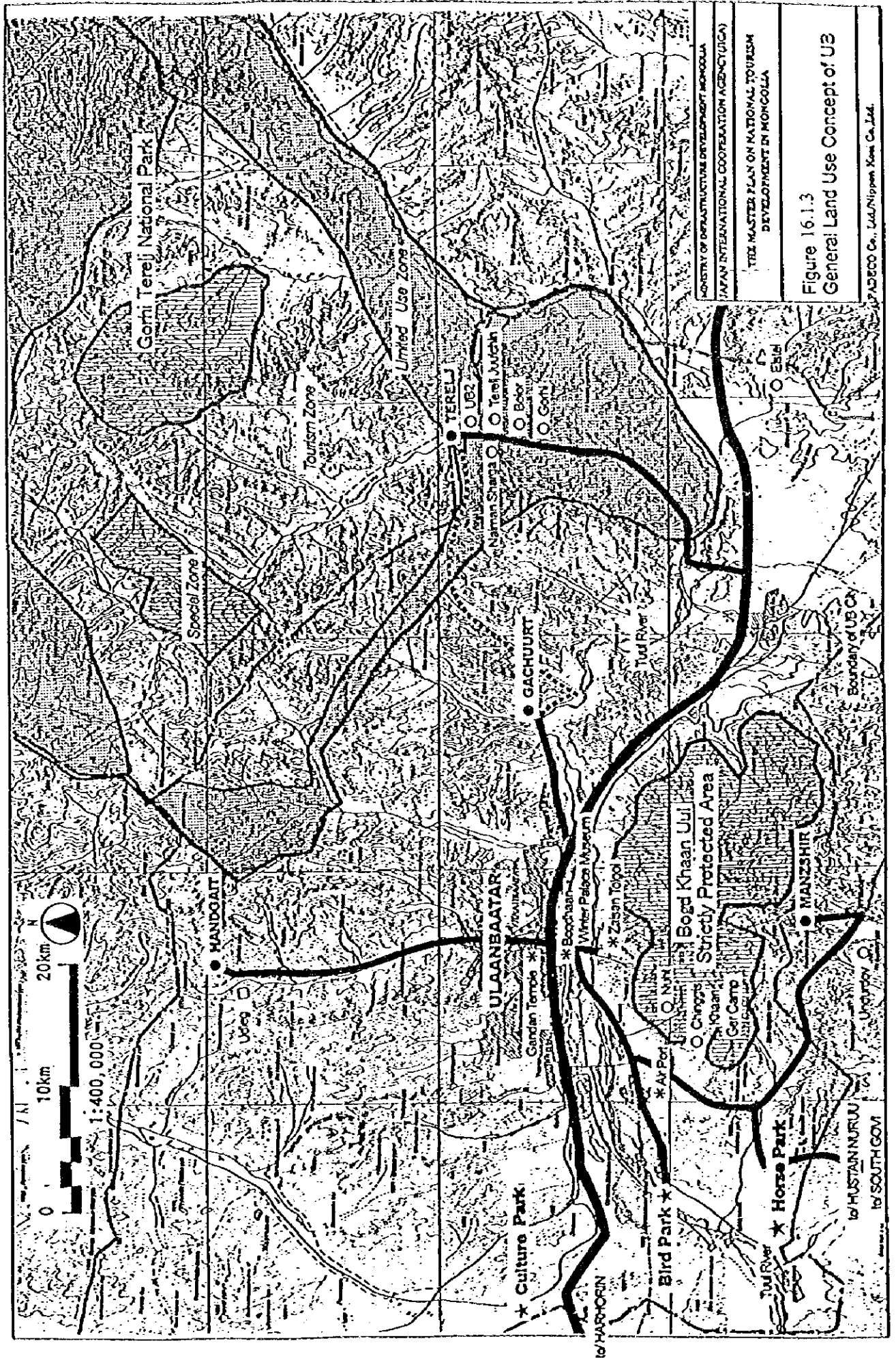


Figure 16.1.3
 General Land Use Concept of UB



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Figure 16.1.3
 General Land Use Concept of UB

PADECO Co., Ltd./Nippon Kasei Co., Ltd.

16.2 Omnogovi Area

16.2.1 Development Factors

Area specific factors that have to be taken into account are:

- Distance from the international gateway is long.
- Sense of space is most pronounced in Mongolia.
- Sites of distinctive natural attractions exist but far in between.
- Little supporting facilities are available.
- Eco-system is fragile.

16.2.2 Target Markets

1) Short Term (to 2005)

(1) Casual Nature Tourism

Majority of visitors to Omnogovi area are in this tourism type category, combined with their visit to UB (gateway). They come to visit the area mostly in group. Major visitors are Japanese, Europeans and North Americans.

(2) Adventurous Nature Tourism

This type of the tours is favored mostly by European adventure seeking travelers, enjoying trip on jeeps, horses, camels through uninhabited areas and preferring less visitors around and less infrastructure.

(3) Hobby Tourism

Amateur paleontologists, who do their own excavation of dinosaur fossils, may visit the area.

(4) Scientific Tourism

Biological researchers may visit the area for study purposes.

(5) Hunting Tourism

This "hunting tourism" has a long tradition in Mongolia.

(6) Eco-Tourism in Strict Sense

Due to its nature not to be much commercialized, visitor number may stay limited.

2) Medium and Long Term (2005 – 2015 and beyond 2015)

In addition to the targeted types of tourism and market mentioned in "Short Term (to 2005)", the following can be added.

- F.I.T. market:
In the event domestic flight services and road infrastructure between Omnogovi and UB developed, there occurs great possibility that leisure-purpose. UB visitors is able to come to visit the area (the National Conservation Park) for their few-days Govi desert experience.
- School tour market:

After an easy and safer access between UB and Omnogovi and an emergency communication system is realized, schools in Japan may choose Omnogovi for their school trip destination to give students cross-cultural experience (vs. nomadic culture), education on environmental care, paleontology and geological features, etc. As the GDP grows, Mongolian schools may afford to make their few-day school trip to Omnogovi for the same educational purpose.

16.2.3 Development Concept and Strategies

1) Area Development Concept

- Strengthen the role as the southern tourism center of Mongolia for nature-oriented tourist experience and activities (the most accessible desert experience for Japanese market);
- Cater to mostly casual nature-oriented tourist activities; and
- Reinforce for SIT tourists (advanced nature tourism, eco-tourism, soft and hard adventure, paleontology, spelunking, etc.).

2) Development Strategy

- introduce modern presentation, visitor information and amenities at major tourist sites (e.g., Yolin Am Valley);
- upgrade the natural history museum of Yolin Am Valley;
- introduce an area-wide nature tourism interpretation programs,
- introduce soft adventure / activity-oriented products around major tourist Ger camps, and,
- function as the base for long range tour connecting UB, Harhorin and Omnogovi

16.2.4 Plans for the Area Development

1) Plan Structure and Land Use

The future land use concept of Omnogovi in 2005 and 2015 are presented in Figure 16.2.1 and 16.2.2 respectively.

Upgrading and restoration of the existing tourism destination should be conducted in the eastern area, where the capital of Aimag Dalanzadgad is located. Yollin Am Natural Museum as well as the air strip facilitated near Ger Camps, receiving direct flights from UB, will be renovated. In long term, the tourist base may be newly developed in Dalanzadgad.

In the Severy area, central area of Govi Gurvan Saihan National Park, Narandaats area, and western part of the park should be developed in long term

The steppe trail between Dalanzadgad and Severy new tourism area should be upgraded.

2) Tourism Product Development

(1) Tourist Base

A tourist base is proposed to be established in the area. Four major functions of the tourist base will be facilitated in the tourist base.

- Service to vehicles: Gas station, Car repair, Information on routes
- Shop: Foods, Drinks, First aid kits,
- Information Center: Information on accommodation, restaurants, Cattle breeder's ger (visiting)

- Relay station: Camel riding, Sky sports, etc.

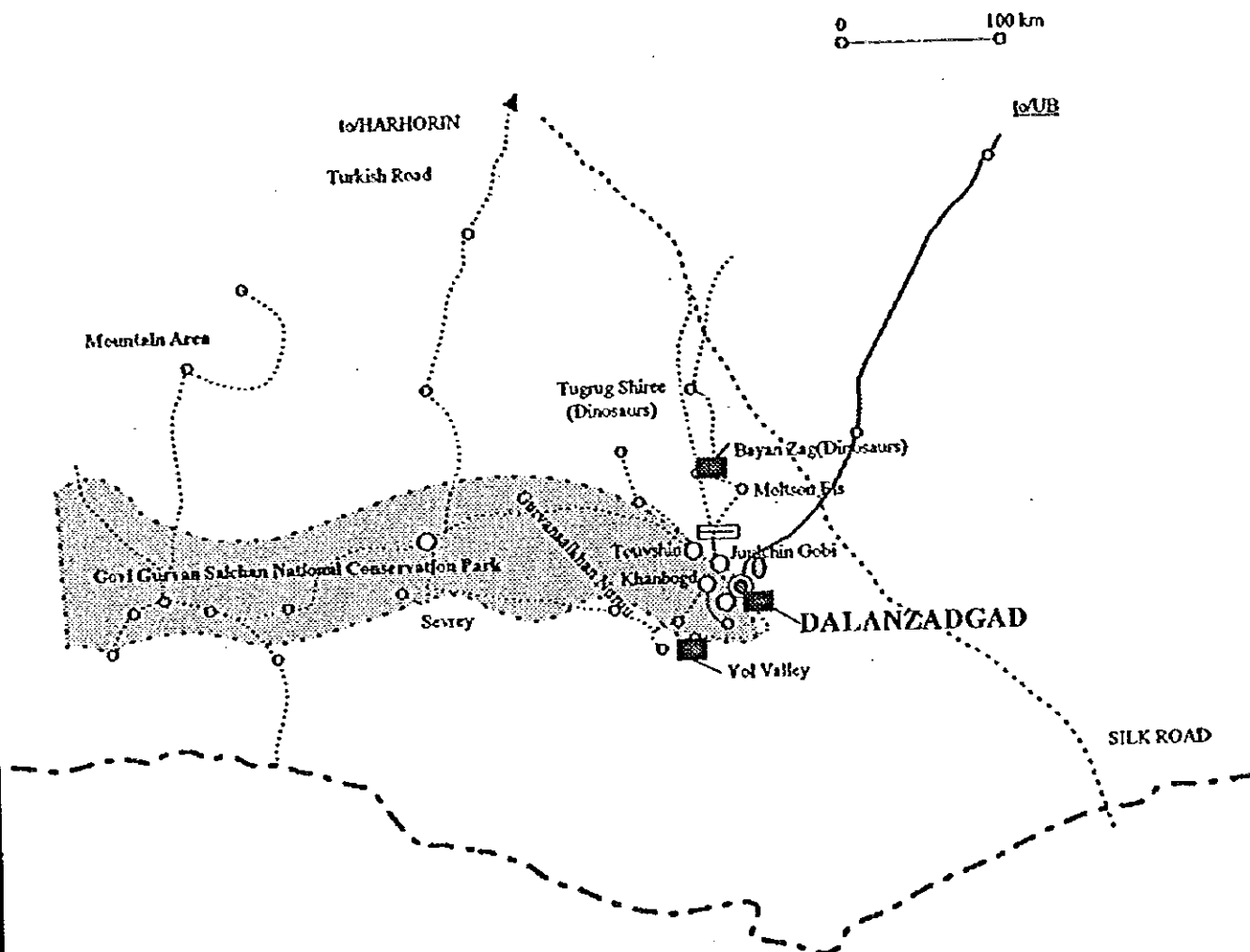
The image of drawing a tourist base is illustrated in Figure 16.2.3.

(2) Natural Museum (renewal of existing museum)

The Natural Museum located at the entrance of Yolyn Amm should be renovated. Following points are principal restoration work.

- Establishing a visitor center (information center) as an annex
- Establishing a man power development center as an annex
- Beautification of architecture and surroundings
- Improvement of Exhibition (Add English explanation, Enrich dinosaurs exhibition)

Development Concept of Omnogovi Tourism Area (to 2005)



Tourism Core Facility Development (Yol Valley, Bayan Zag, DALANZADGAD)

- Visitor Center
- Tourist Signs
- Parking Lots
- Amenity Facilities

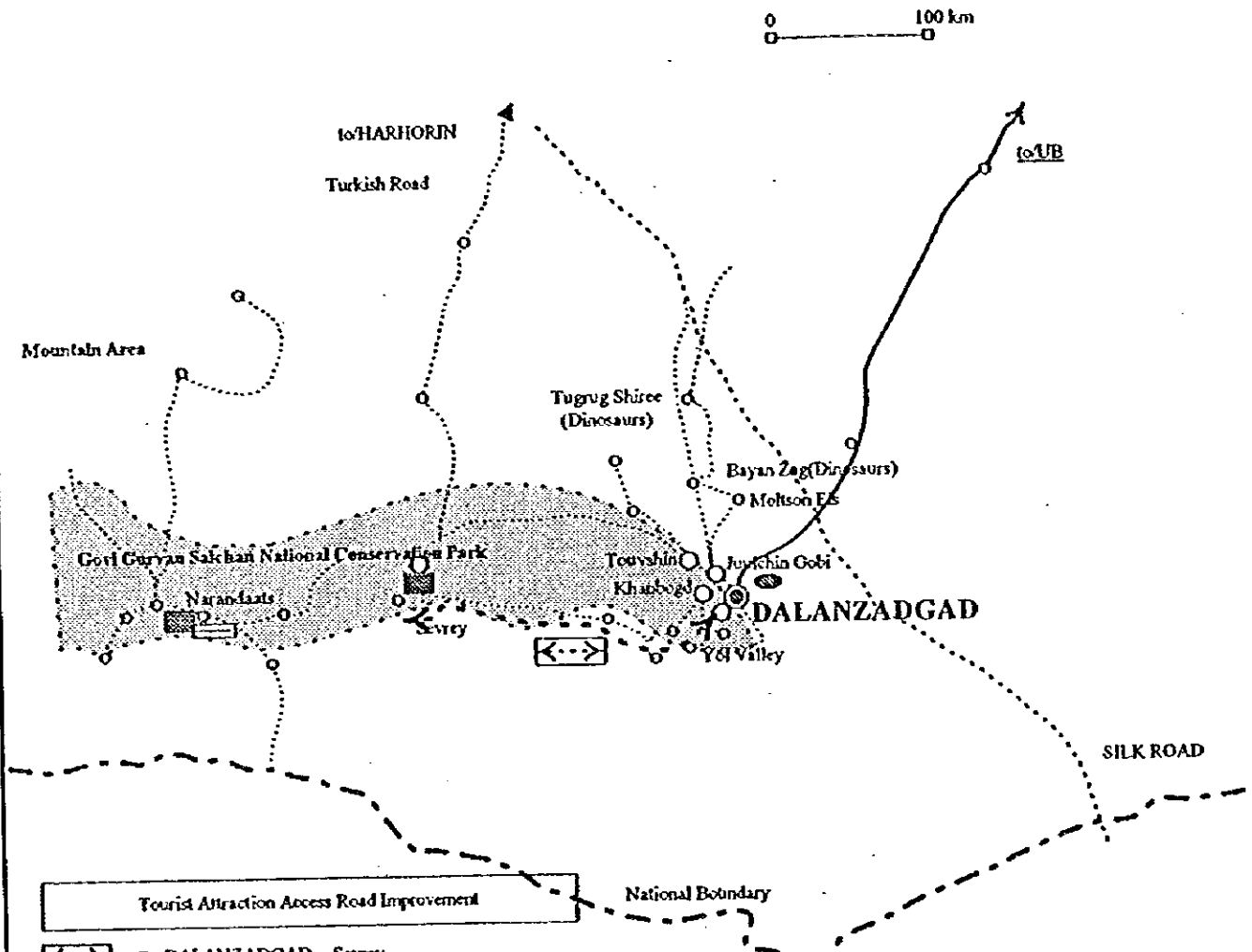
○ Nature Reserve Ranger Training in Dalanzadgad

Steppe Air Strip Facility Upgrading

- ▬ Improvement of Air Strip
- ▬ Instrument Landing System
- ▬ Reservation System
- ▬ Guest Handling Equipment

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Figure 16.2.1 Development Concept of Omnogovi Tourism Area (to 2005)
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Development Concept of Omnogovi Tourism Area (to 2015 and beyond)



Tourist Attraction Access Road Improvement

◄...► ■ DALANZADGAD - Sevrey

Secondary Tourism Core Facility Development (Sevrey & Narandaats areas)

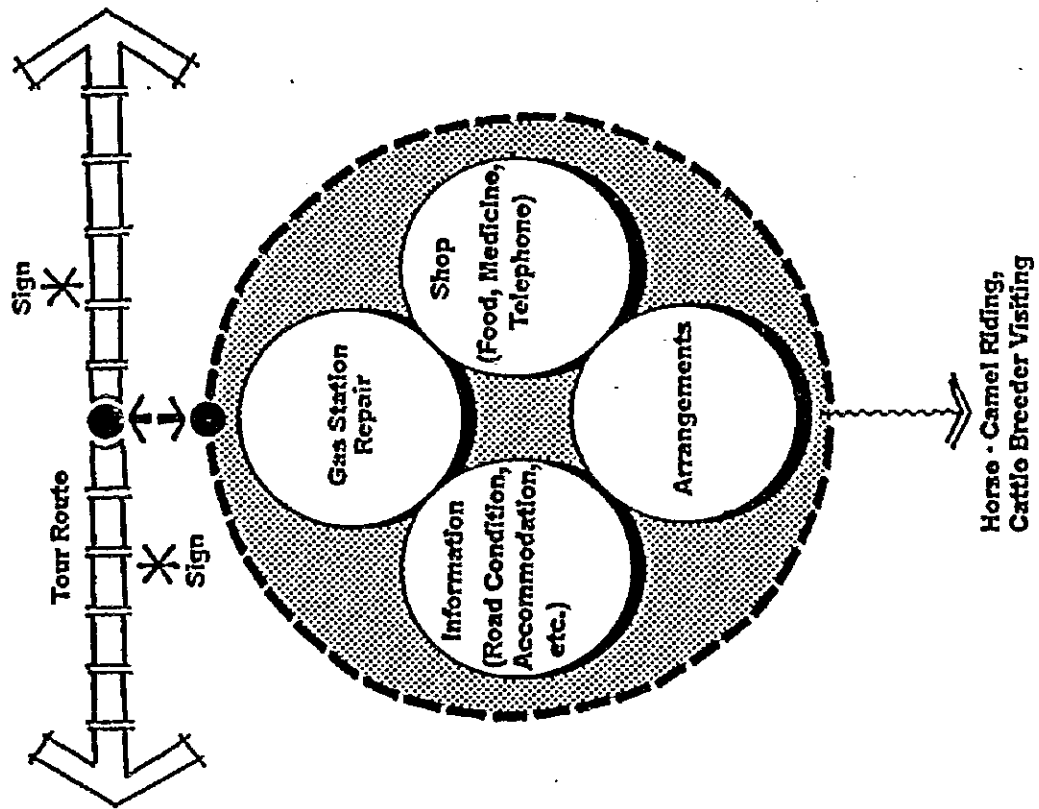
- Visitor Center
- Tourist Trail
- Tourist Signs
- Parking Lots
- Amenity Facilities

New Narandaats Private Airport Construction (to 2015)

- ▬ New Air Strip
- ▬ Instrument Landing System
- ▬ Reservation System
- ▬ Guest Handling Equipment

● Dalanzadgad Tourist Base

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Figure 16.2.2 Development Concept of Omnogovi Tourism Area (to 2015 and beyond)
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 DEVELOPMENT IN MONGOLIA
 Figure 16.2.3
 Function of Tourist Base
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16.3 Harhorin Area

16.3.1 Development Factors

Area specific factors that have to be taken into account are:

- Harhorin is within the one day trip range from the gateway city of UB by road.
- It has by far the largest and best known historic monument in Mongolia.
- Other historic attractions of significant in terms of tourism exist in the area.

16.3.2 Target Markets

1) Short Term (to 2005)

(1) Cultural and Heritage Tourism

This may stay weak from the fact that Harhorin (the ancient capital city of Mongolian empire) has hardly evident remains to attract visitors there even after six hours drive from UB. Erdene Zuu (the first center of Lamaism in Mongolia, construction started in 1586) has only little remains with mere huge surroundings and nothing but a few temples inside.

(2) Casual Nature Tourism, Mixed with Cultural and Heritage Tourism

This will keep popularized by Japanese, Europeans and North Americans, mostly coming in organized tours. They enjoy staying in tourist gers, meeting nomadic people, visiting Harhorin en route.

(3) Casual Adventure Tourism

A few days trip by horse in the area may become popular for eager-for-experience East Asians, Europeans and North Americans.

(4) Eco-Tourism in Strict Sense

Because of its nature, this can not to be much commercialized.

2) Medium and Long Term (2005 – 2015 and beyond 2015)

(1) Cultural and Heritage Tourism:

Provided with infrastructure development as an upgraded Harhorin airport and frequent flights and interpretative facilitation provided at the historic sites, trans-Siberian railway visitors to UB may extend their trip to the area for a day or few days. Such F.I.T. may increase in number.

(2) Casual Nature Tourism, Mixed with Cultural and Heritage Tourism:

Supported by developed infrastructure such as paved road, upgraded Harhorin airport and interpretative presentation at historical sites, this mixed type of tours will be more popular amongst Japanese, Europeans and North Americans, coming in group or as F.I.T.

(3) School Tour Market:

Schools in Japan may start choosing Mongolia and this area as school tour destination for students' study and experience on steppe nature, history, nomadic culture and life, etc.

(4) Health-Care Tour Market:

After all paved or graveled road made between Harhorin and Hujirt spa-town and its spa facilities improved or rebuilt, Europeans or Japanese may come to the area for recuperation on F.I.T. basis.

16.3.3 Development Concept and Strategies

1) Area Development Concept

- the most accessible cultural tourism core of Mongolia (Harhorin);
- varied add-on resources complementing the cultural attractions of Harhorin (Hujirt Spa, Orhon Valley); and
- the most accessible health/curative spa for potential domestic tourism development.

2) Development Strategy

- introduce modern presentation, visitor information and amenities at Erdene Zuu;
- upgrade and beautify the whole Harhorin archaeological and cultural complex (Erdene Zuu, Harhorin Ruins, Turtle Rocks - new access road, parking, landscaping, sign-posting, etc.);
- introduce modern presentation, visitor information and amenities at Har Balgas and Hoshoo Tsaidam Ruins;
- introduce nature tourism program with modern presentation, visitor information and amenities at Orhon Valley;
- introduce soft adventure / activity-oriented products in Burd / Mongol Els sand dune; and
- upgrade Hujirt curative spa facility, particularly for potential domestic tourists.

16.3.4 Plans for the Area Development

1) Plan Structure and Land Use

The development plan of this area includes three large historical assets, such as Erdenezuu at Harhorin, Turkish Monuments at Hoshoo Tsaidam and Uigur Fort at Har Bargas. These three tourism attractions together with the connecting road between Harhorin and Hoshoo Tsaidam and Har Bargas will be upgraded by 2005.

In the long term, northern direction tourism route connecting with Horgo Volcano area through Ogii lake, which is famous for the habitat of migratory birds, will be developed. In the southernmost part of the area, in Hangai Range National Park, there are waterfalls along the origin of river Orhon. Tourism core facility as well as the approach road through Hujirt Spa are planned to be developed in the long term.

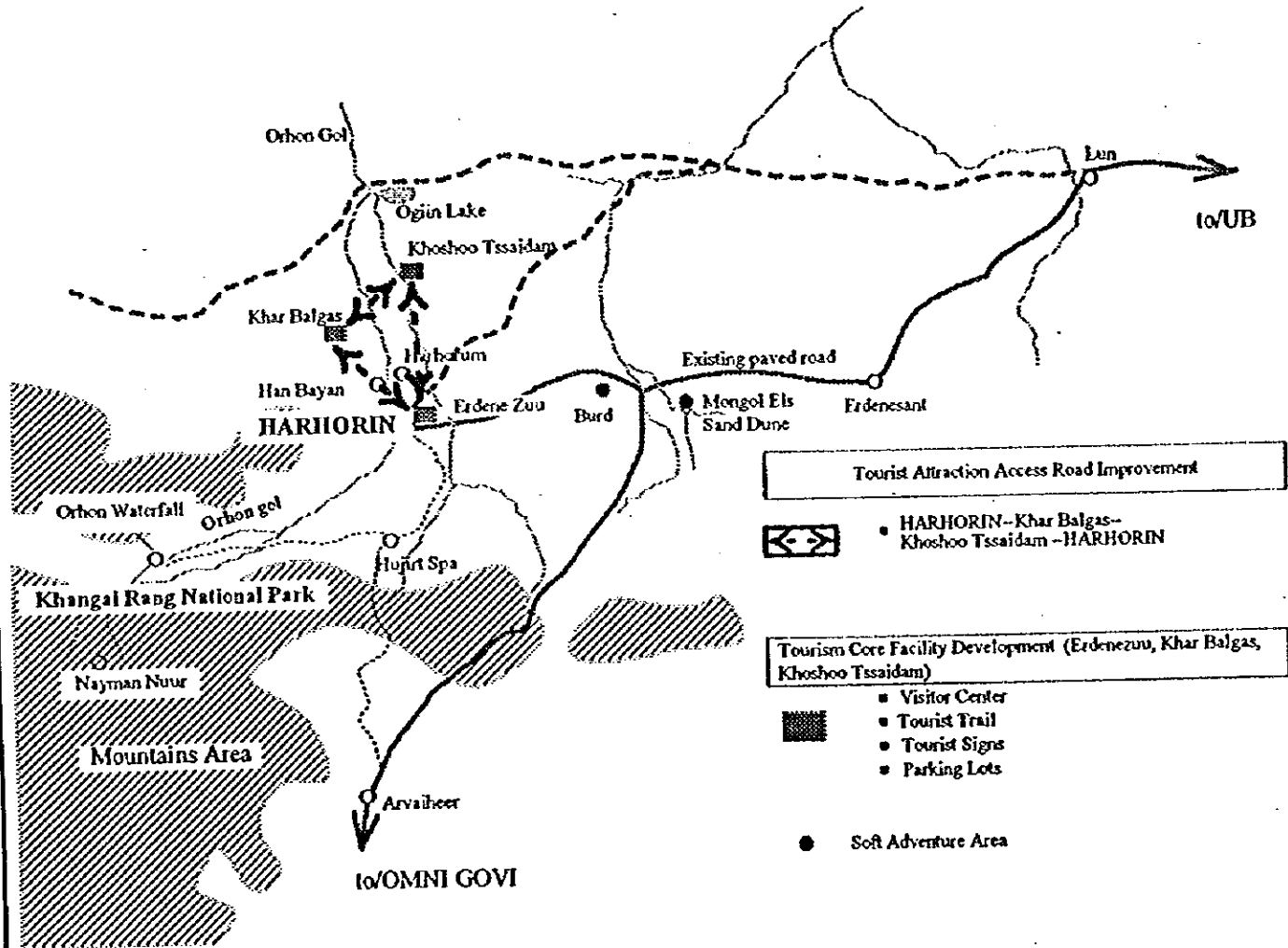
Figure 16.3.1 and 16.3.2 show the development concept in Harhorin area.

2) Tourism Product Development

Visitor Center Development and Erdene Zuu Surroundings Improvement

Near the city of Harhorin, the Mongolian most famous monastery of Erdene Zuu should be restored and beautified. And a visitor center, which explains the history of Harhorin and whole Mongolia is recommended to be built.

Development Concept of Harhorum and Harhorin Tourism Areas (to 2005)

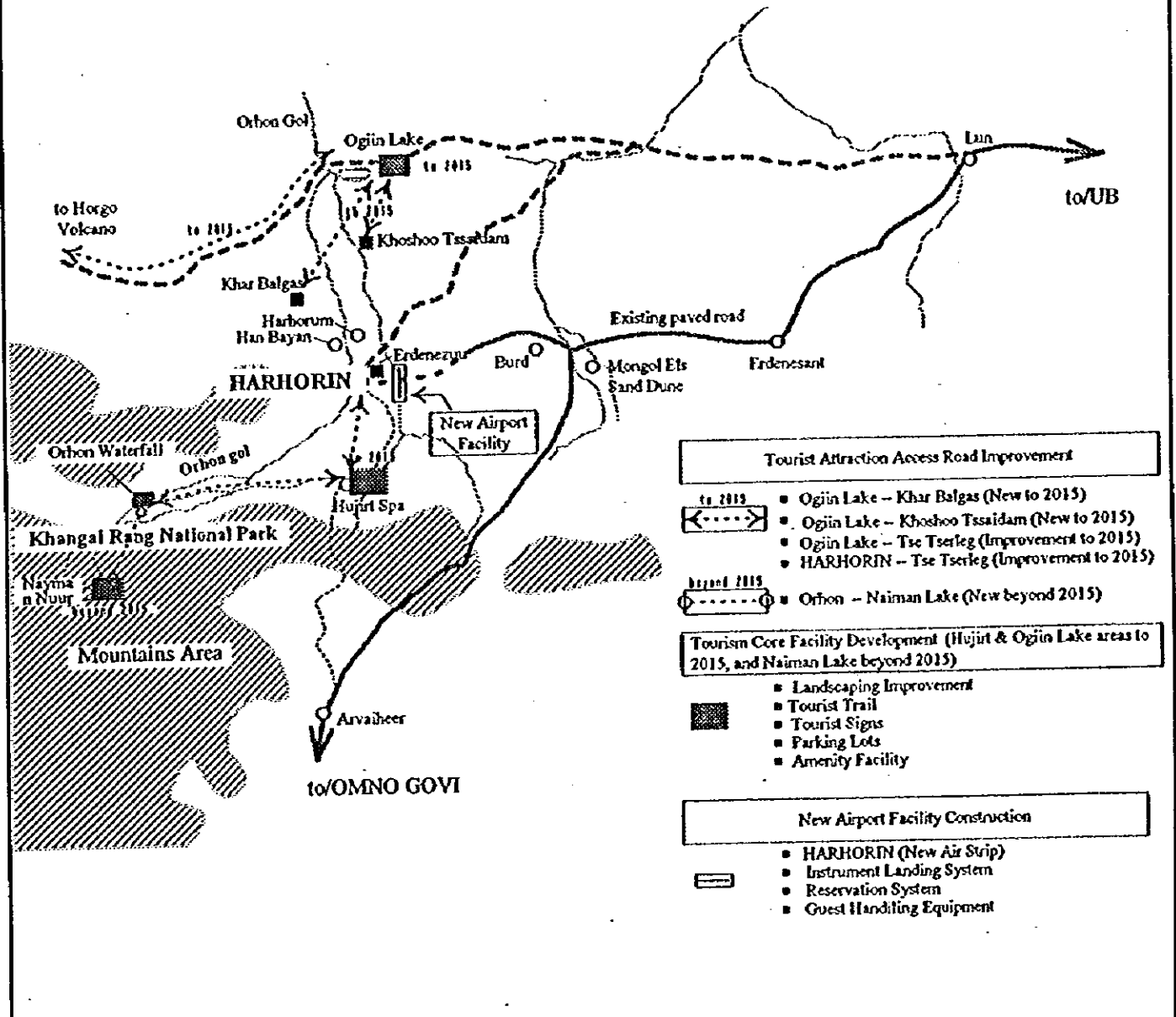


- | |
|--|
| Tourist Attraction Access Road Improvement |
|--|
- | |
|--|
| • HARHORIN-Khar Balgas-Khoshoo Tssaidam-HARHORIN |
|--|
- | | |
|--|-----------------|
| Tourism Core Facility Development (Erdenezuu, Khar Balgas, Khoshoo Tssaidam) | |
| • Visitor Center | • Tourist Trail |
| • Tourist Signs | • Parking Lots |
- | |
|-----------------------|
| • Soft Adventure Area |
|-----------------------|

0 ————— 100 km

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Figure 16.3.1 Development Concept of Harhorin Tourism Area (to 2005)
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Development Concept of Harhorum and Harhorin Tourism Areas (to 2015 and beyond)



Tourist Attraction Access Road Improvement

- to 2015
 - Ogiin Lake - Khar Balgas (New to 2015)
 - Ogiin Lake - Khoshoo Tssaidam (New to 2015)
 - Ogiin Lake - Tse Tserleg (Improvement to 2015)
 - HARHORIN - Tse Tserleg (Improvement to 2015)
- beyond 2015
 - Orhon - Naiman Lake (New beyond 2015)

Tourism Core Facility Development (Hujirt & Ogiin Lake areas to 2015, and Naiman Lake beyond 2015)

- Landscaping Improvement
- Tourist Trail
- Tourist Signs
- Parking Lots
- Amenity Facility

New Airport Facility Construction

- HARHORIN (New Air Strip)
- Instrument Landing System
- Reservation System
- Guest Handling Equipment

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 Figure 16.3.2
 Development Concept of Harhorin Tourism Area (to 2015 beyond)
 PADECO Co., Ltd. / Nippon Koei, Co. Ltd.

16.4 Other Areas

16.4.1 Plans for Western Areas

The western areas such as Olgii, Hovd and Uvs have been evaluated as the secondary tourism zone, which should be developed on a long-term basis.

Considering the present situation of the tourism resources, and the levels of infrastructure development in the western areas, the development plans are proposed by the year 2015 and beyond 2015 for the tourism promotion as shown in Figure 16.4.1.

1) Provincial Tourism Center Development

To establish the provincial tourism center in Olgii, Hovd and Ulaangom, the following developments are needed.

- Improvement of museums in Olgii, Hovd and Ulaangom
- Development of visitor centers in Olgii, Hovd and Ulaangom
- Development of tourism supporting equipment and storage facilities such as jeeps, foods and medicines, etc.
- Development of tourists accommodations (ger camps)

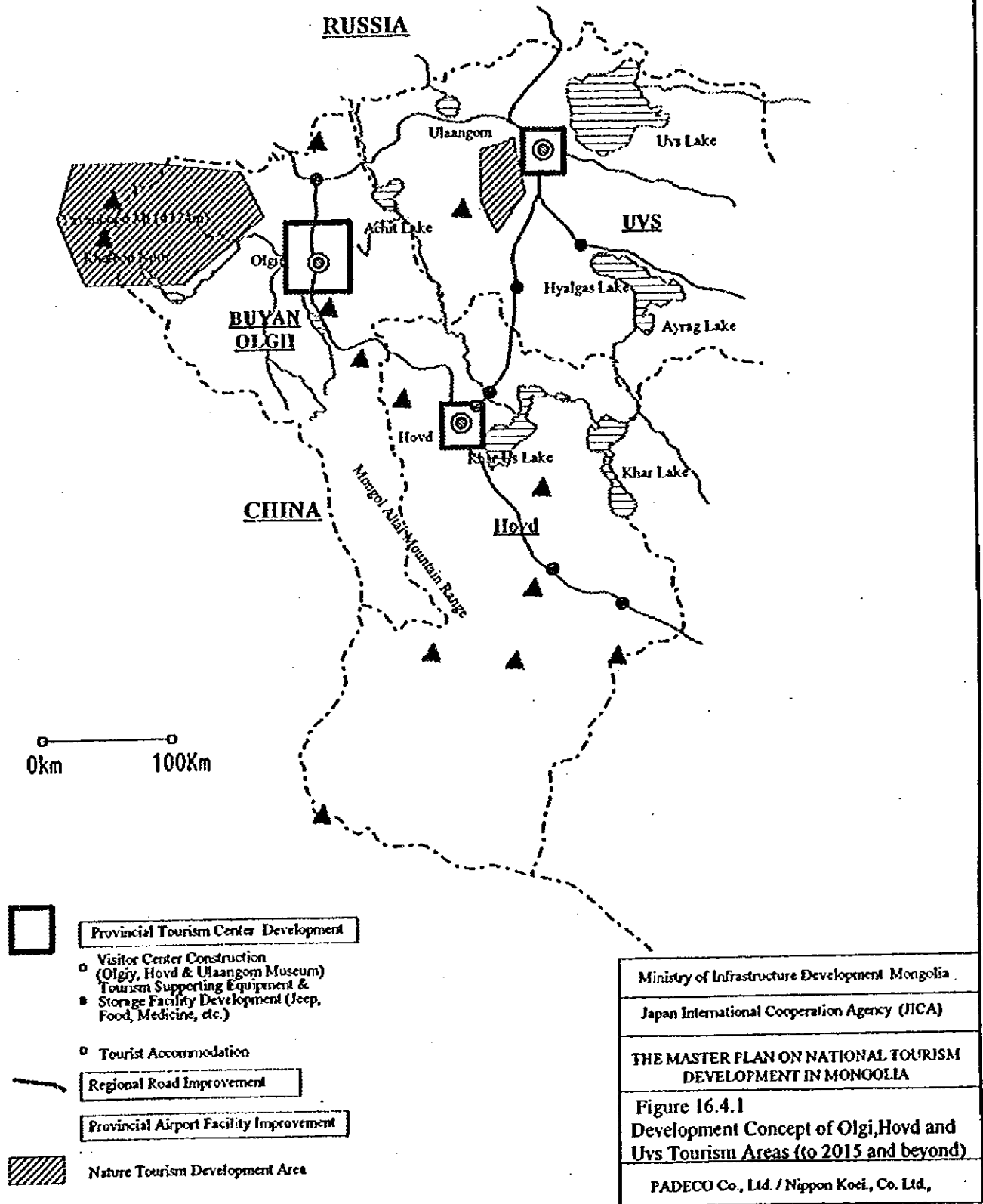
2) Regional Road Improvement

- Road improvements to connect the provincial centers in Olgii, Hovd and Ulaangom
- Provincial Airport Facility Improvement
- Strengthening of landing function
- Strengthening of security control function

3) Development of Nature Tourism

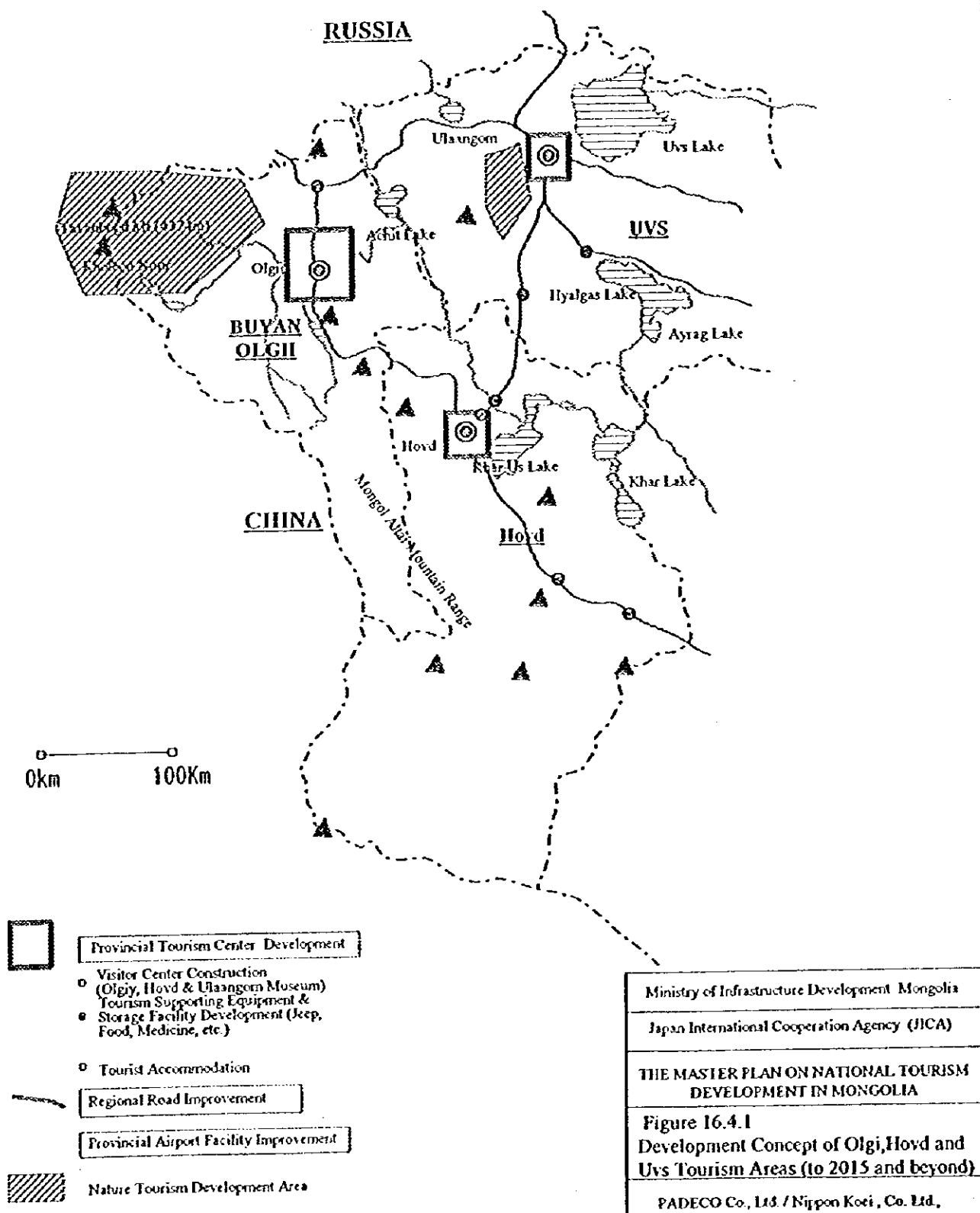
- Nature tourism
- Mountain climbing

Development Concept of Olgi, Hovd and Uvs Tourism Areas (to 2015 and beyond)



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 Figure 16.4.1
 Development Concept of Olgi, Hovd and Uvs Tourism Areas (to 2015 and beyond)
 PADECO Co., Ltd. / Nippon Koei, Co. Ltd.,

Development Concept of Olgi, Hovd and Uvs Tourism Areas (to 2015 and beyond)



16.4.2 Plans for Hentii Tourism Area

The Hentii tourism area including Dadal has been judged as the SIT tourism destination, which should be developed on a long-term basis.

Considering the present situation of tourism resources and level of infrastructure development in the Hentii tourism area, the development plans are proposed by the year 2015 and beyond 2015 for the historical tourism promotion as shown in Figure 16.4.2.

1) Dadal Tourism Center Development

To establish the provincial tourism center in Dadal, the following developments are needed.

- Development of the Dadal visitor center with basic amenity
- Access roads improvements (Onon-Bayan-Bayar Ovoo, Avarga-Ondorkhaan-Dundburd-Bayan)
- Setting the tourist route at Onon-Bayan Ovoo
- Dadal and provincial airport facility improvements

2) Provincial Tourism Center Development

To establish the provincial tourism center, the following developments are needed.

- Improvement of the Ethnic Museum
- Construction of the Ondorkhaan Visitor Center
- Construction of the Avarga Visitor Center with basic amenity
- Setting the tourist route at Avarga
- Development of tourists accommodation (ger camp)

16.4.3 Plans for Dornogovi Tourism Areas

The Dornogovi tourism areas (Sainshand, Ulaan-Uul, etc.) have been evaluated as the secondary tourism zones which should be developed on a long-term basis.

The area is and will continue to be served by international railway trains, which should be fully taken advantage of. The plan shown in Figure 16.4.3 is proposed to be implemented by the year 2015.

1) Provincial Tourism Center Development

To establish the provincial tourism center in Sainshand, the following developments are needed.

- Improvement of the Sainshand Museum
- Construction of the Sainshand Visitor Center
- Access roads improvements for the east route (Sainshand-Zamyu Uud) and the west route (Sainshand-Ulaan Uul)

2) Ulaan Uul and Zamyu Uud Tourism Site Development

To establish the provincial tourism site, the following developments are needed.

- Access roads improvement in and around Ulaan Uul
- Development of tourists accommodation

16.4.4 Plans for Hovsgol Tourism Area (Hovsgol Lake National Park)

An assessment of Hovsgol Tourism Area was made by the TACIS Study Team. The following is a brief summary of that are including TACIS's plan for Hovsgol Area.

The Hovsgol Lake National Park has a good eco-tourism potential due to the variety, extension and relative pureness of habitats, and it can boast a great variety of wildlife. The landscape and local culture are also of great interest to tourists. Considering the present situation of tourism resources, TACIS is providing a management plan for the development of eco-tourism in the Hovsgol National Park. A zoning map of Hovsgol National Park is shown in Figure 16.4.4.

Specific development actions are summarized for the followings:

1) National Park Management

- Collection of Entrance Fees
- Training of Local Guides
- Indicators and Monitoring of Impacts
- Waste Treatment and Disposal
- Analysis of Tourism Carrying Capacity
- Threats Posed to the Lake by Oil

2) Infrastructure and Services

- Hatagal: Creation of the Multifunctional Center
- Improving the "ger-and-breakfast" system
- Access
- Development of New Tourist Camps

3) Development of New Products

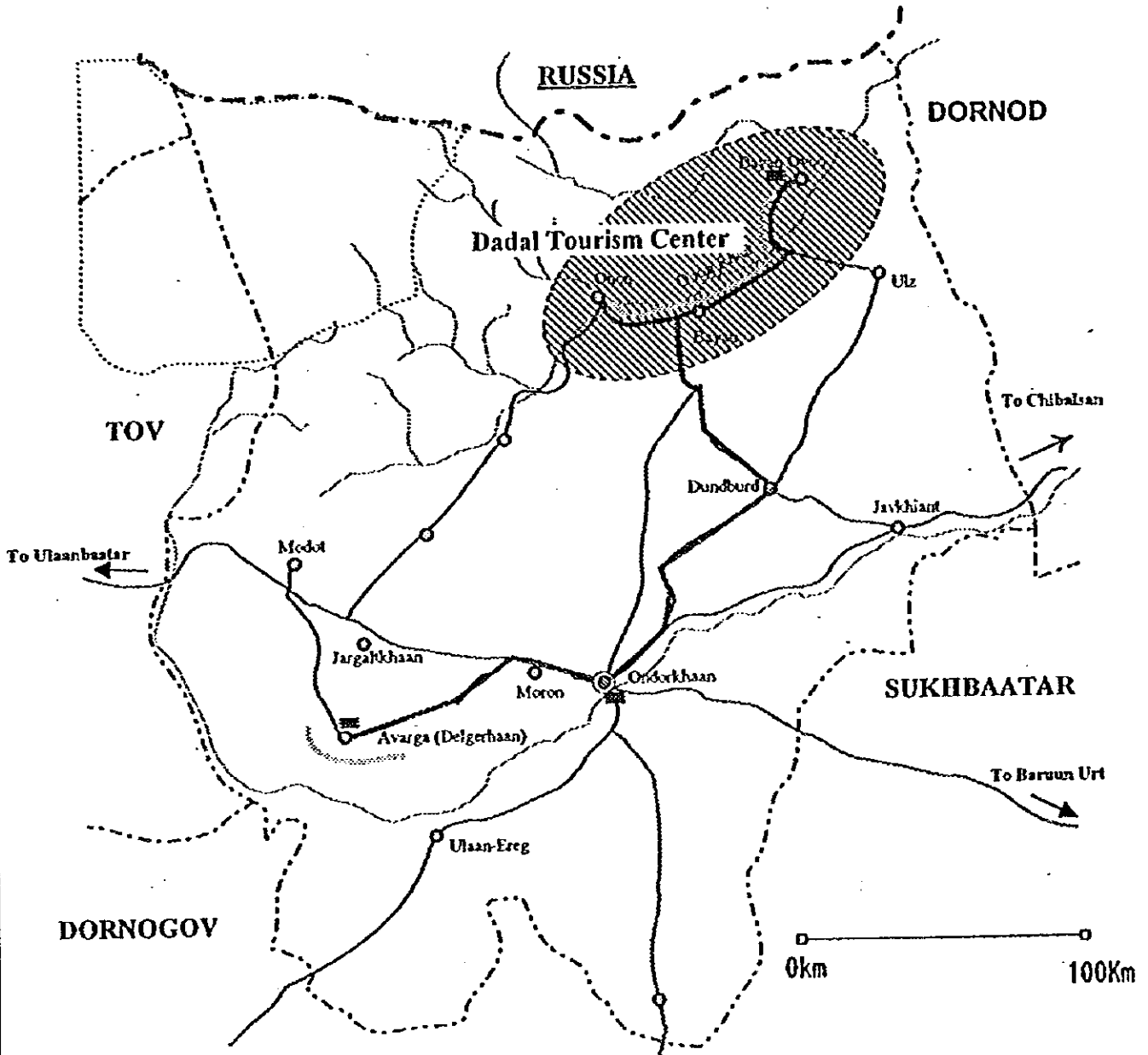
- Development Program for Hankh
- Activities for the Development of Tourism in the Caves

4) Communities and Awareness Activities





- Activities Targeted to Tourists
- Activities Targeted to Local people
- Involvement of Local Communities in the planning process

No cost estimation are given at this stage.





Development Concept of Hentii Tourism Area (to 2015 and beyond)



Provincial Tourism Center Development

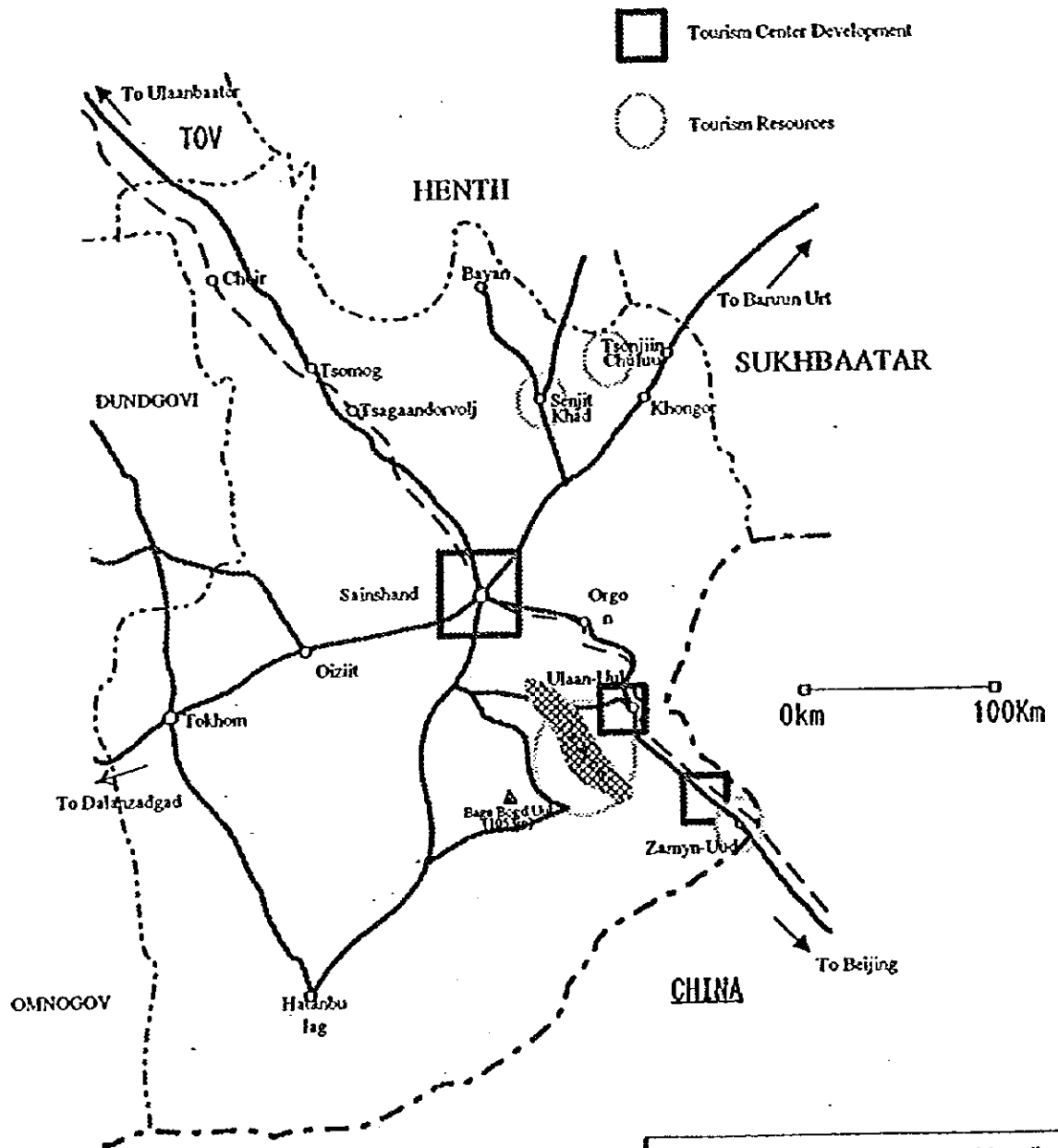
-  Ondorkhaan Visitor Center Construction (the Ethnic Museum Improvement)
-  Avara (Delgerhaan) Visitor Center (Chinggis Statue) with basic amenity
-  Tourist Route Setting Up
-  Tourist Accommodation

Dadal Tourism Center Development

-  Access Road Improvement in the Area
-  Dadal Visitor Center with basic amenity
-  Tourist Route Setting Up
-  Dadal & Provincial Airport Facility Improvement

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Figure 16.4.2 Development Concept of Hentii Tourism Area (to 2015 and beyond)
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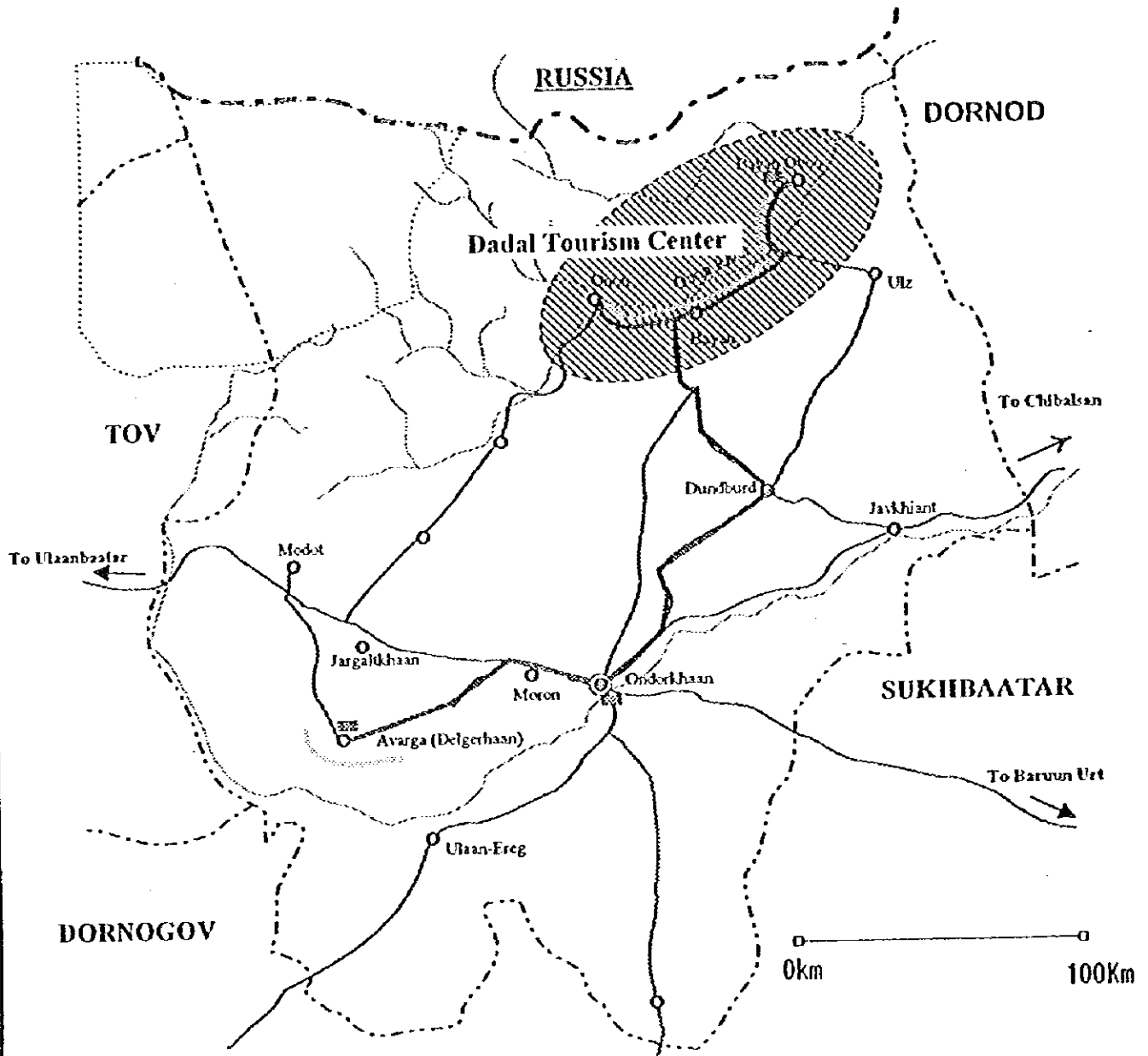
Development Concept of Dornogovi Tourism Areas (to 2015 and beyond)



- | | |
|---|---|
| Ulaan-Uul & Zamyun Uud Tourism Site Development <ul style="list-style-type: none"> ◻ Access Road Improvement ◻ Tourist Accommodation | Provincial Tourism Center Development <ul style="list-style-type: none"> ◻ Access Road Improvement (From Sainshand to Zamyun-Uud: east route) (From Sainshand to Ulaan-Uul: west route) ◻ Sainshand Visitor Center Construction (Museum Improvement) |
|---|---|

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Figure 16.4.3 Development Concept of Dornogovi Tourism Areas (to 2015 and beyond)
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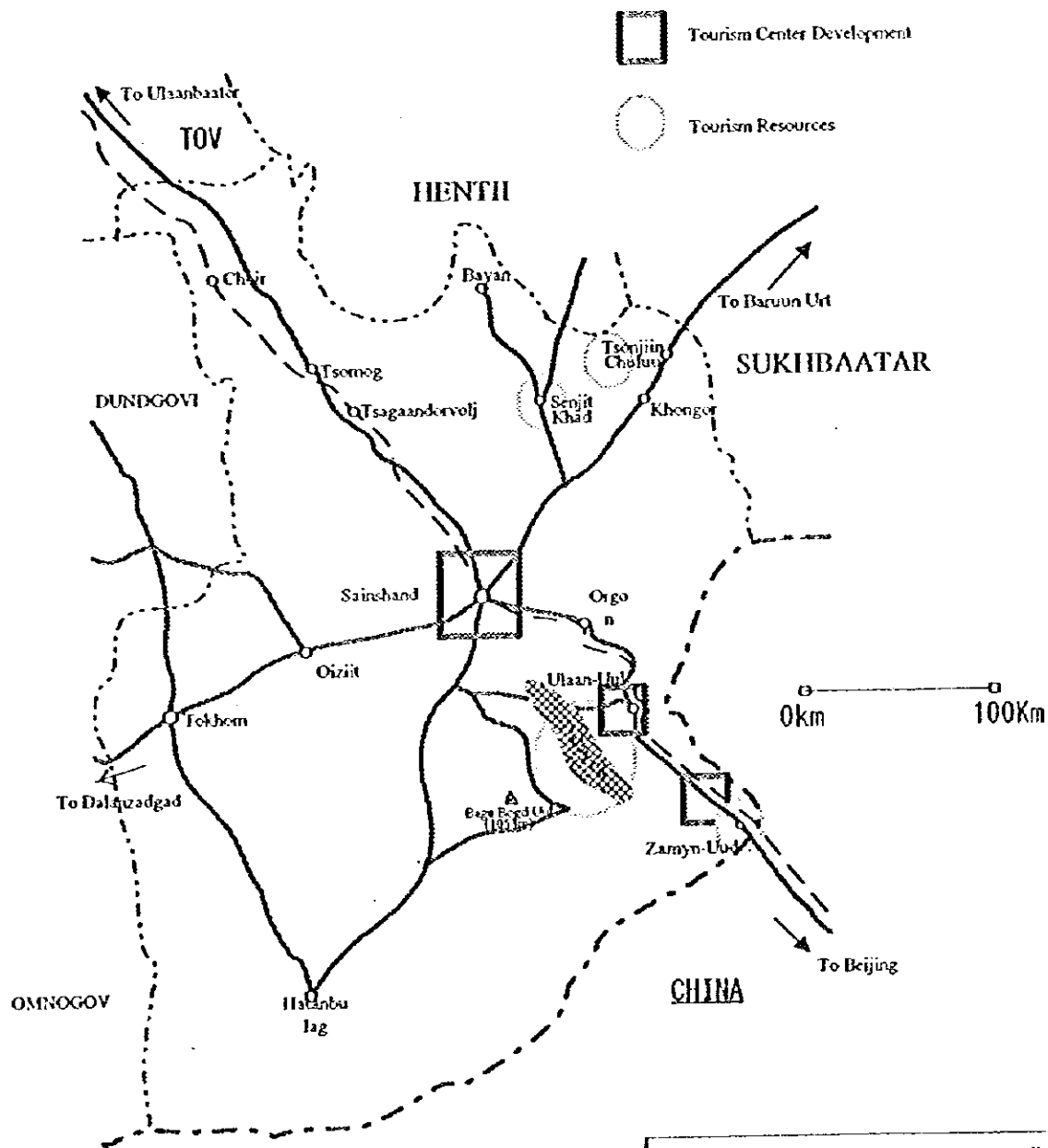
Development Concept of Hentii Tourism Area (to 2015 and beyond)



- | Provincial Tourism Center Development | Dadal Tourism Center Development |
|---|---|
| <ul style="list-style-type: none"> ▬ Ondorkhaan Visitor Center Construction (the Ethnic Museum Improvement) ▬ Avara (Delgerhaan) Visitor Center (Chunggis Statue) with basic amenity ⋯ Tourist Route Setting Up ○ Tourist Accommodation | <ul style="list-style-type: none"> — Access Road Improvement in the Area ▬ Dadal Visitor Center with basic amenity ⋯ Tourist Route Setting Up ⊕ Dadal & Provincial Airport Facility Improvement |

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 Figure 16.4.2
 Development Concept of Hentii Tourism Area (to 2015 and beyond)
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Development Concept of Dornogovi Tourism Areas (to 2015 and beyond)

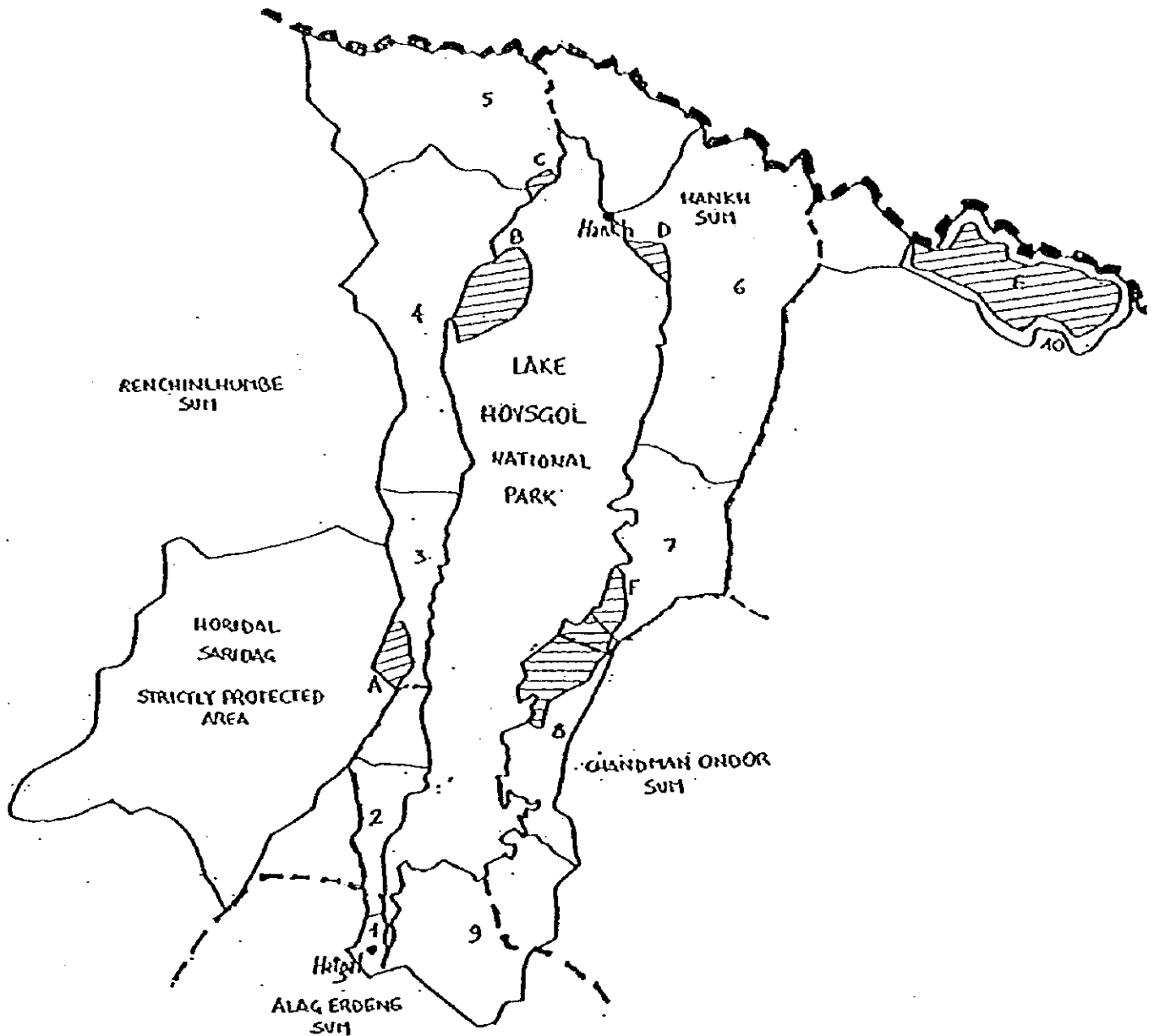


- | | |
|--|--|
| Ulaan-Uul & Zamyun-Uud Tourism Site Development | Provincial Tourism Center Development |
| <ul style="list-style-type: none"> ◻ Access Road Improvement ◻ Tourist Accommodation | <ul style="list-style-type: none"> ◻ Access Road Improvement (From Sainshand to Zamyun-Uud: east route)
(From Sainshand to Ulaan-Uul: west route) ◻ Sainshand Visitor Center Construction (Museum Improvement) |

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Figure 16.4.3 Development Concept of Dornogovi Tourism Areas (to 2015 and beyond)
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Figure 16.4.4

HOSVGOI NATIONAL PARK ZONING MAP



KEY

- national boundary
- sum's boundary
- protected areas boundary

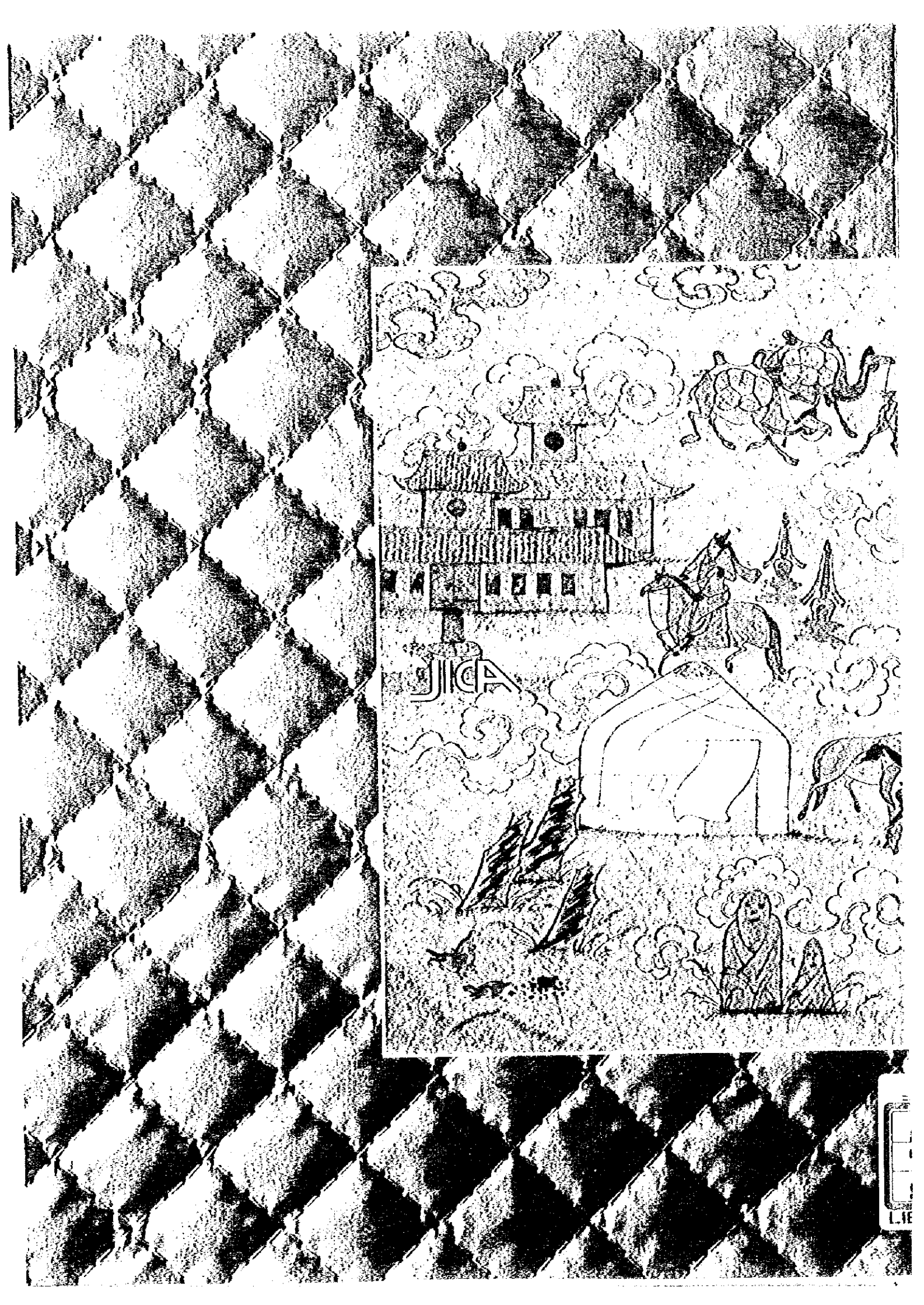
Hoysgol National Park Management Zones

- T= tourism zones
- L= limited use zones:
- S= special zones
- 1. Hatgal - L
- 2. Janghail - T
- 3. Har Us - L

- 4. Doloon Uul - S
- 5. Horo - S
- 6. Hankh - S
- 7. Borsuk - L
- 8. Modolin Shanaa - S
- 9. Alagtsar - L
- 10. Uur Uilgan - S

Core Areas:

- A. Uran Dosh
- B. Doloon Uul
- C. Horo
- D. Hankh
- E. Uur Uilgan
- F. Modolin Shanaa



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